

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

Pacific Gas and Electric Company)

Docket No. ER11-2592-000

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO THE JOINT PROGRESS REPORT, MOTION FOR EXTENSION
OF TEMPORARY WAIVER OF CERTAIN CALIFORNIA INDEPENDENT SYSTEM
OPERATOR TARIFF PROVISIONS AND REQUEST FOR EXPEDITED
CONSIDERATION OF PACIFIC GAS AND ELECTRIC COMPANY AND SOUTHERN
CALIFORNIA EDISON COMPANY**

The California Independent System Operator Corporation (ISO) files this response to the Joint Progress Report, Motion for Extension of Temporary Waiver of Certain California Independent System Operator Tariff Provisions and Request for Expedited Consideration of Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE), which was filed with the Commission on June 20, 2011 (Joint Progress Report). The Joint Progress Report indicates that the ISO does not oppose the request by PG&E and SCE to extend the temporary waiver to September 30, 2011. The ISO files these comments to confirm that it supports the requested extension of the temporary waiver. The ISO further supports the Joint Progress Report's request that the Commission grant the motion no later than June 30, 2011.

The ISO currently has a stakeholder initiative underway to consider the forced outage reporting obligations under ISO Tariff Section 40.9.5 applied to scheduling coordinators for resource adequacy qualifying facilities (QF) in circumstances where the power purchase agreement between the scheduling coordinator and the QF does not

require the QF to provide forced outage information to the scheduling coordinator.¹ This initiative may not be concluded before the June 30 expiration of the current temporary waiver of the QF outage reporting requirement that PG&E and SCE previously obtained from the Commission.

The ISO is concerned about two adverse impacts on the ISO and its markets if the temporary waiver were to expire on June 30 before the conclusion of the stakeholder initiative. First, as PG&E and SCE have made clear in their filings in this proceeding, they “do not have the contractual ability under their QF power purchase agreements to obtain the forced outage information necessary to comply with section 40.9.5 of CAISO’s tariff.”² For this reason, when a resource adequacy QF undergoes a forced outage, neither PG&E nor SCE will have that outage information available to provide to the ISO. From the ISO’s perspective, it would thus appear as though the QFs all have an availability rate of 100%, which is implausible. Nevertheless, under the standard capacity product (SCP) provisions of the ISO Tariff, the ISO would be required to calculate the availability of these resource adequacy resources based on the forced outage data it does have, which would treat the QFs as being 100% available and could result in availability incentive payments for the QFs. Further, any such payments made for the QFs would reduce the amount of the funds that could be paid to other resource adequacy resources that actually did provide a high rate of availability to the ISO.

¹ For more information on the stakeholder process, see <http://www.caiso.com/2811/2811e447316f0.html>.

² *Pac. Gas & Elec. Co.*, 134 FERC ¶ 61,265, P 5 (2011).

Second, to the extent that any of the resource adequacy QFs have a forced outage, under ISO Tariff Section 37, the scheduling coordinators for those QFs would face sanctions for failing to report those outages to the ISO.³ The Commission has been clear that where an independent system operator or regional transmission organization has penalty authority, it is obligated to enforce those sanctions without discretion.⁴ Thus, where the scheduling coordinator for a resource adequacy QF fails to report a forced outage, the ISO must impose the appropriate sanctions. If there were a gap in the waiver period, the ISO would thus be in the difficult position of having an obligation, as a matter of its own tariff compliance, to levy sanctions for violations of the forced outage reporting obligations while at the same time being told openly by the relevant scheduling coordinators that they are incapable of providing the information necessary to identify violations and levy the appropriate sanctions.

³ Resource adequacy QFs with a maximum output of 10 MW or more fall under the reporting obligations of ISO Tariff Section 9.3.10. ISO Tariff Section 37.4.3 creates specific sanctions for violations of section 9.3.10. Section 40.9.5 specifies that resource adequacy QFs with a maximum output between 10 MW and 1 MW have obligation to report forced outage information. Because these smaller QFs are not, strictly speaking, obligated to comply with section 9.3.10, the non-reporting of a forced outage would be sanctioned under section 37.6.1.

⁴ *Cal. Indep. Sys. Operator Corp.*, 135 FERC ¶ 61,016, P 18 (2011) (“ . . . CAISO should exercise no discretion regarding whether to impose a sanction. If an entity is aggrieved by the imposition of such a sanction, it may elect to appeal the sanction to the Commission.”)

For these reasons, the ISO supports the Joint Progress Report's request for the Commission to issue an order by June 30, 2011 to extend the temporary waiver to September 30, 2011.

Respectfully submitted,

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Dated: June 28, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each party listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA on this 28th day of June, 2011.

Is/ Anna Pascuzzo
Anna Pascuzzo