UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation)))	Docket No.	ER98-3760-000
California Independent System Operator Corporation)))	Docket Nos.	EC96-19-000 and ER96-1663-000

ANSWERING BRIEF OF THE CALIFORNIA INDEPENDENT

SYSTEM OPERATOR CORPORATION

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			b.	With respect to ASRP 7.3 and section 2.5.3.4 of the ISO

b. With respect to ASRP 7.3 and section 2.5.3.4 of the ISO Tariff, are power factors for Participating Generators not operating under specified agreements improperly

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i.	Does DP 8.1.1 unreasonably permit the ISO to issue a dispatch order for a generator without the generator's having submitted a bid that has been accepted and made final, or until such time as the ISO has otherwise exhausted all market mechanisms provided to it under the ISO Tariff, and thus must call a System Emergency? [Issue No. 611, Docket Nos. EC96-19-029 and ER96-1663-030. Proponents - Dynegy and CAC]
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	3.	With re	espect to the honoring of Existing Rights:
		а.	Whether Scheduling Protocol Section 4.3, rather than assigning responsibility for losses under an Existing Contract to the Participating TO, should provide for Losses to be specified in the operating instructions to be developed jointly by the Participating TO and the Existing Contract rights holder?
		b.	Whether Scheduling Protocol Section 4.3 should indicate how the ISO will determine for such difference in Losses its mechanism acceptable to the Participating TO to roll any associated shortfall or surplus into the ISO rates and charges applicable to the PTO in accordance with Section 2.4.4.4.5 of the ISO Tariff
		C.	Should the last sentence of ISO Tariff section 2.4.4.4.5 be modified to eliminate an implication that an Existing Rightsholder will be responsible for payment of additional rates or charges not contemplated by the Existing Contract, and to eliminate an inconsistency with section 2.4.4.4.3, which provides that "the holders of Existing Rights and Non-Converted Rights shall continue to pay the providers of the Existing Rights and Non-Converted Rights at the rates provided in the associated Existing Contracts?"
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[Issue No. 318, Docket Nos. EC96-19-006, ER96-1663-007, EC96-19-007, ER96-1663-008, EC96-19-008, ER96-1663-009, EC96-19-029 and ER96-1663-030. Proponents - MWD and TANC]

- 4. With respect to ISO Tariff provisions regarding Existing Rights and the ISO's compliance with the Commission's orders regarding charges assessed to Existing Rightsholders:

[Issue No. 79, Docket Nos. EC96-19-008 and EC96-1663-009, and Issue No. 507, Docket Nos. EC96-19-029 and ER96-1663-030. Proponents -MWD, SMUD, and DWR]

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	Proponent - TANC]

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3.	Does section 2.3.2 of the MMIP, which allows the ISO to publicize allegedly abusive activities or behavior of Scheduling Coordinators before a Commission finding of wrongdoing is reached, deny Scheduling Coordinators due process? [Issue No. 65, Docket Nos. EC96-19-008 and ER96-1663-009. Proponents - Enron and WPTF]
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Ε.

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4.	conve SBP 2 be dea protoc protoc ER96 EC96	egard to Metered Subsystems, Existing Contracts, or non- rted transmission contracts, should SP 4.2.1 (c) and 2.2.2 be revised to recognize that transmission losses may alt with by a scheduling party's system according to existing cols in use for those contracts and not according to ISO cols? [Issue No. 80, Docket Nos. EC96-19-008 and -1663-009 and Issue No. 347, Docket Nos. EC96-19-006, -19-008, ER96-1663-007, and ER96-1663-009. Proponents ID and MWD]
5.	accord or unc clarifie and E and E EC96- Docke ER96- ER96- Docke	e ISO's unaccounted for energy ("UFE") charges in dance with the ISO Tariff, and not unjust, unreasonable duly discriminatory or preferential; should the ISO Tariff be ed or revised? [Issue No. 321, Docket No. EC96-19-003 R96-1663-003, Issue No. 362, Docket Nos. EC96-19-000 R96-1663-000, EC96-19-003 and ER96-1663-003, and -19-029 and ER96-1663-030, Issue No. 402, et Nos. ER98-3760-000 and EC96-19-029 and -1663-030, Issue No. 423, Docket Nos. EC96-19-029 and -1663-030, Issue No. 459, and Issue No. 550, et Nos. EC96-19-029 and ER96-1663-030. Proponents - MWD, Vernon, PG&E, and Southern Cities]
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	PG&E]
4.	Must the ISO modify its bylaws to provide for the existence, role and independence of a separate market monitoring unit within the organization. [Issue No. 399,
	Docket Nos. EC96-19-029 and ER96-1663-030. Proponent - TURN/UCAN]
ISSU	ES ON REHEARING

1. With respect to ISO charges:

О.

- 2. With respect to operating instructions:
 - a. Whether Section 2.4.4.4.1.1 of the ISO Tariff improperly provides for default to the Participating TO's operating instructions to the ISO for an Existing Contract when

those instructions are disputed by the party or parties to the Existing Contract, and whether Sections 7.1.1, 7.3.1 and 7.4.1 of the Scheduling Protocol should provide for information regarding Existing Contracts to be set forth in the operating instructions to be developed jointly by the Responsible Participating Transmission Owner and the Existing Contract rights holder? [Issue No. 644, Docket Nos. EC96-19-009 and ER96-1663-010. Proponents - TANC, Cities / M-S-R, and Palo Alto]......362

- c. Whether Section 2.3.1.2.1 of the ISO Tariff should be amended to limit the authority of the ISO to impose its operating orders on all Market Participants where no such authority derives from Existing Contracts or arrangements or where such orders are in direct conflict with the operating procedures of a Utility Distribution Company or the terms and conditions of an Existing Contract? [Issue No. 668, Docket Nos. EC96-19-000, EC96-19-001, EC96-19-002, EC96-19-003, EC96-19-004, EC96-19-005, ER96-1663-000, ER96-1663-001, ER96-1663-002, ER96-1663-003, ER96-1663-004, ER96-1663-005, ER96-1663-006, OA96-28-000, OA96-139-000, OA96-222-000, OA96-76-000, OA97-602-000, and OA97-604-000. Proponents TANC, Cities / M-S-R, and Palo Alto].....366
- 4 Are ISO Tariff section 2.5.20.5.1 and SP sections 3.2.6.3, 3.2.8.3, and 3.3.1.3 which result in the invalidation of a submittal for all Settlement Periods for the relevant Trading Day if the submittal for any one Settlement Period is invalid, just and reasonable, and is Settlement and Billing Protocol 3.4, which provides that a Scheduling Coordinator error in the denomination of the reference number for an Existing Contract results in the entire Schedule being treated as a new firm use, consistent with the ISO Tariff's

- Whether the protection afforded tax exempt debt should apply to debt issued after December 20, 1995? [Issue No. 664, Docket Nos. EC96-19-000, EC96-19-001, EC96-19-002, EC96-19-003, EC96-19-004, EC96-19-005, ER96-1663-000, ER96-1663-001, ER96-1663-002, ER96-1663-003, ER96-1663-004, ER96-1663-005, ER96-1663-006, OA96-28-000. OA96-139-000, OA96-222-000, OA96-76-000, OA97-602-000, and OA97-604-000. Proponents – Cities / M-S-R and Palo Alto]....381
- 9. Whether the five percent differential trigger for the establishment of new Congestion Zones is appropriate, and whether Commission approval should be obtained prior to any

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<i>Cities of Bethany, et al. v. FERC</i> , 727 F.2d 1131 (D.C. Cir. 1984), <i>cert. denied</i> , 469 U.S. 917 (1984)
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MISCELLANEOUS

Ronald D. Rotunda & John E. Nowak, Treatise on
Constitutional Law § 17.2 (3d. ed. 1999) 232

TABLE OF ABBREVIATIONS

Abbreviation	Full Name or Citation
ACE	Area Control Error
ADR	Alternative Dispute Resolution
April 1999 Order	<i>California Independent System Operator Corporation</i> , 87 FERC ¶ 61,102 (1999)
ASRP	Ancillary Services Requirements Protocol
ATC	Available Transmission Capacity
BEEP	Balancing Energy and Ex Post Pricing
BPA	Bonneville Power Administration
CAC	Cogeneration Association of California
CAISO	California Independent System Operator Corporation
Carlson Affidavit	Affidavit of Trent A. Carlson (Attachment 6 to the Unresolved Issues Answering Brief)
Cities/M-S-R	Cities of Redding, Palo Alto, and Santa Clara, California, and the M-S-R Public Power Agency
City of Redding	City of Redding, California
City of Santa Clara	City of Santa Clara, California
CNMP	Coalition of New Market Participants
CONG	Congestion Management
Coral	Coral Power, LLC
CPUC	Public Utilities Commission of the State of California
DLF	Distribution Loss Factor
DMA	Department of Market Analysis
DP	Dispatch Protocol
DUC	Default Usage Charge

DWR	California Department of Water Resources	
Dynegy	Dynegy Power Marketing, Inc.	
EMS	Energy Management System	
Enron	Enron Power Marketing, Inc.	
EOE	Existing Operating Entity	
EPUC	Energy Producers and Users Coalition	
EPUC/CAC	Energy Producers and Users Coalition/Cogeneration Association of California	
ETC	Existing Transmission Contract	
FPA	Federal Power Act	
FTR	Firm Transmission Right	
GCP	Generator Communication Project	
GMC	Grid Management Charge	
GMM	Generation Meter Multiplier	
HIPG	Houston Industries Power Generation	
IOU	investor-owned utility	
ISO	California Independent System Operator Corporation (unless the context indicates that a different Independent System Operator is being referenced)	
ISOME	ISO Metered Entity	
LADWP	Los Angeles Department of Water and Power	
LARS	Local Area Reliability Service	
March 27, 1998 Order	<i>California Independent System Operator Corporation</i> , 82 FERC ¶ 61,312 (1998)	
March 30, 1998 Order	<i>California Independent System Operator Corporation</i> , 82 FERC ¶ 61,325 (1998)	
May 28, 1998 Order	<i>California Independent System Operator Corporation</i> , 83 FERC ¶ 61,209 (1998)	

May 1999 Order	<i>AES Redondo Beach, L.L.C., et al.,</i> 87 FERC ¶ 61,208 (1999)
MDAS	Meter Data Acquisition System
MMIP	Market Monitoring and Information Protocol
Modesto	Modesto Irrigation District
MORC	Minimum Operating Reliability Criteria
MP	Metering Protocol
MSC	Market Surveillance Committee
M-S-R	M-S-R Public Power Agency
MSS	Metered Subsystem
MSU	Market Surveillance Unit
MWD	Metropolitan Water District of Southern California
October 1997 Order	<i>Pacific Gas and Electric Co., et al.,</i> 81 FERC ¶ 61,122 (1997)
OOM	out-of-market
ООМ ОТС	out-of-market Operational Transfer Capacity
отс	Operational Transfer Capacity
OTC Palo Alto	Operational Transfer Capacity City of Palo Alto, California <i>Pennsylvania Electric Utility Co.</i> , 58 FERC ¶ 61,278, <i>reh'g denied and pricing</i> <i>policy clarified</i> , 60 FERC ¶ 61,034, <i>reh'g denied</i> , 60 FERC ¶ 61,244 (1992), <i>aff'd sub nom. Pennsylvania Electric Co. v. FERC</i> ,
OTC Palo Alto <i>Penelac</i>	Operational Transfer Capacity City of Palo Alto, California <i>Pennsylvania Electric Utility Co.</i> , 58 FERC ¶ 61,278, <i>reh'g denied and pricing</i> <i>policy clarified</i> , 60 FERC ¶ 61,034, <i>reh'g denied</i> , 60 FERC ¶ 61,244 (1992), <i>aff'd sub nom. Pennsylvania Electric Co. v. FERC</i> , 11 F.3d 207 (D.C. Cir. 1993)
OTC Palo Alto <i>Penelac</i> PGA	Operational Transfer Capacity City of Palo Alto, California <i>Pennsylvania Electric Utility Co.</i> , 58 FERC ¶ 61,278, <i>reh'g denied and pricing</i> <i>policy clarified</i> , 60 FERC ¶ 61,034, <i>reh'g denied</i> , 60 FERC ¶ 61,244 (1992), <i>aff'd sub nom. Pennsylvania Electric Co. v. FERC</i> , 11 F.3d 207 (D.C. Cir. 1993) Participating Generator Agreement
OTC Palo Alto <i>Penelac</i> PGA PG&E	Operational Transfer Capacity City of Palo Alto, California <i>Pennsylvania Electric Utility Co.</i> , 58 FERC ¶ 61,278, <i>reh'g denied and pricing</i> <i>policy clarified</i> , 60 FERC ¶ 61,034, <i>reh'g denied</i> , 60 FERC ¶ 61,244 (1992), <i>aff'd sub nom. Pennsylvania Electric Co. v. FERC</i> , 11 F.3d 207 (D.C. Cir. 1993) Participating Generator Agreement Pacific Gas and Electric Company
OTC Palo Alto <i>Penelac</i> PGA PG&E PPA	Operational Transfer Capacity City of Palo Alto, California <i>Pennsylvania Electric Utility Co.</i> , 58 FERC ¶ 61,278, <i>reh'g denied and pricing</i> <i>policy clarified</i> , 60 FERC ¶ 61,034, <i>reh'g denied</i> , 60 FERC ¶ 61,244 (1992), <i>aff'd sub nom. Pennsylvania Electric Co. v. FERC</i> , 11 F.3d 207 (D.C. Cir. 1993) Participating Generator Agreement Pacific Gas and Electric Company power purchase agreement

QF	Qualifying Facility
RFP	Request for Proposals
RMR	Reliability Must-Run
RPTO	Responsible Participating Transmission Owner
RTO	Regional Transmission Organization
SABP	Settlement and Billing Protocol
San Francisco	City and County of San Francisco
SBP	Schedules and Bids Protocol
SC	Scheduling Coordinator
SCA	Scheduling Coordinator Agreement
SCAP	Scheduling Coordinator Application Protocol
SCE	Southern California Edison Company
SCME	Scheduling Coordinator Metered Entity
SDG&E	San Diego Gas & Electric Company
SIT	Settlement Improvement Team
SMUD	Sacramento Municipal Utility District
Southern Cities	Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California
SP	Scheduling Protocol
TANC	Transmission Agency of Northern California
ТСА	Transmission Control Agreement
ТО	Transmission Owner
TRBA	Transmission Revenue Balancing Account
TRR	Transmission Revenue Requirement
Turlock	Turlock Irrigation District
TURN/UCAN	The Utility Reform Network and the Utility Consumers Action Network

UDC	Utility Distribution Company
UFE	Unaccounted for Energy
Vernon	City of Vernon, California
WPTF	Western Power Trading Forum