

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

**California Independent System) Docket No. ER05-149-____
Operator Corporation)**

**MOTION FOR LEAVE TO FILE ANSWER ONE DAY OUT OF TIME AND
ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO MOTIONS TO INTERVENE, COMMENTS, PROTEST,
REQUEST FOR TECHNICAL CONFERENCE, REQUEST FOR
CLARIFICATION, AND REQUEST FOR CONSOLIDATION**

On November 1, 2004, the California Independent System Operator Corporation (“ISO”)¹ filed Amendment No. 2 to the Interconnected Control Area Operating Agreement (“ICAOA”) between the ISO and the Sacramento Municipal Utility District (“SMUD”) in the above-captioned proceeding (“ICAOA Amendment Filing”). The purpose of the ICAOA Amendment Filing was to accommodate a planned change in Control Area boundaries related to the decision of the Western Area Power Administration – Sierra Nevada Region (“Western”) to join the SMUD Control Area planned for January 1, 2005.

Parties submitted motions to intervene, comments, protest, a request for an expedited technical conference, a request for clarification, and a request for consolidation concerning the ICAOA Amendment Filing.² Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§

¹ Capitalized terms not otherwise defined herein have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The following parties submitted the above-referenced filings: the Bonneville Power Administration; Calpine Corporation (“Calpine”) and Calpine Construction Finance Company, L.P. (“CCFC”) (together, “Calpine/CCFC”); Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency; Modesto Irrigation District; Northern California Power Agency; Pacific Gas and Electric Company (“PG&E”); SMUD; Transmission Agency of Northern California; and

385.212, 385.213, the ISO hereby respectfully requests leave to file an answer one day out of time, and files its answer, to the filings submitted in the above-captioned proceeding.³

The ISO does not oppose any of the motions to intervene. As explained below, however, the Commission should accept the ICAOA Amendment Filing as submitted, and in light of the clarifications provided below.

I. ANSWER

A. Answer to Calpine/CCFC Filing

Calpine/CCFC argue that the Commission cannot find the ICAOA Amendment Filing to be just and reasonable without evaluating it in the overall context of Western's secession from the ISO. Calpine/CCFC at 7-8. They also assert that the new control area arrangements, implemented in part by the ICAOA Amendment Filing, create a new seam within California markets, contrary to Commission policy. Calpine/CCFC at 12-14.

The ISO has never been in favor of the change in Control Area boundaries to accommodate Western's joining the SMUD Control Area. The ISO's views on the change are documented on the ISO's website at

Western. The Public Utilities Commission of the State of California submitted a notice of intervention.

³ Due to administrative difficulties, the ISO failed to file this answer within 15 days of the above-described filings being submitted. Given the fact that the answer is being submitted only one day out of time and the good cause for accepting the answer described below, however, the ISO respectfully suggests that the answer should be accepted.

To the extent this answer responds to the protests, the ISO requests waiver of Rule 213(a)(2) (18 C.F.R. § 385.213(a)(2)) to permit it to make this answer. 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.*, 101 FERC ¶ 61,289, at 62,163 (2002); *Duke Energy Corporation*,

<http://www.caiso.com/docs/2003/08/01/200308011701097966.html> (under the page heading “WAPA Federal Control Area Proposal”). The ISO took part in the public process that Western had in opposition to the change for 18 months, which included an appeal to the Department of Energy. Indeed, the ISO noted many of the same issues raised by Calpine/CCFC with regard to Western’s move to the SMUD Control Area, including the potential for pancaked rates.

Nevertheless, Western’s move was decided through a public process and Western had the right to make a decision as to which Control Area it wanted to be in. Once the decision was made to go with the SMUD Control Area, the ISO has been working with SMUD and Western to ensure that the reliability of the western grid is not jeopardized, transactions can take place between the two Control Areas, and the transition is made smoothly. Moreover, opposition to that move or to the agreements needed to implement it can serve no useful purpose. The changes contained in the ICAOA Amendment Filing should be accepted because they are necessary to maintain coordinated operations and reliability between the ISO and SMUD Control Areas.

Calpine/CCFC argue that the changes in control area implemented through the ICAOA Amendment Filing will impose detrimental financial costs and operational impacts on the Sutter Power Plant. Calpine/CCFC at 8-10. The ISO does not disagree that there will be additional costs to Calpine/CCFC and other ISO Market Participants. That is among the reasons the ISO opposed the move of Western to the SMUD Control Area. Nevertheless, it would have been

100 FERC ¶ 61,251, at 61,886 (2002); *Delmarva Power & Light Company*, 93 FERC ¶ 61,098, at 61,259 (2000).

unreasonable to not submit the filing. The ISO must ensure proper functioning of the grid and cannot prevent a Federal entity from its chosen course of action, even if there is the potential for a detrimental impact on the Sutter Power Plant or other entities in the Western footprint.

That said, there is less than meets the eye to Calpine/CCFC's argument (at 9) that "[u]ntil such time as dynamic scheduling protocols are in place, Sutter will be deprived of its current ability to sell ancillary services into the CAISO." Calpine/CCFC will have the ability to schedule into the ISO's markets as a System Resource from the time that the ICAOA Amendment Filing goes into effect on January 1, 2005. Thus, Calpine/CCFC will not be prohibited from selling capacity and Energy products into the ISO Control Area. Further, the ISO and SMUD are working to implement dynamic scheduling between the ISO and SMUD Control Areas (which would permit dynamic Scheduling by the Sutter Power Plant) as soon as possible in 2005.⁴ Here again, however, the ISO cannot force a non-jurisdictional entity such as SMUD to provide specific services.

Calpine/CCFC complain (at 10) that "[e]ven after dynamic scheduling is implemented, it appears that Sutter will no longer be able to sell Regulation services to the CAISO." However, the ability to sell Regulation between Control Areas is contingent upon the "host" Control Area accepting the responsibility to facilitate the delivery of the Regulation from the System Resource through

⁴ The current proposed date of dynamic scheduling for Sutter is February 15, 2005.

implementation of necessary Energy Management System functionality between the “host” Control Area and the ISO. SMUD has not agreed to accept that responsibility, so regardless of whether Calpine/CCFC request the ability to sell Regulation, that is not possible until the host Control Area, SMUD, accepts the responsibility to facilitate and implement the delivery of that Regulation service to the ISO.

Calpine/CCFC assert that the Commission should condition approval of the ICAOA Amendment Filing on SMUD and Western entering into the necessary agreements to address independent generation within the SMUD Control Area. Calpine/CCFC at 10-12. Calpine/CCFC also argue that the Commission should require SMUD and Western to hold CCFC harmless from adverse effects of their voluntary restructuring of control area arrangements. Calpine/CCFC at 14-16. These issues are outside the scope of the ICAOA. The ISO does not believe that conditions should be imposed on approval of the ICAOA Amendment Filing, to the extent that such conditions could serve to delay or prevent the filing from going into effect. Otherwise, the concerns stated by Calpine/CCFC are ones that they should address to SMUD and to Western.

Calpine/CCFC move for consolidation of Docket Nos. ER05-149-000 and ER05-151-000. Calpine/CCFC at 16. Calpine/CCFC also request that the Commission establish a technical conference concerning Western’s decision to switch control areas. Calpine/CCFC at 16-17. The ISO believes that neither consolidation nor a technical conference is necessary. In submitting the filings in Docket Nos. ER05-149-000 and ER05-151-000 (as well as the filings in Docket

Nos. ER05-150-000, ER05-152-000, ER05-153-000, ER05-154-000, and ER05-155-000), and in providing the answers being submitted in these dockets, the ISO has done everything it could to allow the contractual changes needed to accommodate Western's joining the SMUD Control Area to go into effect. Moreover, the ISO has done everything it could do to facilitate dynamic scheduling for Calpine/CCFC without the further cooperation of Calpine/CCFC's new Control Area operator, SMUD. Consolidation or a technical conference would not provide any better means for the Commission to evaluate the filings submitted in these dockets, and would only serve to prevent them from going into effect on January 1, 2005 as planned (especially considering that much of the remaining time until January 1 falls within the holiday season, when it is unlikely that much work could be expected to be completed).

B. Answer to PG&E Filing

PG&E asserts that the ICAOA Amendment Filing should be clarified to provide for different treatment of losses at three interconnections (Tracy-Westley, Olinda and Tracy 230). PG&E at 4-6. PG&E states that the ICAOA Amendment Filing should be revised to take the full 230-kV line loading on the Tracy-Westley line into account. The ISO agrees. As PG&E stated, Schedule 1, Original Sheet No. 22A, provides that "the meter will be compensated to reflect the difference between the ISO Control Area boundary and the Westley end of the line." PG&E, SMUD, and the ISO have agreed that the losses will be dynamically adjusted in the meter based on the actual flows across the transmission line. Thus this concern has been resolved.

In addition, PG&E states that there is no provision to reflect losses across two 500-230 kV transformers. Under the ICAOA, losses are calculated at the 230 kV side of the transformer instead of at 500 kV, because the Control Area boundary as defined in the ICAOA is on the 230 kV side of the transformer due to the metering and telemetry. The difference in the calculation of losses at 230 kV and at 500 kV, however, is negligible. The ISO has discussed this issue with PG&E, and PG&E has asked the ISO to report to the Commission that PG&E agrees that the ISO has adequately addressed PG&E's concerns on this issue without the need for additional discussion of the Control Area boundary and metering locations. Thus this issue is also resolved.

PG&E correctly states that the Service Schedule 4 in the ICAOA Amendment Filing should be modified to change its reference to the Herdlyn Substation to a reference to the Tracy Substation. PG&E at 6. The ISO commits to correct the ICAOA Amendment Filing to refer to the Tracy Substation.

II. CONCLUSION

Wherefore, for the foregoing reasons, the ISO respectfully requests that the Commission accept the ICAOA Amendment Filing as submitted and in light of the clarifications provided above.

Respectfully submitted,

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Date: December 8, 2004

CERTIFICATE OF SERVICE

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

Dated at Folsom, CA, on this 8th day of December, 2004.

/s/ John Anders
John Anders