

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

California Independent System)
Operator Corporation)

Docket No. ER06-1360-000

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

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2006), the California Independent System Operator Corporation ("CAISO") hereby files this motion for leave to file answer and answer in the above-captioned docket.

I. BACKGROUND

On August 11, 2006, the CAISO submitted amendments to the Transmission Control Agreement ("TCA") among the CAISO and Participating Transmission Owners ("Participating TOs").¹ One protest of and one set of substantive comments regarding the TCA amendments were filed, both limited to concerns regarding the descriptions of particular Existing Contracts of Southern California Edison Company ("SCE") listed in TCA Appendices A and B². The CAISO believes that additional information would assist the Commission's deliberations with respect to the issues raised by M-S-R in its

¹ Terms used with initial capitalization and not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff, as amended.

² A protest was filed by the M-S-R Public Power Agency ("M-S-R"). Substantive comments were submitted by the City of Los Angeles Department of Water and Power ("LADWP").

protest and LADWP in its comments. The CAISO therefore requests leave to file an answer, and files its answer, to the protest and comments.³

II. SUMMARY

1. As explained below, it is the CAISO's view that the M-S-R protest has no substance and that any Commission action in response to M-S-R's protest would have no practical effect on the CAISO's exercise of Operational Control over the ISO Controlled Grid or on the CAISO's implementation of its obligation to honor the terms of Existing Contracts.
2. The CAISO is not in a position to comment on the accuracy of the revisions proposed by LADWP in its comments but would anticipate the same result as for the M-S-R protest – that any Commission action in response to LADWP's comments would have no practical effect on the CAISO's exercise of Operational Control over the ISO Controlled Grid or on the CAISO's implementation of its obligation to honor the terms of Existing Contracts.
3. Any action by the Commission on the CAISO's filing should be taken in a timely manner particularly in order to ensure that the uncontested provisions conditionally adding Trans Bay Cable LLC ("TBC") as a party to the TCA are accepted in time to meet TBC's needs for its project financing efforts.

³ The CAISO requests waiver of Rule 213(a)(2) (18 C.F.R. § 385.213(a)(2)) to permit it to make this answer. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. (See, e.g., *Entergy Services, Inc.*, 101 FERC ¶ 61,251, at 61,886 (2002); *Delmarva Power & Light Company*, 93 FERC ¶ 61,098, at 61,259 (2000).)

4. The CAISO also wishes to advise the Commission that the Cities of Anaheim and Pasadena have executed the TCA amendments and that the City of Riverside is expected to execute very shortly.

III. ANSWER

A. THE CAISO RELIES ON THE “OPERATING INSTRUCTIONS” OF PARTICIPATING TOS, RATHER THAN THE TCA, IN ITS ADMINISTRATION OF EXISTING CONTRACTS AND ENCUMBRANCES

A key aspect of the CAISO's role in dealing with Existing Contracts, including those that are the subject of the protest of M-S-R and the comments of LADWP, is that Section 16.2.3.1 of the ISO Tariff specifies that the CAISO will have no role in interpreting Existing Contracts. Instead, Section 16.2.3.1 and the related provisions of ISO Tariff Sections 16.2.4A and 16.2.4C require the CAISO to rely on "operating instructions" separately provided by the responsible Participating TO for each of its Existing Contracts. Consequently, the CAISO relies on the Participating TOs to provide accurate descriptions of the terms of their Existing Contracts to the CAISO, including the descriptions provided for incorporation into TCA Appendices A and B. Moreover, the CAISO relies on the “operating instructions” rather than the listings in TCA Appendices A and B as the basis for the programming of the CAISO's systems and the implementation of processes to honor these Existing Contracts. As a result, the CAISO considers the descriptions provided by the Participating TOs of the terms of their Existing Contracts in TCA Appendices A and B to be merely informational and to have no substantive effect either with regard to the terms of those Existing Contracts or with regard to the manner in which the CAISO meets its obligation to honor those Existing Contracts in its exercise of Operational Control over the ISO Controlled Grid.

B. M-S-R'S PROTEST RAISES AN ISSUE WITHOUT SUBSTANCE REGARDING THE DESCRIPTION OF ITS EXISTING CONTRACT IN THE TCA

M-S-R protests the revisions to SCE's description of its Firm Transmission Service ("FTS") Agreement with M-S-R, SCE Rate Schedule FERC No. 339, re-numbered as SCE Encumbrance #30 in SCE's amended TCA Appendix B. M-S-R objects to SCE's change in the description of the service constituting the Encumbrance from bi-directional to "S-N" only, noting that, in addition to the firm transmission service provided by the FTS Agreement in the south-to-north direction, Section 6.1.2 of the FTS Agreement gives M-S-R 150 MW of interruptible transmission service in the north-to-south direction. It is M-S-R's position that the interruptible transmission service in the north-to-south direction is an Encumbrance on the ISO Controlled Grid and is properly listed as such in the current version of TCA Appendix B, and that therefore the proposed modification is inappropriate.

In the CAISO's view, there is no question that the FTS Agreement between SCE and M-S-R constitutes an Existing Contract imposing an Encumbrance on the ISO Controlled Grid that is properly listed in TCA Appendix B with regard to the firm transmission service provided therein. The issue is whether the interruptible transmission service provided in the FTS Agreement is also an Encumbrance on the CAISO's exercise of Operational Control over the ISO Controlled Grid that needs to be described in the listing of the agreement in TCA Appendix B.

As discussed in Section I above, the CAISO considers the descriptions of the contracts listed as Encumbrances in Appendix B of the TCA to be informational only and instead relies on the "operating instructions" separately provided by the responsible Participating TO for each of its Existing Contracts. SCE has not provided the CAISO

with any change in the "operating instructions" for the FTS Agreement with M-S-R in conjunction with the change in the description of this contract in TCA Appendix B. Consequently, the change in the description in Appendix B results in no practical change in the CAISO's implementation of the programming and processes to honor the terms of this Existing Contract.

Related to the foregoing point, the definition of "Encumbrance" in the ISO Tariff and the TCA specifies that an Encumbrance is limited to a restriction or covenant that affects the operation of any transmission lines or associated facilities and "which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability." As a practical matter, the CAISO does not have to take any action in its exercise of Operational Control over the ISO Controlled Grid to account for the interruptible transmission service provided by SCE to M-S-R under the subject contract. Consequently, the CAISO submits that this service does not qualify as an "Encumbrance" within the meaning of the quoted definition.

In addition, it is the CAISO's view that nothing in the descriptions of the Encumbrances in TCA Appendix B should have any substantive effect on the terms of the Existing Contracts listed therein in any event. Although the CAISO has not undertaken to review the terms of M-S-R's FTS Agreement, it would be the CAISO's expectation that the terms of the contract would not permit SCE to amend the contract by means of a unilateral revision of the description of the contract in TCA Appendix B.

Consequently, the CAISO submits that the issue raised by M-S-R has no substantive effect on the CAISO's exercise of Operational Control over the CAISO

Controlled Grid, and that granting or denying M-S-R's request for relief would make no practical difference in the CAISO's implementation of the necessary programming and processes to honor the terms of the FTS Agreement.

C. LADWP'S COMMENTS PROPOSE CORRECTIONS THAT MAY BE APPROPRIATE, SUBJECT TO CONFIRMATION BY SCE

LADWP's comments request that the CAISO correct asserted "minor inaccuracies" to the descriptions of the terms of particular Existing Contracts in SCE's TCA Appendices A and B. The requested corrections are to SCE's listings of its Entitlements ## 4 and 8 and its Encumbrances ## 8 and 9, as re-numbered in its amended Appendices A and B, which are descriptions of particular SCE agreements with LADWP, SCE Rate Schedules FERC Nos. 219, 307, 424, and 425. While the requested corrections would appear reasonable based on the representations of LADWP, the CAISO must rely on guidance from SCE – or the Commission – whether the requested corrections accurately describe the terms of the subject contracts, as discussed in Section I above. Subject to confirmation by SCE of the accuracy of the requested corrections, the CAISO would offer to submit a compliance filing incorporating these revisions if directed by the Commission. However, as discussed in Section II above with regard to the protest of M-S-R, the CAISO submits that these corrections would have no substantive effect on the CAISO's exercise of Operational Control over the CAISO Controlled Grid, and that granting or denying LADWP's requested corrections would make no practical difference in the CAISO's implementation of the necessary programming and processes to honor the terms of the subject Existing Contracts.

D. THE COMMISSION SHOULD ACT ON THE CAISO'S FILING IN A TIMELY MANNER IN ORDER TO FACILITATE TBC'S PROJECT FINANCING

Regardless of what sort of action the Commission may take in response to the M-S-R protest or the LADWP comments – or on its own initiative – the CAISO requests that the Commission's action on the CAISO's filing be taken in a timely manner particularly in order to ensure that the uncontested provisions conditionally adding TBC as a party to the TCA are accepted in time to meet TBC's needs for its project financing efforts. The CAISO described TBC's need for timely Commission action in its transmittal letter accompanying the filing. Even if the Commission directs the CAISO to make a compliance filing regarding the issues raised in the M-S-R protest or the LADWP comments, the CAISO requests that the Commission act to accept the other portions of the filing by the requested effective date of October 10, 2006.

E. THE CITIES OF ANAHEIM AND PASADENA HAVE EXECUTED THE TCA AMENDMENTS, AND THE CITY OF RIVERSIDE IS EXPECTED TO EXECUTE VERY SHORTLY

In the transmittal letter for the filing of the TCA amendments, the CAISO noted that the Cities of Anaheim, Riverside, and Pasadena had not been able to complete their signature processes for the TCA amendments in time for their signature pages to be incorporated into the filing package. As noted in the transmittal letter, the timing of the filing was dictated by the need for Commission action prior to the closing of the financing for the construction of the TBC project. For this reason, it was not possible to wait until the necessary approval processes of Anaheim, Riverside, and Pasadena had taken place before submitting the filing. Subsequently, the CAISO understands that Anaheim and Pasadena have executed the TCA amendments, and Riverside has advised the CAISO that it will execute very shortly. Once all three additional signatures

have been obtained, the cities have advised that they will submit to the Commission a copy of each of their executed signature pages to confirm their endorsement of these amendments.

IV. CONCLUSION

Wherefore, the CAISO respectfully requests that the Commission grant this motion for leave to answer, accept this answer, and accept the TCA amendments subject to the discussion above.

Respectfully submitted,

/s/ Michael D. Dozier

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Counsel

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System Operator Corporation

Dated: September 18, 2006



California Independent
System Operator Corporation

September 18, 2006

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER06-1360-000**

Dear Secretary Salas:

Transmitted herewith for electronic filing in the above-referenced proceedings is a Motion of The California Independent System Operator Corporation for Leave to File Answer and Answer to Comments and Protest.

Thank you for your attention to this matter.

Yours truly,

/s/ Michael D. Dozier
Michael D. Dozier

Counsel for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned docket.

Dated at Folsom, California, on this 18th day of September 2006.

/s/ Michael D. Dozier
Michael D. Dozier