

# DRAFT

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UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners:

California Independent System Operator Corporation

Docket Nos. ER02-1656-014  
ER02-1656-010  
ER02-1656-011  
ER02-1656-012

California Independent System Operator Corporation

Docket No. ER02-2576-004

Investigation of Wholesale Rates of  
Public Utility Sellers of Energy and  
Ancillary Services in the Western  
Electricity Coordinating Council

Docket No. EL01-68-027

## ORDER ON REHEARING

1. In this order, we are addressing the California Independent System Operator Corporation's (CAISO) February 18, 2003 rehearing request of an order issued on January 17, 2003<sup>1</sup> concerning its Comprehensive Market Redesign Proposal (MD02).<sup>2</sup> This order benefits customers by clarifying aspects of MD02, which will result in enhanced electricity reliability for California and help provide power at just and reasonable prices.

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<sup>1</sup> See California Independent System Operator Corporation, et al., 102 FERC ¶ 61,050 (2003) (January 17 Order). On March 13, 2003, the Commission issued an order in which we granted rehearing of the January 17 Order for the limited purpose of further consideration and so that timely-filed rehearing requests would not be deemed denied by operation of law.

<sup>2</sup> See California Independent System Operator Corporation, 100 FERC ¶ 61,060 (2002) (July 17 Order).

## Background

2. In the January 17 Order, the Commission considered rehearing requests of several MD02 issues. The CAISO requests that the Commission vacate its decision in the January 17 Order directing that once the CAISO takes a bid out-of-merit order to address intra-zonal congestion, the CAISO must then examine all bids under the Automatic Mitigation Procedures (AMP). The CAISO proposes that if the CAISO takes bids out-of-merit order, it should then only be required to examine those out-of-merit order bids, not all in-merit order bids, for the potential exercise of market power. The CAISO also requests that the Commission clarify that the independent entity calculating AMP reference prices is not required to calculate reference prices for power marketers.

## Discussion

3. In a Commission order issued on October 11, 2002, the Commission stated that “all bids taken out-of-merit-order for the purposes of relieving intra-zonal congestion will be examined for the exercise of local market power.”<sup>3</sup> However, in the January 17 Order, in denying a party’s request for rehearing regarding the specific mechanics of AMP implementation under circumstances where a bid is taken out-of-merit order, the Commission justified this denial by stating that “[w]hen bids must be taken out-of-merit-order, all bids must be examined through AMP to determine that market power is not being exercised.”<sup>4</sup> Since it was not our intention to expand the examination of bids in the AMP process, we hereby clarify that if the CAISO takes bids out-of-merit order, it is only required to examine those out-of-merit order bids, not all in-merit-order bids, for the potential exercise of market power.

4. In the January 17 Order, the Commission stated that since sufficient data are now available to identify resources associated with bids from power marketers, the independent entity should be able to calculate AMP reference prices for power marketers. However, we note that the October 11 Order expressly clarified that imports are not subject to AMP.<sup>5</sup> Furthermore, the CAISO states that all real-time in control area

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<sup>3</sup> See California Independent System Operator Corporation, et al., 101 FERC ¶ 61,061 at paragraph 44 (2002) (October 11 Order).

<sup>4</sup> See January 17 Order at paragraph 25.

<sup>5</sup> See October 11 Order at paragraph 20.

transactions between the CAISO and marketers of energy coming from internal generation are unit-specific and that those real-time transactions between the CAISO and marketers of energy coming from imports are non-unit-specific. Given these facts, we clarify that the CAISO is not required to apply AMP and calculate reference prices for power marketers that bid non-unit specific resources. However, we direct that the CAISO continue to apply AMP to power marketers that bid in-state resource specific transactions.

The Commission orders:

The Commission hereby grants rehearing of the January 17 Order, as discussed in the body of this order.

By the Commission.

Secretary