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June 4, 2007

## VIA ELECTRONIC FILING

The Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: California Independent System Operator Corporation  
Docket Nos. ER07-805-000

Dear Secretary Salas:

Attached please find the Answer of the California Independent System Operator Corporation to Motions to Intervene, Comments, and Protests, submitted today in the captioned docket.

Please contact the undersigned with any questions regarding this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas  
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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System            )           Docket No. ER07-805-000  
Operator Corporation                    )**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO MOTIONS TO INTERVENE, COMMENTS,  
AND PROTESTS**

On April 27, 2007, the California Independent System Operator Corporation (“CAISO”) submitted an amendment to the ISO Tariff (the “April 2007 NERC/WECC Charge Invoicing Amendment” or the “Amendment”) in the captioned proceeding.<sup>1</sup> In the Amendment, the CAISO proposed revisions to the ISO Tariff to provide for the CAISO’s invoicing of certain Commission-approved charges assessed by the Western Electricity Coordinating Council (“WECC”) to the CAISO, on behalf of load-serving entities in the CAISO’s Control Area, to provide funding for functions performed by the North American Electric Reliability Corporation (“NERC”), WECC, and regional advisory bodies that serve WECC pursuant to Section 215 of the Federal Power Act (“FPA”). The CAISO requested that the Commission expeditiously approve the Amendment.

The Commission established a May 17, 2007, comment date for the Amendment, and in response a number of parties submitted motions to

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff, and in the Amendment.

intervene.<sup>2</sup> In addition, CAC/EPUC, SMUD, SWP, and WECC submitted comments, and AReM and City/M-S-R submitted protests.

The CAISO does not oppose any of the motions to intervene submitted in this proceeding. However, pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2006), the CAISO files its answer to the comments regarding the Amendment, and pursuant to Rules 212 and 213 of the Commission's Rules, 18 C.F.R. §§ 385.212, 385.213, the CAISO respectfully requests leave to file an answer, and files its answer, to the protests of the Amendment.<sup>3</sup> As explained below, the Commission should accept the Amendment as filed and should permit any necessary conforming modifications to the delegation agreement between NERC and WECC.

## **I. ANSWER**

### **A. The Commission Should Permit the CAISO to Develop an Allocation Methodology That Varies From the WECC Delegation Agreement and Permit the WECC Delegation Agreement to Be Modified to Be Made Consistent with the ISO Tariff.**

WECC does not oppose the substance of the Amendment but requests guidance from the Commission concerning WECC's obligations, to the extent

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<sup>2</sup> Motions to intervene were submitted by: the Alliance for Retail Energy Markets ("AReM"); California Department of Water Resources State Water Project ("SWP"); California Electricity Oversight Board; Modesto Irrigation District; M-S-R Public Power Agency and the City of Santa Clara, California ("City/M-S-R"); PacifiCorp; Sacramento Municipal Utility District ("SMUD"); and Williams Power Company, Inc. Further, the Cogeneration Association of California and the Energy Producers and Users Coalition ("CAC/EPUC"), as well as WECC, filed motions to intervene out of time.

<sup>3</sup> The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the protests. Good cause for this waiver exists here because the 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.*, 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).

that Exhibit E to the delegation agreement between NERC and WECC (the “WECC Delegation Agreement”) contains provisions that are not consistent with the timelines proposed in the Amendment.<sup>4</sup> Specifically, as WECC notes in its filing, the WECC Delegation Agreement provides that payments on amounts invoiced by WECC to load-serving entities (“LSEs”) are due to NERC by January 2 of each year.<sup>5</sup> On the other hand, as noted by WECC, under the CAISO’s invoicing and collections process, the CAISO’s remission of amounts collected from Scheduling Coordinators to WECC could occur after January 2.<sup>6</sup> The actual date of WECC’s payment to NERC of amounts collected from CAISO Scheduling Coordinators will be dependent on many factors, namely, the actual timing of the CAISO’s issuance of the requisite market notices and invoices, Scheduling Coordinators’ payments to the CAISO, and the CAISO’s remission of final payment to WECC.

The CAISO recommends that the Commission permit the WECC Delegation Agreement to be modified to allow the CAISO to perform invoicing services for WECC consistent with the ISO Tariff and the proposals contained in the Amendment.<sup>7</sup> The Commission has expressly recognized that WECC and

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<sup>4</sup> WECC at 3-4.

<sup>5</sup> Pursuant to the WECC Delegation Agreement, WECC is required to send an annual invoice no later than November 15 of each year to each LSE or balancing authority. WECC Delegation Agreement, Exhibit E, Section 3(1).

<sup>6</sup> WECC states that the Amendment does not specify when the CAISO will forward payments to WECC. See WECC at 3. That is not correct. Proposed Section 11.2.19.8(a) of the ISO Tariff provides that the CAISO will provide to WECC, within 30 Calendar Days after the deadline for timely payments pursuant to Final NERC/WECC Charge Invoices has expired, the amounts collected pursuant to those invoices and a list of all Scheduling Coordinators that have failed to make full payment and the amounts that are unpaid.

<sup>7</sup> In addition, as mentioned in the transmittal letter for the Amendment (at page 4), the CAISO has entered into negotiations with WECC to reach agreement on a contractual arrangement whereby the CAISO will perform certain invoicing and collections services for WECC with regard to NERC/WECC Charges (the “Billing Services Agreement”). Discussions

the CAISO may choose to enter into arrangements under which the CAISO voluntarily agrees to invoice NERC/WECC Charges on behalf of WECC under formalized arrangements developed between WECC and the CAISO “as they see fit”:

We accept, in principle, that a Regional Entity may rely on a balancing authority, such as the California ISO, to provide a list of all load serving entities to which Exhibit E charges will be assessed. We also accept, in principle, that the Regional Entity may, with the necessary authorization, either bill load serving entities directly, as provided under the WECC Exhibit E option one proposal, or bill the designated balancing authority, as provided under option two, leaving it to the balancing authority to allocate costs and collect funds from the load serving entities. This is generally consistent with the Business Plan and Budget Order, wherein the Commission approved NERC's proposal permitting WECC to "invoice [load serving entities], or *designees* within its footprint. The "designee" under the WECC Exhibit E proposal, would be the California ISO (assuming it agrees to undertake this role). WECC and the California ISO will be required to formalize this arrangement as they see fit.<sup>8</sup>

The proposals contained in the Amendment are wholly consistent with this guidance. These proposals will allow the CAISO to perform invoicing and collections services for WECC – with the resulting benefits identified in the Amendment – while at the same time (1) recognizing that the invoicing and collections process necessarily involves more steps and cannot be completed as quickly when a “middleman” (the CAISO) is involved, and (2) minimizing the administrative burden on the CAISO of performing those services and the

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between the CAISO and WECC concerning the Billing Services Agreement are ongoing. The CAISO will seek to ensure that the Billing Services Agreement is consistent with the provisions contained in the Commission-approved Amendment. To the extent that the WECC Delegation Agreement is inconsistent with the final version of the Billing Services Agreement, the Commission should permit the WECC Delegation Agreement to be modified to eliminate any inconsistency.

<sup>8</sup> *North American Electric Reliability Council, North American Electric Reliability Corp.*, 119 FERC ¶ 61,060, at P 529 (2007) (citations omitted) (“April 19 Order”).

administrative burden on the CAISO's Market Participants. The CAISO's proposals ensure that WECC will receive the amounts the CAISO has collected from Scheduling Coordinators, and information about any lack of full payment, in a timely and administratively workable manner. The proposals provide for an appropriate amount of time (1) for the CAISO to make the necessary calculations and to issue the requisite market notices and invoices (and allow for any disputes), (2) for Scheduling Coordinators to remit payments to the CAISO, and (3) for the CAISO to provide the amounts collected to WECC. It would be impracticable to "hardwire" a requirement that the CAISO forward payments of amounts invoiced by WECC on or before January 2 of each year, especially given that WECC's invoicing is supposed to occur by the preceding November 15. Such a timeframe might be appropriate in instances where WECC is directly billing LSEs, but that is not the case here. More steps are involved given that the CAISO performing billing services and collecting monies from Scheduling Coordinators on behalf of WECC.

NERC and WECC are already required to submit changes to the WECC Delegation Agreement by October 16, 2007, to comply with Commission directives in its order accepting that Agreement.<sup>9</sup> The minimal changes to the WECC Delegation Agreement that would be necessary to accommodate the role the CAISO is performing on behalf of WECC could be made part of that compliance filing. The CAISO urges the Commission to grant WECC's requested clarification consistent with the foregoing discussion.

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<sup>9</sup> See April 19 Order at PP 530-32, 535, Ordering Paragraph (B).

WECC further notes the Commission's statement that collected funds must be transferred to NERC in a timely manner.<sup>10</sup> The Commission did not specify what schedule for transferring collected funds would meet the Commission's timeliness requirement. The CAISO submits that the Commission's acceptance of the Amendment as filed will permit WECC to receive collected funds from the CAISO on a timely basis, thereby allowing WECC to transfer such funds to NERC in a timely manner.

WECC also seeks confirmation that the CAISO Tariff provisions concerning the assessment of interest sufficiently address the concerns the Commission raised in the April 19 Order with respect to interest charges assessed to load-serving entities.<sup>11</sup> The CAISO notes that there are two categories of interest which are relevant to the Commission's consideration of the Amendment. The first category is interest that Scheduling Coordinators provide to the CAISO. Scheduling Coordinators which do not timely pay the entire amount due under their Preliminary and Final NERC/WECC Charge Invoices within 30 Calendar Days of issuance of such invoices are required to pay Interest on the outstanding amounts due under such invoices.<sup>12</sup> Any Interest that the CAISO collects from a Scheduling Coordinator prior to the date on which payments of NERC/WECC Charges are due to be forwarded to WECC under the ISO Tariff will be credited back to all Scheduling Coordinators *pro rata* based on

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<sup>10</sup> WECC at 4 (citing April 19 Order at P 531).

<sup>11</sup> *Id.* (citing April 19 Order at P 530).

<sup>12</sup> See proposed Section 11.2.19.5 of the ISO Tariff. As explained in the Master Definitions Supplement, Appendix A to the ISO Tariff, Interest is a defined term and is calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations (18 C.F.R. § 35.19(a)(2)(iii)).

metered Demand as part of the Final NERC/WECC Charge Invoice, *i.e.*, the true-up invoice. On the other hand, Interest that the CAISO collects from a Scheduling Coordinator on or after the date on which payments of NERC/WECC Charges are due to be forwarded to WECC under the ISO Tariff will be included in the amounts the CAISO forwards to WECC.<sup>13</sup> To the extent that WECC believes the amounts (including Interest amounts) that are forwarded to WECC by the CAISO do not constitute full payment, WECC may undertake collections actions against the Market Participants that it believes have underpaid.<sup>14</sup>

The second relevant category of interest is that which will accrue in the NERC/WECC Charge Trust Account. The CAISO will deposit all payments received pursuant to Preliminary and Final NERC/WECC Charge Invoices into the NERC/WECC Charge Trust Account, which will be an interest-bearing account separate from all other accounts maintained by the CAISO. The CAISO will not send to WECC any interest amounts that accumulate in the NERC/WECC Charge Trust Account. Rather, the CAISO will credit any such accumulated interest amounts to Scheduling Coordinators as part of their Final NERC/WECC Charge Invoices. The CAISO will credit the accumulated interest amounts to all Scheduling Coordinators *pro rata* based on their metered Demand. Because the interest accrued in the NERC/WECC Charge Trust Account will be earned before any amounts are due from the CAISO to WECC,

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<sup>13</sup> See proposed Sections 11.2.19.8(a) and 11.2.19.8(b). However, under no circumstances will the CAISO be obligated to pay any interest charges except the Interest amounts it has collected from Scheduling Coordinators. See proposed Section 11.2.19.8(b).

<sup>14</sup> As described in proposed Section 11.2.19.8(b), the CAISO will have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to WECC or NERC as provided for in the ISO Tariff.

the interest accrued in this account will not be paid to WECC above and beyond the amount that is invoiced to the CAISO.

**B. The CAISO's Proposed Billing Methodology Appropriately Reflects the Basis on Which the Commission Has Approved the Allocation of WECC/NERC Charges.**

AReM opposes two related aspects of the CAISO's filing based on the misunderstanding that the CAISO initiated the concept that NERC/WECC charges would be allocated to load-serving entities based on historic demand data. Specifically, AReM claims:

The CAISO proposes that the 2007 NERC/WECC charges be based on the Metered Demand from the two calendar years earlier. So, for example, the 2007 assessment is based on Metered Demand of the LSE in 2005. This approach is unreasonable, because it provides undue hardship on ESPs who tend to have large fluctuations in loads over time.<sup>15</sup>

This argument is incorrect. The Commission has already approved the allocation of NERC/WECC Charges to load-serving entities based on demand data from two years prior to the year the charges are due. Indeed, the Commission approved the use of that methodology by NERC even in the face of criticisms similar to AReM's.<sup>16</sup> WECC invoices every control area in the Western Interconnection – including the CAISO – for NERC/WECC Charges based on demand data from two years previous.<sup>17</sup> The CAISO's Amendment appropriately tracks the Commission-approved allocation methodology and allocates NERC/WECC Charges to Scheduling Coordinators based on demand during the

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<sup>15</sup> AReM at 5.

<sup>16</sup> See *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091, at P 151 (2006).

<sup>17</sup> See Amendment at Attachment C.

same period that NERC/WECC Charges are allocated to all load-serving entities in the CAISO Control area in the aggregate.

AReM also argues that the CAISO's proposed (estimated) billing schedule, which is discussed at page 9 of the transmittal letter for the Amendment, is largely unrelated to the dates on which the NERC/WECC Charge assessments will be due and subjects electric service providers to unjust and unreasonable prepayment obligations.<sup>18</sup> AReM misunderstands the reasoning behind the proposed billing schedule.

As noted above, WECC allocates NERC/WECC Charges based on load data that is two years old. For example, NERC/WECC Charges for statutory services provided in 2007 are based on 2005 demand data. The CAISO's amendment is designed first to "catch up" on the allocation of costs for 2007 services and then to assign cost responsibility to Scheduling Coordinators prospectively on the same basis as the Commission-approved methodology that WECC uses to allocate NERC/WECC Charges to the CAISO Control Area. After a transition period, this process is designed to allocate costs consistent with the Commission-approved methodology as soon as possible after the CAISO has metered Demand data for the applicable period.

Because NERC/WECC Charges for 2007 have already been invoiced to the CAISO, the CAISO must collect these 2007 charges as soon as possible. The CAISO also currently has metered Demand data for all of 2006. The CAISO estimates that it will issue Preliminary NERC/WECC Charge Invoices for the 2008 NERC/WECC Charge Assessment Year, which uses 2006 NERC/WECC

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<sup>18</sup> AReM at 3-4.

Metered Demand to determine NERC/WECC Charges, in August 2007, which is the earliest the CAISO anticipates issuing such invoices after the Commission has approved the Amendment.<sup>19</sup> Similarly, the CAISO estimates that it will issue the first quarterly Preliminary NERC/WECC Charge Invoices for the 2009 NERC/WECC Charge Assessment Year, which uses NERC/WECC Metered Demand from the first quarter of 2007, in July 2007 (*i.e.*, very shortly after the CAISO has had a chance to validate the metered Demand data for the first quarter of 2007). It is inherently just and reasonable for the CAISO to seek to minimize the lag in time between the date when Market Participants consume power as documented by their NERC/WECC Metered Demand and the date when those very same Market Participants are assessed the NERC/WECC Charges associated with such consumption. In particular, this approach will minimize the risk that a Market Participant could leave the CAISO's market (*e.g.*, voluntarily or due to bankruptcy) before the Market Participant can be assessed NERC/WECC Charges for a time-period for which the Market Participant is responsible.

Moreover, based on the presumably representative evidence of how the NERC/WECC Charge amounts for 2007 will be allocated, AReM can expect the amount of payments it must make under the CAISO's proposed billing schedule to be relatively small. The three largest public utilities in California – Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company – accounted for approximately 80% of the

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<sup>19</sup> See proposed Section 11.2.19.3 of the ISO Tariff (describing process for invoicing NERC/WECC Charges assessed for 2008).

NERC/WECC Metered Demand for 2007, and all of remaining Market Participants other than these three public utilities accounted for approximately 20% of the NERC/WECC Metered Demand for that same time-period. AReM, which is the only party that raised a concern about the CAISO's proposed billing schedule in this proceeding, accounts for only a small portion of that 20% of NERC/WECC Metered Demand. Thus, even factoring in payments for the 2008 and 2009 NERC/WECC Charge Assessment Years, AReM can expect to pay only a relatively small amount pursuant to the proposed billing schedule. Under the circumstances described above and given that no other party protests the billing schedule, the Commission should not order the major modification to the Amendment that AReM proposes.

**C. The Proposed Dispute Resolution Process Is Reasonable.**

City/M-S-R argue that the CAISO's proposed 10-Calendar Day window for disputing Preliminary and Final NERC/WECC Charge Invoices is too short and that the Commission should instead require the CAISO to adopt a 30-Calendar Day dispute window.<sup>20</sup> City/M-S-R ignore the earlier, more significant, and more extended dispute process the CAISO proposes. Pursuant to the Amendment, each Scheduling Coordinator will be informed of the CAISO's calculation of its NERC/WECC Metered Demand, which is used to determine the NERC/WECC Charge amounts that the Scheduling Coordinator is required to pay, through a notification process rather than pursuant to the issuance of Preliminary and Final NERC/WECC Charge Invoices. Each Scheduling Coordinator will have 20 Calendar Days after the Commission issues an order accepting the Amendment

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<sup>20</sup> City/M-S-R at 7-8.

(for NERC/WECC Charges assessed for 2007), or 30 Calendar Days after the CAISO provides notification to Scheduling Coordinators (for NERC/WECC Charges assessed for 2008 and years after), to dispute the CAISO's calculations.<sup>21</sup> These ISO Tariff provisions give Scheduling Coordinators ample time to raise disputes concerning the NERC/WECC Metered Demand amounts that will be used to determine their NERC/WECC Charges. The 10-Calendar Day dispute process that City/M-S-R reference is the process that occurs after Scheduling Coordinators have had the opportunity to dispute the CAISO's calculations of NERC/WECC Metered Demand. By that time, the only matters that will need to be resolved concern any typographical or other ministerial errors that may have been made in Preliminary and Final NERC/WECC Charge Invoices (e.g., any discrepancy between the validated NERC/WECC Metered Demand amount for a particular Scheduling Coordinator and the NERC/WECC Metered Demand amount that appears on that Scheduling Coordinator's Final NERC/WECC Charge Invoice).

City/M-S-R state that, if the CAISO intends to apply the dispute resolution provisions of Section 13 of the ISO Tariff to disputes under the Amendment, the CAISO should so clarify.<sup>22</sup> The CAISO clarifies that the Section 13 dispute

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<sup>21</sup> See proposed Sections 11.2.19.2(a), 11.2.19.3(a), and 11.2.19.4(e) of the ISO Tariff. Even with regard to NERC/WECC Charges assessed for 2007, Scheduling Coordinators will have well over 20 Calendar Days to review the CAISO's calculations before deciding whether to raise disputes, inasmuch as the CAISO plans to provide notification to the Scheduling Coordinators of their NERC/WECC Metered Demand for 2007 the same week that this answer is being filed.

<sup>22</sup> City/M-S-R at 8-9.

resolution provisions will apply to all disputes raised pursuant to the Amendment.<sup>23</sup>

City/M-S-R argue that the dispute processes contained in the Amendment should be expanded to allow Market Participants to raise disputes concerning the CAISO's performance of all of its duties and obligations under the Amendment (e.g., the CAISO's receipt and transfer of NERC/WECC Charge payments).<sup>24</sup>

The Commission should reject City/M-S-R's argument. The CAISO already has a dispute resolution process in Section 13 of its Tariff that applies to the CAISO's actions hereunder. In that regard, under Section 13.1.1 of the ISO Tariff, application of the ISO ADR Procedures is mandatory for any disputes that "arise under the ISO documents", e.g., the ISO Tariff.<sup>25</sup> Further, if a CAISO Market Participant believes the CAISO is not properly performing its duties and obligations under any provision of the ISO Tariff, including the provisions included in the Amendment, the Market Participant can always submit a complaint concerning the matter pursuant to Section 206 of the FPA.<sup>26</sup> Thus,

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<sup>23</sup> Under the dispute resolution provisions, parties are required to make good-faith efforts to negotiate and resolve all disputes and, if the good-faith efforts fail, either party may then invoke the ISO ADR Procedures described in Section 13. ISO Tariff, § 13.2.1.

<sup>24</sup> City/M-S-R at 9-10.

<sup>25</sup> The presence of the dispute procedures in Section 13 mean there is no need for the Commission to require special dispute provisions pertaining to the CAISO's performance of its duties and obligations under the Amendment. With regard to the tariff amendments submitted by PJM Interconnection, L.L.C. ("PJM") and the New York Independent System Operator, Inc. ("NYISO") to allow those independent system operators to invoice costs to their market participants pursuant to Section 215 of the FPA, the Commission did not require PJM and the NYISO to adopt any special dispute procedures applicable to their actions under their tariffs. See Filing of PJM Interconnection, L.L.C., Docket No. ER07-294-000 (Dec. 4, 2006); Letter Order, Docket No. ER07-294-000 (Jan. 16, 2007); New York Independent System Operator, Inc.'s Proposed Tariff Revisions Regarding Recovery of NERC Fees, Request for Waiver of 60-Day Notice Period and Request for Expedited Treatment, Docket No. ER07-432-000 (Jan. 16, 2007); Letter Order, Docket No. ER07-432-000 (Feb. 5, 2007).

<sup>26</sup> See ISO Tariff, § 15 ("Nothing contained in this ISO Tariff . . . shall be construed as affecting the ability of any Market Participant receiving service under this ISO Tariff to exercise its rights under Section 206 of the FPA and FERC's rules and regulations thereunder.").

market participants already have avenues for redress in the event they believe that the CAISO has not performed its duties under the Amendment.

**D. The CAISO's Proposed Definitions Are Just and Reasonable.**

SWP argues that the definition of NERC/WECC Metered Demand should be revised so that NERC/WECC Charges are calculated using "Gross Demand," which SWP proposes to define as a Scheduling Coordinator's metered CAISO Demand plus the Unaccounted for Energy ("UFE") attributed to that Scheduling Coordinator.<sup>27</sup> SWP's revision is unjustified and should be rejected. Numerous Commission-approved charges under the ISO Tariff are allocated based on metered Demand without taking UFE into account. For example, the Grid Management Charge is assessed based on metered Demand but does not reflect UFE.<sup>28</sup> FERC Annual Charges are also allocated to Scheduling coordinators based upon their metered Demand.<sup>29</sup> The CAISO's proposal for allocating the costs for NERC/WECC Charges is therefore wholly consistent with Commission precedent concerning the allocation of costs under the ISO Tariff. SWP has provided no basis for departing from this precedent. Likewise, the tariff provisions that the Commission approved for PJM and NYISO do not include an adjustment for UFE.

SWP also asserts that the definition of NERC/WECC Metered Demand appears to suggest that some pumped storage load is not metered. SWP requests that the Commission order the CAISO to clarify whether there is some pumped storage load that may not be metered and therefore is not required to

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<sup>27</sup> SWP at 6-8.

<sup>28</sup> See ISO Tariff, Appendix F, Schedule 1.

<sup>29</sup> See ISO Tariff, § 11.2.11.

pay costs assessed to metered CAISO Demand.<sup>30</sup> To the CAISO's knowledge, all pumped storage facilities in the CAISO Control Area are metered. The CAISO seeks to ensure that metered pumped storage load is correctly deducted from the calculation of NERC/WECC Metered Demand, and the proposed definition, which is responsive to comments received during the stakeholder process, makes it clear that pumped storage load will not be allocated any NERC/WECC Charges.

CAC/EPUC express support for the definition of NERC/WECC Metered Demand, because the definition indicates to CAC/EPUC that NERC/WECC Charges will not be assessed to load served by behind-the-meter generation.<sup>31</sup> The CAISO confirms that CAC/EPUC's understanding is correct.

City/M-S-R propose to modify the definition of either NERC/WECC Metered Demand or CAISO Demand to expressly include the concept of netting for interchanges.<sup>32</sup> As the CAISO explained in the transmittal letter for the Amendment, the definition of CAISO Demand already encompasses the components of the Commission's definition of "net energy for load" that specify "energy received from other balancing authority areas, less energy delivered to balancing authority areas through interchange."<sup>33</sup> Therefore, no further change to the definition of NERC/WECC Metered Demand or CAISO Demand is required. On the same subject, SMUD requests confirmation of its

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<sup>30</sup> SWP at 5-6.

<sup>31</sup> CAC/EPUC at 3-4.

<sup>32</sup> City/M-S-R at 6-7.

<sup>33</sup> Transmittal Letter for Amendment at 7 (quoting *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, at P 167 n.73 (2006)). As the CAISO also explained, the Commission previously approved this same definition of CAISO Demand for inclusion in the CAISO's Market Redesign & Technology Upgrade ("MRTU") Tariff. *Id.*

understanding that, under the Amendment, exports from the CAISO balancing authority area will not be included in the metered Demand amounts used in assessing NERC/WECC Charges to Scheduling Coordinators.<sup>34</sup> For the reasons explained above, the CAISO can confirm SMUD's understanding.

## II. CONCLUSION

For the reasons explained above, the Commission should accept the April 2007 NERC/WECC Charge Invoicing Amendment as filed, and should permit the WECC Delegation Agreement to be modified to be made consistent with the ISO Tariff, the Amendment, and the Billing Services Agreement, to the extent any inconsistency exists.

Respectfully submitted,

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Counsel for the California Independent  
System Operator Corporation

Dated: June 4, 2007

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<sup>34</sup> SMUD at 4.

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, 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. this 4<sup>th</sup> day of June, 2007.

/s/ Bradley R. Miliauskas  
Bradley R. Miliauskas