



and the revisions the CAISO proposed to incorporate those modifications into its tariff. Also, Beacon argues for the first time that the CAISO tariff discriminates against energy storage regulation providers and does not comply with the Commission's comparability requirement. Good cause for this waiver exists because the CAISO's Answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Serv., Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Indep. Transmission Sys. Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

## **II. ANSWER**

In the February 9 Order, the Commission directed the CAISO to demonstrate that the tariff revisions proposed in the CAISO's April 15, 2008 Compliance Filing ("April 15 Compliance Filing") regarding the participation of other non-generation resources in the CAISO's Ancillary Services<sup>4</sup> markets, and the CAISO's compliance demonstration in its June 16, 2008 Compliance Filing ("June 16 Compliance Filing"), satisfy the Commission's comparability requirement.<sup>5</sup> Specifically, the Commission directed the CAISO to demonstrate "how subjecting generation and non-generation resources 'to the same requirements applicable to other providers of Ancillary Services, as set forth in [CAISO Tariff] Sections 8.5 through 8.11' satisfies [the Commission's]

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<sup>4</sup> Capitalized terms not otherwise defined have the same meaning set forth in the MRTU Tariff on file with the Commission.

<sup>5</sup> February 9 Order at P 22.

comparability requirement.”<sup>6</sup> The CAISO’s March 11 Filing complied with these directives.

In the March 11 Filing, the CAISO explained that CAISO Tariff<sup>7</sup> Sections 8.5 through 8.11 contain general provisions that delineate how a provider participates in the CAISO’s existing Ancillary Services markets and how payment may be rescinded for Ancillary Services capacity awarded in the markets that is not available during the period of the award. The provisions address generally applicable and basic requirements for participation in the existing Ancillary Services markets. They establish the timeframe for submitting Ancillary Services bids and schedules, and outline the process for conducting compliance testing and audits of the participating resources. The CAISO further demonstrated in the March 11 Filing that these are basic, necessary and appropriate requirements that must apply to all providers of Ancillary Services, including other non-generation resources, in order to maintain an orderly and standard market process and ensure that payment is made for service provided. In addition, the CAISO explained that requiring other non-generation resources to comply with CAISO Tariff Sections 8.5 through 8.11 is reasonable as the CAISO focuses on ensuring stable operation of MRTU and undertakes a stakeholder initiative to consider the extent to which additional tariff revisions under the MRTU platform may be appropriate to further promote the participation of other non-generation

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<sup>6</sup> *Ibid.*

<sup>7</sup> At the time of the March 11 Filing, the CAISO maintained two tariffs -- the tariff then effect, which was referred to as the CAISO Tariff, and the tariff which would become effective following the implementation of the Market Redesign and Technology Upgrade (“MRTU”), which was referred to as the MRTU Tariff. MRTU go live occurred on March 31, 2009. Accordingly, the MRTU Tariff is now effect. As the currently effectively tariff, it is now the CAISO Tariff and will be referred to as such throughout the remainder of this Answer.

resources in the CAISO's markets.

The CAISO again submits that its Ancillary Services tariff provisions are just and reasonable and consistent with the requirements of Order No. 890,<sup>8</sup> the May 16 Order, and the February 9 Order, and with the Commission's comparability requirement. In its Protest, Beacon essentially requests that the Commission require the CAISO to change the basic nature of the Ancillary Services provided under the CAISO Tariff. These proposed changes go far beyond the express requirements of Order No. 890 and the specific modifications to the *pro forma* OATT adopted by the Commission. For example, in discussing the inability of non-generation resources to provide a one-hour product<sup>9</sup> or submit bids that match the operating characteristics of the resource,<sup>10</sup> Beacon advocates modifications to the CAISO's fundamental market structure to accommodate other non-generation resources. This ignores the express language of Order No. 890, which provided that non-generation resources can provide each of the Ancillary Services specified in the order *to the extent they are capable of providing the specific service*.<sup>11</sup> The Commission was not directing service providers to develop new Ancillary Services other than those they already have under their tariffs.

Beacon also unfairly criticizes the progress of the CAISO's comprehensive project and public stakeholder process to integrate energy storage facilities onto the grid. In particular, Beacon claims that the limited participation in project's

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<sup>8</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 FR 12266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007), *reh'g pending*.

<sup>9</sup> Beacon Protest at 7.

<sup>10</sup> *Id.* at 8.

<sup>11</sup> See Schedules 2, 3, 4, 5, 6, and 9 of the *pro forma* OATT as modified in Order No. 890.

pilot program is designed to exclude Beacon's flywheel. That is not the case. There is one entity participating in the pilot program at this time because, to the CAISO's knowledge, that entity is the only one non-generation resource with energy storage technology that has achieved commercial operation on line and is capable of participating in the pilot project during the timeframe necessary to inform the stakeholder process discussed below.

Beacon frames its protest as challenging the adequacy and comparability of the CAISO's tariff revisions. Its goal, however, appears to be extensive tariff modifications, including changes to the CAISO's basic market design and perhaps creation of a new form of Ancillary Service that would benefit other non-generation resources. These extensive changes not only exceed the comparability requirement that was the subject of the March 11 Filing, they surpass the requirements Order Nos. 890 and 890-A. The Commission has previously rejected a similar effort by Beacon to unduly broaden the scope of the proceeding with a wish list of changes to the CAISO's existing Ancillary Services.<sup>12</sup> The CAISO requests that the Commission take the same action here and reject Beacon's efforts to unduly broaden the scope of this proceeding with matters outside the compliance obligation under consideration.

The CAISO requests that the Commission accept the CAISO's tariff revisions as consistent with the comparability requirement. This will permit the CAISO's integration of renewable resources program to proceed and consider the interconnection and market participation of alternative technologies in that context. Beacon and all other providers of energy storage technologies will have

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<sup>12</sup> February 9 Order at P 23.

the opportunity to participate in the CAISO's stakeholder process and offer their views and recommendations on changes needed to integrate non-generation resources. To the extent that any energy storage facilities obtain all necessary approvals and seek an on-line service date prior to the conclusion of the stakeholder process, they will be permitted to participate in the Ancillary Service markets under the revisions to Section 8.1 and the CAISO could adopt, as appropriate, interim measures needed to accommodate operation of that technology.

In addition, the CAISO will be initiating a technical working group to explore mechanisms that will promote the provision of Regulation and Spinning Reserve by other non-generating resources. The technical working group will then report its activities to the larger stakeholder community. This process may lead to enhancements of these products by modifying the CAISO Tariff or the technical criteria for providing these products, but only to the extent consistent with maintaining reliable grid operations and necessary to provide comparable treatment. Additional details will be announced in the CAISO's compliance filing in the Commission's rulemaking proceeding, Wholesale Competition in Regions with Organized Electric Markets, Docket Nos. RM07-19-000 and AD07-7-000.

### III. Conclusion

For the reasons set forth herein, the Commission should grant the CAISO's motion for leave to file this Answer and approve the CAISO's tariff revisions as consistent with the compliance requirements of Order No. 890, the May 16 Order, and the February 9.

Respectfully submitted,

/s/ Beth Ann Burns

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Dated: April 16, 2009

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the entities that are described in that document as receiving service, 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, California this 16th day of April, 2009.

*/s/ Anna Pascuzzo*

Anna Pascuzzo