

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

**California Independent System) Docket No. ER08-64-000
Operator Corporation)**

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO COMMENTS AND PROTESTS**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the California Independent System Operator Corporation (“CAISO”)¹ moves for leave to answer and submits its answer to motions to intervene, comments and protests regarding the CAISO’s Resource Adequacy Early Effectiveness Amendments (“RA Early Effectiveness Amendments” or “Amendments”) filed in the above identified proceeding.² As discussed below, the CAISO is willing to accept certain comments recommending modifications to the RA Early Effectiveness Amendments, but requests that the Commission deny protests that call for the rejection of all or part of the RA Early Effectiveness Amendments.

I. BACKGROUND AND INTRODUCTION

On October 16, 2007, the CAISO submitted the RA Early Effectiveness Amendments to permit orderly transition to the resource adequacy requirements

¹ 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.

² 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).

applicable for 2008 as set forth in the Market Redesign and Technology Upgrade (“MRTU”) Tariff. The specific provisions for which the CAISO sought early effectiveness would authorize the CAISO to:

- Require Load Serving Entities to elect between Reserving Sharing LSE and Modified Reserve Sharing LSE status;
- Define the information requirements for resource adequacy programs and the two Load Serving Entity status options that must be provided to the CAISO;
- Determine the minimum amount of Local Capacity Area Resources needed in Local Capacity Areas and assign LSEs a proportionate responsibility for Local Capacity Area Resources that will be used for cost allocation purposes for potential CAISO procurement of capacity for reliability purposes under MRTU;
- Require the submission from Load Serving Entities of monthly and annual Resource Adequacy Plans that set forth information, including identification of Local Capacity Area Resources;
- Require the registration of Use-Limited Resources and the submission of use plans by Use-Limited Resources; and
- Apply default resource counting protocols.

The Commission noticed the RA Early Effectiveness Amendments and established a deadline of November 6, 2007, for comments. The following entities submitted motions to intervene without substantive comments: the Bay Area Municipal Transmission Group, the City of Santa Clara, California, d/b/a Silicon Valley Power, the Public Utilities Commission of California, the Modesto Irrigation District, the California Electricity Oversight Board, Powerex Corporation and the Western Area Power Administration. In addition to Motions to Intervene, Comments or Protests were submitted by the California Department of Water Resources State Water Project (“SWP”), the California Municipal Utilities Association (“CMUA”), the Cities of Anaheim, Azusa, Banning, Cotton, Pasadena,

and Riverside, California (“Six Cities”), the City and County of San Francisco (“CCSF”), the Metropolitan Water District of Southern California (“Metropolitan”), the Northern California Power Agency (“NCPA”), the NRG Companies, Pacific Gas and Electric Company (“PG&E”), and Southern California Edison (“SCE”).

II. ANSWER

A. Motions to Intervene

The CAISO does not oppose any of the motions to intervene.

B. Challenges to the “Need” for the Resource Adequacy Early Effectiveness Amendments Are Without Merit

CMUA, Metropolitan, and CCSF challenge the RA Early Effectiveness Amendments as “*ad hoc*” and “piecemeal,” contending that the CAISO should have anticipated the juxtaposition of forward resource adequacy reporting requirements and the effective date of the MRTU Tariff prior to making its comprehensive MRTU filing. To the extent there is any merit to this argument, it should have been raised as a protest to the MRTU Tariff filing and the time for filing such protests has long since passed. More to the point, the contention is both without merit and nonsensical. The CAISO has discretion to file these amendments in a time frame consistent with the requirements of the Federal Power Act. The CAISO believes that these tariff amendments for bridging between the currently effective ISO Tariff and the MRTU tariff are necessary and appropriate. For FERC to reject them and to have no transitional tariff language simply makes no sense.

CMUA and Metropolitan question the CAISO’s need for the amendments to determine whether any non-CPUC jurisdictional LSEs intend to elect the Modified

Reserve Sharing option. CMUA at 3-4, Metropolitan at 6-7. Both suggest that if the CAISO had only asked, such information would be forthcoming. In fact, the CAISO sent three emails to various non-CPUC jurisdictional LSEs on July 10 and 11, 2007, with an accompanying explanation of the Modified Reserve Sharing LSE option, requesting that such LSEs provide a “preliminary” and “non-binding” designation of their preferred option by July 31, 2007. To date, none have voluntarily responded. While the CAISO appreciates CMUA’s offer to facilitate this communication, and recognizes CMUA’s value in this regard, the decision to contact LSEs directly was reasonable and the decision to then proceed with the Amendments absent responses is also reasonable. In this regard, it is important for the CAISO to know whether any entity will elect the Modified Reserve Sharing LSE option. If not, the CAISO has better choices for allocating resources in readiness for implementation of MRTU on March 31.

Finally, CMUA asserts that the “little over three months” provided by the CAISO’s proposal to procure to Local Capacity Area Resource targets is not “a prudent amount of time.” CMUA at 4. The CAISO recognizes that the time between formal identification of each LSE’s proportionate responsibility for Local Capacity Area Resources and the procurement target dates must be reasonable, but believes it has met this standard and, moreover, as explained below, there is nothing substantially new or different in this filing that imposes any surprises on LSEs’ obligations.

Based on stakeholder input, the CAISO revised Section 40.3.1 for inclusion in its August 3rd MRTU compliance filing to provide that future Local Capacity

Technical Studies shall be released no later than 120 days prior to the date of submission of the annual Resource Adequacy Plans.³ No party objected to this procurement period. The RA Early Effectiveness Amendments truncate this period only by approximately two weeks. CMUA fails to explain why the time provided is insufficient, why the two-week reduction makes a material difference, or what alternative time would be appropriate. In short, CMUA has not provided any basis for a finding that the CAISO's balanced filing is unjust or unreasonable in this regard.

C. The Resource Adequacy Early Effectiveness Amendments Should Not Be Rejected Based on the Ongoing Development of a CAISO Backstop Procurement Mechanism

Metropolitan, Six Cities, CMUA, and CCSF all seize upon the absence of a settled CAISO backstop procurement mechanism as alleged justification for rejection of the Resource Adequacy Early Effectiveness Amendments. Six Cities at 4-5; CMUA at 4-5; Metropolitan at 7; and CCSF at 2-3. For example, CMUA contends endorsement of the 2008 Local Capacity Technical Study would be "premature" as a "basis for allocating costs that the CAISO may incur under a backstop procurement mechanism that is still under development and has not been presented for Commission review." CMUA at 4-5. Stated differently, these parties contend that unless the full cost exposure for CAISO backstop procurement is fully defined up-front, the Commission should be foreclosed from assessing the engineering quality of the 2008 Local Capacity Technical Study and the basic fairness of the CAISO's proposed formula for allocating responsibility for

³ See *California Independent System Operator Corporation*, Docket Nos. ER07-869-000, ER-07-475-000, and ER06-615-001.

Local Capacity Area Resources on an LSE, rather than a Participating TO, basis. This argument is overbroad, and ignores both State policy and prior Commission rulings on this matter, and therefore should be disregarded.

With respect to Local Capacity Area Resources, the RA Early Effectiveness Amendments: (1) seek authority to identify the minimum amount of capacity needed within Local Capacity Areas to maintain reliability in accordance with pre-established reliability criteria: and (2) utilize that outcome in combination with Demand Forecast information from the California Energy Commission, which details each LSE's respective contribution Load in each TAC Area at the time of the CAISO's annual coincident peak Demand, to assign each LSE its proportionate responsibility for Local Capacity Area Resources.

The first task relies upon the 2008 Local Capacity Technical Study, which is an engineering assessment performed without regard for any LSE procurement responsibility or CAISO backstop procurement mechanism or cost allocation. (See, Sections 40.3.1, 40.3.1.1, 40.3.1.2.) As such, any determination on the 2008 Local Capacity Technical Study need not be contingent in any way on the ultimate CAISO backstop mechanism. In this regard, the parameters of a CAISO backstop capacity procurement mechanism has no bearing whatsoever on, and is wholly unrelated to, the appropriate engineering standards to be applied in the Local Capacity Technical Study.

The second task outlined above provides LSEs with information to prevent or hedge against potential CAISO backstop costs. The Amendments do not attempt in any way to directly determine potential backstop cost allocation and

LSEs will not be subject to any costs associated with any proposed CAISO backstop mechanism until such mechanism is reviewed and approved by the Commission. Nevertheless, the CAISO acknowledges that the formula for allocating Local Capacity Area Resource responsibility implicates two fundamental questions for the Commission. First, should LSEs, rather than Participating TOs, bear the cost of any CAISO backstop procurement of capacity for local reliability reasons? Second, should the CAISO's procurement role be secondary and only triggered upon a failure of LSEs to secure the capacity needed to reliably serve their customers? Both of these questions have been answered and, therefore, do not pose barriers to the Commission approving the Amendments so that they can serve their intended purpose of providing LSEs with information to guide their procurement activities.

As originally filed by the CAISO on February 9, 2006, Section 40.3.2 assigned responsibility for Local Capacity Area Resources for purposes of the MRTU Tariff to Scheduling Coordinators for Load Serving Entities. The Bay Area Municipal Transmission Group argued that "local capacity area costs are properly allocated in the same manner as RMR costs, to the PTOs who are responsible for grid expansion and current grid deficiencies" and "that grid reliability cannot fairly, effectively, or efficiently be made the responsibility of every individual LSE."⁴ In its response, the Commission:

reject[ed] the arguments by NCPA and Bay Area Municipals that backstop procurement of local capacity area resources by the CAISO should be allocated in the same manner as RMR costs. We

⁴ *California Independent System Operator Corporation*, 116 FERC ¶ 61,274 (Sept. 21, 2006) at P 1190 ("September 21 MRTU Order").

find that such a proposal does not provide adequate incentives for LSEs to meet their share of the local capacity area resources.⁵

Thus, the Commission has accepted these MRTU Tariff provisions as well as the fundamental formula for the allocation and the arguments raised herein are essentially a collateral attack on prior Commission decisions. Moreover, the only change pending to Section 40.3.2 in the MRTU Tariff involves shifting the basis of the peak Demand calculation from historic load data to CEC forecast data. This is consistent with the Commission's recent endorsement of extending the use of CEC Demand Forecast data for conducting resource adequacy analyses.⁶

That said, the absence of a fully developed CAISO backstop mechanism would only constitute a barrier to adoption of the RA Early Effectiveness Amendments if the intent was for LSEs to elect solely on a cost basis whether to rely on their own procurement or that of the CAISO to meet local capacity needs. However, this decision is also not open to debate as both under state law and based on the Commission's acceptance of the MRTU Tariff make it clear that LSEs have an affirmative obligation to secure adequate Local Capacity Area Resources.

Under State law, LSEs are subject to an independent obligation to procure local capacity. The CPUC establishes the obligation for its jurisdictional LSEs. Public Utilities Code section 9620 covers the resource adequacy requirements for publicly owned utilities. Subdivision (b) provides: "Each local publicly owned electric utility serving end use customers shall, at a minimum, meet

⁵ *Id.* at P 1193.

⁶ *California Independent System Operator Corporation*, 119 FERC ¶ 61,076 (April 20, 2007) at P 638 ("April 20 MRTU Order").

the most recent minimum planning reserve and reliability criteria approved by the ... [WECC].” As noted above, the criteria utilized in the 2008 Local Capacity Technical Study are based on meeting WECC system performance standards and therefore complement and are consistent with the legal obligation imposed by Public Utilities Code section 9620. Similarly, this Commission has never questioned the CAISO’s characterization of its limited role as procuring Local Capacity Area Resources only on a backstop basis to maintain established Reliability Criteria.

Finally, each LSE will have the opportunity to protest the allocation of cost responsibility when the CAISO proposes an allocation methodology concurrently with seeking authority for backstop procurement. Nothing in the proposed provisions prejudices any party’s ability to make such protests in that proceeding. These concerns therefore provide no basis for rejecting the RA Early Effectiveness Amendments.

D. Challenges to the Use of the 2008 Local Capacity Technical Study Should Be Rejected

1. Requests for a Seasonal Assessment Are Procedurally And Substantively Infirm

CCSF and NCPA request rejection of Section 40.3.1 of the Amendments because of purported flaws in the criteria and methodology employed in the 2008 Local Capacity Technical Study. CCSP at 4; NCPA at 3-4. In particular, those parties suggest that the use of an annual, rather than seasonal, assessment of local capacity needs will allegedly force “some” LSEs (but not them) to procure Local Capacity Area Resources in excess of their total peak loads during off-peak

months. The CAISO believes that the unidentified LSEs referred to by CCSF and NCPA are likely Six Cities. Six Cities raised this issue in response to the CAISO's August 3rd compliance filing, but has elected not to repeat a similar argument in this docket despite having filed comments. In addition to lack of standing, there are additional reasons for rejecting CCSF's and NCPA's arguments.

The use of a single peak value to establish Local Capacity Area Resource requirements has already been considered and accepted by the Commission. As originally filed in February 2006, the MRTU Tariff provided that the CAISO would "determine the minimum amount of Local Capacity Area Resources in MW that must be available to the CAISO within each identified Local Capacity Area" and that the CAISO will allocate responsibility for "the aggregate Local Capacity Area Resources required for all Local Capacity Areas within each TAC Area" to non-CPUC LSEs "in accordance with the LSEs proportionate coincident share, on a gross load basis, of the previous annual peak Demand in the TAC Area." (Sections 40.3.1 and 40.3.2.) Together, these provisions make clear that the LSEs' assigned local capacity responsibility will be a single number based on peak load conditions. The September 21 MRTU Order accepted these MRTU Tariff provisions⁷ and the CAISO has not proposed any modification to this fundamental aspect of Sections 40.3.1 and 40.3.2 in the August 3 filing. Accordingly, the request for reconsideration of the annual assessment is past due and constitutes a collateral attack on past Commission decisions.

Equally important, the CAISO believes the purported efficiencies of a seasonal local assessment are speculative at best and certainly overstated to the

⁷ September 21 MRTU Order at P 1166-1170 and 1191-1199.

extent they exist at all. The basic underpinning of a capacity market is to provide generators with an opportunity to recover fixed costs that the resource could not otherwise obtain through the Energy and Ancillary Services markets alone and, in return for payment, the generator agrees to be available to provide Energy and Ancillary Services. Generators will seek to recover their full fixed costs regardless of the whether the capacity contract is for one month or 12 months. In other words, if a Generator is only needed for the summer peak, for example, it will still need to recover its annual fixed revenue requirements. Accordingly, the potential cost savings of a seasonal assessment are very likely illusory. Moreover, if such a Generator only receives one quarter of its annual fixed revenue requirement, then the objective of resource adequacy of ensuring critical resources remain available where and when needed for reliable system operations may be jeopardized.

Furthermore, assuming a seasonal local capacity assessment, the potential cost savings are reduced by the fact that the capacity procured for local reliability fully counts toward meeting the LSE's system reserve margin requirement. As such, in most, if not all, cases, the true cost implication of the annual assessment is the net cost difference, if any, between local capacity values and system capacity values. While local capacity is likely to command some premium, the proponents of the seasonal assessment fail to quantify the difference or otherwise establish that it overcomes the Commission's prior finding that the reliance on system peak to determine Local Capacity Area Resource requirements is a just and reasonable approach to ensuring generators remain available. Moreover, as noted above, any savings in off-peak months under a seasonal assessment may

be entirely offset by higher costs of Local Capacity Area Resources in the peak season as suppliers seek to earn fixed costs contributions over a single season as opposed to an entire year. In fact, if there is no appreciable difference in local capacity costs under a seasonal approach (i.e., suppliers simply shift fixed cost recovery to the peak season), a seasonal approach may actually increase total resource adequacy costs, as LSEs may need to procure additional seasonal capacity in some off-peak months to replace the seasonal reduction in Local Capacity Area Resources.

Similarly, while an annual LCR may result in somewhat greater variable costs, due to the requirement that the Generator be available during times when historically offline, those costs may be managed, in significant part, through the greater bidding flexibility provided under MRTU. Finally, reliance on the annual peak promotes greater reliability protection against erosion of the planning reserve margin due to unexpected generator outages and provides for more flexibility with regard to scheduling planned maintenance outages. For these reasons, the CPUC in D.07-06-029 rejected a seasonal requirement at this time because it “lack[ed] sufficient evident to conclude that the potential benefits of a seasonal LCR approach outweigh the likely costs.”

2. PG&E’s Objections Are Without Merit

a. Thirty Minute Timeframe for Manual Adjustments

PG&E asserts that the RA Early Effectiveness Amendments “impose a new methodological restriction” on future Local Capacity Technical Studies “without justification and without an appropriate stakeholder review process.” PG&E at 8.

The contested provision is found in Section 40.3.1.1(1), which specifies that the Reliability Criteria to be applied in a Local Capacity Technical Study shall include a standard that the time allowed for manual readjustment following a Contingency “should not be less than 30 minutes.” Contrary to PG&E’s claim, this requirement is not new, but rather has formed part of the CAISO Grid Planning Standards approved by stakeholders in 2002 and must be incorporated into the CAISO Tariff in accordance with prior Commission directives. Accordingly, the provision is justified and the request for a further stakeholder process is unnecessary.

As this Commission is well aware, in its September 21 MRTU Order, it directed the CAISO to incorporate into the MRTU Tariff “which set of reliability criteria it will use in developing local capacity area requirements.”⁸ The CAISO complied with this directive in its August 3rd compliance filing. In doing so, the CAISO noted that its approach favored “transparency and clarity” over “flexibility and adaptability” and thereby explicitly listed the Contingencies for which it would protect against and included some “notes” that further refined application of the methodology.⁹ One of the notes reflected a reliability standard from the CAISO Grid Planning Standards¹⁰ that specified, in pertinent part, that “[m]annual readjustment is the time required for an operator to take all actions necessary to prepare the system for the next Contingency. Under CAISO Grid Planning Standards, this time *must* be less than 30 minutes.”

⁸ September 21 MRTU Order at P 1167.

⁹ See, Transmittal Letter at pg. 61 (Aug. 3, 2006) in ER06-615-000.

¹⁰ The CAISO’s Grid Planning Standards (2002) can be found at <https://www.caiso.com/docs/09003a6080/14/37/09003a608014374a.pdf>. As noted in the introduction to the Grid Planning Standards, the standards were formed by the CAISO Grid Planning Standards Committee that included representation from interested Market Participants. The CAISO Grid Planning Standards were authorized by ISO Tariff Section 3.2.1.2, now Section 24.1.2.

PG&E, among others, stated that the notes were not Contingencies, but rather a description of criteria for resolving Contingencies that were out of place in the Contingency table. However, in its answer on the August 3rd compliance filing, the CAISO explained that to be consistent with the Commission's directive in the September 21 MRTU Order, the CAISO incorporated the Reliability Criteria applicable to the Local Capacity Technical Study. Accordingly, rather than delete the notes completely, the CAISO transferred the criterion from the Grid Planning Standards relating to manual readjustment to Section 40.3.1.1. In this regard, the CAISO utilized language directly from the CAISO Grid Planning Standards that the time for manual adjustment "should" be less than 30 minutes, rather than "must" be less than 30 minutes as originally phrased in the notes. The change in language is intended to acknowledge, as previously stated in the notes, that certain circumstances may warrant allowing manual adjustments that require greater than 30 minutes.

Based on the foregoing, the purportedly "unjustified" methodological "restriction" in Section 40.3.1.1 is not new nor a restriction. It has long been one of the Reliability Criteria applied by the CAISO and therefore directed by the Commission to be included in the MRTU Tariff. Further, to the extent PG&E believes further interpretation of the standard is required, the CAISO offers that the appropriate place for such detail is the Business Practice Manuals.

b. The CAISO's Process is Sufficient

PG&E repeatedly acknowledges that it "does not object to the final results included in the 2008 [Local Capacity Technical Study]" and therefore necessarily

does not harbor any material concerns over the methodology utilized to perform the study. PG&E at 5 and 6. Nevertheless, PG&E appears to complain that the going forward provisions of the RA Early Effectiveness Amendments fail to include sufficient “procedural safeguards.” PG&E at 6-7.

PG&E specifically requests that the CAISO subject the methodologies and assumptions of the Local Capacity Technical Study to a stakeholder process, consistent with security and confidentiality concerns, support those methodologies and assumptions through appropriate analyses, and then to either memorialize those methodologies and assumptions in the CAISO’s tariff for the Commission’s review or, at a minimum, include them in a Business Practice Manual. PG&E at 11. Proposed Section 40.3.1 is wholly consistent with this request. The CAISO is required to engage in a collaborative process with the CPUC, Local Regulatory Authorities, federal agencies, and Market Participants to ensure that the Local Capacity Technical Study conforms to the tariff and “to establish for inclusion in the Business Practice Manual other parameters and assumptions application to the Local Capacity Technical Study and a schedule that provides for” specific procedural safeguards. This language was included in the August 3rd compliance filing and also incorporated into the RA Early Effectiveness Amendments.

Nothing more is required. Although the Commission has directed the CAISO to include in the MRTU Tariff greater detail regarding the methodology used to perform the Local Capacity Technical Study, it has agreed with the CAISO “that a detailed description of the technical study to determine local capacity area

resource requirements is not needed in the MRTU Tariff.”¹¹ Thus, upon acceptance of proposed Section 40.3.1, the CAISO will be bound to engage in a process consistent with PG&E’s request.¹²

E. The CAISO Agrees that Several Recommended Modifications are Reasonable and Appropriate

Section 40.2.1.1 relates to programmatic information requirements applicable to CPUC Load Serving Entities electing Reserve Sharing LSE status. SCE notes that the newly added language providing that that the required information “shall be provided to the CAISO within five (5) Business Days of the CAISO filing its statement certifying market readiness” is inconsistent with the requirement subsection (a) of Section 40.2.1.1 that CPUC-jurisdictional LSE information be submitted by Scheduling Coordinators pursuant to the schedule adopted by the CPUC, and will result in the submittal of duplicative information. SCE at 2-3. The CAISO agrees that the newly included first sentence of Section 40.2.1.1 should be deleted and agrees to do so on compliance.

The CAISO notes that the same concern regarding duplicative efforts similarly applies to those sections dictating the information requirements of non-CPUC Load Serving Entities. The CAISO offers to eliminate the need for submission of redundant information through Market Notice instructions. Therefore, the CAISO proposes to alter Sections 40.2.2.1, 40.2.2.2, 40.2.2.3, 40.2.3.1, and 40.2.3.2 as follows: “The information required by [Section] of this

¹¹ September 21 MRTU Order at P 1166.

¹² The only potential discrepancy is that CAISO Business Practice Manuals are not subject to Governing Board approval, but instead are subject to specific tariff provisions regarding development and management of the Business Practice Manuals. (MRTU Tariff Sections 22.4.3 and 22.11.)

appendix shall be provided to the CAISO pursuant to the instructions set forth in an CAISO Market Notice within five (5) Business Days of the CAISO filing its statement certifying market readiness in accordance with Paragraph 1414 of 116 FERC ¶61,274 (2006).”¹³

SCE further suggests that proposed Section 40.4.7 be revised to again avoid duplication of effort. However, SCE’s proposed revision is overbroad in that all Scheduling Coordinators for Resource Adequacy Resources have previously submitted annual Supply Plans, but such plans may not be complete. Local Capacity Area Resources procured by non-CPUC Load Serving Entities and included in Resource Adequacy Plans submitted in January 2008 in accordance with these Amendments must be included in a corresponding Supply Plan. Nevertheless, the CAISO believes it would be appropriate for Scheduling Coordinators whose Supply Plan has not changed to meet its filing obligation by so certifying. Thus, the CAISO agrees to revise Section 40.4.7 on compliance as follows:

For 2008 Resource Adequacy Compliance Year, an the annual Supply Plan or certification that a previously submitted annual Supply Plan for 2008 Resource Adequacy Compliance Year has not changed shall be submitted to the CAISO on January 31, 2008 in the form set forth on the CAISO Website ...

SCE also states that, in order to allow for appropriate development of the Use-Limited Resource Registration form, the CAISO should post a draft version on its website and allow for stakeholder comment. SCE contends that Section

¹³ SCE further suggests that Section 4.4.7, relating to the submission of Supply Plans also be revised to avoid unnecessary duplication. However, the CAISO believes it is necessary to continue to require Scheduling Coordinators for Resource Adequacy Resources to update their annual Supply Plans in accordance with proposed Section 4.4.7.

40.6.4.1 should be modified to state that Scheduling Coordinators shall submit the Use-Limited Resource Registration form to the CAISO by February 7, 2008, or 30 days after the CAISO posts the final form on its website, whichever is later. SCE at 5-6.

The CAISO does intend to post a draft Use-Limited Resource registration form and accept stakeholder comment. It anticipates that the final form will be available before the end of the year. The CAISO does not believe, however, that the deadline for submittal requires modification. Section 40.6.4.1 details the Scheduling Coordinator's resource adequacy obligations and the nature of the information that must be submitted for Use-Limited Resource status. The draft notice and stakeholder process will provide additional information regarding the form in which the information must be tendered. Scheduling Coordinators should have no difficulty assembling the necessary information by the time the form is finalized. Moreover, delaying the submittal of the registration form may significantly interfere with the CAISO's ability to determine whether the resource qualifies as a Use-Limited Resource consistent with the schedule for evaluation of Resource Adequacy Plans.

SWP requests clarification of proposed Section 40.7. SWP states that, as currently written, the reference in Section 40.7 could be read to provide only Modified Reserve Sharing LSEs, and not Reserve Sharing LSEs, with an opportunity to cure certain resource adequacy deficiencies. SWP at 1-3. The basis for this interpretation is that Section 40.7 refers only to the submission of an annual Resource Adequacy Plan by a Modified Reserve Sharing LSE under

Section 40.2.3.4 and not also to such submission by Reserve Sharing LSEs under Sections 40.2.1.1 and 40.2.2.4. SWP is correct that the sections applicable to Reserve Sharing LSEs were inadvertently omitted. The CAISO intends Reserve Sharing LSEs to have the same opportunity as Modified Reserve Sharing LSEs and agrees that Section 40.7 should be modified on compliance to provide comparable treatment.

III. CONCLUSION

For the reasons stated above, the CAISO requests that the Commission approve the Resource Adequacy Early Effectiveness Amendment, with the modifications that the CAISO has agreed in this filing are appropriate.

Respectfully submitted,

/s/ Michael E. Ward

Sidney M. Davies
Assistant General Counsel
Grant Rosenblum
Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7138
Fax: (916) 351-2350
grosenblum@caiso.com

Michael Ward
Alston & Bird, LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 756-3300
Fax: (202) 756-3333
michael.ward@alston.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 23rd day of November, 2007, at Washington, D.C.

/s/ Rafael Lopez

Rafael Lopez
(202) 756-3556