

March 29, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER01-_____ - _____
Filing of Interconnected Control Area Operating Agreement**

Dear Secretary Boergers:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("ISO")¹ submits for Commission filing and acceptance the Interconnected Control Area Operating Agreement ("ICAOA") between the ISO and Comisión Federal de Electricidad ("CFE").

The ISO is requesting waiver of the 60-day prior notice requirement to allow the ICAOA to become effective as of December 1, 2000.

I. Purpose of the Interconnected Control Area Operating Agreement

The ICAOA is designed to assist the ISO and CFE in coordinating the operation and maintenance of their interconnected control areas, in a manner consistent with the North American Electric Reliability Council ("NERC") criteria, Western Systems Coordinating Council ("WSCC") Minimum Operating Reliability Criteria, and Good Utility Practice.

¹ Capitalized terms not otherwise defined herein have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

II. Differences Between the ICAOA and Revised *Pro Forma* Agreement

The ISO originally filed a *pro forma* Interconnected Control Area Operating Agreement with the Commission for informational purposes on October 31, 1997 in Docket Nos. EC96-19-008 and ER96-1663-009. In that filing, the ISO stated that negotiations with other control areas were ongoing, and that once the agreements were closer to being finalized, the parties to the agreements would determine whether they needed to be filed with the Commission under Section 205 of the FPA. The ISO filed a number of ICAOAs with various control areas on December 10, 1997 in Docket No. ER98-1028-000, *et al.* These agreements differed from the October 31, 1997 *pro forma* agreement in certain respects. The Commission conditionally accepted the December 10, 1997 ICAOAs for filing in *California Independent System Operator Corporation*, 82 FERC ¶ 61,174 (1998).

Settlement proceedings regarding the December 10 ICAOAs ensued, resulting in an Offer of Settlement, including a revised *pro forma* ICAOA, being filed on October 2, 1998. The Commission approved this settlement by letter order in *California Independent System Operator Corporation*, 87 FERC ¶ 61,231 (1999).

The ICAOA between the ISO and CFE differs from the revised *pro forma* ICAOA in a number of respects. These changes are necessary to reflect the specific and unique circumstances of CFE, in keeping with the terms of the October 2, 1998 settlement. These differences include the following:

- ICAA 1.4 has been added to provide additional background regarding California Assembly Bill ("AB") 1890, the creation and purpose of the ISO, and the ISO's obligation to provide open access.
- ICAA 1.5 has been added to reflect that the interconnection with CFE is currently governed by the Interconnection and Exchange Agreement between CFE and San Diego Gas & Electric Company ("SDG&E"), but that the ISO will take over Control Area operator responsibilities from SDG&E for purposes of the agreement.
- ICAA 2.2.18 and 2.2.19 have been added to provide specific definitions of SDG&E and CFE.
- ICAA 3.2.3.2 omits a provision specifying the timing of schedule adjustments to relieve overloaded stability rated facilities, which provision was added to the *pro forma* ICAOA after the drafting of the

ICAOA between the ISO and CFE had been concluded regarding that provision.

- A clarification has been added to ICAA 4 regarding the organization of the WSCC.
- ICAA 10.5(c) has been added to provide that the agreement will not compel CFE to violate Mexican law.
- A provision has been added to ICAA 10.7 to specify that the provisions in the body of the agreement will prevail over the provisions in the Service Schedules.
- ICAA 10.10 has been added to provide that the parties must sign both an English-language and a Spanish-language version of the agreement, but that the English-language version will govern.
- Service Schedule 11 provides a different version of the interchange schedule checkout procedures as compared with the version in the *pro forma* ICAOA.
- The Service Schedules for the enclosed ICAOA contain details regarding the interconnection facilities between the CFE and ISO Control Areas and their operation.
- To reduce the bulk of the enclosed ICAOA, several documents are incorporated by reference, including some ISO operating procedures containing applicable nomograms and some SDG&E operating procedures containing applicable Remedial Action Schemes.
- The enclosed ICAOA contains minor wording variations that were introduced during the more than two years of negotiations concerning the ICAOA.

III. Request for Waiver

The ISO respectfully requests a waiver of the Commission's 60-day prior notice requirement, pursuant to Section 35.3 of the Commission's regulations, 18 C.F.R. § 35.3, to allow the enclosed ICAOA to become effective as of December 1, 2000, the date on which the ICAOA was signed. Granting the waiver will permit the ISO and CFE to begin to coordinate the operation and maintenance

regarding their interconnected control areas as quickly as possible, which will enhance power system reliability and the efficiency of the market. Granting the requested waiver, therefore, is appropriate.

IV. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

V. Correspondence

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

| | |
|---|--------------------------------------|
| Roger E. Smith* | Kenneth G. Jaffe |
| Deborah A. Le Vine | David B. Rubin* |
| Michael Dozier | Bradley R. Miliauskas |
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* Individuals designated for service pursuant to Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3).

VI. Service

Copies of this filing have been served on the Public Utilities Commission of the State of California and Comisión Federal de Electricidad.

Enclosed for filing of six copies of each of the following:

- (1) the Interconnected Control Area Operating Agreement between the ISO and CFE (Attachment A);

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- (2) a Notice of Filing suitable for publication in the Federal Register (Attachment B), as well as a computer diskette version of the Notice saved in WordPerfect format; and
- (3) a Certificate of Service.

Please contact the undersigned with any questions you may have.

Respectfully submitted,

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