

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Standards For Business Practices) Docket No. RM05-5-000
And Communications Protocols)
For Public Utilities)
)**

**COMMENTS OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING**

Pursuant to the Notice of Proposed Rulemaking (“NOPR”) published in the Federal Register on May 17, 2005¹, the California Independent System Operator Corporation (“CAISO”) respectfully submits the following comments² regarding the Federal Energy Regulatory Commission’s (“Commission”) proposal to include in its regulations by reference certain Standards for Business Practices and Communication Protocols for Public Utilities. These standards would be those promulgated by the North American Energy Standards Board’s (“NAESB”) Wholesale Electric Quadrant (“WEQ”).

I. Summary

The CAISO generally supports the Commission’s proposed strategy of utilizing the broad consensus- based approach of the NAESB to drive the consideration and approval of certain business and commercial standards for use in the electric utility industry. Indeed, the CAISO has been an active participant in the NAESB standards development process albeit through participation at various subcommittee meetings, and by providing timely and salient written

¹ Notice of Proposed Rulemaking: Standards of Business Practices and Communication Protocols for Public Utilities, RM05-5-000, 70 Fed. Reg. 28,222 (May 17, 2005).

² Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A, as filed on August 15, 1997, and subsequently revised.

comments on each of the proposals of interest to the CAISO. However, the CAISO does have certain comments on the proposal.

II. Specific Comments

A. The CAISO concurs with the adoption of the Proposed OASIS Standards

The CAISO is willing to accept the proposal to incorporate the standards promulgated by the NAESB's WEQ that implement, with modifications, the Commission's existing Open Access Same-Time Information Systems ("OASIS") Business Practice Standards and OASIS Standards and Communication Protocols and Data Dictionary requirements. The NOPR correctly recognizes that these standards will benefit wholesale electric customers by streamlining utility business practices and transactional processes. There appears to be nothing in the NAESB/WEQ proposal that runs counter to the CAISO's existing OASIS operations, nor does there appear to be anything within the standards that would have a real and substantial impact on the CAISO's cost of operating its OASIS. However, the ISO stresses that its position is based on the assumption that the waivers the CAISO currently has in place with respect to the Commission OASIS standards will be carried forward to the proposed NAESB standards.

It is extremely important that the Commission understand that the economic allocation used by the CAISO for determining transmission availability is fundamentally different than the first "come- first- serve" process provided for under the Commission's OASIS rules. These differences -- and the conflicts that these differences create with the Commission's own vision of a Standard Market

Design based Regional Transmission Organization -- must be recognized and dealt with by the Commission prior to utilizing the NAESB process to determine standards on a national basis that would govern all ISO/RTO operations. While uniformity can be helpful at times, regional differences must be recognized and made a part of this process if it is to function acceptably. The standards themselves must refer to the competitive market mechanisms at work in the west, and in particular at the CAISO. The Commission has expressly provided for the reflection of regional differences in the implementation of its rules.³ The CAISO believes that just as reliability organizations like NERC have provided for regional differences in reliability standards, the Commission and NAESB also need to allow for such differences.

B. Three of the proposed standards have reliability implications and should be withdrawn until NERC acts

The electric industry expeditiously established procedures for ensuring coordination between parties after NAESB was formalized. In April 2003, the North American Reliability Counsel (“NERC”), NAESB and the ISO/RTO Council (“IRC”) signed a three-way Memorandum of Understanding (“MOU”) developed between the three Parties to ensure that business practice and reliability standards are harmonized and distinguished from regional transmission tariff policy or market management policy-making and that every practical effort is made to eliminate overlap and duplication of efforts. The MOU also states that it would be beneficial to keep an open mind for future changes to be considered

³ See, for example, the Commission’s rules for compliance filings in the matter of the Large Generator Interconnection Procedures and the Large Generator Interconnection Agreement. See Docket No. ER04-445-000 et al. as well as ER04-435-000 et al., ER04-441-000 et al. and ER04-443-000 et al. for the individual transmission owner joint filings.

that would improve the process and achieves the goals contained within the MOU. The IRC plays an important role in this three- way MOU that led to the establishment of the Joint Interface Committee (“JIC”), which is to evaluate each standard as developed. Through the CAISO’s participation on the JIC, as a party to the three-way MOU, the CAISO endorsed the initial allocation of standards “separation” of the original NERC Operations Manual and Planning Standards between NERC and NAESB for development as mandatory and enforceable Reliability Standards and Business Standards, respectively.

The following standards were transferred to NAESB prematurely when NERC was drafting “Version 0” reliability standards and the CAISO believes that these standards contain reliability implications in which the electric grid interconnection frequency could be seriously compromised that were not apparent when the standards were assigned to NAESB for development. There are also parts of these standards that conflict with requirements and procedures of the Regional Reliability Councils. This example illustrates a basic weakness in the standards coordination process: standards are assigned for development to either NERC or NAESB, depending on whether the standard addresses reliability or a business practice, but there is no opportunity for subsequent consideration of reliability implications once the details of the proposed NAESB standard has been developed.

They are:

1. Area Control Error Equations Special Cases
2. Manual Time Error Correction

3. Inadvertent Interchange Payback

The CAISO proposes that the Commission postpone adoption of the above referenced standards as part of its rules until NERC can fully develop them as reliability standards. It is the CAISO's understanding that NERC is in full agreement with this approach.⁴

C. The CAISO assumes that FERC waivers will be Granted for the NAESB standards as they have for the current Commission standards

In addition to asking for a postponement of three Standards, the CAISO also addresses several other specific areas, on which the NOPR solicits comment, including: (1) inconsistencies between NAESB's OASIS Standards and the Commissions existing OASIS standards; (2) NAESB's OASIS Business Practices and the Commissions existing OASIS Business Practices; and (3) NAESB's OASIS Data Dictionary and the Commission's OASIS Data Dictionary.

For all of the existing OASIS regulations, the CAISO complies with the standards to the extent that it's market and operations structure allows. The Commission provided waivers to the CAISO and certain similar entities who cannot possibly meet the OASIS requirements based on existing financially based transmission rights markets and the fact that they do not engage in wholesale merchant functions.⁵ The CAISO believes that it is essential that (1)

⁴ See the Comments of the North American Reliability Council at page 2 filed in this docket.

⁵ The Commission stated "In our order conditionally authorizing the ISO to begin operations, we granted waiver of Order 889's OASIS requirements on an interim basis, finding the ISO's proposed WEnet would meet the current needs of market participants. We stated that we would require the ISO to comply with OASIS requirements and the associated Standards and Communications Protocols when it implemented its proposal on FTRs. At this juncture, we will continue to grant waiver of OASIS requirements (until implementation of Phase II); however, we will require the ISO to post certain additional information on its home page, as discussed above." This interim waiver was granted at 81 FERC ¶ 61,122 at 61,460 (1997). The longer-term waiver of Order 889 OASIS requirements can be found at 89 FERC ¶ 61,153 at 61,437-48 (1999).

the existing waivers that were previously applicable to these regulations be transferred to the NAESB standards that the Commission is incorporating in this NOPR regarding OASIS Business Practices, Standards and Communications Protocol, and the Data Dictionary and (1) the exemptions to be expanded to the newly proposed NAESB OASIS standards regarding Redirects, and Multiple Requests. As NAESB revises these standards and the Commission incorporates them, if no such allowance is made to transfer existing waivers forward, the CAISO and others will continuously have to re-apply to the Commission for waivers based on our regional transmission tariff policy.

III. Conclusion

For the reasons discussed above, the CAISO respectfully requests that the Version 0 Standards be withdrawn from the Commission's final rule. In addition, while the CAISO will continue to comply with the OASIS standards with the waivers granted, FERC should allow the existing OASIS waivers to remain in place.

Respectfully submitted,

/s/ Gene L. Waas

Charles F. Robinson

General Counsel

Gene L. Waas

Regulatory Counsel

The California Independent System

Operator Corporation

151 Blue Ravine Road

Folsom, CA 95630

Telephone: (916) 608-7049

July 1, 2005



July 1, 2005

BY ELECTRONIC TRANSMISSION

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Standards For Business Practices and Communications Protocols
For Public Utilities
Docket No. RM05-5-000**

Dear Secretary Salas:

Enclosed for electronic filing please find Comments of the California Independent System Operator Corporation in Response to Notice of Proposed Rulemaking in the above-referenced dockets.

Thank you for your assistance in this matter.

Very truly yours,

/s/ Gene L. Waas

Gene L. Waas

Counsel for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served copies of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, CA, this 1st day of July, 2005.

/s/ Gene L. Waas
Gene L. Waas