

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

California Independent System) Docket No. ER07-613-001
Operator Corporation)

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION TO COMMENTS ON
COMPLIANCE FILING OF THE CITY OF SANTA CLARA, CALIFORNIA AND
THE M-S-R PUBLIC POWER AGENCY**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.213 (2006), the California Independent System Operator Corporation (“CAISO”) submits this Motion for Leave to Answer and Answer to the City of Santa Clara, California and the M-S-R Public Power Agency (“SVP/M-S-R”) Comments on Compliance Filing submitted in this proceeding on June 13, 2007.

As explained below, SVP/M-S-R overlooks the pertinent modification the CAISO made in its May 23, 2007 Compliance Filing that addresses its concern. Accordingly, SVP/M-S-R’s comments are without merit and should be dismissed.¹

I. INTRODUCTION

On March 9, 2006, the CAISO filed a proposal to revise and implement certain provisions of its new market design – the Market Redesign and Technology Upgrade Project (“MRTU”). Specifically, the CAISO sought to implement provisions concerning Transmission Rights and Transmission

¹ The CAISO also recognizes that Santa Clara raised virtually identical issues in its Request for Clarification filed in this docket on June 7, 2007. For the reasons discussed in this Answer, the request for clarification should also be denied.

Curtailment (“TRTC”) Instructions that would facilitate the CAISO’s allocation and auction of Congestion Revenue Rights and permit the CAISO to develop systems necessary to support policies concerning Converted Rights, Existing Transmission Contracts (“ETCs”), and Transmission Ownership Rights prior to full implementation of MRTU in 2008.

The Commission issued an Order on May 8, 2007 conditionally accepting the filing,² and the CAISO submitted the required compliance filing on May 23, 2007.

II. MOTION FOR LEAVE TO ANSWER

The CAISO understands that under Rule 213, answers may not generally be made to comments filed with interventions.³ The CAISO respectfully requests waiver of Rule 213 to permit it to make this Answer. Good cause for the waiver exists as the CAISO’s Answer serves only to correct a fundamental error made by SVP/M-S-R and this ensures development of a full, accurate, and complete record.⁴

III. ARGUMENT

SVP/M-S-R correctly states that in the May 8 Order, the Commission noted both the concerns of certain parties regarding the requirement in the TRTC Instructions to identify physical sources and sinks and the CAISO’s commitment in its Answer to the protests to consider contracts based on more flexible use of

² *California Independent System Operator Corporation*, 119 FERC ¶ 61,124 (2007).

³ *Shell Gas Pipeline Company*, 76 FERC ¶ 61,126 at n. 20 (1996).

⁴ *See, e.g., Michigan Elec. Transmission Co., LLC*, 106 FERC ¶ 61,129 at 61,452 (2004) (allowing responses “as they provide additional information that assists the Commission in the decision-making process”); *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 at 61,077 (2003) (admitting answer “since it will not delay the proceeding, will assist the Commission in understanding the issues raised, and will insure a complete record upon which the Commission may act”).

physical rights.⁵ SVP/M-S-R, however, goes on to state incorrectly that the CAISO's Compliance Filing failed (perhaps inadvertently) to address the Commission's directive to consider whether or not its TRTC Instructions need to be modified to reflect ETCs that will be impacted by the requirement to identify physical sources and sinks.⁶ SVP/M-S-R then goes on to request that the Commission "deem the CAISO's Compliance Filing deficient with respect to this issue."⁷

Inspection of the CAISO's May 23, 2007 Compliance Filing clearly demonstrates that had SVP/M-S-R should have seen that its issue had been addressed fully. The Compliance Filing states:

The CAISO continues to believe that the TRTC Instructions as designed are the appropriate vehicle to provide the information the CAISO needs to implement the contract. However, pursuant to the Commission's directive in paragraph 26 of the May 8 Order ***the CAISO has provided a statement that reflects its recognition of the need to consider certain contracts which may be based on a more flexible use of physical rights.***⁸

More importantly, the CAISO proposed a modification of Section 16.4.5 of its tariff so that the TRTC Instructions would include a new subsection (14):

TRTC Instructions will include the following information at a minimum and such other information as the CAISO may reasonably require the Participating TO to provide to enable the CAISO to carry out its functions under the CAISO Tariff, Operating Procedures and Business Practice Manuals:

* * *

⁵ SVP/M-S-R Comments on the Compliance Filing at P 10.

⁶ *Id.* at P 11-12.

⁷ *Id.* at P 13.

⁸ May 23, 2007 Compliance Filing at page 4 (emphasis added).

(14) Specification of any contract requirements in the ETC that warrants special consideration in the implementation of the physical rights under the ETC.

SVP/M-S-R appears to have overlooked these significant changes incorporated into the CAISO's Compliance Filing. The CAISO responded properly to the Commission's directives. Accordingly, no further changes to Section 16.4.5 are warranted and the Compliance Filing should be accepted.

IV. CONCLUSION

For the reasons stated herein, the CAISO's May 23, 2007 Compliance Filing should be accepted and the comments of SVP/M-S-R should be dismissed.

Respectfully submitted,

/s/ Anna A. McKenna

Anna A. McKenna
Counsel
Sidney Davies
Assistant General Counsel
John Anders
Assistant General Counsel
Michael D. Dozier
Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296

/s/ David Rubin

David Rubin
Roger Smith
Christopher R. Jones
TROUTMAN SANDERS LLP
401 9th Street, N.W., Suite 1000
Washington, D.C. 20004
Tel: (202) 274-2950

Counsel for the
California Independent System Operator
Corporation

Dated: June 28, 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 docket.

Dated at Folsom, California on this 28th day of June, 2007.

/s/ Anna A. McKenna
