

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

California Independent System)
Operator Corporation) Docket No. ER07-569-00

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I. INTRODUCTION AND SUMMARY

On February 23, 2007, the California Independent System Operator Corporation (“CAISO”) submitted to the Commission an amendment (the “Load Scheduling Amendment” or “the Amendment”) to the ISO Tariff in the above-captioned docket. The Load Scheduling Amendment revises the ISO Tariff by modifying the scheduling and forecast submission requirements in several respects, including reducing the minimum scheduling requirement during off-peak hours to 75 percent of each Scheduling Coordinator’s Demand Forecast and establishing specific exemptions to account for small or infrequent scheduling deviations below the scheduling requirements. Motions to Intervene were due on March 16, 2007.¹ In addition to interventions, several parties

¹ Motions to Intervene without substantive comments were filed by: the Alliance for Retail Energy Markets (filed out of time); the Arizona Public Service Company; the California Electricity Oversight Board; the City of Santa Clara, California and the M-S-R Public Power Agency; Constellation New Energy, Inc.; NRG Companies; the Public Utilities Commission of the State of California; Sacramento Municipal Utility District; and the Transmission Agency of Northern California.

submitted comments on and protests of the Amendment.² The CAISO does not object to the intervention of any party.

II. MOTION FOR LEAVE TO ANSWER PROTESTS

Although answers to protests are not usually permitted under Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), the CAISO hereby requests waiver of the rule to permit it to file this Answer. Good cause for a waiver exists because this 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 Services, Inc.*, 101 FERC ¶ 61,289, at 62,163 (2002); *Duke Energy Corporation*, 100 FERC ¶ 61,251 at 61,886 (2002); and *Delmarva Power & Light Company*, 93 FERC ¶ 61,098 at 61,259 (2000). The Commission accordingly should accept this Answer.

III. ANSWER

A. Need for Refinements to Amendment No. 72

Some commenters argue that there is no need for the Amendment, or that it does not address the needs that do exist. For example, Sempra opines that “well-functioning markets are the answer for many of the issues [these amendments] are designed to address, and that regulatory interventions should be minimized.” Sempra at 3. Similarly, Williams argues that the way to correct the problems of underscheduling is by a market-based solution that addresses their root causes, such as convergence bidding, rather than a

² Timely Motions to Intervene with substantive comments or protests were filed by the California Department of Water Resources, State Water Project (“SWP”); Powerex Corp. (“Powerex”); Sempra Energy Solutions, LLC (“Sempra”); Southern California Edison Company (“SCE”); Strategic Energy, LLC (“Strategic”); and Williams Power Company, Inc. (“Williams”). Coral Power, LLC (“Coral”) filed a Motion to Intervene Out-of-Time and Protest on March 23, 2006.

command and control mechanism. Williams at 7. Williams also supports a continuation of the existing Amendment No. 72 mechanisms to correct underscheduling until convergence bidding is implemented as part of the market redesign. Williams at 7.

On the other hand, Strategic contends that the Amendment is inadequate to correct the shortcomings of the Amendment No. 72 regime, and is “little more than a band-aid.” Strategic at 1, 3.

As described in the Filing Letter, and acknowledged by many in the stakeholder process, the mechanisms instituted by Amendment No. 72 were a positive step in controlling the underscheduling problem. Once implemented, however, certain shortcomings under actual operating conditions were detected that call for additional refinement. In making the filing, the CAISO noted that it

has proposed the tariff modifications contained in this filing in order to address and alleviate these concerns in a manner that balances the need to ensure reliability, the costs and burdens borne by Scheduling Coordinators, and the feasibility and complexity of the administration and enforcement of scheduling and Demand forecast reporting requirements by the CAISO and Commission Staff during an interim period until superseded by measures adopted for the Market Redesign and Technology Upgrade (“MRTU”) project.

Filing Letter at 2. Thus, the current Amendment was undertaken with both the appreciation that some improvements were called for and the understanding that any measures proposed would have a limited lifespan, as they will sunset when MRTU is fully implemented. For these reasons, the CAISO, with the support of most stakeholders, determined that certain measures were desirable, but that a complete overhaul of the underscheduling-related provisions and systems at this time would not be a reasonable use of resources. The Load Scheduling Amendment is the result of this determination.

B. Stakeholder Process

Coral criticizes the stakeholder process as “truncated and pre-ordained,” claiming that some significant concerns were not addressed. Coral at 2. Similarly, Strategic contends that the stakeholder process was inadequate and rushed, and requests that a more comprehensive stakeholder process be established to address issues surrounding the requirements of Amendment 72. Strategic at 7. Sempra requests that the Commission institute a technical conference to explore the issues in this proceeding. Sempra at 3. The CAISO disagrees that its stakeholder process was somehow deficient and requests that the Commission reject the need for further proceedings on this matter.

As described in the Filing Letter, based on concerns regarding the 95 percent forward scheduling requirement instituted through Amendment No. 72, the CAISO concluded that changes to these requirements might be in order, and began a stakeholder process to explore these issues. In the first week of December 2006, the CAISO announced that general modifications to the scheduling and forecasting requirements were under consideration. The CAISO issued a detailed whitepaper prepared by its Department of Market Monitoring that provided analysis of past experience with the scheduling and forecasting requirements, addressed concerns of stakeholders and CAISO operations staff, and proposed various modifications relating to these requirements on December 11, 2006. Stakeholder comments were submitted on December 18, 2006, and the CAISO held a conference call with stakeholders to discuss these comments on December 20, 2006. On December 22, 2006, the CAISO issued an addendum to its whitepaper based on stakeholder comments, and received additional stakeholder comments on this addendum on January 5, 2007. The comments were incorporated into

materials provided to the CAISO Board of Governors for consideration. The CAISO published proposed tariff language for the Amendment on February 6, 2007, and received stakeholder comments on the proposed tariff language on February 12, 2007. The CAISO made changes to the proposed tariff language in response to stakeholder comments were made and discussed with stakeholders on conference call on February 14, 2007. *See* Filing Letter at 5.

The foregoing demonstrates that the CAISO conducted a stakeholder process that provided several opportunities for interested parties to provide input. Numerous comments were submitted. The CAISO gave this input serious consideration, and, as indicated in the attachments to the Filing Letter, not only included the comments in the materials presented to the Board of Governors, but also incorporated significant stakeholder input into Management's final recommendation.

The stakeholder process was therefore thorough. However, to the extent it was perceived as conducted in an expedited manner, the CAISO stresses that the schedule was driven by the need for the Amendment to be in place by late spring when many of the operational problems, *i.e.*, Overgeneration, addressed by the Amendment are most likely to occur. Further, it is important to reemphasize that the parameters of this enterprise were intentionally limited – the purpose of the Load Scheduling Amendment is to make necessary refinements to the Amendment No. 72 regime to be in effect only until superseded by MRTU implementation. In this regard, the Commission's September 21, 2006 order on MRTU directed the CAISO to file interim measures "to address the potential economic incentive for LSEs to underschedule in the day-ahead market until the

successful implementation of convergence bidding has been achieved.”³ This filing must be made 180 days prior to the effective date of MRTU Release 1. As such, stakeholders will soon have an additional opportunity address these issues going forward.

C. Safe Harbor for Exempt Scheduling Deviations and Monthly Allowance for Minor Scheduling Deviations

The Amendment calls for a threshold below the 95 percent forward scheduling requirement of Amendment 72 being created for “Exempt Scheduling Deviations” at a level of the lower of 3 MWh or 5 percent of the Scheduling Coordinator’s Demand Forecast. There is no limit to the number of instances in which this can occur. Filing Letter at 7. In addition, the Amendment calls for providing each Scheduling Coordinator an allowance of up to six “Minor Scheduling Deviations” from the scheduling requirements per calendar month. As explained in the Filing Letter, the Minor Scheduling Deviations provision “is designed to address deviations which are larger than the *de minimis* threshold described above, but that are unlikely to affect reliability if occurring infrequently.” Filing Letter at 8.

Strategic argues that the limited safe harbor of 3 MWh is inadequate in light of the fact that supply is procured in blocks of 25 MWh. For this reason, according to Strategic, in order to “correlate with current market realities,” the safe harbor should be 25 MWh “for every hour every day.” Strategic at 3-4. Strategic further contends that the limited exemptions provided by the Amendment do not do enough to reduce exposure to penalties for “inadvertent, infrequent, and limited non-compliance.” Strategic at 4.

On the other hand, Williams argues that both the safe harbor for “Exempt Scheduling Deviations” and the allowance for “Minor Scheduling Deviations” go too far

³ *California Independent System Operator Corporation*, 116 FERC ¶ 61,274 at P 452 (2006).

and are a step backward from Amendment No. 72. The exemptions are also unnecessary, according to Williams, because the Commission's broad discretion in determining whether to enforce scheduling requirements is sufficient to allow it to impose penalties only when "exceptional circumstances" do not exist. Williams at 14-15. Williams expresses the concern that the exemptions may be used strategically, and may cause the CAISO to return to the problem of having to over-procure "just in case." For these reasons, Williams believes that the 95/75 percent of forecast demand procurement requirement should be implemented without additional exceptions. Williams at 11-13. If there must be an exception from the general applicability of the 95/75 percent procurement rule, however, then Williams concedes that the safe harbor for Exempt Scheduling Deviations exception is superior to the "free passes" for Minor Scheduling Deviations exception. Williams at 16-17. In this regard, Williams further argues that small LSEs have not been demonstrated to benefit from the Minor Scheduling Deviation exemption, because if small LSEs have trouble remaining within the threshold, the 12 "free passes" per month would not be sufficient. Williams at 16.

Sempra agrees that there should be exemptions within a certain band, but argues that deviations should be measured against a set number of megawatts, *i.e.*, 12.5 MWh or 5 percent, permitted in all hours, "which would symmetrically share the risk of over-scheduling and under-scheduling based on the standard 6x16 procurement increment of 25 MWh." Sempra at 6-7.

The CAISO proposed a "safe harbor" mechanism that includes "Exempt Scheduling Deviations" during all hours and "Minor Scheduling Deviations" during a limited number of hours each month to address concerns that some deviations below the

95 percent scheduling requirement may be inadvertent and have no impact on reliability, yet nevertheless be subject to potential investigation and sanction by FERC – a result viewed as unfair by many stakeholders. As noted in the Filing Letter, the “specific formula proposed reflects an appropriate balance between the potential additional difficulty of compliance for relatively small LSEs and the need for reliability as well as the principle that all participants should be subject to the same rules and requirements.” Filing Letter at 7-8.

The CAISO believes a “safe harbor” level of 25 MWh for “Exempt Scheduling Deviations” applicable to all hours could result in significant cumulative underscheduling when applied to all Scheduling Coordinators. In addition, a 25 MWh limitation would allow smaller Scheduling Coordinators to rely on the real time market for a large proportion of their total load, while larger LSEs would still be required to schedule about 95 percent of their load – an inequitable result. Similarly, any limitation based only on megawatts, rather than a combination megawatts or the percentage of load as proposed in the CAISO’s filing, would unfairly favor small LSEs at the expense of large LSEs.

The 25 MWh threshold, together with the 2 percent of forecast Demand threshold applicable for larger LSEs, is more appropriate for the allowance for “Minor Scheduling Deviations,” as these may only occur 12 times a month – six in the peak period and six in the off-peak period. As noted in the Filing Letter, this “exemption is designed to cover infrequent deviations that may occur due to exceptional circumstances, rather than lowering the target that Scheduling Coordinators should strive to meet during peak periods.” Filing Letter at 9. Taken together, these mechanisms strike a balance between treating Scheduling Coordinators fairly and ensuring reliability.

D. Exemption from Penalty for First Monthly Violation

The Amendment calls for providing each Scheduling Coordinator one exemption per calendar month from the \$500 penalty for violating the Demand Forecast submission requirements under current ISO Tariff provisions. Filing Letter at 10-11.

Williams contends that the once-monthly exemption from the \$500 penalty for deviating from forecasting submission requirements is unclear and subject to strategic use. It is unclear to Williams as to whether the exemption is only for the penalty itself, or whether the exemption means that the first violation in a month is not a violation of the tariff at all, and hence not subject to Commission investigation. If the latter is the intent, Williams argues that the CAISO should be required to demonstrate the provision is just and reasonable. Williams at 18-19. If the intent is merely to remove the \$500 penalty, Williams contends that it should be carefully worded to convey that. Williams at 20. Further, Williams believes that language should be added to make clear that violations that do not incur the \$500 penalty are still reported to the Commission for investigation and possible sanctions. Williams at 20-21.

Under revised Section 31.1.4.1, the intent is to exempt a Scheduling Coordinator's first failure in each calendar to submit the required Demand Forecast information from constituting a violation of the ISO Tariff. The modification is, therefore, intended to go beyond eliminating the risk of a \$500 sanction for the omission. Williams is alone in expressing a concern with the scope of the exemption. The CAISO disagrees with Williams that the exemption poses a material threat of abuse that outweighs its administrative and regulatory benefits.

The scheduling requirements of Section 4.5.4.2.1 rely on LSE generated Demand Forecasts. On any given day, those Demand Forecasts can be subject to manipulation by the LSE to achieve commercial objectives. As such, uncovering whether an LSE attempted to gain an advantage by underscheduling would likely require evaluation of other data, such as a comparison between the Scheduling Coordinator's actual Load and scheduled Load. The CAISO and FERC retain the authority to assess the Scheduling Coordinator's behavior, for example, where the difference between a Scheduling Coordinator's actual Load and schedule Load raises suspicions by coinciding with an incident in which the Scheduling Coordinator failed to provide a Demand Forecast. Thus, Williams incorrectly equates the exemption with total immunity. The exemption merely forgives the Scheduling Coordinator its failure to submit the Demand Forecast by the required Day Ahead deadline, not from other prohibited behavior.

Nevertheless, should the Commission conclude that the CAISO must enhance its ability to provide oversight against possible abuses, the CAISO believes a simple change to Section 31.1.4.2 can address Williams' concern while maintaining the scope of the present exemption. That change requires clarification that the omitted daily Demand Forecast must be provided as part of the Scheduling Coordinator's weekly submission under Section 31.1.4.2.

Preliminary Weekly Information. Each Scheduling Coordinator shall provide to the ISO, no later than seven (7) days after the end of each week, which shall end at Sunday HE24, data for the previous week (Monday through Sunday), in electronic format, comparing, for each hour of that week: (1) the Scheduling Coordinator's total Day-Ahead scheduled Demand by UDC Service Area, ~~as submitted~~ pursuant to Section 4.5.4.2, (2) the Scheduling Coordinator's total Day-Ahead Demand Forecast by UDC Service Area, ~~as submitted~~ pursuant to Section 31.1.4.1, and (3) an estimate of the Scheduling Coordinator's actual Demand by UDC Service Area.

The change clarifies that it is the information required by Sections 4.5.4.2 and 31.1.4.1, not which was actually submitted or previously provided to the CAISO under those sections, which must be included in the weekly submission of data. Under this revised approach, the intended exemption for inadvertent noncompliance is preserved, the Scheduling Coordinator has the time to correct the omission, and the CAISO obtains the required information, albeit on a slightly delayed basis.

E. Exemption for Scheduling Coordinators Serving Less than 1 MWh of Load Within a UDC Area

The Amendment exempts LSEs whose peak metered Demand during the preceding twelve months was less than 1 MWh within a particular UDC area from the 95/75 percent scheduling requirement and Demand forecast submission obligation. Filing Letter at 11.

Williams supports the 1 MWh load *de minimis* exemption from the scheduling requirement in Section 31.1.4.1, but believes it should also be inserted in Section 31.1.4.2, regarding reporting certain weekly data. Williams at 9.

The CAISO agrees that the rationale for exempting LSEs with *de minimis* Load from submitting daily Demand information applies with equal force to the weekly Demand information requirements, and commits to make this change as part of any compliance filing ordered by the Commission.

F. Market-Clearing Price at Interties

Powerex states that allowing less forward scheduling in the off-peak, as is permitted under the changes proposed in this Amendment, will result in more real-time purchases by the CAISO, especially at the interties. Powerex also argues that the provisions of the Amendment will increase real-time purchases at the inter-ties while not

correcting the inefficient “pay-as-bid” rule for such purchases. Powerex contends that the pay-as-bid method provides little information to market participants and fails to provide accurate price signals. Powerex at 5. Instead, according to Powerex, a market-clearing price (“MCP”) should be calculated for such purchases. Powerex at 4. Since MCPs are already being calculated at the interties by the real time market application, according to Powerex, converting to such a pricing method should not be difficult. Powerex at 6. In the alternative, Powerex requests that the CAISO at least be required to post the price and volume data immediately following each operating hour, if it is not to adopt pre-dispatch MCPs at interties. Powerex at 6.

The CAISO does not believe that there is a logical or necessary connection between the elimination or reduction of the 95 percent scheduling requirement during off-peak hours and the replacement of the current pay-as-bid settlement mechanism for pre-dispatched inter-tie bids. Powerex contends that either of the modifications to the pre-dispatch process it proposes (*i.e.*, the creation of a MCP for inter-ties or the provision of price and volume data immediately after each operating hour) would benefit participants – particularly LSEs – by increasing market efficiency and allowing LSEs to calculate the actual price and cost of pre-dispatch energy at the interties. Powerex at 5. Yet it is significant that no LSE during the course of the stakeholder process or otherwise has supported Powerex’s proposal to link these modifications to the pre-dispatch process to the proposed changes in the Amendment.

Moreover, since the Amendment could be expected to reduce the amount of surplus generation in the CAISO real time market during many off-peak hours, the proposed changes are likely to disadvantage Powerex by reducing the availability of

relatively low cost decremental energy that may be purchased by Powerex, as described in more detail below. In addition, as also described in more detail below, there are feasibility limitations to Powerex's suggested changes.

The pay-as-bid settlement mechanism has proven to be a highly efficient alternative under current market conditions and limitations, as documented in over 95 weekly reports submitted by the CAISO to the Commission since implementation of the as-bid settlement mechanism.⁴ While Powerex and a few other major importers/exporters predicted a drop in bid liquidity and increase in procurement costs due to the pay-as-bid mechanism, none of these predictions have materialized.

Further, Powerex's arguments ignore the fact that during most off-peak hours since Amendment 72 went into effect, the net amount of energy pre-dispatched on the interties has been negative, so that the CAISO is typically a net seller rather than buyer of energy in the pre-dispatch market. As shown in Table 1, during 2006, the quantity of net pre-dispatches by the CAISO was positive during only 11 percent of the off-peak hours, with an average net pre-dispatch of incremental energy of 190 MWh. Meanwhile, the quantity of net pre-dispatches was negative during 74 percent off-peak hours in 2006, with an average net pre-dispatch of incremental energy of 453 MWh. The proposed reduction in the Day Ahead scheduling requirement included in the Amendment is designed to reduce this trend and lessen the need for the CAISO to routinely decrement relatively large quantities in the pre-dispatch process. Admittedly, this may disadvantage Powerex, which the largest buyer of decremental energy from the CAISO's system in the

⁴ For example, see *Ninety-Fifth Weekly DMM Report on Market Impacts of Amendment 66*, Docket No. ER05-718, filed March 22, 2007. Available at CAISO website at <http://www.caiso.com/1bad/1bad9e0a31830.pdf>

pre-dispatch process, and accounts for an extremely large portion of total decremental energy pre-dispatched by the CAISO in 2006.

**Net Pre-dispatch of Imports/Exports during Off Peak Hours (1-6, 23-24)
January – December 2006**

Net Pre-Dispatch	Hours	Percent	Avg. Net Pre-dispatch (MWh)
Increment	323	11%	190
No Dispatch	437	15%	0
Decrement	2,160	74%	-453
Totals	2,920		-314

As shown in weekly reports filed with the Commission by the CAISO pursuant to Amendment 66, the price of pre-dispatched decremental energy tends to drop below prices reported in the regional bilateral markets during periods in which the CAISO must decrement significant volumes of energy during the pre-dispatch process.⁵ By reducing the need to decrement significant volumes of Energy during off-peak hours, the Load Scheduling Amendment should reduce the volume of decremental Energy pre-dispatched at relatively low prices and improve convergence of pre-dispatch prices with prices in regional bilateral markets. Consequently, the CAISO believes that while the proposed changes may not be financially beneficial to Powerex, the overall effect on market efficiency, CAISO operations, and LSEs resulting from adoption of the Load Scheduling Amendment will be positive.

Powerex is further mistaken with regard to the feasibility of its proposed changes to the real time pre-dispatch market process. For example, it is not accurate, as Powerex states that “the current CAISO Real Time Market Applications market clearing process

⁵ For example, see Figure 4 on page 10 of the *Ninety-Fifth Weekly DMM Report on Market Impacts of Amendment 66*, Docket No. ER05-718, filed March 22, 2007.

already generates pre-dispatch market clearing prices at the interties.” Powerex at 6. This assertion is directly contradicted by numerous filings at the Commission and other public documents provided by the CAISO on this issue. For example, in the CAISO’s July 26, 2005 filing requesting an extension of the pay-as-bid settlement of pre-dispatched intertie bids, the CAISO explained that:

...implementation of a “pre-dispatch market clearing price” option ... would require significant resources and time to implement. The CAISO estimates that implementing a “pre-dispatch market clearing price” option would take at least 6-8 months, and would require a budget of approximately \$600,000, in addition to the use of internal CAISO resources. One of the complicating features of implementing a “pre-dispatch market clearing price” option in particular is that the CAISO would need to develop and execute a new pre-dispatch pricing run. This effort was not originally anticipated when the CAISO first examined the feasibility of this option.⁶

Thus, it is not true that “moving to a pre-dispatch market clearing settlement would require little more than minor changes to the CAISO settlement systems.”

Nor is it a simple matter to publish “total pre-dispatch intertie energy costs and payments for incremental or decremental energy at the interties and volume data immediately following each operating hour.” The CAISO currently publishes weighted average prices for pre-dispatched energy for each of the major CAISO congestion zones (SP15 and NP15) net real time energy dispatch volumes for each external congestion interface with a one day lag. Calculating and posting these data at the additional level of granularity requested by Powerex immediately after each operating hour would involve

⁶ *Request for Extension of Tariff Authority for “As-Bid” Settlement of Pre-Dispatched Intertie Transactions*, Docket Number ER05-718-000, Filing Letter at 13 (July 26, 2005) (Amendment No. 66). A very detailed description of the data currently produced by the pre-dispatch software and the additional software changes that would be needed to implement a “pre-dispatch market clearing price” option was also provided in a document filed by the CAISO with the Commission on May 9, 2005. *See ISO Plan for Addressing Issues Identified in Amendment No. 66 Order*, Docket No. ER05-718-000, May 9, 2005 at pp. 2-3.

expenditure of substantial resources. Specifically, the CAISO estimates that meeting these requirements would require two person-months of staff resources and two calendar months to implement. Staff resources that would be needed to implement these requirements also would need to be reallocated from MRTU market simulation activities. Finally, the resulting data reporting changes would only be in effect for about seven months before becoming replaced by MRTU systems.⁷ Thus, the CAISO believes the costs of implementing Powerex's request exceed any benefits from posting this additional information on a real time basis, as requested by Powerex.

G. Effectiveness of the Scheduling Interface

Coral criticizes the CAISO for failing to correct problems with its Scheduling Interface ("SI"), including the lack of an Automated Programming Interface and the CAISO's failure to implement the same mechanisms for Day Ahead load forecasts as it did for Day Ahead Schedules. Coral at 2, 4.

SWP requests that the Commission require the CAISO to create a new Section 19.2.3 to institute a "workable user interface for the submission of demand forecasts" with the following characteristics: 1) electronic confirmation of submissions; 2) ability to query the system about an entity's own submissions; and 3) ability of an entity to download information attributed to it. SWP at 2.

Strategic argues that the CAISO portal is inadequate for the tasks required of it, and that its shortcomings hinder compliance with the scheduling requirement. According

⁷ The seven-month estimated lifespan of the data reporting improvements is based on the February 2008 implementation data for MRTU, combined with the assumption of one additional month for a Commission decision on the proposed changes to Amendment of 72, and two months for development of data reporting improvements once a decision is issued by the Commission.

to Strategic, particular problems exist with regard to data retrieval and validation.

Strategic at 6.

The CAISO believes that the existing SI template, the provision for 9:00 a.m. e-mail verification of Demand Forecasts, and the opportunity to respond to all potential violations due to Demand Forecast problems, provides a sufficient and reasonable mechanism for compliance with the forward scheduling requirement. It is true that DMM encountered data problems or discrepancies when the reporting system was implemented due to misunderstandings concerning the system and other miscellaneous issues by both DMM and participants. The automated reporting queries based on SI system data that are now in place, however, are highly reliable. Reports generated by these automated reporting queries are made available to Scheduling Coordinators on a weekly basis prior to submission to the Commission. In sum, the CAISO's systems are entirely adequate to perform the tasks contemplated in the Load Scheduling Amendment.

H. Compatibility with Market Practices

1. Basis for Forecasting and Reporting Requirements

Sempra argues that forecasting and reporting requirements should be on a zonal, rather than UDC, basis, in order to reflect actual market practices. Sempra at 3.

While supply schedules and bilateral agreements are based on a zonal level (*e.g.*, NP15 and SP15) as noted by Sempra, Load is scheduled and metered at specific Load points within different UDC areas. Thus, the CAISO believes this modification would provide little, if any, advantage, while creating potential problems due to changing current practices.

2. Parameters of Non-Peak Period

With regard to the proposal that the minimum scheduling requirement be reduced from 95 percent to 75 percent during off-peak periods, Sempra states that the disparity between what the CAISO considers “peak” and what WECC considers “peak” (*i.e.*, the fact that the CAISO includes hours 7-22 on Sunday in its peak hours category) is “illogical” and “unsupported.” Instead, Sempra argues that a 5-day week procedure would provide LSEs with needed flexibility and would conform to the parameters of the market. Sempra at 5.

As noted in the CAISO’s Filing Letter, the decision to retain a seven-day a week “peak” period structure was made due to a concern on the part of CAISO Grid Operations that a 75 percent scheduling requirement may provide insufficient protection against excessive underscheduling on Sundays during peak daytime hours. *See* Filing Letter at 7. The CAISO still believes this to be the case, and that the 95 percent scheduling requirement should continue to apply to hours 7 through 22 on all days of the week, including holidays, rather than only during the standard WECC definition of peak hours.

3. Timing of Forecast Submissions

SWP argues that Section 31.1.4 should be modified to permit Scheduling Coordinators to provide more accurate forecast information before the close of the Day-Ahead Market, including times when that market closes after 10 a.m. SWP at 2.

The CAISO believes that the current 10 a.m. deadline continues to represent a reasonable deadline for submittal for Day Ahead forecast data. Under the provisions of the Amendment, Scheduling Coordinators are permitted to submit Revised Schedules through 12 noon. *See* ISO Tariff Section 4.5.4.2.1.1. Since load forecasts should be

developed prior to schedules, however, the CAISO believes it is reasonable to expect LSEs to submit load forecasts by the same time initial Schedules are submitted at 10 a.m.

I. Miscellaneous

Strategic requests that the confidentiality provisions of Section 20.2 be extended to Section 4.5.4.2.1, rather than only to Section 4.5.3.7. Strategic at 5.

The CAISO readily acknowledges the need to review and potentially improve Section 20 in a comprehensive manner. However, the modification requested by Strategic is presently unnecessary. The CAISO has consistently considered Schedules submitted by Scheduling Coordinators to be protected from public disclosure, obviating Strategic's underlying concern.

Section 4.5.3.7 was included in the Amendment, not to change the scope or present application of Section 20.2, but rather to avoid potential ambiguity. Section 20.2 currently refers explicitly to Demand Forecasts under Section 31.1.4. To avoid the implication that the Demand Forecasts under 4.5.3.7 should be treated differently than those under Section 31.1.4, the former section was added to ensure equality of treatment.

Strategic also requests that the filing obligations of Section 19 be eliminated (as, it argues, CAISO had stated would be done), instead of merely moved to Section 4.5.3.7, as the provision is redundant and obsolete. Strategic at 5. Contrary to Strategic's contention, Section 4.5.3.7 is neither redundant nor obsolete. That section does, in fact, assist the CAISO in complying with NERC Standard MOD-017-0 relating, among other things, to reporting of Demand Forecast data by a Planning Authority, such as the CAISO.

IV. CONCLUSION

Wherefore, for the foregoing reasons, the CAISO respectfully requests that the Commission accept the Load Scheduling Amendment as submitted, except with the modifications suggested above.

Respectfully submitted,

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Dated: April 2, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, on this 2nd day of April, 2007.

/s/ **Charity Wilson**
Charity Wilson