



California Independent
System Operator Corporation

February 4, 2008

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Answer of the California Independent System Operator Corporation to
Comments and Protests re: CAISO's December 28, 2007 RCST
Compliance Filing
Docket Nos. EL08-20-000, EL05-146-006, ER06-615-017, ER07-1257-001,
and ER02-1656-035**

Dear Ms. Bose:

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the California Independent System Operator Corporation ("CAISO") respectfully submits a Motion for Leave to Answer and Answer of the California Independent System Operator Corporation in the above-referenced Dockets.

If there are any questions concerning this filing, please contact the undersigned.

Respectfully Submitted,

/s/ Anthony J. Ivancovich

Anthony J. Ivancovich
Counsel for the California Independent
System Operator Corporation

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

California Independent System Operator Corporation)	Docket Nos. ER06-615-017
)	ER07-1257-001
)	ER02-1656-035
)	
Independent Energy Producers Association)	
)	
v.)	Docket No. EL05-146-006
)	
California Independent System Operator Corporation)	
)	
California Independent System Operator Corporation)	Docket No. EL08-20-000
)	

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

On December 28, 2007, the California Independent System Operator Corporation (“CAISO”) submitted a filing in the above-captioned proceeding (“Compliance Filing”) to comply with the Commission’s “Order Instituting a Section 206 Investigation and Denying Motion for Reconsideration and Clarification,” 121 FERC ¶ 61,281, issued on December 20, 2007 (“December 20 Order”).¹ On the same date, the CAISO also filed a Motion for Clarification of the December 20 Order (“Motion for Clarification”).

The Commission established a January 18, 2008, comment date regarding the Compliance Filing. In response, the Alliance for Retail Energy Markets (“AReM”) and

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff, and in the Compliance Filing.

the California Municipal Utilities Association (“CMUA”) filed comments and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (together, “Six Cities”) filed a protest. None of these parties filed an answer to the Motion for Clarification.² For the reasons explained below, the Commission should accept the Compliance Filing without modification and should also grant the Motion for Clarification.

I. Motion for Leave to File Answer to Protest

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the CAISO respectfully requests a waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2) and leave to file an answer to the protest and comments. Good cause for waiver exists here because, as explained below, the protest and comments suggest changes to the tariff language that either go beyond the specific directive of the December 20 Order or are otherwise unnecessary. Therefore, 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.³

² The only party that filed an answer to the Motion for Clarification was Pacific Gas and Electric Company, which stated that it “concur[s] with the CAISO’s motion for clarification, and believes that the CAISO is wise to obtain the FERC’s express clarifications rather than attempt to interpolate the Commission’s meaning when making a compliance filing.” Answer to Motion for Clarification of the California Independent System Operator Corporation of Pacific Gas and Electric Company, Docket Nos. ER06-615-003, *et al.*, at 2 (Jan. 14, 2008).

³ See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System 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

A. The CAISO Was Correct to Not Include Tariff Modifications in the Compliance Filing that Are Beyond the Scope of the CAISO's Compliance Obligation.

AReM, CMUA, and the Six Cities each propose changes to the Reliability Capacity Services Tariff ("RCST") that go beyond the scope of the changes to the RCST contained in the Compliance Filing and beyond the specific change that the Commission directed in the December 20 Order.⁴ It would have been inappropriate for the CAISO to include in the Compliance Filing changes such as the ones proposed by these parties because they go beyond the specific change ordered by the Commission. The Commission has stated that it expects public utilities subject to a Commission-imposed compliance obligation to adhere strictly to that obligation, and will reject components of a compliance filing that are beyond the scope of the order in which the obligation was imposed.⁵ In the December 20 Order, the **only** compliance directive the Commission issued was the requirement that the CAISO file revised tariff pages to "extend the RCST for a relatively brief period of time until implementation of the earlier of either MRTU [the CAISO's Market Redesign and Technology Upgrade program] or an alternative backstop capacity mechanism."⁶ Thus, the Compliance Filing contains only changes to extend the effective date of the RCST. As a result, the

⁴ AReM at Attachments A and B; CMUA at 4-5; Six Cities at 2-3.

⁵ See, e.g., *NorthWestern Corp.*, 113 FERC ¶ 61,215, at P 9 (2005) ("The Commission will reject these proposed changes to NorthWestern's revised OATT submitted with the September 30, 2005 compliance filing as outside the scope of that compliance filing. The Commission reaffirms that compliance filings must only provide the changes directed by the Commission."); *Reliant Energy Aurora, L.P.*, 111 FERC ¶ 61,159, at P 3 (2005) ("[I]n this order, we reject as outside the scope of the compliance filings of Applicants certain proposed tariff revisions that they included with their updated market power analyses.").

⁶ December 20 Order at P 34 and Ordering Paragraph (B).

Compliance Filing satisfies the requirements of the December 20 Order and Commission precedent regarding the appropriate scope of compliance filings.

B. The CAISO Does Not Disagree with Many of the Changes to the RCST that the Parties Propose, but the CAISO Requires Direction from the Commission Regarding the Additional Changes That Should Be Made to the RCST

When it filed its Compliance Filing, the CAISO recognized that additional changes to the RCST (beyond those reflected in the Compliance Filing) would be necessary in order to effectively implement any RCST extension in 2008 (consistent with the intent and processes of the existing RCST sections). Although it would have been inappropriate for the CAISO to include in the Compliance Filing changes that went beyond the scope of the specific directive in the December 20 Order, the CAISO recognized that it was necessary to seek clarification regarding how certain provisions of the RCST should be revised to function in 2008 because more than simply extending the effective date of the RCST was required to give practical effect to them. To that end, the CAISO submitted the Motion for Clarification to obtain Commission direction regarding the means by which provisions in the RCST that are limited to 2006 and 2007 should be adapted to apply in 2008. AReM, CMUA, and the Six Cities provide their own views on how the RCST provisions should be adapted for application in 2008.⁷

If the Commission considers these parties' suggested changes to the RCST that go beyond merely extending the effective date of the RCST, the CAISO generally does not object to many of the concepts, except to the extent discussed below.

⁷ AReM at Attachments A and B; CMUA at 3-5; Six Cities at 2-3.

First, adoption of AReM's proposal to modify the RCST to refer to "each year thereafter" rather than to 2008 only is inappropriate because RCST will not be extended beyond 2008 – either MRTU or an alternative backstop capacity mechanism (or both) will be implemented prior to the end of 2008. In that regard, as the Commission recognized in the December 20 Order, in the event MRTU is not implemented by June 1, 2008, the CAISO will work with stakeholders to develop an alternative backstop capacity proposal that would be in effect for the Summer of 2008. Because RCST as it exists today will not remain in place beyond June 1, 2008, AReM's proposed change is not appropriate.

Second, Six Cities argue that the CAISO needs to modify Section 43.3.1 of the RCST (pertaining to Annual System designations) to provide that any resources designated pursuant to that Section cannot have a term that extends past the expiration of RCST. The change requested by Six Cities is unnecessary. There is no aggregate Year-Ahead System Resource Deficiency for 2008 and, as such, there will not be any RCST designations pursuant to Section 43.3.1 for 2008. Thus, the change is unnecessary. Also, as noted above, RCST will not be in place during (or after) the Summer of 2008; it will either be replaced by an alternative backstop mechanism or MRTU will be in place.

Third, AReM proposes post-2007 RCST changes that reference the term Local Reliability Area; however, Local Capacity Area, not Local Reliability Area, is the term that is used for 2008 (e.g., in the CAISO's 2008 local capacity study). As discussed in the Motion for Clarification, the CAISO believes it would be appropriate to base Local and Significant Event RCST designations in 2008 on the 2008 Local Capacity

Technical Study. AReM also proposes to add a new definition -- Resource Adequacy Requirement -- to the Tariff. This exceeds the scope of compliance with the December 20 Order. Following the Commission's action on the Motion for Clarification, the CAISO will make the requisite changes to the RCST and will consider whether any definitional changes are necessary for 2008.

Finally, the potential tariff changes identified by CMUA on pages 4-5 of its comments also exceed the scope of the Commission's sole compliance directive. However, they are issues that the Commission appropriately should provide guidance on when it acts on the CAISO's Motion for Clarification and which can be addressed in a subsequent CAISO compliance filing. The CAISO agrees with CMUA that an opportunity to cure local capacity deficiencies -- which is incorporated in the existing RCST -- should to be carried through in any RCST extension (albeit with a different timeline and dates than those specified in the existing RCST which applies to 2007 local RCST designations).

In any event, the CAISO reiterates its request that the Commission expeditiously issue an order providing direction in response to the Motion for Clarification. The CAISO will be able to make changes to the RCST beyond those contained in the Compliance Filing once the Commission provides the necessary clarification and guidance the CAISO requests.

III. Conclusion

For the reasons explained above, the Commission should accept the Compliance Filing without modification and should grant the Motion for Clarification.

Respectfully submitted,

/s/ Anthony J. Ivancovich

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Dated: February 4, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the captioned 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 Folsom, California this 4th day of February, 2008.

/s/ Susan L. Montana
Susan L. Montana