

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

_____)	
California Independent System)	Docket No. ER02-1656-034
Operator Corporation)	
)	
)	
Investigation of Wholesale Rates of)	Docket No. EL01-68-031
Public Utility Sellers of Energy and)	
Ancillary Services in the Western)	
Electricity Coordinating Council)	
)	
_____)	

**ANSWER OF THE CALIFORNIA ISO
TO THE COMMENTS OF POWEREX CORP.**

The California Independent System Operator Corporation, or “CAISO”, hereby moves for leave to file an answer and provides its Answer to the Comments of Powerex, filed on November 28, 2007. Powerex’s comments address the soft bid cap on negative decremental energy bids in the CAISO’s energy imbalance market, and also a November 7, 2007, filing by Sempra Energy Trading LLC, or “SET.” The CAISO’s Answer provides additional information requested by Powerex.

I. MOTION

Answers to comments are not authorized by Rule 213(a) of the Commission’s Rules of Practice and Procedure, because comments are

not a “pleading.”¹ Accordingly, the CAISO respectfully moves for leave to file this answer.

The Commission permits otherwise prohibited answers if the answer will aid the Commission.² The CAISO believes that its answer will do so by providing information requested by Powerex.³

II. ANSWER

Powerex raises concerns about section 39.3 of the CAISO tariff. This section sets a soft limit on negative decremental energy bids of negative \$30/MWh. If the CAISO dispatches a bid below -\$30/MWh, it is not eligible to set the market clearing price, and is paid the bid cap price unless the bidder justifies the bid to the satisfaction of the Commission. The supplier must submit “a detailed breakdown of the component costs justifying the bid” to FERC and the ISO within seven days after the end of the month when this occurred.⁴

¹ See 18 C.F.R. §§ 385.213 (governing answers) and .202 (defining “pleadings”).

² *E.g., Entergy Services, Inc.*, 116 FERC ¶ 61,286, at ¶ 6 (2006).

³ See Comments of Powerex at 5.

⁴ The complete section reads:

Negative Decremental Energy Bids. Negative Decremental Energy bids into the ISO Markets less than -\$30/MWh (minus thirty dollars per MWh) shall not be eligible to set any market clearing and, if Dispatched, shall be paid as bid. If the ISO Dispatches a bid below -\$30/MWh, the supplier must submit a detailed breakdown of the component costs justifying the bid to the ISO and to the Federal Energy Regulatory Commission no later than seven (7) days after the end of the month in which the bid was submitted. The ISO will treat such information as confidential and will apply the procedures in Section 20.3.4 to this ISO Tariff in regard to requests for disclosure of such information. The ISO

Section 39.3 was drafted according to the Commission's directive in an order issued July 17, 2002, submitted in a compliance filing, and has been a part of the CAISO's tariff since then.⁵ Although the Commission has not yet formally accepted the compliance filing, it has rejected arguments that it should revise the filed language.⁶

Powerex demands to know how the CAISO has responded to bids below the limit. The answer is that CAISO has followed the tariff. If accepted, such bids are paid at the bid cap price. The CAISO is prepared to adjust this price to pay the supplier as bid in the event that the supplier submits an appropriate justification. But no supplier has ever attempted to do that. Consequently, the CAISO has not come to adopt a practice or policy about how it would recommend FERC respond to such filings.

The CAISO believes that, contrary to Powerex's assertion, the approach taken in SET's November 7 filing is entirely reasonable. In lieu of submitting a cost justification, SET timely filed an explanation that "it does not seek any payment in excess of the negative \$30/MWh cap." The CAISO infers that SET did not intend to bid at a level that requires

shall pay suppliers for amounts in excess of -\$30/MWh after those amounts have been justified.

⁵ The order is *California Independent System Operator Corp.*, 100 FERC ¶ 61,060 (2002). The compliance filing was submitted August 16, 2002 in Docket No ER02-1656-005.

⁶ See *California Independent System Operator Corp.*, 101 FERC ¶ 61,061 at ¶ 69 (2002); Comments of Powerex at 4.

justification, would prefer not to submit a justification that it believes might be either inadequate or not worth the costs of filing, and intends to confirm that it is content to be paid at the bid cap. That is what the provision contemplates. Powerex's pleading claims this is inappropriate and inadequate, but fails to explain why. No harm will come to Powerex from SET's failure to submit a justification, given that its bids could not set the market clearing price and that the financial information would have to be treated as confidential, under the terms of Section 39.3.

In addition, Powerex plays up the absence of final Commission acceptance to suggest that the provision is somehow clouded by "doubt." Some of the language is shaded grey in the CAISO tariff to clarify that official acceptance is pending, per the CAISO's practice. The tariff language is in effect nevertheless, and as noted above, is entirely consistent with the Commission's directives. The final acceptance by the Commission should be a mere formality, a fact that Powerex itself notes. So why there is a problem is, again, unclear.

III. CONCLUSION

WHEREFORE, the CAISO requests that the Commission consider these comments along with those from Powerex.

Respectfully submitted,

December 13, 2007

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA, on this 13th day of December, 2007.

/s/Susan Montana
Susan Montana