103 FERC ¶ 61, 042

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

California Independent System Operator Corporation	Docket No. ER98-3760-006
Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company	Docket Nos. EC96-19-057 and ER96-1663-006

ORDER ON CLARIFICATION

(Issued April 11, 2003)

1. In a November 22, 2002 order,[1] the Commission addressed requests for rehearing that were briefed in the proceeding to address outstanding issues relating to the California Independent System Operator Corporation (ISO).[2] In this order, we grant requests for clarification. The order benefits customers by providing further clarity regarding the ISO Open Access Transmission Tariff (ISO Tariff) and operation of the ISO markets.

Background

2. In Pacific Gas and Electric Company, et al., 81 FERC ¶ 61,122 (1997) (October 1997 Order), the Commission conditionally authorized operation of the ISO. Requests for rehearing of the October 1997 Order were included in the "Outstanding Issues" proceeding, established in California Independent System Operator Corporation,

[1]California Independent System Operator Corporation, 101 FERC ¶ 61,219 (2002) (November 2002 Order).

[2]The outstanding issues proceeding was designated as Docket No. ER98-3760-000.

84 FERC ¶ 61,217 (1998). The rehearing issues were addressed in the November 2002 Order.

3. Modesto Irrigation District (Modesto) filed a timely request for clarification, or in the alternative, request for rehearing of the November 2002 Order. The ISO filed a timely request for clarification and rehearing.

Discussion

A. Allocation of Unaccounted For Energy[3]

4. The October 1997 Order found that the ISO's proposed assignment of Unaccounted for Energy (UFE) losses was reasonable.[4] Parties objected to the assignment of UFE losses that may include a distribution loss deviation component or an energy theft component to Scheduling Coordinators that schedule at the Transmission level. In response, the Commission explained:

> While the distribution loss deviation component should arguably not be assigned to such Scheduling Coordinators, the quantification of this single component may not be feasible. We do not agree that Scheduling Coordinators scheduling at only the transmission level should bear no share of the other loss components because they are attributable to overall system conditions and do not lend themselves to any reasonable alternative assignment methodology.[[5]]

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[3]This issue was identified as Issue O.1.b in the outstanding issues docket.

[4]October 1997 Order, 81 FERC ¶ 61,122 at 61,522. The ISO Tariff defines UFE as the difference in Energy between the net Energy delivered into the Utility Distribution Company (UDC) Service Area (adjusted for UDC Service Area Transmission Losses) and the total metered Demand within the UDC Service Area (adjusted for distribution losses). UFE losses are attributed to meter measurement errors, power flow modeling errors, energy theft, statistical Load profile errors and distribution loss deviations. Section 11.2.4.3 of the ISO Tariff provides that UFE will be allocated to each Scheduling Coordinator based on the ratio of its metered Demand within the relevant UDC Service Area to total metered Demand within the UDC Service Area.

[5]October 1997 Order, 81 FERC ¶ 61,122 at 61,522.

5. The November 2002 Order granted rehearing and directed the ISO to allow all market participants with revenue-quality meters at ISO take points to pay their own UFE calculated separately with data from their own meters. The Commission stated that it appeared that such calculations were now feasible. This finding was based on the Commission's earlier acceptance of an ISO proposal to revise the ISO Tariff to change the method it uses to allocate UFE to UDCs from the system-wide allocation method to a method that utilizes actual transmission conductor loss values for individual UDCs.[6] In addition, the Order noted that the ISO, in its answering brief, appeared to acknowledge that more specific UFE cost assignment is feasible with regard to non-UDCs.

6. Further, the November 2002 Order found unconvincing the ISO's argument that it is not reasonable to allow a more specific UFE cost assignment because of the ISO Tariff's method of allocating UFE based on UDC Service Area and because it would be unfair to entities that have signed UDC agreements. The Commission disagreed with the ISO that the matter was one of contractual entitlements and obligations. The November 2002 Order stated:

> if market participants are incurring UFE charges for which they are not responsible, and the technology is available to more accurately account for the losses, the applicable Tariff provisions are unjust and unreasonable because they ignore principles of cost causation. Further, the fact that the ISO Tariff is based on UDC service areas should not prevent the more accurate assignment of UFE charges, as the ISO Tariff can (and should) be revised to reflect a fair and reasonable calculation of UFE charges.[[7]]

7. The ISO, in its request for clarification and rehearing, argues that the November 2002 Order erred in assuming a change in the underlying facts that led the Commission to originally find the ISO's treatment of UFE to be just and reasonable. It contends that, in the November 2002 Order, the Commission misinterpreted the ISO's statements that it could provide separate UFE information for "non-UDCs" as referring to Scheduling Coordinators. The ISO states that it intended non-UDCs to mean utilities that have the capability of executing the Utility Distribution Company Operating Agreement, but have chosen not to execute such an Agreement.

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[6] See California Independent System Operator, 89 FERC ¶ 61,229 at 61,686 (1999), order on reh'g, 90 FERC ¶ 61,315 (2000).

[7] November 2002 Order, 101 FERC ¶ 61,219 at P 17.

8. The ISO posits that there remains a great difference in technology needed to separately and precisely account for the UFE of a few UDCs and that needed to account for the many Scheduling Coordinators, whose operation differs markedly from the UDCs. The ISO explains that it considered, prior to the start of operations, differentiating transmission-related and distribution-related UFE. It determined that the cost was prohibitive because it would have required installing revenue quality metering at more than 800 points of interconnection between the ISO Controlled Grid and the UDC distribution systems. According to the ISO, this remains true today.

9. The ISO also explains that it calculates UFE on a UDC Service Area Basis and settles the UFE charge on a Scheduling Coordinator pro-rata share based on their loads and real-time exports. According to the ISO, UFE is calculated based on UDC Service Area because each UDC is required to file with their local Regulatory Authority their distribution loss factor (DLF). It argues that, since DLF is apart of the load calculations, if UFE was calculated on a Control Area wide basis there would be cost shifting among Scheduling Coordinators.

10. Further, the ISO contends that the November 2002 Order errs in its assumptions regarding cost causation. It states that, despite the impracticality of separating transmission-related and distribution-related UFE with precision, it has greatly increased the accuracy of its UFE calculations to better reflect cost causation and more accurately allocate UFE charges to the Scheduling Coordinators that serve load in a UDC's Service Area. It then notes that the October 1997 Order found that Scheduling Coordinators scheduling at only the transmission level should bear a share "of the other loss components because they are attributable to overall system conditions . . . ."[8] The ISO contends that, since its original UFE calculation was found to be just and reasonable, and the calculation has since been improved, the November 2002 Order errs in its determination that the UFE calculation is now unjust and unreasonable.

Commission Response

11. Consistent with our finding that the calculation of UFE losses for individual entities is not a matter of contractual entitlements and obligations, and in recognition of the ISO's clarification in its request for rehearing that its prior reference to non-UDC's meant only those entities that had the ability to be a UDC but had chosen not to, we clarify that only those entities that are UDC's or have the ability to be a UDC are

[8]October 1997 Order, 81 FERC ¶ 61,122 at 61,522.

permitted to pay UFE calculated with data from their own revenue quality meters consistent with the ISO Tariff.

12. Regarding other Scheduling Coordinators that take service at the transmission level and have revenue quality meters consistent with the ISO Tariff, we clarify that such entities are permitted to pay UFE calculated with data from their own meters.

B. Metered SubSystems

13. In the outstanding issues proceeding,[9] the ISO requested that the Commission clarify that Metered SubSystem (MSS) status should be limited to entities (in particular, existing Governmental Entities) that had been operating as utilities, prior to the formation of the ISO under Existing Contracts. The November 2002 Order dismissed the issue as moot because the ISO had filed "proposed Amendment No. 46 to the ISO Tariff, which represented a comprehensive settlement of MSS-related issues."

14. Modesto states that, while it does not argue with the Commission's decision to dismiss the issue, it disagrees with the characterization of Amendment No. 46 as a "comprehensive settlement" of MSS-related issues. Modesto states that MSS issues remain open and pending in Docket Nos. ER00-2019-000, et al. It also notes that, in the order ruling on Amendment No. 46, the Commission found that parties "are not prejudiced by findings the Commission has made in this proceeding and that they may continue to raise their specific concerns [with respect to implementation of MSS arrangements] in Docket Nos. ER00-2019-000, et al."[10] Accordingly, Modesto requests that the Commission clarify that the November 2002 Order was not intended to preclude parties from pursuing issues raised in Docket Nos. ER00-2019-000, et al.

Commission Response

15. The Commission clarifies that the characterization of Amendment No. 46 as a "comprehensive settlement" was not intended to preclude parties from pursuing issues raised in Docket Nos. ER00-2019-000, et al. Rather, parties may pursue MSS-related issues raised in Docket Nos. ER00-2019-000, et al. as stated in California Independent System Operator Corporation, 100 FERC ¶ 61,234 at 61,835.

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[9] This issue was identified as Issue O.16 in the outstanding issues docket.

[10] California Independent System Operator Corporation, 100 FERC ¶ 61,234 at 61,835 (2002), on reh'g, 102 FERC ¶ 61,146 (2003).

C. Effective Date of Tariff Changes

16. The ISO asks the Commission to clarify that the Tariff changes directed in the November 2002 Order are to be made effective on a prospective basis. It states that the retroactive application of the Tariff changes back to 1998 involving the recalculation of charges and reassembly of schedules would create an onerous task for the ISO, that would involve the expenditure of a significant number of man-hours and may prove to be an impossibility to accomplish.

Commission Response

17. The Commission clarifies that the Tariff changes directed in the November 2002 Order were intended to be made effective on a prospective basis in recognition of the potential problems now cited by the ISO. Accordingly, the tariff changes ordered in the November 2002 Order are effective November 23, 2002.

The Commission orders:

The requests for clarification are hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.