

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

**California Independent System Operator ) Docket No. ER02-1651-000  
Corporation )**

**REPORT OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to the Commission's June 12, 2002 Order in this matter, 99 FERC ¶ 61,303, the California Independent System Operator ("CA ISO"), respectfully submits for filing a report on the Aggregated Distributed Generation Pilot Project ("ADGPP").

**I. BACKGROUND**

On April 26, 2002, the CA ISO filed with the Commission a proposed pro forma ADGPP Participating Generator Agreement ("PGA"), the requirements for the ADGPP, for informational purposes, and a request that the Commission extend to participants in the ADGPP the streamlined regulatory procedures it offered until April 30, 2002 to accommodate wholesale sales within the Western Systems Coordinating Council (now the "WECC") from generators providing primarily back-up or on-site generation in its March 14 and May 16, 2001 orders in Docket No. EL01-47-000<sup>1</sup>. The ADGPP was designed to test arrangements for Generating Units with a rated capacity less than 1 MW that are currently not accommodated in CA ISO markets to be aggregated into units no less than 1 MW but less than 10 MW, and to, in aggregated fashion, schedule Energy with

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<sup>1</sup> 94 FERC ¶ 61,272 and 95 FERC ¶ 61,225 respectively.

the CA ISO and participate in the CA ISO's Supplemental Energy market.<sup>2</sup> The project was scheduled to be in effect from June 1, 2002, through December 31, 2002, unless terminated earlier.

On the June 12, 2002, the Commission accepted the ADGPP PGA, and noted “[t]he Commission recognizes the need for projects that provide additional sources of generation in California and is strongly committed to their implementation.” The Commission directed the CA ISO to post a list of Generating Units participating in the ADGPP on the CA ISO Home Page and to file a report within 30 days of the termination of the ADGPP that reviews and evaluates the success of the pilot project.

## **II. REPORT**

The ADGPP terminated by its own terms on December 31, 2002 without having any active participants. Since there were no active participants in the ADGPP and no executed ADGPP PGAs during the term of the pilot project, no Generating Units were ever listed on the CA ISO Home Page.

While the CA ISO is disappointed that there were no participants in the ADGPP, the CA ISO does not believe that the entire effort was in vain. To put the ADGPP into place, the CA ISO developed requirements for the aggregation of distributed generators that may serve as the basis for further programs to support participation by distributed generation in the CA ISO processes and markets.

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<sup>2</sup> Unless otherwise specified, terms used with initial capitalization have the meanings set forth in the Master Definitions Supplement, Appendix A of the ISO Tariff.

The CA ISO has not conducted a formal assessment of why there were no participants in the ADGPP. From informal conversations with potential participants in the project, it appears that the following factors contributed towards the lack of participation. First, during the time the ADGPP was in effect, there was substantial uncertainty about whether and at what level customers installing distributed generation in the service areas of the California Investor Owned Utilities (“IOUs”) would be required to pay a contribution towards the long term contracts entered into by the California Department of Water Resources (“CDWR”) in the form of exit fees or other charges. Second, during the time the ADGPP was in effect the wholesale price of electricity was more moderate than in the prior two year time frame. Third, there was a reluctance on the part of some potential participants to undertake investments to meet the requirements of the project given the short project implementation time-frame. Fourth, participation in the CA ISO’s Supplemental Energy market may not be the most appropriate market for some distributed generators since such participation requires units to ramp up and down within ten minutes consistent with CA ISO dispatch instructions.

The CA ISO remains committed to seeking to accommodate distributed generation in its processes and markets. The CA ISO intends to evaluate further whether it should continue the ADGPP for an additional period of time, in its current form or with revisions, or whether it should implement a different project to accommodate distributed generation.

Respectfully submitted,

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Jeanne M. Solé  
Regulatory Counsel  
California Independent System Operator  
Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7222

Counsel for the California Independent  
System Operator Corporation

Date: January 30, 2003



January 30, 2003

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

Re: California Independent System Operator Corporation, Docket No. ER02-  
1651-000

Dear Secretary Salas:

Enclosed please find an electronic filing in the above-captioned proceeding of the Report of the California Independent System Operator Corporation. Thank you for your attention to this filing.

Respectfully submitted,

Jeanne M. Solé  
Counsel for the California Independent  
System Operator Corporation

**CERTIFICATE OF SERVICE**

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

Dated at Folsom, CA, on this 30th day of January, 2003.

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