



October 19, 2004

VIA ELECTRONIC FILING

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 Nos. ER04-938-001**

Dear Secretary Salas:

Enclosed please find the California Independent System Operator Corporation Motion to Strike Out-Of-Time Answer of Coral Power, L.L.C., submitted today in the above-captioned proceeding.

Thank you for your attention to this matter.

Respectfully Submitted,

/s/ Anthony J. Ivancovich

Anthony J. Ivancovich

Counsel for the California Independent System
Operator Corporation

Enclosures

cc: All parties of record

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

California Independent System Operator Corporation)	Docket No. ER04-938-001
)	

MOTION TO STRIKE OUT-OF-TIME ANSWER OF CORAL POWER, L.L.C.

Pursuant to Rules 212 and 2008 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.212 and § 385.2008 (2004), the California Independent System Operator Corporation (“CAISO”)¹ moves to strike the out-of-time Answer of Coral Power, L.L.C filed in this docket on October 4, 2004. While Coral seeks, impermissibly, to answer the CAISO’s request for rehearing and clarification by claiming that the CAISO’s request is filled with misstatements, in fact, as explained below, Coral’s Answer is itself replete with inaccuracies and misstatements of the CAISO’s practices and positions. Accordingly, the Answer should be struck from the decisional record in this matter.

I. BACKGROUND

On June 18, 2004, the CAISO submitted Amendment No. 61 in the captioned docket. In Amendment No. 61, the CAISO proposed to modify Section 7.2.6.1 of the CAISO Tariff to (1) indicate that the price used to determine which resources should be shut off to manage Intra-Zonal Congestion will be the decremental reference price for the range between zero MW and the unit’s minimum operating level, as determined by

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

the independent entity calculating decremental reference prices; and (2) charge a resource thus shut off the lesser of the Market Clearing Price or the decremental reference price for the range between zero MW and the unit's minimum operating level, as determined by the independent entity calculating decremental reference prices. In addition, the CAISO proposed to modify Section 7.2.6.1.1 of the ISO Tariff to recognize that the decremental reference level for the range from zero MW to the minimum operating level does not need to be monotonically non-decreasing.

The Commission accepted Amendment No. 61, subject to modification as described in the Amendment No. 61 Order.² Amendment No. 61 Order at ordering paragraph (B). Among other things, the Commission directed the CAISO to submit revised Tariff sheets to provide that, if the CAISO shuts down a Generating Unit to manage Intra-Zonal Congestion and the Generating Unit cannot start up in time to meet its Day-Ahead Energy Schedules, the CAISO should charge that Generating Unit the lesser of the decremental reference price that corresponds to the Generating Unit's Day-Ahead Schedule or the Market Clearing Price ("MCP"). Amendment No. 61 Order at P 32.

On September 16, 2004, the CAISO filed a request for Clarification and Rehearing. The CAISO contended that the Amendment No. 61 Order erred in directing the CAISO to charge the lesser of the MCP or the decremental reference price at the operating level specified in the Day-Ahead Schedule to a Generating Unit that cannot meet that Schedule because it was shut down to manage Congestion and could not be

² 108 FERC ¶ 61,193 (2004) ("Amendment No. 61 Order")

restarted in time to meet that Schedule. The CAISO also sought clarification as to what constitutes the total cost to shut a unit down.

On October 4, 2004, Coral filed its Motion for Leave to File Answer One Day Out-of-Time and Answer to the Request for Clarification and Rehearing.”

II. MOTION TO STRIKE

On page 3, Coral submits that the Commission should accept its Answer because it "will help clarify the issues in this proceeding and in particular correct the numerous misstatements and proposed statutory violations in the ISO's answer." The CAISO, however, has not filed an answer. Presumably, Coral seeks to respond to the CAISO's Petition for Clarification and Rehearing. However, answers to Requests for Rehearing are prohibited under the Commission's Rules. Rule 713(d), 18 C.F.R. § 385.713(d).

Moreover, rather than clarifying anything concerning the CAISO's pleading, Coral seeks only to confuse the record with misstatements of its own. For example, Coral seems to imply that the CAISO is making its decisions to decrement units based on a desire to "balance the grid." Answer at P. 7. In the context of the changes proposed in Amendment No. 61, the CAISO is reducing the output of a particular Generating Unit not to balance load with supply but for only one reason – to relieve an overload on a network facility. Amendment No. 61 has nothing to do with directly balancing Supply and Demand. The CAISO may have to invoke the provisions of Section 7.2.6.1 to reduce the output of a particular Generating Unit to relieve a grid overload even at the same time it may be increasing the output of all other Generating Units not just to balance the reductions from that one decreased unit but to meet overall system

balancing Energy requirements. Reducing the output of a particular Generating Unit does not help the CAISO balance load with supply when its overall balancing Energy requirements may be for incremental, not decremental, Energy. Furthermore, the decremental reference price set forth in Section 7.2.6.1 is used only in the context of reducing a particular Generating Unit to relieve a grid overload, not to reduce the output of any Generating Unit to meet balancing Energy requirements.

Coral implies on page 10 and 11 that the CAISO is asserting that suppliers can predict or share information to determine when and where Congestion can occur. Coral is either confused or deliberately misstating the CAISO's argument that schedules for Generating Units that are shut down to prevent overloading the grid should be zeroed out. The CAISO's argument for zeroing out schedules does not depend on whether the Scheduling Coordinator can foresee the Congestion. In fact, the CAISO may agree with Coral that a generator cannot know when there will be Congestion (although if their Generating Unit's Day-Ahead schedules are getting decremented every day under certain specified conditions, it's difficult to understand how the Scheduling Coordinator for that Generating Unit would not recognize the pattern, would continue to submit Schedules at the very same level and not expect those Schedules would get cut). Instead, the CAISO was trying to make the point that once it has told the Generating Unit to shut off, any forward schedules the Scheduling Coordinator submitted for that unit will be infeasible until the time the unit can come back online. Said another way, once a Generating Unit is shut off, all of that unit's forward Schedules for at least the unit's minimum down time are infeasible. Given this reality, the unit's forward Schedules should not be left in place as if the unit was still operating, which would have

to occur if the CAISO was to charge the lesser of the decremental reference price at the Scheduled level or the market clearing price. Further, requiring the CAISO to sell replacement Energy at the lesser of the decremental reference price or the market clearing price for those Schedules that cannot be met because the unit has been shut down creates the wrong incentives. To do so would permit the unit in effect to buy replacement Energy at a bargain basement price to avoid a problem it helped create. Thus, a unit that cannot even operate because it would overload a line is allowed to buy the cheapest possible Energy to replace what it cannot deliver. This sends the wrong signal with regard to Congestion, for it gives the unit that is being regularly decremented the incentive to Schedule knowing that even if its Schedules are cut it can purchase cheap replacement Energy.

Next, on page 8, Coral states that the CAISO can determine when the unit can meet its Day-Ahead Schedule again because it knows the minimum down time of the unit. However, in response to an argument raised by Williams and West Cost Power, the Commission directed that the CAISO must charge the lesser of the decremental reference price if the unit is unable to restart in order to meet the unit's Day-Ahead Energy Schedule due to legitimate operational limitations. See Amendment No. 61 order at P 32. It is not at all clear to the CAISO if these legitimate operational limitations are reflected in the unit's minimum down time as indicated in the CAISO's Master File, or if they reflect the normal uncertainties regarding systems and equipment associated with starting a Generating Unit. If the Commission had intended that the CAISO charge the decremental reference price for the unit's minimum down time as listed in the CAISO's Master File, the Commission could have directed the CAISO to do just that.

Unless the unit always starts as it should, then, the CAISO does not know for how long it will be expected to sell replacement Energy to the unit shut down and therefore does not know how to include the potential cost (i.e., the difference between the market clearing price for Imbalance Energy and the decremental reference price) in the total shut down cost.

Finally, Coral indicates that if the Commission accepts the CAISO's request for clarification and rehearing, the CAISO will not compensate generators for the costs they incur as a direct consequence of complying with the CAISO's orders when the CAISO requires Generating Units to shut down to maintain grid reliability. Coral at 2. This assertion warrants closer examination. The CAISO has not sought clarification or rehearing as to whether to pay start-up costs to a Generating Unit that was shut down to relieve an overload. The CAISO has sought rehearing as to whether it is proper to allow the forward Schedules of a Generating Unit that has been shut down to continue to stand, even though the unit is not operating and cannot deliver those Schedules, or whether it is instead proper for the Scheduling Coordinator for a Generating Unit that has been shut down to relieve an overload to instead zero out that Generating Unit's Schedules in the Hour-Ahead market, acknowledging that the previous Schedules are now infeasible, and replace the Generation Schedules that cannot be met because the unit supplying them has been shut down from a source other than the CAISO's balancing energy market. A related question is whether it is reasonable for a Generating Unit that has been shut down to relieve an overload to be able to purchase replacement Energy for the Energy that it could not deliver without creating a serious reliability problem at the favorable price of the lesser of the unit's decremental reference

price or the market clearing price and the incentives that result from that practice. The CAISO has also questioned whether allowing a unit shut down to prevent a reliability problem to purchase replacement Energy at a favorable price creates the right incentives or sends the right price signals to bring about a long-term solution to the problem. Coral's untimely, procedurally improper, and inaccurate pleading does not aid in the consideration of these issues. Accordingly, the Commission should act to strike it and should consider the CAISO's request for clarification and rehearing on its merits.

III. CONCLUSION

For the reasons discussed above, the CAISO respectfully asks that the Commission grant this motion to strike Coral's out-of-time Answer.

Respectfully Submitted,

/s/ Anthony J. Ivancovich

David B. Rubin
Lynn M. Gallagher

Swidler, Berlin, Shereff and Friedman, LLP
3000 K Street, Ste. 300
Washington, D.C. 20007
Telephone: (202) 424-7500
Fax: (202) 424-7643

Counsel for the California Independent
System Operator Corporation

Charles F. Robinson
General Counsel
Anthony J. Ivancovich
Senior Regulatory Counsel

The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Telephone: (916) 608-7135

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the service list compiled by the Secretary in this proceeding.

Dated at Folsom, California this 19th day of October, 2004

/s/ Brian D. Theaker
Brian D. Theaker