

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

California Independent System Operator)	Docket Nos. ER98-3760-008
Corporation Corp., <i>et al.</i>)	EC96-19-059
)	ER96-1663-062

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. §§ 385.212 and 385.213, the California Independent System Operator Corporation (“ISO”) hereby requests leave to file an answer, and files its answer, to the joint protest filed by Pacific Gas and Electric Company (“PG&E”) and Southern California Edison Company (“Edison”) to the ISO’s January 7, 2003 compliance filing in this case.

In support hereof, the ISO respectfully states as follows:

I. MOTION FOR LEAVE TO FILE ANSWER

Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure provides that answers to protests generally are not allowed “unless otherwise ordered by the decisional authority.” In the past, the Commission has allowed the filing of answers to protests for various reasons demonstrating good cause. The Commission has found that good cause exists when an answer will facilitate the decisional process, help resolve complex issues, clarify the issues in dispute or a party’s position on the issues, lead to a more accurate and

complete record, or provide useful and relevant information that will assist in the decision-making process.¹

The ISO submits that good cause exists to grant the ISO leave to respond to the PG&E/Edison joint protest filed in this proceeding. The ISO's answer will lead to a more accurate and complete record and will assist the Commission in understanding and resolving the issues in this proceeding. For these reasons, the ISO respectfully requests that the Commission accept the following Answer.

II. ANSWER

In their joint protest, PG&E and Edison protest the ISO's tariff revisions regarding unaccounted for energy ("UFE"). PG&E and Edison urge the Commission to accept an alternative to the ISO's proposed changes to section 11.2.4.3 of its tariff. The ISO had proposed to replace the term "UDC Service Area" with the term "utility Service Area" to allow the ISO to separately calculate UFE for all investor-owned utilities ("IOUs") and Local Publicly Owned Electric Utilities. PG&E and Edison argue that this change would create problems with other parts of the ISO tariff because "utility" is not a defined term in the tariff and because it may affect the use of the term "Service Area" in other contexts. PG&E and Edison propose that the tariff use the term "UFE Area" which would include

¹ *East Tennessee Natural Gas Company*, 79 FERC ¶ 61,124 at 61,569 (1997); *Great Lakes Gas Transmission, L.P.*, 66 FERC ¶ 61,115 at 61,194 (1994); *Tennessee Gas Pipeline Company*, 55 FERC ¶ 61,437 at 62,306 n.7 (1994); *Transwestern Pipeline Company*, 50 FERC ¶ 61,362 at 62,090 n.19 (1980); *Transwestern Pipeline Company*, 50 FERC ¶ 61,211 at 61,672 n.5 (1980).

only areas where the entity serving Load in that area requests such designation and is an ISO Metered Entity.

There are several problems with PG&E and Edison's proposal. First, it substitutes a purported concern over a perceived ambiguity in the use of the term "utility" with another ambiguity by effectively defining the term "other entity" in the proposed new definition of "UFE Area" as an "entity serving Load," as used in the proposed revised version of Section 11.2.4.3, for which separate UFE calculation will be made. The ISO submits that the term "utility" is at least as clear as the term "entity serving Load" for this purpose. If the Commission considers a further clarification of the term "utility" to be necessary, the ISO would propose that it direct that "utility" be defined with respect to the ISO Tariff defined terms "IOU" (investor-owned utility) and "Local Publicly Owned Electric Utility."

The second problem with PG&E and Edison's proposal is that it is an inferior means of addressing their expressed concern that the ISO's new definition of "Service Area" will create problems in other parts of the ISO Tariff, particularly those linking the collection of the ISO's Transmission Access Charge to a "PTO Service Area." On reflection, the ISO has concluded that the use of the term "Service Area" in connection with a Participating TO's "TAC Area" (as defined in Section 3.1 of Schedule 3 of ISO Tariff Appendix F) is inappropriate. A "Service Area" is defined in the ISO Tariff as an area in which an IOU or a Local Publicly Owned Electric Utility is obligated to provide electric service to End-Use Customers. Technically, that definition is irrelevant to a

Participating TO, as it is a utility distribution company, not a transmission owner, that has an obligation to serve electric customers. While currently the Participating TOs in the ISO Control Area happen to be part of the same corporate entity as their associated distribution companies, that distinction would be even more apparent in the event that PG&E is permitted to proceed with its proposal to create a transmission company as an entirely separate corporate entity from its distribution company.

As an alternative, the ISO intends to propose a separate and distinct definition of a Participating TO's TAC Area that does not rely on the use of the defined term "Service Area" in order to de-couple the current link of a transmission owner's transmission area to a distribution company's end-use customer service area. If the Commission determines that it needs to address PG&E and Edison's concerns in this regard, it would be better served by directing the ISO to proceed with a revision to the current reference to a PTO Service Area than to require implementation of the convoluted and incomplete revisions proposed by PG&E and Edison. To implement that revision, the ISO would propose that a new defined term "PTO Service Area" be added to Appendix A of the ISO Tariff, defining the term as: "An area in which a Participating TO provides transmission service to itself, a UDC, a MSS, or End-Use Customers."

A third problem with PG&E and Edison's proposal is the incomplete specification of that proposal in PG&E and Edison's protest. The proposal makes no mention of the types of changes that PG&E and Edison would propose to the definition of "ISO Metered Entity," which is a basic element of the ISO's compliance filing and is entirely

inconsistent with the revisions proposed by PG&E and Edison. In addition, the proposal makes no mention of associated changes to the ISO Tariff Scheduling and Billing Protocol, which is the primary vehicle for implementing the separate calculation of UFE.

Finally, if the Commission concludes that PG&E and Edison's proposal that ISO Tariff Section 11.2.4.3 should be revised to include more of the substance of the provisions for separate calculation of UFE, the ISO would propose the following alternative clarification to that proposed by PG&E and Edison. The ISO's proposed revision would read as follows for the first two sentences of Section 11.2.4.3:

11.2.4.3 Unaccounted for Energy

UFE is treated as Imbalance Energy. For each Settlement Period, the ISO will calculate UFE on the ISO Controlled Grid, for each utility Service Area for which the IOU or Local Publicly Owned Electric Utility has requested separate UFE calculation and has met the requirements applicable to an ISO Metered Entity.

One other set of conforming changes that the ISO would propose for complete clarification of the ISO Tariff revisions with regard to this matter is to replace the remaining references to the term "UDC" in Sections D 2.2, D 3.26, and D 3.27 of the ISO Settlement and Billing Protocol with references to the term "utility."

III. CONCLUSION

For the foregoing reasons and the reasons set forth in its Compliance Filing in this case, the ISO requests that the Commission accept its Compliance Filing as filed on January 7, 2003, or, in the alternative, direct the ISO to make a further compliance filing implementing the foregoing alternative revisions to the ISO Tariff.

Respectfully submitted,

/s/ Lynn Gallagher

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Dated: February 13, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this 13th day of February, 2003, served the foregoing document on each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Lynn Gallagher
Lynn M. Gallagher