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July 26, 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 Nos. ER98-997-000 and ER98-1309-000**

Dear Secretary Boergers:

Enclosed is an original and fourteen copies of the Answer of the California Independent System Operator Corporation to Motion for Leave to File Supplemental Authority. Two copies have been provided to the Presiding Judge. Also enclosed is an extra copy of the filing to be time/date stamped and returned to us by the messenger. Thank you for your assistance.

Respectfully submitted,



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Counsel for the California
Independent System Operator Corporation

Enclosures

cc: Service List
Honorable Jacob Leventhal

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

California Independent System)	Docket Nos. ER98-997-000
Operator Corporation)	ER98-1309-000

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO MOTION FOR LEAVE TO FILE SUPPLEMENTAL AUTHORITY**

**To: Honorable Jacob Leventhal
Presiding Administrative Law Judge**

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission" or "FERC"), 18 C.F.R. § 385.213, the California Independent System Operator Corporation ("ISO") hereby answers the Motion For Leave to File Supplemental Authority of the California Cogeneration Association, ARCO CQC Kiln, and Aera Energy LLC (collectively, "CAC").

In its motion, CAC requests leave to file, as supplemental authority, Decision 01-07-027 in California Public Utilities Commission ("CPUC") Docket No. R. 99-10-025, *Order Instituting Rulemaking into Distributed Generation*.

CAC states:

In its opening brief, CAC noted that while the Commission is not required to issue regulations and orders that perfectly dove-tail with state jurisdictional tariffs, federal policies must work in harmony with state policies or significant market inefficiencies will result adding to the already overwhelming problems in the California electric markets. (CAC's Initial Brief at Issue No. II.A.3, *citing* Ex. SCE-1 at 21:3-6 (SCE/Minick).) CAC further noted that the California Public Utilities Commission ("CPUC") was expected to issue a ruling on the ISO's gross metering policy in CPUC Docket

No. R. 99-10-025, *Order Instituting Rulemaking Into Distributed Generation*, shortly.

CAC cites the CPUC's statement that it should not support the ISO's gross metering policy and states that the decision is relevant to Issue II.A.3, regarding the ISO's requirements for gross metering (including telemetry, when required by the ISO Tariff) of generation and behind-the-meter Load.

In fact, CAC did not mention the proposed decision in the context of gross metering and Issue II.A.3. Rather, it quoted the proposed decision's discussion of "diversity" in the context of standby service and Issue II.A.2, regarding the procurement and the allocation of the costs of Ancillary Services. See CAC Initial Brief at 27. The ISO does not object to the consideration of the proposed supplemental authority in this regard. The ISO notes, however, that the ISO also cited the same proposed order in its discussion of Issues II.A.1 and II.A.2 in its Reply Brief. The ISO stated:

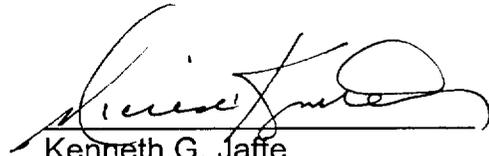
This conclusion [that Standby Service is irrelevant to the ISO's need to procure Ancillary Services based on qualifying facility's gross load] is reinforced by the proposed order of the CPUC in Docket No. 99-10-025, which was attached to CAC's Initial Brief. Under that Order, if approved, UDCs must remove charges for back-up Energy and Generation capacity from standby rates. *Order Instituting Investigation Into Distributed Generation*, CPUC Docket R.99-10-025 (March 19, 2001) at § 7, p. 62. The order allows a separate charge for electricity procured in order to serve a QF, *id.*, it does not even make mention of charges for Generation capacity procured. Inasmuch as standby "backup" service would be reduced by this order to distribution and transmission services, it would not be even a partial substitute for the Operating Reserves to meet system reliability needs.

ISO Reply Brief at 20, n.11. The supplemental authority that CAC proposes to file addresses this issue at 65 and at ¶ 19, p. 82.

The relevance of the proposed decision, which addresses only metering of Loads (and not telemetry), to Issue II.A.3. is at best limited. Nonetheless, without conceding the relevance of the proposed supplemental authority to the arguments presented regarding Issue III.A.3, the ISO does not object to the Presiding Judge's consideration of the decision to the extent he deems it relevant. If the Presiding Judge requests argument concerning the relevance of the supplemental authority, the ISO will of course respond.

Respectfully submitted,

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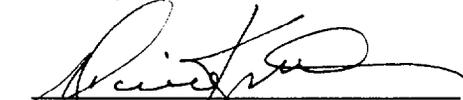
Counsel for the
California Independent
System Operator Corporation

Dated: July 26, 2001

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C., this 26th day of July, 2001.


Michael Kunselman