

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

California Independent System)	Docket Nos. ER03-1102-003
Operator Corporation)	ER03-1102-004
)	EL05-14-000

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

Pursuant to the “Notice Inviting Comments” issued in the above-captioned dockets on January 13, 2005, the California Independent System Operator Corporation (“ISO”)¹ submits these reply comments concerning its proposed Ancillary Service self-certification process² and the alternatives to that process that were discussed at the technical conference held on January 12, 2005.

I. Reply Comments

The ISO explained in the comments it submitted in this proceeding on February 4, 2005 (“Comments”) that it was amenable to the idea of taking the self-certification process out of Section 3.2 of the Enforcement Protocol (“EP”), and instead amending the ISO Tariff elsewhere to require a supplier to notify the ISO if one or more undispached Ancillary Service Schedules from a prior hour could not be performed. Comments at 6. The ISO also expressed its interest in achieving, by the time these reply comments were due, a consensus on a proposal among parties that participated in the technical conference. *Id.* at 1. To

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

² The ISO proposed the self-certification process in its May 20, 2004 compliance filing in this proceeding.

that end, over the past two weeks the ISO has taken part in conference calls with the other participants and the participants have circulated suggested modifications to the ISO Tariff to clarify and focus tariff language to implement the proposal the ISO made in its Comments.³ These discussions have been constructive.

The ISO proposed a revision to Section 2.5.24 to state that the obligation to report the unavailability of an Ancillary Service extends beyond real time and to state that suppliers must advise the ISO promptly if a scheduled Ancillary Service is determined after the fact to have been unavailable. Comments at 6. The ISO also proposed that Section 2.5.26.2.3 be modified to provide for the rescission of capacity payments as to any scheduled Ancillary Service that is reported as unavailable. *Id.* at 7.

Discussions between the ISO and the other technical conference participants have focused on clarifying the scope and duration of this newly specified obligation to report unavailable Ancillary Services. As discussed in the ISO's Comments, this obligation and associated payment rescission is offered as a substitute for the self-certification process the ISO proposed in its May 20, 2004 compliance filing in this proceeding.

The principal issue of concern to the participants was how to establish boundaries on this additional reporting obligation – in particular, a sunset date for

³ The ISO sent draft tariff language to the technical conference participants on February 1, 2005, and held conference calls with participants to discuss the proposed language on February 10 and February 15. The ISO modified the alternate proposal to address comments and concerns, and distributed revised draft tariff language on February 16. Another conference call was held on February 17, after which a final draft of the tariff language was distributed for participant review.

the reporting obligation. Without suggesting any particular manner of audit or review within the definition of “Good Utility Practice,” the ISO posed a question during one of the conference calls regarding the “relevant time period” for any post-operational review or audit that each company may conduct in accordance with “Good Utility Practice,” and whether any such review or audit would necessarily fall within the timeframe to which this new duty to report Ancillary Service unavailability applies.⁴ Each participant that offered an opinion suggested that any review or audit it completes would be accomplished within a 90-day timeframe, so the establishment of a sunset date that is 90 days after the relevant Trading Day for which an Ancillary Service was scheduled would not require the acceleration of any review or audit that each company may conduct in accordance with Good Utility Practice. Based on these discussions and representations, the ISO believes that it is reasonable to establish a sunset date on the obligation of the supplier to report the unavailability of an Ancillary Service, and does not object to the expiration of this additional duty 90 days after the relevant Trading Day.

The ISO offered a further limitation on the scope of the obligation to report unavailable Ancillary Services in response to a concern expressed by one of the participants. This limitation makes clear that no additional obligation is established to report any Ancillary Service unavailability that is associated with

⁴ “Good Utility Practice” is defined in Appendix A to the ISO Tariff as “[a]ny of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.”

the ramp rate and other operational limitations that cause a capacity payment adjustment to occur in accordance with Section 2.5.26.2.3 of the ISO Tariff.

The ISO provides, in Attachment A to the present filing, suggested ISO Tariff changes that would implement these proposals. In summary, the changes contained in Attachment A specify that the duty to notify the ISO of an unavailable Ancillary Service Schedule (i) does not apply to Ancillary Service capacity for which the capacity payment is subject to operating limits reflected in bid parameters as provided in Section 2.5.26.2.3, and (ii) expires ninety (90) calendar days from the relevant Trading Day for which the Ancillary Service was scheduled. The following parties have authorized the ISO to state that they support in concept this alternative to the self-certification process: Duke Energy North America LLC and Duke Energy Trading and Marketing L.L.C.; the Independent Energy Producers Association; Mirant Corporation; Powerex Corp.; and Williams Power Company, Inc.⁵

The ISO notes that in the October 28, 2004 order in this proceeding, the Commission stated that “the Commission and the parties would benefit from [the] technical conference wherein the ‘self-certification’ process and any alternate proposals” would be discussed, explained that it would “defer action on EP 3.2 until after the technical conference is held,” and directed its staff to convene the technical conference and report back to the Commission by February 25, 2005.⁶

⁵ These parties also state that they reserve the right to submit comments on any proposed tariff language the ISO may submit for Commission approval. Further, by agreeing to be listed in the present filing as supporting the proposed alternative, no party withdraws any objection it has raised in this proceeding, or waives any right to object to any future filing related to the ISO's proposed self-certification process.

⁶ *California Independent System Operator Corporation*, 109 FERC ¶61,087, at P 52 (2004).

The ISO is prepared to submit the ISO Tariff changes contained in Attachment A for Commission approval should the Commission, in an order issued subsequently in this proceeding, find the changes acceptable.⁷ Alternatively, should the Commission find acceptable the self-certification process contained in EP 3.2, the ISO is prepared to re-submit the self-certification process for Commission approval.⁸

II. Conclusion

The ISO respectfully requests that the Commission consider the reply comments presented herein, and the changes contained in Attachment A.

Respectfully submitted,

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⁷ See, e.g., *High Island Offshore System, L.L.C.*, 107 FERC ¶ 61,047, at ordering paragraph (B) (2004) (order directing public utility to submit tariff sheets following technical conference).

⁸ The ISO, in its November 29, 2004 compliance filing in this proceeding, proposed to delete EP 3.2 and related sections of the EP (EP 5.3 and EP 6.5) in response to the Commission's deferral of action on the proposed self-certification process (see *supra* footnote 6 and accompanying text), and stated that in the future it would "propose further changes to the Enforcement Protocol based on the outcome of the technical conference." Transmittal Letter for November 29, 2004 Compliance Filing at 3.