

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

California Independent System Operator) Docket No. ER09-169-000

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR LEAVE TO FILE ANSWER AND
ANSWER TO MOTIONS TO INTERVENE, PROTEST AND COMMENTS**

I. INTRODUCTION

In this proceeding, the California Independent System Operator Corporation (CAISO) seeks to amend its current tariff and Market Redesign & Technology Upgrade (MRTU) tariff to (1) delete references to the CAISO as Reliability Coordinator; (2) adopt more generalized references to reliability criteria for Ancillary Services procurement to reflect possible changes to reliability criteria for these services that may be adopted by the National American Electricity Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC); and (3) incorporate by reference the latest version of the NAESB WEQ business practice standards as required by Commission Order No. 676-C.¹ Pursuant to Rule 213 of the Commission's Rules of Practice² and Procedure, the CAISO files this motion for leave to file an answer to parties' protest and comments, which focus on the criteria for procurement of Ancillary Services.³

¹ Standards for Business Practices and Communication Protocols for Public Utilities, FERC Stats. & Regs., Regs. Preambles 1131,274 (2008).

² 18 C.F.R. § 385.213.

³ Pacific Gas and Electric Company, Southern California Edison Company, the California Municipal Utilities Association, Metropolitan Water District, Modesto Irrigation District, the California Department of Water Resources – State Water Project filed motions to intervene. Modesto filed a protest. Edison and the State Water Project submitted comments. The CAISO does not object to any party's motion to intervene.

II. MOTION FOR LEAVE TO ANSWER PROTEST

Answers to protests are generally not permitted.⁴ The CASIO respectfully requests waiver of the Commission's Rules of Practice and Procedure prohibiting answers to protests.⁵ Good cause exists for the waiver. As discussed in the CAISO's answer, the CAISO is willing to modify its proposed tariff language in order to address concerns raised by parties, including the concerns set forth in the protest filed by Modesto. Accordingly, the Commission should permit the CAISO to file this answer and approve the proposed tariff amendments with the modifications the CAISO agrees to make on compliance.

III. ANSWER

A. Tariff language relating to operating the CAISO Controlled Grid.

In its comments, Southern California Edison Company proposes that the Commission direct the CAISO to revise section 7.2 of the CAISO's proposed tariff language. Specifically, Edison objects to the CAISO retaining certain language in section 7.2, which describes how the CAISO manages the grid.⁶ Edison bases its comments on draft tariff language in this section discussed as part of the stakeholder review process, but which was not submitted to the Commission as part of the CAISO's tariff filing. Based on the stakeholder discussions, the CAISO agreed that it did not need to include the language given that other tariff provisions provided the CAISO with ample authority

⁴ See 18 C.F.R. § 385.213(a)(2).

⁵ The CAISO requests a waiver pursuant to 18 C.F.R. § 385.101(e).

⁶ Comments of Edison at pp. 2-3.

to manage the grid. The CAISO has conferred with Edison concerning this matter and Edison has agreed to withdraw its comments related to proposed section 7.2.

B. The CAISO will procure Ancillary Services based on the reliability criteria established by NERC and WECC.

Edison also argues that section 8.2.1 of the CAISO's proposed tariff language relating to the determination of Ancillary Services standards should retain existing tariff language specifying that the CASIO shall consider reasonableness and cost-effectiveness when developing Ancillary Services standards.⁷ The CAISO believes that it is unnecessary to maintain such language in the tariff because the CAISO has an obligation under the Federal Power Act to ensure that its services and the costs of its services are just and reasonable. However, the CAISO has no objection maintaining the language to eliminate Edison's concerns. The CAISO agrees to make this change on compliance.

In its comments, Modesto Irrigation District objects to the use of the defined term "Applicable Reliability Criteria" as it relates to Ancillary Service procurement because it includes not only compliance with NERC and WECC reliability criteria and any requirements of the Nuclear Regulatory Commission, but also "Local Reliability Criteria." Modesto opposes the reference to "Local Reliability Criteria" because this term is defined to include reliability criteria unique to the transmission systems of participating transmission owners.

In this proceeding, the CAISO intends neither to enlarge nor diminish its current tariff authority. Instead, the CAISO seeks only to eliminate the need to make a tariff amendment whenever NERC and/or WECC modify the minimum Ancillary Services procurement requirements. For this reason, the CAISO is willing to make the change

⁷ Comments of Edison at pp. 3-4.

suggested by Modesto to refer to “NERC and WECC reliability standards, including any requirements of the NRC” rather than utilizing the defined term “Applicable Reliability Criteria.” The CAISO agrees to make this change on compliance.

C. CDWR’s comments are beyond the scope of the CAISO’s proposed tariff amendments.

In its comments the California Department of Water Resources-State Water Project argues that the Commission should direct the CAISO to clarify that the State Water Project’s participating loads will not be called on to provide voltage support under MRTU or, alternatively, that these participating loads will receive compensation for voltage support comparable to generating units.⁸ This issue is not within the scope of the CAISO’s proposed tariff amendments, which address the criteria the CAISO will use to procure Ancillary Services and not which resources qualify for Ancillary Services or how the CAISO markets will compensate those resources. Accordingly, the Commission should reject the State Water Project’s request in this proceeding.

⁸ Comments of State Water Project at p. 3. The State Water Project asserts that under MRTU the CAISO will discriminate against participating loads by subjecting these loads to dispatch for voltage support with no means of compensation for such service. This is not the case. The voltage support tariff provisions are the same under MRTU as under the currently effective tariff. In recent stakeholder discussions on miscellaneous MRTU tariff revisions referred to as the “bucket filing” the CAISO discussed proposed changes to tariff revisions pertaining to voltage support because they had not been adequately adapted for MRTU. In those discussions, the CAISO stated that no policy changes are under consideration. Under the current tariff and MRTU tariff, resources will be compensated for Energy (if subject to an out-of-sequence dispatch today or an Exceptional Dispatch under MRTU) when Energy is needed for voltage support. A resource is also eligible for any opportunity cost under the current or MRTU tariff in the event the CAISO directs a resource to hold its Energy output at a specific level for voltage support reasons.

IV. CONCLUSION

The CAISO's proposed tariff amendments are straightforward and not controversial. Moreover, the CAISO is willing to make changes on compliance to address parties' concerns. The Commission should approve the proposed tariff amendments with the modifications the CAISO agrees to make in this answer.

Dated: December 4, 2008

Respectfully submitted,

/s/Andrew Ulmer

Nancy Saracino

General Counsel

Sidney Davies

Assistant General Counsel

Andrew Ulmer

Senior Counsel

California Independent System

Operator Corporation

151 Blue Ravine Road

Folsom, CA 95630

Tel: (916) 608-7209

Fax: (916) 608-7296

E-mail: aulmer@caiso.com

*Attorneys for the California
Independent System Operator
Corporation*

CERTIFICATE OF SERVICE

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

Dated at Folsom, California this 4th day of December, 2008.

Susan L. Montana
/s/ Susan L. Montana