

associated with station power that is consumed by offline generating plants or other entities that are not LSEs but may schedule load. The fourth, PG&E, argues that the Amendment No. 72 scheduling requirement should be modified to permit the identification of intra-day flexible resources to count towards the 95% threshold. The CAISO respectfully requests that the Commission accept this answer to these pleadings and rule in accordance with the discussion below.² Accepting this answer one day out-of-time will not prejudice any of the parties to this proceeding.

I. STATEMENT OF ISSUES

In accordance with Rule 203 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(a)(7) (2005), the CAISO requests that the Commission act on the following issues:

1. Whether Amendment No. 72 should apply to the load of "non-LSEs," in particular, load associated with station power consumed by offline generating plants
2. Whether the identification of intra-day flexible resources should count towards meeting the 95% Day-Ahead scheduling requirement approved in the November 21 Order.

² Answers to motions for clarification are permitted under the Commission's rules. In the event that any portion of this Response is deemed an Answer to a Rehearing Request, the CAISO requests waiver of Rule 213 (18 C.F.R. § 385.213) and Rule 713 (18 C.F.R. § 385.713) to permit it to make this Answer. Good cause for this waiver exists here given the nature and complexity of this proceeding and the usefulness of this Answer in ensuring the development of a complete record. See, e.g., *Enron Corp.*, 78 FERC ¶ 61,179, at 61,733, 61,741 (1997); *El Paso Electric Co.*, 68 FERC ¶ 61,181, at 61,899 and n.57 (1994).

II. ANSWER

A. **The CAISO Does Not Oppose a Limited Exemption From the 95 Percent Scheduling Requirement, So Long As Such an Exemption Is Strictly Limited To Load Associated With “Station Power” Consumed By Generators, As That Term Is Defined In the CAISO Tariff.**

Sempra and Williams raise similar arguments concerning the applicability of Amendment No. 72.³ Sempra requests that the Commission grant rehearing or clarification to establish that Amendment No. 72 does not apply to station power consumed by offline generating plants. Sempra at 1. Williams advances a similar, although broader, argument that the Commission should clarify that Amendment No. 72 only applies to LSEs, and not to “generator auxiliary power load, or small weather- or time-insensitive loads.” Williams at 7. Both parties provide similar reasons to support their positions, arguing that the language of the Amendment No. 72 filing letter led these parties to conclude that Amendment No. 72 was not intended to apply to non-LSEs or load associated with station power consumed by offline generating plants and that the fundamental purpose of Amendment No. 72 is to address underscheduling by LSEs and not by other SCs representing load.

First, it should be understood that the tariff provisions contained in Amendment No. 72, as drafted, clearly apply to *all* loads represented by *all* CAISO Scheduling Coordinators. Although the Amendment No. 72 transmittal letter (“Transmittal Letter”) discussed some concerns about LSE underscheduling, the description of the proposed tariff revisions states that Amendment No. 72 “will require that Scheduling Coordinators submit to the CAISO, for each hour of each Trading Day, a Day-Ahead Schedule that

³ IEPA’s pleading raises the same issue, but does not advance any additional arguments. Instead, IEPA states that it supports and incorporates by reference the motion for clarification/request for rehearing filed by Williams.

includes at least 95 percent of a SC's aggregate forecast Demand." Transmittal Letter at 8. Further, the Transmittal Letter indicated in a number of other places that the proposed Amendment No. 72 requirements applied to Scheduling Coordinators (as opposed to only LSEs). *Id.* at 1, 3, 5, and 8. Williams and Sempra do not dispute this fact, but they both contend that the CAISO's decision to apply the literal meaning of these provisions, without exemption, is unreasonable, unanticipated,⁴ and beyond the alleged "fundamental purpose" of Amendment No. 72.

Although Amendment No. 72 as filed applies to all Scheduling Coordinators (without any specified limitations or exemptions), the CAISO recognizes that the issue of the applicability of Amendment No. 72 to load associated with station power consumed by generating plants was not explicitly considered in the development of Amendment No. 72, and the CAISO does not oppose a limited exemption relating to station power. The CAISO recognizes that it may be difficult to accurately schedule load associated with station power in the Day-Ahead scheduling process before all generating units have been dispatched by the CAISO, and that generating unit outages, a cause of station power load, are often not predictable.

However, the CAISO believes that, if the Commission is inclined to grant an exemption from the 95% scheduling and reporting requirements contained in Amendment No. 72, any such an exemption should be strictly limited to load associated with "Station Power" as that term is defined in the CAISO Tariff.⁵ Specifically, the

⁴ See, e.g., Sempra at 4-5; Williams at 5.

⁵ "Station Power" is defined in the CAISO Tariff as "Energy for operating electric equipment, or portions thereof, located on the Generating Unit site owned by the same entity that owns the Generating Unit, which electrical equipment is used exclusively for the production of Energy and any useful thermal energy associated with the production of Energy by the Generating Unit; and for the incidental heating, lighting, air conditioning and office equipment needs of buildings, or portions thereof, that are owned by the same entity that owns the Generating Unit; located on the Generating Unit site; and used exclusively

CAISO opposes Williams' proposal to exempt, in addition to load associated with Station Power, "small weather- or time-insensitive loads," *i.e.* all "non-LSE loads." Williams at 7. Such an exemption would be inappropriate for several reasons. First, it would be unworkable and unfair. There is no precise definition of what constitutes a "non-LSE load" or a "small weather- or time-insensitive load."⁶ Indeed, as Williams concedes, the term "LSE" is not defined in the CAISO Tariff. Because the concept of a non-LSE/small weather- or time-insensitive load is subject to interpretation, allowing an exemption from the provisions of Amendment No. 72 of the sort requested by Williams would be unworkable from an implementation standpoint, as the CAISO would have no clear guidance as to how to apply the exemption, and Scheduling Coordinators would have no clear expectation as to whether and when the Amendment No. 72 provisions would apply. Such an exemption would also be unfair, because there is no meaningful distinction between "small" and "large" or "LSE" and "non-LSE" loads.

Moreover, a wholesale exemption of "non-LSE" loads would undermine the reliability rationale underlying the Amendment No. 72 requirements. Amendment No. 72 is based on the principle that load-serving Scheduling Coordinators bear responsibility for arranging and scheduling supply resources to meet the bulk of their load obligations on a Day-Ahead basis -- no matter how small this load may be.

in connection with the production of Energy and any useful thermal energy associated with the production of Energy by the Generating Unit. Station Power includes the Energy associated with motoring a hydroelectric Generating Unit to keep the unit synchronized at zero real power output to provide Regulation or Spinning Reserve. Station Power does not include any Energy used to power synchronous condensers; used for pumping at a pumped storage facility; or provided during a Black Start procedure. Station Power does not include Energy to serve loads outside the ISO Control Area."

⁶ As an example of such a load, Williams describes a small tank farm load that is scheduled for another entity. Williams at 7-8. However, Williams does not propose a precise definition of the loads that it proposes to exempt.

Williams contends that such loads do not implicate reliability because these loads do not comprise a “significant portion of overall CAISO control area load” and do not “vary in a way to affect the level of CAISO unit commitment or create peak-time reliability problems.” Williams at 7. However, the failure to accurately schedule even relatively small loads such as the ones described by Williams have the potential to cause reliability problems, especially if such loads are located in transmission-constrained portions of the CAISO Controlled Grid. In addition, although the “non-LSE” loads that Williams refers to may have a minor impact on the reliability of the CAISO Controlled Grid when considered individually, the aggregate of all such loads would represent a much greater potential impact on CAISO grid reliability. That is why the Commission declined to exempt small loads from the requirements of Amendment No. 72. November 21 Order at P 39.

The CAISO is prepared to accept an exception to the Amendment 72 forward scheduling standards for the small loads associated with Station Power but not other small loads because the uniquely unpredictable load levels associated with Station Power (which are dependent in large part on whether or not the ISO dispatches a unit -- which is not known at the time a daily load forecast is submitted) represent a necessary and relatively limited burden associated with running available supply resources that contribute to system reliability.

To summarize, the CAISO does not oppose an exemption from the requirements of Amendment No. 72 for load that meets the definition of Station Power as set forth in the CAISO Tariff. However, for the foregoing reasons, the CAISO believes that such an exemption should be specifically limited to load associated with Station Power, and any

such exemption should not be extended to encompass a broader and more amorphous concept of “non-LSE” load.

B. PG&E Does Not Provide Any Compelling Reason to Grant Rehearing or Clarification Concerning the Rejection of the PG&E/TURN Proposal to Permit the Identification of Intra-Day Resources to Count Towards the 95% Scheduling Requirement

PG&E requests rehearing or clarification of the November 21 Order’s rejection of the PG&E/TURN proposal that the CAISO allow the identification of intra-day flexible resources to count towards the requirement that a Scheduling Coordinator schedule 95% of its Day-Ahead forecasted load. PG&E claims that the Commission, in denying the proposed additional requirement that, for peak hours, Scheduling Coordinators submit a list of resources that they plan to rely on to the extent that they do not schedule 100% in the Day-Ahead timeframe, found that such a requirement was inconsistent with the arguments concerning operational burden that the CAISO presented with respect to the PG&E/TURN proposal. G&E argues that the Commission impermissibly found that any use of resource lists would be operationally burdensome, because the CAISO clearly demonstrated that it could accommodate a limited use of resource lists without operational burden, and that therefore, the Commission should direct the CAISO to permit to file a further tariff amendment allowing for limited intra-day flexibility at a level that would not cause an undue operational burden.

PG&E’s arguments are grounded in the purported inconsistency in the CAISO’s representations regarding the operational burdens posed by the provision of a list identifying intra-day flexible resources that could meet the 95% Day-Ahead scheduling

requirement and the CAISO's willingness to accept a list of resources from Scheduling Coordinators for the increment between 95 percent and 100 percent of forecasted demand on peak days. The CAISO's positions are not inconsistent.

The proposed requirement for a list of resources applied only for peak hours and was *in addition* to the minimum requirement that the Scheduling Coordinator schedule 95% of its forecasted load in the Day-Ahead. In other words, the list applied only to the 5% increment between 95% and 100% of forecasted demand. Under these circumstances, the list of resources was intended as an *additional* tool for the CAISO to address reliability concerns during peak hours after the 95% Day-Ahead scheduling requirement had already been satisfied. On the other hand, the PG&E/TURN proposal contains no limitation on the amount of resources that a Scheduling Coordinator would be permitted to identify as intra-day flexible resources and count towards the 95% scheduling requirement. The main rationale for implementing Amendment No. 72 was the reliability concerns created by requiring CAISO operators to commit and dispatch resources close to real-time to meet amounts of load that exceed the Day-Ahead forecasted load by more than 5%. Without a defined minimum scheduling requirement, even with a more restricted intra-day flexibility proposal, an entity may significantly under-schedule in the Day-Ahead and schedule some additional amount intra-day. The CAISO should not be placed in the position to have to guess the level of resource commitment that will need to occur after the Day-Ahead time frame. Moreover, even if the CAISO was to implement an intra-day flexibility regime with the restrictions suggested by PG&E, the CAISO would still need to confirm that the resources indicated as intra-day flexible resources were, in fact, available, and that they adhered to the

relevant restrictions. This process of review and validation from a large pool of potential Scheduling Coordinators, representing a potentially large amount of load, would create an unreasonable burden on the CAISO. For these reasons, the Commission should reject PG&E's request for rehearing or clarification of the November 21 Order's denial of the PG&E/TURN intra-day flexibility proposal.

Finally, in the November 21 Order, the Commission directed the CAISO to "work with TURN/PG&E and other market participants to identify appropriate solutions that address the CAISO's operational needs while accommodating PG&E's and other stakeholders' concerns about the 95 percent scheduling requirement. November 21 Order at P 27. In accordance with the November 21 Order, the CAISO intends to meet with PG&E to discuss these matters.

III. CONCLUSION

Wherefore, for the reasons discussed above, the CAISO respectfully requests that the Commission accept this answer one day out-of-time and rule on the motions for clarification and/or requests for rehearing on the November 21 Order in accordance with the above discussion.

Respectfully submitted,

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Dated: January 6, 2006

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-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 this 6th day of January, 2006 at Folsom in the State of California.

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