

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

)
California Power Exchange Corporation) Docket No. ER99-1883-000
)

**MOTION TO INTERVENE,
COMMENTS AND REQUESTS FOR CLARIFICATION OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1998), and the Commission's February 24, 1999, Notice of Filing, the California Independent System Operator Corporation ("ISO") hereby moves to intervene in the above-captioned proceeding.

I. COMMUNICATIONS

Please address communications concerning this filing to the

following persons:

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* Persons designated to receive service in accordance with the Commission's Rule of Procedure 203(b)(3), 18 C.F.R. § 385.203(b)(3) (1998).

II. BACKGROUND

On February 19, 1999, the California Power Exchange Corporation ("PX") filed in the above-captioned docket Amendment No. 9, to the PX Tariff, which establishes a PX "Bookout" option under which offsetting transactions at common delivery points located outside of the ISO grid will be matched and reported as net schedules of imports into or exports from the ISO grid.

The PX has proposed to make Amendment No. 9, effective on the later of April 25, 1999, or when all necessary software enhancements are operational.

The PX is a nonprofit corporation authorized by FERC order and California electric restructuring legislation and charged with providing a Day-Ahead forward market for energy in accordance with the PX Tariff. The PX is independent from the ISO and is certified as a Scheduling Coordinator ("SC") under the ISO Tariff.

III. BASIS FOR MOTION TO INTERVENE

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of a grid comprising the transmission systems of San Diego Gas & Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. As part of this responsibility, the ISO implements schedules submitted by SCs certified by the ISO, including the PX. The Bookout option would modify the quantities of imports and exports of electricity the PX submits to the ISO for scheduling and thus would have an impact on the ISO. The ISO therefore has an interest in this proceeding. Accordingly, the ISO requests that it be permitted to intervene in this proceeding with full rights of a party.

IV. COMMENTS and REQUESTS FOR CLARIFICATION

The PX's filing indicates that the ISO supports the PX's Bookout proposal (Filing at 11.) Although the ISO does not oppose the filing in principle, it has the following comments and requests for clarification:

1. In general the definition of the Bookout option in the filing might be confusing to market participants and energy traders. The normally accepted definition of a bookout is when a single trader is involved in a series of sequential trades at a single point more than once. For example: Marketer A sells 25 MW to Marketer B at an interconnection point in the forward monthly market for April. In the daily market on April 4, Marketer B offers to sell the 25 MW and Marketer A has an active bid for daily supply. In this case A buys from B in the daily and the supply match from B is the monthly purchase from A. No physical flow is required to complete this transaction.

Descriptively, the PX Bookout option looks more like a ricochet situation. The normally accepted definition of a ricochet situation is one that involves electricity being delivered to a interconnection point with a seller and buyer supplying and sinking the transaction on the same side of the control area interface. If both parties expect physical delivery, it would require cooperation with the adjacent control area at the interconnection to agree to separate import and export interchange transactions. This scenario has occurred frequently with the PX and other SCs inside the ISO. ISO export charges can be avoided in this case through an inter-SC trade.

2. It is not clear in the filing or Schedule 2 itself that the PX Bookout option is purely a financial settlement. Without this clarification, it could be construed that matches between Bookout participants would result in off-system bilateral physical interchange transactions. As the control area operator associated with the PX

transactions, the ISO would be faced with resolving delivery issues that arise in adjacent control areas for PX participants expecting physical delivery.

3. Schedule 2 should be modified to make it abundantly clear that any PX customer that participates in the Bookout option be prepared to go to physical delivery if that customer's scheduled quantities are not successfully matched in the Bookout option. As drafted, once a PX participant is matched as a Bookout participant, there is no provision to convert that transaction to physical delivery.
4. In the last paragraph of the Bidding and Scheduling section of the Bookout Activity Rules in the sub-heading of Bookout Scheduling (page 2 of Activity Rules), the last sentence infers that there will be WSCC Interchange Transaction Tags for the Bookout portion of the schedule. Since there is no interchange associated with a financial settlement, no tag would be required and trying to create one will result in confusion.
5. Finally, on page 6 of the PX's Transmittal Letter, under Section B (General description), the PX states that only unmatched net schedules for physical delivery will be actually presented to the ISO. This means that only the physical portion of any residual PX Participant's IPS's will be sent across the gateway and included in the PX Day Ahead schedules. The ISO confirmed that this was the case in a discussion with PX personnel. The ISO would like the PX to confirm this understanding is correct.

V. CONCLUSION

Based on the foregoing, the ISO respectfully requests that the Commission permit it to intervene and that it be accorded full party status in this proceeding and the Commission require the PX to make the clarifications and confirmations requested above.

Respectfully submitted,

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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 accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (1998).

Dated at Washington, D.C. on this 11th day of March, 1999.

H. Michael Mackey

March 11, 1999

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

Re: California Power Exchange Corporation
Docket No. ER99-1883-000

Dear Secretary Boergers:

Enclosed for filing is one original and 14 copies of the Motion to Intervene, Comments and Requests for Clarification of the California Independent System Operator Corporation in the above-referenced docket. An additional copy of the filing is also enclosed. Please stamp the additional copy with the date and time filed and return it to the messenger.

Thank you for your assistance in this matter.

Respectfully submitted,

Scott P. Klurfeld
Attorney for the California
Independent System Operator Corporation