



California Independent
System Operator Corporation

November 15, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Answer of the California Independent System Operator Corporation
To The Motion To Supplement Motion For Clarification Of The
Williams Company, Inc.
Docket No. EL05-146-____**

Dear Ms. Bose:

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the California Independent System Operator Corporation ("CAISO") respectfully submits this Answer to the Motion to Supplement Motion for Clarification of the Williams Company, Inc.

If there are any questions concerning this filing, please contact the undersigned.

Respectfully Submitted,

/s/ Anthony J. Ivancovich

Anthony J. Ivancovich
Counsel for the California Independent
System Operator Corporation

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

Independent Energy Producers Association)	
)	
v.)	Docket Nos. EL05-146-___
)	
California Independent System Operator Corporation)	
)	

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO THE MOTION TO SUPPLEMENT MOTION FOR CLARIFICATION
OF THE WILLIAMS COMPANY, INC.**

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213, the California Independent System Operator Corporation (“CAISO”) respectfully submits this Answer to the “Motion to Supplement Motion for Clarification” (“Motion”) filed by the Williams Power Company, Inc. (“Williams”). The CAISO requests that the Commission reject the Motion. As discussed below, the Motion mischaracterizes the CAISO’s retroactive evaluation of Must Offer Waiver Denials (“MOWD”). Moreover, the material that Williams asks the Commission to consider is irrelevant to Williams Motion for Clarification.

I. BACKGROUND

On June 19, 2001, in response to the California electricity crisis, the Commission adopted a series of mitigation measures, including the Must-Offer Obligation (“MOO”).¹ On August 26, 2005, the Independent Energy Producers Association (“IEP”) filed a complaint in this docket to replace the existing MOO with a tariff-based procurement mechanism entitled the “Reliability Capacity Services Tariff” (“RCST”). Following

¹ San Diego Gas & Elec. v. Sellers, 95 FERC ¶ 61,418 (2001).

extensive settlement discussions, on March 31, 2006, the CAISO, IEP, the California Public Utilities Commission (“CPUC”), Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company submitted an Offer of Settlement and Explanatory Statement in Docket No. EL05-146-000 (“Settlement”) in order to resolve all issues in the proceeding. The Settlement included a new RCST under which the CAISO could designate units to provide additional capacity to the extent that load serving entities were deficient in meeting their Resource Adequacy (“RA”) requirements or Significant Events occurred that required a prospective designation of resources in order to enable the CAISO to meet Applicable Reliability Criteria (“ARC”). The Settlement also provided an additional daily capacity payment for units that are subject to the MOO but which are not Reliability Must Run units, Resource Adequacy Units, or designated under the RCST Tariff, and which are denied Must-Offer Waivers by the CAISO. In addition, if the CAISO issued a MOWD to a Must-Offer Generator on four separate days in a calendar year, the CAISO was required to evaluate whether a Significant Event has occurred that necessitates designation of the FERC Must-Offer Generator to provide service under the RCST (“MOWD” Evaluation). The CAISO was required to publish the results of its MOWD Evaluation, including an explanation of whether to designate FERC Must-Offer Generator capacity as RCST, in a Significant Event/Repeat Waiver Denial Report. The RCST Tariff provisions included in the settlement also required the CAISO to publish a RCST Report that shows, among other things, the resource(s) designated as RCST, the term of the designation, and the reason for the designation.

In an order issued on July 20, 2006, the Commission set certain issues raised by the Settlement for a paper hearing, but approved the provisions of the Settlement on an interim basis, with certain exceptions not relevant here, effective July 20, 2006.² However, in a subsequent order issued on September 27, 2006, the Commission clarified that the CAISO was only authorized to implement the Settlement provisions upon Commission approval of appropriate interim tariff sheets to be filed by the CAISO in a compliance filing.³ The CAISO filed those “interim” tariff sheets on October 20, 2006. On February 13, 2007, the Commission approved the Settlement with minor modifications and directed the CAISO to file tariff sheets implementing the settlement.⁴ The CAISO made a compliance filing on March 15, 2007. On June 11, 2007, the Commission approved the tariff sheets implementing the Settlement and rejected as moot the “interim” tariff sheets filed by the CAISO on October 20, 2006.⁵

Although the Commission’s approval of the Settlement was retroactive to June 1, 2006,⁶ the Commission did not indicate whether the CAISO was legally authorized to designate units as RCST retroactively, which would require the CAISO to reconstruct a Significant Event evaluation that it would have made (but did not in fact make) if the RCST tariff provisions had been in effect and approved by the Commission. It is not clear whether the CAISO has the authority under the RCST Settlement or legal precedent to conduct Significant Event evaluations in 2007 for events that occurred in the

² Indep. Energy Producers Assoc. v. Cal. Indep. Sys. Operator Corp., 116 FERC ¶ 61,069 (2006).

³ Indep. Energy Producers Assoc. v. Cal. Indep. Sys. Operator Corp., 116 FERC ¶ 61,297 at P 14. (2006).

⁴ Indep. Energy Producers Assoc. v. Cal. Indep. Sys. Operator Corp., 118 FERC ¶ 61,096 (2007).

⁵ Indep. Energy Producers Assoc. v. Cal. Indep. Sys. Operator Corp., 119 FERC ¶ 61,266 (2007).

⁶ 118 FERC ¶ 61,096 at P 200.

summer of 2006 and then make retroactive designations of capacity under the RCST for the three-month period immediately following such Significant Event. The issue is made even more difficult by the fact that a unit retroactively designated as RCST would not have been treated by the CAISO as a RCST unit -- and, hence, would not have been called on by the CAISO to provide RCST service -- during the historic period for which it would be receiving a RCST capacity payment.⁷ Williams and the Mirant Corporation have submitted requests for rehearing or clarification regarding this issue, and that issue is currently pending before the Commission.

In any event, the CAISO proceeded to conduct a retroactive evaluation of all MOWDs for the period June 1, 2006, through February 28, 2007 to determine whether there were any Significant Events that would have necessitated a designation of capacity under the RCST. On January 19, 2007, the CAISO posted a Summary Report⁸ in which it (1) specified, by reason, the number of MOWD commitments for the period June 1, 2006-February 28, 2007, (2) identified the Significant Events that occurred during that period that would have resulted in Significant Event RCST designations, and (3) discussed other notable events that occurred during that period but which the CAISO concluded would not require any Significant Event RCST designations. As the CAISO noted in the Summary Report, a Significant Event is defined as an event that results in a material difference in CAISO Controlled Grid operations relative to what was assumed in developing the LARN [Local Area Reliability Needs] Report for 2006 that causes, or

⁷ Retroactive RCST designations raise the question of how the CAISO would reproduce any changes in must-offer waiver denials and dispatches that would have resulted if any units had actually been designated as RCST in 2006. Also, under the Settlement, units designated under the RCST have an obligation to provide Ancillary Services to the extent capable. It is not clear how this obligation would be applied/enforced if a unit were to be designated retroactively.

⁸ Williams has previously filed this report with the Commission.

threatens to cause, a failure to meet Applicable Reliability Criteria.⁹ The Summary Report addressed three events of particular note from the Summer of 2006, and the CAISO's evaluation of these events is discussed in greater detail below.

In the Summary Report, the CAISO concluded that there were two Significant Events that would have warranted a designation of resources under the RCST if the RCST tariff provisions had been approved and in place at the time of the Significant Event.¹⁰ The first was the so-called Delta Dispatch issue. The LARN assumed that Pittsburg 7 would not be available between May 1 and July 15, and that Pittsburg 7 was not needed to meet Applicable Reliability Requirement for the Bay Area local area. Instead the LARN identified other smaller RMR resources that were needed to meet ARC. These units, however, could not ordinarily be operated without first dispatching Pittsburg 7, assuming Pittsburg 7 is operating, during that Sacramento-San Joaquin River Delta Dispatch conditions as the result of environmental constraints. Because the LARN anticipated that Pittsburg 7 would be out-of-service or otherwise unavailable for commitment during this period, the requirements of the environmental restriction would have been satisfied, *i.e.*, these units could be dispatched without first having to dispatch Pittsburg 7.

⁹ CAISO Tariff, App. A. The LARN Report sets forth, for 2006, the amount of generation capacity that is needed (*i.e.* Local Capacity RequirementsTM) in specified local capacity areas in order for the CAISO to reliably serve load in these areas.

¹⁰ In the Summary Report, the CAISO noted that the issue of whether the CAISO has the authority to make retroactive designations back to June 1, 2007 was currently pending before the Commission. Accordingly, the CAISO indicated that it would not actually make any RCST designation or payment until and unless, the Commission issued a rehearing order granting the CAISO the authority to make retroactive RCST designations.

In actuality, however, during the 2006 Delta Dispatch period, Pittsburg 7 was not out-of-service, but was in fact available for dispatch.¹¹ Therefore, the assumption that “non-Pittsburg Unit 7” resources identified in the LARN study would be available to meet Applicable Reliability Criteria (“ARC”), unencumbered by the need to dispatch Pittsburg 7 first, was incorrect. This constituted a material difference from what the LARN study assumed. Because the CAISO needed to rely on Pittsburgh 7 to meet ARC in the Bay Area during the Delta Dispatch period, this difference would have caused a failure to meet Applicable Reliability Criteria. The CAISO therefore concluded that it would have designated Pittsburgh 7 as an RCST unit under such circumstances if the RCST Tariff provisions had been in place, and proposed a retroactive designation of Pittsburg 7 in the event the Commission were to determine that such retroactive designations were legally permissible.

The second Significant Event discussed in the Summary Report involved the California Energy Commission’s (“CEC’s”) revision to its demand outlook for the summer. The local area load forecast used in the LARN report, which is a 1-in-10 year peak summer load forecast, was derived from the initial CEC system forecast for 2006. However, subsequent to the LARN Report, the CEC issued a revised demand outlook for the summer of 2006 in which it increased the system load forecast, *i.e.*, the 1-in-2 Summer Temperature Demand (Average), by approximately 1300 MW for the July through September timeframe.¹² Because the local area load forecasts used in the LARN Report, are derived from the CEC system forecast, the increase in system load forecast by the CEC resulted in an increase in forecast load in the local areas compared to the

¹¹ However, Pittsburg 7 was not “picked up” under any RMR or RA contract.

¹² A 1-in-2 forecast means that the load value has a 50% chance of occurring in any one summer.

forecast load that was assumed in the LARN Report. When the CAISO reviewed the increased load forecast and its effects at the local level, it was clear that, although the capacity made available under RA and RMR was sufficient to meet ARC for all other areas, the pool of available RA and RMR resources in the Bay Area was not sufficient to meet ARC given the increased load forecast. The CAISO's analysis showed that the deficiency in local capacity requirements could be satisfied by (1) committing 260 MW from Contra Costa 6; or (2) committing 70 MW for Contra Costa 6 if Pittsburg 7 were already committed. As discussed above, Pittsburg 7 would indeed have already been committed, so the CAISO only needed 70 megawatts from Contra Costa 6. The RCST tariff, however, only permits the CAISO to designate units that have a capacity that is slightly less or slightly more than the identified deficiency.¹³ Because the capacity of Contra Costa is 330 MW (more than slightly greater than the 70 MW deficiency), the CAISO did not propose to designate Contra Costa 6 retroactively.

The CAISO also discussed events that occurred from July 21 to July 25, 2006, when the CAISO issued MOWDs that would have triggered MOWD Evaluations to three different units. This period included the series of extremely hot days when loads exceeded the revised CEC 1-in-2 Summer Temperature Demand (Average). For this time period, the capacity included in RA demonstrations exceeded the actual loads. However, the day-ahead schedules that were submitted on these days were less than forecast load by approximately 1000 MW, and almost all of the remaining unscheduled capacity was represented by liquidated damages contracts in the RA showings, which are not tied to a specific unit. The CAISO operators only have the ability to commit unit-

¹³ CAISO § 43.3.3.

specific RA capacity, and did so before committing MOWD resources. During this time, the CAISO committed FERC Must-Offer units Day-Ahead in order to ensure that sufficient capacity would be on-line in real-time to meet forecast load. Given that RA demonstrations exceeded actual loads, the fleeting nature of the heat wave, and the absence of a prospective change in the CEC load forecast, the CAISO determined that this event would not have required a prospective designation of resources under the RCST tariff.

Following issuance of the Summary Report, the CAISO worked on preparing the weekly Significant Event reports, all of which were posted to the CAISO's website by October 20, 2007. The posted weekly reports contain written Significant Event Evaluations for all of the MOWDs during the period June 1, 2006 through February 28, 2007.

On October 31, 2007, Williams filed its Motion. Williams asserts that the CAISO's failure to propose RCST designations for certain units to which it issued MOWDs frustrates the purpose and intent of the Offer of Settlement and is inconsistent with the February 13 Order. Williams asks that the Commission consider "this newly available information" in order to ensure that a complete record exists upon which to base further orders in this proceeding.¹⁴

II. ARGUMENT

A. Williams Has Presented No Basis for the Commission to Permit It to Supplement Its Motion for Reconsideration.

A review of the July 19, 2007 Summary Report and the weekly Significant Event reports demonstrates the CAISO's careful evaluation of potential Significant Events

¹⁴ Motion at 3-4.

between June 1, 2006, and February 28, 2007. In any event, this material has no bearing on the Commission's consideration of Williams' Motion for Reconsideration.

As an initial matter, the CAISO notes that the Motion is procedurally flawed. The Commission directed a paper hearing in this matter and issued a decision. The record is closed. If Williams believes that there is information that the Commission should consider in evaluating Williams Motion for Clarification, it must move reopen the record.

If Williams were to move to reopen the hearing, it would need to meet a heavy burden. As the Commission has recently noted, a party seeking to reopen a record must demonstrate a change in circumstances that is more than just material -- it must be a change that goes to the very heart of the case.¹⁵ The CAISO's implementation of the RCST tariff provisions is irrelevant to Williams Motion for Clarification, which seeks a clear statement of the Commission's intent in the order approving the settlement. The CAISO's subsequent actions cannot affect the Commission intent in an earlier order. As the Commission noted in another matter, the Motion "goes not to the core circumstances or heart of the . . . proceeding, but instead constitutes a tariff compliance matter." *Id* at P 55.

B. Williams Presents No Evidence that the CAISO Has Improperly Implemented the Settlement.

1. The CAISO Has Properly Evaluated the Need for Significant Event Designations.

Williams simply has not presented *any* evidence that the CAISO has improperly implemented the Settlement with regard to the designation of RCST units. In particular, Williams does not provide one iota of evidence that that the CAISO has failed to properly apply the RCST designation criteria set forth in its tariff. Instead, Williams cites IEP's

¹⁵ *Cal. Indep. Sys. Operator Corp.*, 120 FERC ¶ 61,271 (2007) at P 54.

statement to the Commission that “the CAISO designated only one generating unit under the RCST, but called on eleven non-RA units a total of 172 times in the day-ahead time frame to provide reliability service in 2006” and IEP’s unsupported assertion that the CAISO has failed to implement the Settlement in a manner consistent with the purpose and intent of the Settlement.¹⁶ Williams also asserts that a comparison of the number of MOWDs with the number RCST designations demonstrates that the CAISO has exercised its discretion to write Significant Event designations out of the Settlement. It argues that, for this alleged reason, the discrimination that the Commission found to exist under the Must Offer program continues to exist.¹⁷

Williams ignores the fact that the Settlement and the Commission-approved tariff provisions implementing the Settlement do not provide any hard triggers for RCST designations and do not even require the CAISO to make RCST designations. Rather, RCST designations are at the discretion of the CAISO, and the Settlement and RCST tariff provisions establish specific requirements *before* the CAISO can even exercise its discretion.¹⁸ First, there must be a Significant Event – which, for 2006, is defined as an event “that results in a material difference in ISO-Controlled Grid operations relative to what was assumed in developing the LARN Report for 2006 that causes or threatens to cause a failure to meet Applicable Reliability Criteria.” Thus, the mere number of MOWD’s does not -- and cannot -- establish either that a Significant Event occurred or that RCST designations are necessary. Second, under Section 43.4, the CAISO *may* designate capacity *to provide service* under the RCST following a Significant Event *if*

¹⁶ Motion at 6.

¹⁷ *Id.* at 6-7.

¹⁸ Interestingly, nowhere in its Motion does Williams even mention what the RCST Significant Event designation criteria are or how the CAISO has failed to apply them properly.

such an RCST designation is *necessary* to remedy any resulting material difference in ISO Controlled Grid operations relative to the assumptions in the LARN Report. These restrictions on the CAISO's ability to make Significant Event designations were just as important to some parties to the Settlement as the CAISO's authority to make designations was to Williams.

Section 43.4 also requires the CAISO to take into account the expected duration of the Significant Event in determining whether or not to make an RCST designation. This is because Significant Event designations have a minimum term of three months (and will be paid monthly capacity payments for every month that they are designated). Under the Significant Event/Repeat MOWD evaluation process, the CAISO is also required to indicate whether any RA resources or RMR units were available and called by the CAISO before it denied a FERC Must Offer Generator's waiver request. Finally, the CAISO must explain why Non-Generation Solutions were insufficient to prevent the use of denials of must offer waivers for local reasons.

Williams does not identify any deficiency in the CAISO's analysis of whether the events included in the reports constituted Significant Events that would have necessitated a designation of capacity, consistent with the criteria identified above. Williams does not explain why any of the units that were denied MOWDs should have been designated in response to a Significant Event. In particular, Williams does not even attempt to explain why any of its units should have received RCST designations. In short, Williams does not provide any evidence that the CAISO has failed to fulfill its obligations under the Settlement and the Tariff with respect to the designation of units. The CAISO believes that its actions have been consistent with the Tariff and the intent of the Settlement.

Williams' assertion of 172 MOWDs is itself misleading. Almost half of the 172 MOWDs were for zonal reasons. As Williams acknowledges,¹⁹ however, neither the Settlement nor the CAISO Tariff authorize the designation of RCST units for zonal reasons.

Further, contrary to Williams' assertion, Generators that received MOWDs are not subject to the discrimination that the Commission found to exist under the Must-Offer compensation scheme that existed prior to the Settlement. The Settlement that the Commission approved specifically contemplates that MOWDs may continue to be necessary and includes provisions such that Generators given MOWDs will not be subject to the discriminatory compensation. The Commission's finding of discrimination was based on the lack of a capacity payment to Must-Offer Generators.²⁰ In contrast, as a result of the Commission's approval of the Settlement, Must-Offer Generators receive a daily capacity payment in addition to the start-up, emissions, and minimum load costs that they received prior to the Settlement. The Commission specifically found that "payment structure provides appropriate compensation to generators for being available for reliability purposes."²¹

2. The CAISO Properly Prepared Its Significant Event Reports

Williams complains that the CAISO did not issue any Significant Event weekly reports for 2006 until October 2007 and claims that, as such, the weekly reports were "clearly" developed in a manner as to justify, through the heavy use of hindsight, the CAISO's decision to not award RCST designation to numerous units during the second

¹⁹ Motion at 11.

²⁰ 116 FERC ¶ 61,069 at P 36.

²¹ 118 FERC ¶ 61,096 at P77.

half of 2006.²² Williams fails to take into account, however, that the Commission did not approve the Settlement until February 13, 2007 and did not approve the tariff sheets implementing the Settlement, including the tariff provisions setting forth the reporting requirements, until June 11, 2007. Williams neglects the Commission's statement in the September 27, 2006 Order that the CAISO "upon approval of appropriate interim tariff sheets...will be authorized to implement all the terms of the Offer of Settlement relating to the sale of capacity."²³ As indicated above, the Commission never acted on the interim tariff sheets filed by the CAISO. Accordingly, the CAISO did not have any authority to make RCST designations in 2006; that authority did not arise until 2007.

The CAISO posted the aforementioned RCST Summary report on July 19, 2007. Thereafter, the CAISO prepared the written weekly Significant Event reports for the MOWDs that occurred during the period June 1, 2006-February 28, 2007. The CAISO did not complete and post all of the reports until October 2007.²⁴ However, the timing of the issuance of these reports in no way impacts the conclusions in such reports, and Williams has not provided any evidence to suggest otherwise.

Williams provides only one example where it alleges that the CAISO improperly based its decision not to make a designation on "hindsight." That example of "hindsight" is the CAISO's reliance on the fleeting nature of the June 21-26 heatwave.²⁵ Williams speculates that if the designation decision had been made during the Summer of 2006, the CAISO would have assumed that another heat wave would occur that would require the

²² Motion at 7-8.

²³ 116 FERC at P 14.

²⁴ Again, the CAISO stresses that the issue of whether the CAISO even has the authority to make retroactive Significant Event RCST designations is pending before the Commission.

²⁵ Motion at 8-9.

commitment of non-RA units. However, speculation and assumption about the occurrence of future events (*e.g.*, a new heat wave that may or may not occur at some future time) does not support a designation of capacity under the RCST Tariff. Significant Event designations can occur only if there has been a Significant Event, and an RCST designation is *necessary* to remedy a resulting material difference in ISO-Controlled Grid operations relative to what was assumed in the LARN Report. Also, the CAISO must take into consideration the expected duration of the Significant Event. Thus, RCST designations are not based on hypothetical future events; they are based on Significant Events that have actually occurred and which are expected to continue past the date of designation. As indicated above, after every four separate days that the CAISO issues a MOWD to a unit, the CAISO must conduct a Significant Event/MOWD Evaluation. The CAISO then publishes the results of its assessment on a weekly basis (Section 40.15.4). Thus, even if the CAISO had undertaken its evaluation in July of 2006, given that the heat wave only lasted from July 21-26, by the time the CAISO would have completed and posted its weekly Significant Event/Repeat Waiver Denial Report addressing the MOWDs, the heat wave would have been over, and there would not have been a need to designate a unit prospectively under the RCST. Stated differently, there was no indication that the heat wave was going to continue for a period of time in the future so as to necessitate and justify a three month designation of capacity under the RCST. Williams does not show otherwise. Further, the LARN Study for 2006 was based on a 1-in-10 year summer peak load forecast. The nature of such a forecast is that there is a low probability that loads would exceed this level twice in one summer as the result of separate heat waves. Thus, it is highly unlikely that the CAISO would have speculated

that there would have been a second heat wave in the summer of 2006 that would have exceeded the 1-in-10 forecast and planned for such a hypothetical event by designating in advance of the “event” RCST capacity for a three month term.

In any event, the CAISO applied the criteria specified in the tariff and concluded that a designation of capacity under the RCST tariff was not necessary. As noted above, the CAISO also took into consideration, among other things, the fact that RA demonstrations exceeded actual loads and the absence of a prospective change in the CEC load forecast. The fact that the CEC, acting contemporaneously, decided not to revise its load forecast supports the conclusion that the CAISO would not have made a contrary decision.

3. Williams’ Reliance on the 2006 Operational Compliance Assessment Is Misplaced.

Finally, Williams cites to certain documentation issues identified in the CAISO’s 2006 Operational Compliance Assessment as seemingly affecting the CAISO’s ability to fairly and effectively administer the RCST Settlement.²⁶ Williams alleges that inconsistencies in the documentation of reasons for MOWDs indicate that the CAISO is relying on zonal MOWDs to avoid the designation of RCST units.

Williams concludes far too much from an Operational Compliance Assessment. The Compliance Assessment does not make -- nor was it intended to make -- any substantive conclusions about whether the CAISO improperly committed a unit for a specified reason (local, system or zonal) when the unit should have been committed for a different reason, or whether the CAISO should have committed the unit at all. The purpose of the Compliance Assessment was only to assess whether the CAISO was

²⁶ Motion at 11.

following specified operational processes. One of the processes was the Must Offer Waiver process. Among other things, PWC examined whether documentation of unit commitment decisions stored in three different locations matched.²⁷ Specifically, PWC checked records from the Out-of-Sequence (“OOS”) dispatching against spreadsheet records and reason codes(system, local or zonal) for MOWDs logged in the CAISO’s logging system (“SLIC”). PWC found a couple of instances where the description in the OOS system did not match the reason given in SLIC (*i.e.*, system, zonal or local). These were essentially transcription-type errors. Also, there were a couple of instances where PWC found that zonal unit commitments in OOS were not reflected in the spreadsheet results. Again, this was not a substantive finding that the CAISO’s decisions to commit a unit(s) were inappropriate and that a unit(s) should not have been committed,²⁸ it was only a finding that they were not documented on the spreadsheet. It is important to note that the CAISO has a “post-process” whereby any inconsistencies are identified and “fixed” prior to settlement so the proper reason for the MOWD is specified and costs allocated appropriately. Thus, these documentation errors are not evidence of any deliberate effort by the CAISO to avoid RCST designations.

Williams fails to note that these problems are the same as those cited in the 2005 Compliance Assessment,²⁹ *before* the Settlement was even approved. Given that these

²⁷ The CAISO uses three tools to determine whether additional units are required for certain system conditions. These tools -- South of Lugo, SCIT and Path 26 -- are run daily and the CAISO either rescinds or denies MOO waivers based on the results of these tools. In addition, a review is performed prior to running these tools to determine if there are any units required for specific outages scheduled for the operating day. Once the review is complete and the tools are run, the results are used to rescind or deny MOO waivers for the next operating day.

²⁸ In any event, if the appropriate result would have been not to commit a MOO unit (by denying or rescinding a waiver) that was in fact committed, that result would not support a designation of capacity under the RCST.

²⁹ <http://www.caiso.com/1810/1810b0759c60.pdf>

types of documentation inconsistencies preceded RCST, they cannot provide any legitimate basis for asserting that the CAISO is purposely undermining the Settlement by substituting zonal MOWDs for RCST designations.

Williams also fails to cite the response of CAISO management,³⁰ which notes that logging discrepancies have been continual issue that is largely due to the CAISO's manual process and is being addressed in the CAISO Market Redesign and Technology Update. The 2006 Compliance Assessment identifies significant issues that the CAISO is attempting to address; it does not have any relevance to Williams Motion for Clarification.

In any event, Williams ignores the fact that the logging of the reason for MOWDs does not serve as the basis for Significant Event determinations. Under the Offer of Settlement (as reflected in Tariff Section 40.15.4), the CAISO is required to specify in its Significant Event/Repeat Waiver Denial Report the reason for the MOWD, *i.e.*, whether the MOWD was for system, zonal or local reasons, and the reports do that. However, the determination of whether a Significant Event RCST designation is necessary ultimately is based on the definition of Significant Event and application of the criteria specified in Section 43.4 (and discussed above).

Williams assertions about the Compliance Assessment provide no support for its premise that the CAISO has failed to propose RCST designations in circumstances in which a RCST designation would have been justified. Williams does not identify a single instance where it believes a RCST Significant Event designation would have been

³⁰ <http://www.aiso.com/1c7a/1c7a6ef85c6e2.pdf> and <http://www.aiso.com/1c73/1c73943570a0.pdf>.

necessary based on the designation criteria set forth in the Tariff, but the CAISO failed to make such a designation simply because the commitment was for a zonal reason.

III. CONCLUSION

For the reasons discussed above, the CAISO submits that the Motion should be denied.

Respectfully submitted,

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich

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Dated: November 15, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for 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 on this 15th day of November, 2007.

/s/ *Melissa Hicks*
Melissa Hicks