

response programs on wholesale prices.[FN See, e.g. ISO New England, Inc., 102 FERC [Paragraph] 61,202 (2003)] 1

The First Annual DR Report is an informational filing submitted in accordance with the order. Significantly, CDWR-SWP does not dispute the facts or content of the report. Rather, CDWR-SWP uses its comments as a vehicle to request that FERC direct the CAISO to supplement the report with additional content on additional subject matter items that are not within the scope of FERC's order. CDWR-SWP requests that the Commission:

(1) require inclusion of long-term demand response investment, including but not limited to pump storage operations, in the CAISO Demand Response Report, and

(2) direct the CAISO to institute FERC ratemaking for all non-market costs in order to reflect the cost differentials resulting from geographic and temporal factors on the grid, consistent with the spirit of FERC's directives to adopt LMP.

CDWR-SWP's requests go beyond the scope of the Commission's directives in Paragraph 226 of the June 25th Order. The import of what CDWR-SWP seeks through comment is a reconsideration of Paragraph 226 of the order, and a remaking of that portion of the order as to the contents of the report. Accordingly CDWR-SWP's requests are improper and untimely and should not be considered.

In addition, the CAISO notes that CDWR-SWP's request improperly asks that the Commission act affirmatively to direct the CAISO to initiate and undertake a new activity--CDWR-SWP asks that the Commission to direct the CAISO to institute a ratemaking (see CDWR-SWP comments at p.7.) Of course, the CAISO does not institute proceedings (the Commission does), and the Commission can only direct the

¹ The Commission subsequently granted an extension of the deadline to file initial annual report to January 25, 2008 (Notice of Extension of Time, dated January 16, 2008, Accession No. 200801163035).

CAISO to change its tariff in response to a final order, in a rulemaking or in response to a Section 206 filing upon a finding that the CAISO tariff is not just and reasonable.

I. DISCUSSION

A. CDWR-SWP Requests That the Report Include Additional Components That Are Beyond the Scope of the Report

Paragraph 226 directs the CAISO to report “(a) information on customer enrollment for each demand response program in terms of the number of customers,” and “(b) information on total load reductions achieved per program per event” during the reporting period.² CDWR-SWP correctly notes that the report addresses “only SWP’s non-pump-storage water pumping loads” that are subject to CAISO dispatch under the Participating Load Agreement, and not the Pumped Hydro Storage Facilities. As we explained in the First Annual DR Report, this was done because Pumped Hydro Storage Facilities do not operate like classic demand response resources. Traditionally recognized demand response resources curtail load when dispatched, and are associated with peak power periods. In contrast, the Pumped Hydro Storage Facilities are load shifting resources—they affirmatively schedule load or increase load during the off peak periods.

CDWR-SWP’s request to augment the report is a policy argument to include load shifting resources. Whereas, in Paragraph 226, the Commission asks for information on customers, and load curtailment per event, CDWR-SWP asks to extend the concept (and the scope of the order) to include “long-term demand-side investments,” “such as

² In the report, the CAISO sought to clarify that the CAISO Participating Load Agreement, which allows Demand Response resources to participate in CAISO’s wholesale markets, is more accurately described as a mechanism or vehicle for participation, rather than a program. (See Report at p. 2 [Executive Summary and Request for Confidential Treatment], at p.2.)

pump-storage operations” that seek to bring about “long-term adjustments” in customer “usage patterns.” (CDWR-SWP Comments at p.4).

The resources and data points that CDWR-SWP seeks to add to the report do not relate to generation-side substitutes as contemplated by Paragraph 226—resources that provide discrete “negawatts” when dispatched, and which participate (or have the potential to participate) in the CAISO wholesale markets. Rather, as CDWR-SWP explains, the Pumped Hydro Storage Facilities data relate to “non-market rate design” elements “such as Bid Cost Recovery rates” which CDWR-SWP would like to engraft onto the report, in order to “make it economic for SWP to commit long-term investments” in resources, “such as construction of additional water storage facilities that might allow greater shifting of pump loads to off-peak periods.” (CDWR-SWP comments at pp. 5-6.) This is why CDWR-SWP includes a request, along with its request for the additional report data, that the CAISO be directed to implement a rate redesign to refashion non-market rates and charges. CDWR-SWP wants to use the new report data as a bootstrap to venture into a new subject matter, which FERC did not contemplate coming from the report ordered by Paragraph 226—long term load shifting and rate and charge redesign to create investment incentives for load shifting resources. CDWR-SWP’s request that CAISO include additional data on additional subject matters is beyond the scope of Paragraph 226 of the June 25 Order, and the request should not be considered.

B. Further, CDWR-SWP's Request to Expand the Scope of the Informational Report is an Untimely Request for Reconsideration

Through its comments on the report, CDWR-SWP is effectively asking the Commission for a rehearing of Paragraph 226 the June 25 Order. This request is clearly untimely, as it is made more than thirty (30) days from the order.

II. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Commission not consider the requests of CDWR-SWP that the CAISO be required to add additional data within CAISO's First Annual DR Report and that CAISO be directed to institute a ratemaking.

Respectfully submitted,

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Dated: March 5, 2008



California Independent
System Operator Corporation

March 5, 2008

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

**Re: California Independent System Operator Corporation
Docket No. ER06-615-018**

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 this Answer of The California Independent System Operator Corporation to Comments of the California Department of Water Resources State Water Project on CAISO First Annual Report Evaluating Demand Response Participation in the CAISO

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

Respectfully Submitted,

/s/ Baldassaro "Bill" Di Capo

Baldassaro "Bill" Di Capo

Counsel for the California Independent
System Operator Corporation

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 5th day of March, 2008 at Folsom in the State of California.

/s/ Charity N. Wilson

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