

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

**California Independent System)
Operator Corporation)**

**Docket Nos. ER08-1178-____
and EL08-88-____**

**ANSWER TO REQUESTS FOR CLARIFICATION OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, the California Independent System Operator Corporation ("ISO") hereby provides its answer to requests for clarification regarding the Commission's February 20, 2009, "Order on Section 206 Investigation, Technical Conference, Accepting in Part and Rejecting In Part Tariff Provisions, and Implementing Transitional Measures"¹ in this proceeding. As discussed below, the ISO agrees that Exceptional Dispatches to address planned outages are among the types of Exceptional Dispatches under which resources with capacity not covered by resource adequacy contracts, Reliability Must-Run contracts and Interim Capacity Procurement Mechanism ("ICPM") designations would qualify for an Interim Capacity Procurement Mechanism ("ICPM") designation and, therefore, that this clarification request should be granted. The ISO requests that the Commission deny the other clarification requests.

I. BACKGROUND

Under Section 34.9 of the ISO's tariff, the ISO can issue Exceptional Dispatch instructions – *i.e.*, dispatches outside the ISO's markets – for specified purposes. On June 27, 2008, the ISO filed in these proceedings an amendment to its tariff to mitigate

¹ *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150 (2009) ("February 20 Order").

bids on behalf of resources that are issued Exceptional Dispatch instructions for certain purposes, and to clarify a number of the existing tariff provisions regarding Exceptional Dispatch. After a technical conference and comments by various parties, the Commission issued the February 20 Order.

In the February 20 Order, the Commission accepted in part and rejected in part a revised Exceptional Dispatch proposal that the ISO filed after the technical conference, effective upon the implementation of the ISO's Market Redesign and Technology Upgrade, which the ISO implemented on March 31, 2009, for the Day-Ahead Market for the April 1, 2009, trading day. Relevant for the purposes of this filing, the Commission –

- directed that the ISO, except in those cases in which the Scheduling Coordinator has opted for supplemental revenues, offer ICPM designations for all Exceptional Dispatches except for instructions to decrement energy or to decommit and other instances where the ISO is not using the resource's capacity, such as testing and other reasons²;
- approved the ISO's proposal to limit such designations to the amount of capacity actually included in the Exceptional Dispatch (less any resource adequacy or ICPM capacity)³;
- directed the implementation of temporary measures regarding Exceptional Dispatch mitigation for the first four months after MRTU start-up that are essentially equivalent to the "relaxed mitigation" approach proposed by the ISO⁴; and
- required the ISO to file a report, every sixty days, that details the frequency, volume, costs, causes, and degree of mitigation of exceptional dispatches.⁵

On March 23, 2009, the ISO filed revised tariff language in compliance with the Commission's directives. Also on March 23, 2009, three parties or combinations of parties filed requests for rehearing, requests for clarification, or comments: El Segundo Power LLC, Dynegy Moss Landing, LLC, Dynegy Morro Bay, LLC, and Reliant Energy,

² *Id.* at PP 161-62.

³ *Id.* at PP 187-91.

⁴ *Id.* at PP 84-87.

⁵ *Id.* at P 263.

Inc. (collectively, “California Generators”); Western Power Trading Forum (“WPTF”); and Southern California Edison Company. The ISO does not seek to respond to the California Generators’ request for rehearing concerning partial versus whole unit designation as the ISO believes the record supports the Commission’s conclusions.⁶

The requests for clarification raised the following issues:

- Scope of reporting requirements (raised by California Generators);
- The implementation of a guideline used by the ISO in the pre-MRTU Temporary Capacity Procurement Mechanism (“TCPM”); and
- Compensation eligibility of Exceptional Dispatches caused by scheduled outages (raised by California Generators and WPTF).

II. ANSWER TO REQUESTS FOR CLARIFICATION

A. Issues Regarding the Volume of “Needed Capacity”

1. Reporting Requirements

California Generators ask the Commission to clarify that the requirement that the ISO report the “volume” of Exceptional Dispatch includes a requirement to report the “capacity required by the ISO,” which they define as (1) the dispatched MW; (2) the MW of capacity required; and (3) the total capacity made available, including non-resource adequacy capacity “that was made available when the unit was exceptionally dispatched but only part of the capacity was offered an ICPM designation.” They assert that this information is necessary to ensure lack of discrimination and to assist in the development of new market products.⁷

⁶ The ISO notes that Southern California Edison Company requested rehearing regarding the duration of the temporary mitigation measures regarding all Exceptional Dispatches. The ISO does not take a position on that issue at this time, but will ask the Commission to extend the mitigation measures if circumstances develop during the four months that would warrant an extension.

⁷ California Generators’ Request for Rehearing at 10.

California Generators' request should be rejected because it relies upon erroneous premises – which the Commission has already rejected in the context of partial unit designations – that the ISO needs more capacity than it includes in an Exceptional Dispatch and that a resource, when it receives an ICPM Designation, makes its entire capacity available to the ISO. California Generators offer no reasons why the Commission should now act upon these faulty assumptions.

Indeed, California Generators reveal the fallacy of their own logic in the statement of their proposal. California Generators ask for information regarding “non-resource adequacy capacity that was made available when the unit was exceptionally dispatched but only part of the capacity was offered an ICPM designation.” Yet if a resource, when given a partial ICPM designation, is making its entire capacity available to the ISO, then the same would be true of a unit accepting a partial resource adequacy designation. For the same reason that a resource may have “non-resource adequacy capacity” that is not available to the ISO, it may have non-ICPM capacity that is not available to the ISO.⁸

Under the Exceptional Dispatch ICPM provisions, if the ISO issues an Exceptional Dispatch greater than the ICPM designation to a resource with an Exceptional Dispatch ICPM designation, the designation will be increased to the higher amount retroactively to the beginning of the term of the designation or the beginning of

⁸ California Generators make a similar mistake in their related argument regarding partial unit designations. They contend that by the time a non-resource adequacy unit is exceptionally dispatched, there is no other market in which to sell capacity that provides compensation similar to that provided resource adequacy unit. *Id.* at 5. While that may be true for the single Day-Ahead Market or Real-Time interval in which the resource receives the Exception Dispatch, it has the same ability as a partial resource adequacy unit to bid its undesignated capacity into all future markets or enter into a bilateral contract for that capacity.

the calendar month, whichever is later.⁹ The ISO therefore has no incentive to issue an Exceptional Dispatch for less than the capacity that the ISO needs; the capacity for which a resource is compensated under an ICPM designation will always reflect the entire capacity that the ISO needed.

There is simply no valid distinction with regard to Exceptional Dispatch ICPM designations among the dispatched MW, the MW of capacity “required,” and the total capacity made “available.” The Commission should reject California Generators’ request that this information be provided as separate volumes.

2. Guidelines for Determining Quantity of Capacity for an ICPM Designation

California Generators also requested “clarification” that the ISO must apply guideline B from the Temporary Capacity Procurement Mechanism (“TCPM”) proceeding to Exceptional Dispatches in the event their rehearing request regarding partial unit designations is denied. According to California Generators, the ISO would need to decide if it required only the amount of capacity exceptionally dispatched or if it required capacity beyond that level. The ICPM designation would then reflect the amount needed.¹⁰ California Generators attached to their request the ISO’s “Motion for

⁹ In the compliance filing of March 23, 2009, the ISO included tariff language specifying that the resource will be paid for the highest capacity included in an exceptional dispatch during the 30-day term. This was consistent with the description in the ISO’s Answer to Reply Comments filed on January 6, 2009, in this docket. After considering informal comments received and upon further consideration, however, the ISO believes that the February 20 Order is better read as accepting the description of the proposal in the ISO’s November 24, 2008, Comments. February 20 Order at PP 190-91. Under that proposal, the ISO would make a monthly ICPM payment based on the highest quantity for which a unit was exceptionally dispatched during the first calendar month within the 30-day period; the ISO would base the monthly ICPM payment in the second calendar month of a single 30-day period on the highest quantity for which a unit was exceptionally dispatched during the 30-day period, even when the highest quantity occurred during the first month. See *id.* at P 130. The ISO is prepared to correct this error in a compliance filing following comments on the March 23, 2009, compliance filing.

¹⁰ California Generators Request for Rehearing at 8-9.

Leave to File Answer Out of Time and Answer” filed in Docket No. ER08-760, which included guidelines for TPCM designations.

The guideline that California Generators cite was prepared for the TPCM program, under which TPCM designations were made for the entire capacity of a resource (or the entire non-resource adequacy capacity). The manner in which the guideline operated under TPCM is simply not applicable to ICPM designations generally including Exceptional Dispatch ICPM designations, because the TPCM was premised on the existence of the Commission-imposed must offer obligation, which has now terminated. The Commission approved partial unit designations for ICPM¹¹ and this “clarification request” should therefore be denied.

B. PLANNED OUTAGES

California Generators and WPTF request that the Commission clarify that Exceptional Dispatches caused by planned transmission outages are uses of capacity. California Generators note that the ISO stated that there may not be enough time to incorporate planned outages into the configuration of models.¹² WPTF argues that the Commission found that Exceptional Dispatches issued to respond to a forced transmission or generation outage provide a capacity-type service, and that there is no reason to distinguish scheduled outages.¹³ Because the Commission did not include Exceptional Dispatches for scheduled outages in the list of capacity-type services, they

¹¹ *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,053 at P 94 (2008).

¹² California Generators Request for Rehearing at 10.

¹³ WPTF Request for Rehearing at 12-13.

ask the Commission to clarify that such Exceptional Dispatch are in fact capacity-type services.¹⁴

It has been, and remains, the ISO's goal to provide proper compensation for capacity that the ISO requires in order to maintain reliable system operations. The ISO's needs in this regard are the same whether an outage is forced or is planned with insufficient time to incorporate the outage into models. The ISO's March 23, 2009 compliance filing does not distinguish between Exceptional Dispatches for planned or forced outages and offers ICPM designations in either case. Accordingly, the ISO supports this request for clarification by California Generators and WPTF.

III. CONCLUSION

For the reasons explained above, the Commission should grant clarification regarding Exceptional Dispatches as a result of planned outages and reject all other requests for clarification as discussed herein.

Respectfully submitted,

/s/ Michael E. Ward

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
Anna A. McKenna
Senior Counsel
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Michael Kunselman
Michael E. Ward
Bradley M. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, N.W.
Washington, DC 2004
Tel: (202) 756-3300
Fax: (202) 756-3333

*Counsel for the California Independent
System Operator Corporation*

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¹⁴ California Generators Request for Rehearing at 10-11; WPTF Request for Rehearing at 12-13.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each party listed on the official service list for these proceedings, 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 Washington, D.C. on this 7th day of April, 2009.

/s/ Michael E. Ward

Michael E. Ward
Alston & Bird LLP