

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

**Southern California Edison)
Company)**

Docket No. ER04-1209-000

**MOTION TO INTERVENE AND COMMENTS IN SUPPORT OF FILING OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.214, and the Commission’s September 13, 2004 Notice of Filing, the California Independent System Operator Corporation (“ISO”) hereby moves to intervene in the above-captioned proceeding and offers comments supporting Southern California Edison Company’s (“SCE”) proposed revisions to its Transmission Owner Tariff (“TO Tariff”) to reflect a new category of Reliability Services (“RS”) costs to be incurred by SCE in its role as a Participating Transmission Owner (“Participating TO”). In support thereof, the ISO states as follows:

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

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II. BACKGROUND

On September 9, 2004, Southern California Edison (SCE) submitted proposed revisions to SCE's Transmission Owner Tariff, FERC Electric Tariff, Second Revised Volume No. 6, Appendix VI, to reflect a new category of Reliability Services costs that will be incurred by SCE as a result of complying with (1) an ISO-SCE operating procedure designed to enhance grid reliability ("Reliability Procedure"), and (2) the directives of a California Public Utilities Commission ("CPUC") order that requires SCE to schedule and procure resources in a manner that allows the ISO to operate the transmission grid in a more reliable manner.

By its Notice issued September 13, 2004, the Commission established September 30, 2004, as the date motions to intervene are to be filed in the above-captioned proceeding.

III. BASIS FOR MOTION TO INTERVENE

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of a grid comprising the transmission systems of Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and the Cities of Vernon, Anaheim, Azusa, Banning and Riverside, California. As the operator of this grid, the ISO believes that it has a unique interest in any Commission proceeding concerning the issues raised in the captioned proceeding.

IV. COMMENTS

The ISO supports SCE's proposal to revise its TO Tariff to reflect a new category of Reliability Services costs to be incurred by SCE, in its role as a

Participating TO, resulting from implementation of the Reliability Procedure. The ISO agrees with SCE that actions taken by SCE to implement the Reliability Procedure constitute Reliability Services, and, as such, the associated costs incurred by SCE should be recovered in SCE's Reliability Services rates.

The Reliability Procedure arises out of a unilateral action by the ISO that the ISO felt was necessary to promote reliable operation of the transmission grid. Specifically, the ISO was faced with a situation where load serving entities that were implementing California's "least-cost" procurement directive were submitting schedules that were undeliverable to Load and/or failed to fully support the ISO's operating requirements. These actions were aggravating real-time management of Congestion and posed challenges for grid reliability. In order to maintain reliable grid operations, the ISO found itself in the position of having to re-dispatch large volumes of Energy in real-time to account for forward Schedules that were undeliverable or did not meet other operating requirements.¹ Stated differently, the ISO was increasingly having to manage Congestion and address location-specific operating constraints in real-time, rather than in the Day-Ahead Market time frame in certain parts of the ISO Controlled Grid. In an effort to better align forward-market procurement and scheduling practices to support the ISO's reliability requirements, the ISO sent a letter to SCE, copying the California Public Utilities Commission ("CPUC") on June 10, 2004, requesting that

¹ The ISO's long-term preference is that all load serving entities procure resources that are deliverable to load and that are those parties that use the system and cause congestion pay for such congestion.

SCE acknowledge and address reliability issues connected with “South of Path 26, South of Lugo, and North of Miguel.”

The CPUC responded to the June 10 letter by issuing Decision 04-07-028, the “Interim Order Regarding Electricity Reliability Issues” (“Interim Order”), which it recognized that the ISO’s ability to operate the system reliably was contingent upon the investor-owned utilities meeting their responsibility to have sufficient resources to meet Load, both system wide and locally. The Interim Order required utilities subject to CPUC jurisdiction to adhere to certain principles when making resource scheduling and procurement decisions. In particular, the CPUC directed the jurisdictional utilities to schedule and procure sufficient resources that are deliverable (both system-wide and locationally) in order to meet customer needs and permit the ISO to maintain reliable grid operations. The Interim Order required SCE to meet with the ISO to resolve any outstanding issues necessary to accomplish the resource scheduling principles of the Interim Order (Conclusion of Law #8). As a result of those meetings, the ISO and SCE developed the Reliability Procedure. The Reliability Procedure sets forth the procedures that SCE will follow in order to meet the objectives of the Interim Order and support the ISO’s grid reliability requirements.² SCE’s implementation of the Reliability Procedure will enable the ISO to operate the grid more reliably.

The ISO recognizes that SCE will probably incur additional costs as a result of implementing the Reliability Procedure. In order for SCE to comply with the Reliability

² The ISO has developed a formal operating procedure, labeled Operating Procedure M-438, that ISO personnel will use to implement the Reliability Procedure.

Procedure and schedule resources in a manner that enables the ISO to maintain grid reliability, SCE may commit and operate generation units that otherwise would not be committed and operated. The ISO supports SCE's recovery of all reliability-related costs that it prudently incurs to comply with the Reliability Procedure through a tariff change to SCE's TO Tariff.

V. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission permit it to intervene, and that the ISO be accorded full party status in this proceeding. The ISO also urges the Commission to approve the Tariff revisions proposed by SCE.

Respectfully submitted,

/s/ Anthony J. Ivancovich

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Counsel for the California Independent
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Date: September 30, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have this day electronically served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, CA, this 30th day of September 2004.

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich



September 30, 2004

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: **Southern California Edison Company**
Docket No. ER04-1209-000

Dear Secretary Salas:

Enclosed please find an electronic filing of the Motion to Intervene and Comments of the California Independent System Operator Corporation. Thank you for your attention to this filing.

Respectfully submitted,

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich

Counsel for the California Independent
System Operator Corporation