

California Independent System Operator Corporation

Docket Nos. EC96-19-014, EC96-19-015, EC96-19-016, ER96-1663-015, ER96-1663-016, ER96-1663-017

FEDERAL ENERGY REGULATORY COMMISSION - COMMISSION

82 F.E.R.C. P61,312; 1998 FERC LEXIS 567

ORDER CONDITIONALLY ACCEPTING AND REJECTING PROPOSED AMENDMENTS TO THE ISO TARIFF AND PROTOCOLS

March 27, 1998

PANEL:

[**1] Before Commissioners: James J. Hoecker, Chairman; Vicky A. Bailey, William L. Massey, and Curt Hebert, Jr.

OPINION:

[*62,237]

Introduction

On February 19 and 25, 1998, the California Independent System Operator Corporation (ISO) filed three amendments to the ISO Tariff and related Protocols. n1 The ISO asserts that the proposed amendments are an outgrowth of the ISO's on-going testing and preparation for the ISO Grid Operations Date. n2 In this order, we will reject Amendment Nos. 2 and 3 and conditionally accept Amendment No. 1 for filing to become effective on the ISO Grid Operations Date, as discussed below.

- - - - -Footnotes- - - - -

n1 The ISO has to date filed six amendments. The remaining amendments will be addressed in a separate order.

n2 Except as noted, capitalized terms are defined in the Master Definitions Supplement, Appendix A of the ISO Tariff. See also *Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company, 81 FERC P61,122, at pp. 61,573-90 (1997)* (October 30 Order).

- - - - -End Footnotes- - - - -

[*62,238]

[**2]

Background

A. Docket Nos. EC96-19-014 and ER96-1663-015 (Amendment No. 1)

On February 19, 1998, the ISO submitted Amendment No. 1, proposing to revise language in the ISO Tariff and ISO Protocols concerning: (1) Voltage Support and Black Start cost allocation; (2) disbursement of Wheeling revenues; and (3) Imbalance Energy charges.

Specifically, the ISO proposes to revise sections 2.5.28.5 and 2.5.28.6 of the ISO Tariff and the Settlement and Billing Protocols (Appendix L to the ISO Tariff) to allocate the costs of Voltage Support and Black Start services to Scheduling Coordinators based on metered demand rather than scheduled demand.

Second, in Amendment No. 1 the ISO proposes to revise Appendix F to the Settlement and Billing Protocol to be consistent with ISO Tariff section 7.1.4.3. That section provides that Wheeling Access Charges will be distributed

to Participating Transmission Owners based on each Participating Transmission Owner's percentage of ownership/firm entitlements to transmission capacity at a delivery point.

Third, in Amendment No. 1 the ISO proposes revisions to section 11.2.4.1 of the ISO Tariff and Appendix D to the Settlement and Billing Protocols to correct **[**3]** an inadvertent change that was made in a previous filing regarding imports and the calculation of the Imbalance Energy Charge.

The ISO states that its staff has consulted with the affected parties to develop solutions to each of the issues addressed in Amendment No. 1.

B. Docket Nos. EC96-19-015 and ER96-1663-016 (Amendment No. 2)

On February 25, 1998, the ISO submitted Amendment No. 2, proposing to revise a number of ISO Tariff sections and Protocols and related agreements. Specifically, the ISO proposes to create a new definition for the "ISO Control Area" distinct from the ISO Controlled Grid. There are numerous entities, such as municipal utilities, which own transmission facilities within the ISO Control Area but have not yet indicated an intention to join the ISO. The ISO states that adding this term (ISO Control Area) clarifies that various ISO Tariff provisions will extend to these entities. n3

- - - - -Footnotes- - - - -

n3 Several of these entities currently operate their own independent Control Areas (e.g., Los Angeles Department of Water and Power (Los Angeles), Imperial Irrigation District (IID) and the City of Pasadena, California).

- - - - -End Footnotes- - - - -

[4]**

The Control Areas now operated by the Participating Transmission Owners include transmission facilities owned by third parties who are not currently proposing to transfer Operational Control of those facilities to the ISO and thereby become Participating Transmission Owners themselves. In these instances, the Participating Transmission Owners act as Control Area operators in relation to these facilities under various contractual arrangements. The ISO proposes a new definition of "Existing Control Agreement" under section 3.3 of the ISO Tariff to describe these arrangements. The proposed amendment would obligate Participating Transmission Owners, who are parties to Existing Control Agreements, to transfer to the ISO the scheduling and other Control Area functions for third parties' facilities to the ISO. n4

- - - - -Footnotes- - - - -

n4 Amendment No. 2 at 9-10.

- - - - -End Footnotes- - - - -

Amendment No. 2 also would clarify the ISO Tariff to specify that all schedules must be submitted through a Scheduling Coordinator. One consequence of this clarification is to expand **[**5]** the application of the ISO's Grid Management Charge (GMC) n5 to all loads in the ISO Control Area. Thus, an entity that delivers energy on facilities that are not part of the ISO Controlled Grid, but which are within the ISO Control Area would be assessed the GMC. According to the ISO, it is not structured to deal with any entity other than through a Scheduling Coordinator with whom it has a contractual relationship, lines of communication, and mechanisms to bill and collect payment for use of service. The ISO maintains that, unless an entity acts through a Scheduling Coordinator, it will have no mechanism to seek payment for services for such an entity. The ISO maintains that the proposed changes are necessary for the ISO to perform its responsibilities as the operator of the Control Area.

-Footnotes-

n5 The GMC is a monthly charge assessed on all Scheduling Coordinators to recover the ISO's startup and development costs and the costs associated with the ongoing operation. The applicability of the GMC is being addressed in Docket No. ER98-211-000. See *California Independent System Operator Corporation, 81 FERC P61,321 (1997)*.

-End Footnotes-

[**6]

In anticipation of numerous protests on the application of the GMC, the ISO requests that this issue be set for hearing and consolidated with the ISO's GMC proceeding in Docket No. ER98-211-000, et al. The ISO states that the issue of whether and to what extent the ISO GMC is to apply to Existing Contract volumes is already set for hearing in that proceeding and that any additional burden should be minor, [*62,239] in that the hearing schedule has been set so that little activity takes place until after the ISO Grid Operations Date. n6 Moreover, the ISO contends that the interested parties have already sought clarification that the issue of applicability of the GMC to energy scheduled in the ISO Control Area should be litigated in the GMC proceeding. n7

-Footnotes-

n6 Amendment No. 2 at 10-14.

n7 See Motion for Clarification, or, in the Alternative, Request for Rehearing of the Transmission Agency of Northern California, filed January 16, 1998, in Docket Nos. ER98-211-001, et al., at 4-8 and Answer of the California Independent Operator Corporation of January 16, 1998 Motion for Clarification, filed February 3, 1998 in Docket Nos. ER98-211-001, et al. at 2-3.

-End Footnotes-

[**7]

C. Docket Nos. EC96-19-016 and ER96-1663-017 (Amendment No. 3)

On February 25, 1998, the ISO submitted several amendments to the ISO Tariff and Protocols to clarify that after the ISO Grid Operations Date, Regulatory Must-Take and Must-run Generation (RMT/RMR Generation) n8 will retain existing priorities on constrained transmission paths. The amendment provides that these resources will have access to Available Transfer Capacity on Congested Inter-Zonal Interfaces. n9 While Amendment No. 3 applies to RMT/RMR Generation generally, the ISO states that the filing is in large part due to its discussions with PG&E. The main effect of Amendment No. 3 involves PG&E's operating instructions to the ISO for its use of Path 15 for its RMT/RMR Generation. Amendment No. 3 would reserve for PG&E 2,800 MW of the 3,000 MW capacity on Path 15. n10

-Footnotes-

n8 RMR Generation is Hydro Spill Generation and Generation which is required to run by applicable Federal or California laws, regulations, or other governing jurisdictional authority. RMT Generation consists of Generation resources identified by the California Public Utilities Commission (California Commission), the operation of which is not subject to competition. These resources will be scheduled by the relevant Scheduling Coordinator directly with the ISO on a must-take basis. [**8]

n9 The primary congested transmission path is referred to as Path 15, which extends South from Pacific Gas and Electric Company's (PG&E) Tesla Substation to a point of interconnection with Southern California Edison Company (SoCal Edison) at the Midway Substation.

n10 In addition to the proposed ISO Tariff amendments, the ISO also filed corresponding changes to other related agreements. In Docket No. ER98-1971-000, the ISO filed various amendments to the Transmission Control Agreement, including a revised Appendix B which specifies the proposed PG&E reservation on Path 15.

- - - - -End Footnotes- - - - -

The ISO Tariff does not currently set forth any transmission priority for RMT/RMR Generation. The ISO states that prior to the Commission's October 30, 1997 Order, the ISO Tariff included language that Participating Transmission Owners were apparently relying on to preserve existing transmission priorities for RMT/RMR Generation. n11 According to the ISO, PG&E has objected to the ISO's deletion of Overgeneration provisions from the ISO Tariff. PG&E is concerned that its Diablo Canyon nuclear unit and qualifying facilities **[**9]** may be unable to generate if there is insufficient PX Demand south of Path 15. The ISO, however, does not believe that the deleted tariff provision addresses PG&E's concerns.

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n11 This provision, formerly ISO Tariff Section 2.4.2.2, was removed because it was related to the Overgeneration procedures rejected by the Commission. 81 FERC at pp. 61,525-526 (rehearing pending). It stated as follows:

The ISO shall give priority to Regulatory Must-Take Generation and Regulatory Must-Run Generation scheduled in the relevant Scheduling Coordinator's Preferred Schedule in evaluating the Preferred Day-Ahead Schedules and Preferred Hour-Ahead Schedules and preparing its Suggested Adjusted Day-Ahead Schedules for the Trading Day over all Generation other than that which is determined by the ISO to be needed for System Reliability.

- - - - -End Footnotes- - - - -

The ISO states that its Governing Board did conclude that the restructuring process intended to preserve RMT/RMR Generation from curtailment in the event of congestion. The ISO states **[**10]** that the proposed amendment deals with exceedingly complex issues which arose late in the design process. According to the ISO, long after its software design was final and coded PG&E provided its first draft of instructions for Path 15, which required subsequent software modifications and manual work-around solutions. The ISO anticipates that Market Participants may disagree with the ISO Board's decision regarding the restructuring "deal" and PG&E's operating instructions for Path 15. The ISO respectfully urges the Commission to give it early guidance if it does not intend to accept this filing or intends to order more than a nominal suspension.

Motions to Intervene and Protests

Notice of the ISO's February 19, 1998, Amendment No. 1 filing was published in the Federal Register, 63 Fed. Reg. 11,231 (1998), with motions to intervene or protests due by March 12, 1998. Notice of the ISO's February 25, 1998, Amendment No. 2 filing was published in the Federal Register, 63 Fed. Reg. 11,231 (1998), with motions to intervene or protests due by March 12, 1998. Notice of the **[*62,240]** ISO's February 25, 1998, Amendment No. 3 filing was published **[**11]** in the Federal Register, 63 Fed. Reg. 11,232 (1998), with motions to intervene or protests due by March 12, 1998. Timely motions to intervene and notice of intervention were filed in these proceedings by the parties listed in Appendix A. On March 19, 1998, late filed motions to intervene and protests were filed by Nevada Power Company (Nevada Power) in Docket Nos. EC96-19-015 and ER96-1663-016 and by the Independent Energy Producers Association (IEP) in Docket Nos. EC96-19-016 and ER96-1663-017.

Discussion

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1997), the notice of intervention and timely, unopposed motions to intervene serve to make the intervenors listed on Appendix A parties to this proceeding. In addition, intervenors in Docket Nos. EC96-19 and ER96-1663 continue to have party status in this proceeding. The Commission will allow the late filed motions to intervene by Nevada Power and the IEP. Given the stage of the proceeding, no undue prejudice to any party or delay will result from granting the late motions to intervene.

Western Area Power Administration (WAPA) requests consolidation of the **[**12]** proceedings pertaining to Amendments 1, 3, 4 and 5. Since we are accepting Amendment No. 1 with modifications and rejecting Amendment No. 3, we will deny WAPA's motion to consolidate these proceedings. We will defer consideration of WAPA's motion to consolidate insofar as it pertains to Amendments 4 and 5.

A. Docket Nos. EC96-19-014 and ER96-1663-015 (Amendment No. 1)

Los Angeles notes that wheeling-out of the ISO Controlled Grid and wheeling-through the ISO Controlled Grid requires Voltage Support service. Although Los Angeles agrees with the ISO that Voltage Support charges should be based on metered quantities, not scheduled quantities, Los Angeles contends that the proposed changes confuse several issues and should be clarified. For example, while the proposed amendment to the ISO Tariff accurately states that Voltage Support charges will include exports to neighboring Control Areas, the Settlement and Billing Protocol revision states that the charge will include exports from neighboring Control Areas.

In addition, Los Angeles states that Black Start charges should be based on metered, rather than scheduled demand. Los Angeles does not agree that Black Start charges should apply **[**13]** to exports to neighboring Control Areas. According to Los Angeles, applying this charge to exporting parties violates principles of cost causation.

Commission Response

Our review of proposed Amendment No. 1 indicates that with the exception of the issues raised by Los Angeles, the revisions are reasonable and generally consistent with our prior orders. We agree with Los Angeles that the ISO must correct the inconsistencies in the billings protocols concerning the application of the Voltage Support charge to exports. We also agree with Los Angeles that the ISO has not adequately demonstrated that the cost of Black Start is appropriately assessed to loads in neighboring Control Areas. Accordingly, we direct the ISO to revise its rate schedule to eliminate this charge from exports to neighboring Control Areas. Consistent with our October 30, 1997 Order, we will require the ISO to promptly post the ordered Amendment No. 1 revisions to its ISO Tariff Compliance Posting on its Home Page. Accordingly, with these modifications, Amendment No. 1 is accepted for filing.

B. Docket Nos. EC96-19-015 and ER96-1663-016 (Amendment No. 2)

Numerous intervenors argue that the Commission should reject **[**14]** Amendment No. 2 or in the alternative request that the filing be modified or set for hearing. The intervenors contend that the Amendment No. 2 filing should be rejected because the proposal:

. violates the rights of non-participating entities under existing agreements;
n12

- - - - -Footnotes- - - - -

n12 California Municipal Utilities Association (CMUA) at 7-9; Turlock Irrigation District (Turlock) at 7; Western Area Power Administration (WAPA) at 15-16; Northern California Power Agency (NCPA) at 2-3; Bonneville Power

Administration (BPA) at 5-6; Transmission Agency of Northern California (TANC) at 41-45; and Modesto Irrigation District (Modesto) at 8.

- - - - -End Footnotes- - - - -

. requires Participating Transmission Owners to satisfy ISO requirements with respect to third parties that they are not able to perform under existing agreements; n13

- - - - -Footnotes- - - - -

n13 PG&E at 5-7; and Turlock at 15.

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. violates the Commission's **[**15]** prior orders respecting the treatment of all existing agreements; n14

- - - - -Footnotes- - - - -

n14 CMUA at 9-11; Turlock at 11; Sacramento Municipal Utility District (SMUD) at 15-17; Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency (Cities/M-S-R) at 6; Los Angeles at 4; TANC at 38-39; and Cities of Anaheim, Colton, and Riverside California and Azusa and Banning, California (Southern Cities) at 4.

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[*62,241]

. contains factual errors underpinning the ISO's stated reasoning for filing Amendment No. 2; n15

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n15 CMUA at 19-20; SMUD at 3-7; and PG&E at 3-4.

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. negates the concept and benefits of a Metered Subsystem; n16

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n16 A Metered Subsystem is an electrical system that is subsumed within the ISO Controlled Grid with certain rights. See CMUA at 17; SMUD at 9; Turlock at 14; IID at 5-6; Los Angeles at 5-7; and Modesto at 11.

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[16]**

. undermines negotiated compromises on operational issues on the eve of ISO operations; n17 and

- - - - -Footnotes- - - - -

n17 CMUA at 17-18; Turlock at 11; and Modesto at 13-14.

- - - - -End Footnotes- - - - -

. mandates ISO Operational Control over transmission facilities of municipally-owned utilities which is beyond the Commission's jurisdiction under Section 205 of the FPA. n18

-Footnotes-

n18 CMUA at 21-22; SMUD at 14-15; WAPA at 16; TANC at 30-35; Modesto at 12-13; Metropolitan Water District of Southern California (Metropolitan) at 7-13; and Southern Cities at 3.

-End Footnotes-

The intervenors also dispute the ISO's statement that the proposed changes are required for ISO operations. For example, PG&E states that it is willing to continue in its role of accepting schedules for use of the Non-ISO controlled facilities at issue in Amendment No. 2 by serving as the collection point for schedules. PG&E would, in turn, provide the [**17] ISO with all of the schedule information that the ISO needs to perform its responsibilities as Control Area Operator. n19 PG&E claims that the ISO has not articulated any specific system, operational, or reliability problem that receiving the schedule information in this way would pose to the ISO's operations. PG&E suggests at least two ways that scheduling information could be accepted by the ISO'S software from entities other than Scheduling Coordinators consistent to the procedures successfully used by entities during the testing. PG&E and other intervenors agree to provide the ISO with all necessary information in whatever format is required by the ISO.

-Footnotes-

n19 PG&E at 3 and Exhibit A (February 27, 1998 letter from PG&E to the ISO).

-End Footnotes-

Commission Response

Based on our review of the changes proposed in Amendment No. 2, we find that these changes are unjust and unreasonable because they would broadly expand ISO control over non-jurisdictional facilities which are not being transferred to the ISO's control. As drafted, [**18] proposed Amendment No. 2 is also inconsistent with our prior orders and would improperly impose additional obligations on Participating Transmission Owners. We also share intervenor concerns about the lack of time to determine the full impact of Amendment No. 2 at this late date. Because of these problems, we do not consider acceptance of the proposed Amendment No. 2 subject to the outcome of a hearing to be a viable option. Moreover, we are persuaded by the arguments of the intervenors that the proposed changes contained in Amendment No. 2 are not necessary for ISO operations. Accordingly, we will reject Amendment No. 2. However, we will require all public utilities involved to continue to cooperate fully with the ISO to achieve the necessary information flow that has evolved during the testing period.

We also note that the issue of whether the GMC should apply to entities that deliver energy over facilities that are not part of the ISO Controlled Grid, but which are within the ISO Control Area, is within the scope of the proceeding in Docket No. ER98-211-000, et al.

C. Docket Nos. EC96-19-016 and ER96-1663-017 (Amendment No. 3)

CMUA comments that over decades, PG&E has developed [**19] a complex priority stack for use of Path 15, including PG&E native load, and the rights of various parties under Existing Contracts. n20 According to CMUA, the proposed Amendment No. 3 will leave inadequate capacity to serve Existing Contracts and the market. n21 Furthermore, the PG&E-owned RMT/RMR Generation does not have an Existing Contract right to use PG&E's transmission system.

-Footnotes-

n20 Existing Contracts include SoCal Edison, SDG&E, the California Department of Water Resources (DWR), and several CMUA members (SMUD, TANC and Turlock).

n21 CMUA at 3; and Southern Cities at 2.

- - - - -End Footnotes- - - - -

DWR and other intervenors state that PG&E's market power analyses never mentioned that PG&E's Operating Instructions to the ISO would give PG&E's own generation "the highest priority to schedule and transmit energy in both the north-to-south and south-to-north direction on an hourly basis daily on Path 15. . ." n22 DWR states that its existing contractual rights are set forth in the EHV Agreement involving PG&E, SoCal Edison and SDG&E. According [**20] to DWR, under [*62,242] that agreement it is entitled to 300 MW of transmission service over facilities which include Path 15, and nothing in that agreement provides PG&E a higher priority such as the priority through Amendment No. 3. In addition, DWR states that under a comprehensive Agreement with PG&E, DWR has 810 MW of firm transmission along Path 15 to SoCal Edison's system and additional firm north-to-south transmission service (279 MW on-peak and 468 MW off-peak).

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n22 DWR at 12-13 citing PG&E Application, Exhibit C at 27.

- - - - -End Footnotes- - - - -

SMUD states that existing practice through its Transmission Rate Schedules with PG&E over Path 15 are similar to other rate schedules and provide pro rata curtailments. The last block "Priority Commitments," represents the last service to be curtailed and includes PG&E's obligation to "meet load and load growth of its customers in northern and central California." Thus, SMUD states PG&E's existing priority over Path 15 is limited to its obligation to meet its native load needs. In contrast, SMUD contends, [**21] Amendment No. 3 will reserve priority for particular generating units (e.g., RMT/RMR Generation). n23

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n23 SMUD at 5-6; Metropolitan at 13-14; Turlock at 5; and Cities/M-S-R at 9-10.

- - - - -End Footnotes- - - - -

TANC argues that the proposed Amendment No. 3 fundamentally alters priorities in violation of an existing contract, the South of Tesla Principles (SOTP). Specifically, the SOTP grants TANC and its Members 300 MW of firm bidirectional transmission service on facilities which include Path 15. Under the SOTP contract, PG&E does not have first or any other priority to transmit the output from Diablo Canyon. n24 TANC also states that ISO Tariff section 2.4.2.2, which was rejected in the October 30, 1997 Order, did not accord PG&E a priority over Path 15 for its RMT/RMR Generation. Moreover, TANC contends that no other provision in the ISO Tariff can be construed to grant a first priority for PG&E's generation. TANC notes that the "meet and confer" requirements of ISO Tariff section 2.4.4.4.1.1 were affirmed by the Commission's October 30, 1997 [**22] Order. These require, among other things, that disputes involving rights under Existing Contracts be resolved under the dispute resolution features of those contracts. n25

- - - - -Footnotes- - - - -

n24 TANC at 4; NCPA at 2; Modesto at 3-4; Southern Cities at 3- 4; TURN/UCAN at 10; Cities/M-S-R at 11-12.

n25 TANC at 13 citing 81 FERC at p. 61,473.

- - - - -End Footnotes- - - - -

PG&E objects to the proposed Amendment No. 3, stating that ISO has modified its "operating instructions" for the management of Path 15 (e.g., real-time mitigation measures). PG&E argues that the proposed Amendment No. 3 is vague and requests that the ISO clarify congestion and real-time management for Path 15.

DWR and other intervenors state that Order No. 888 disallowed curtailment proposals such as the ISO's proposed Amendment No. 3, which favor the Participating Transmission Owner's own generation. According to these intervenors, in Order 888-A, the Commission affirmed its position that open access transmission should be curtailed pro rata, "on a non-discriminatory basis, **[**23]** including the Participating Transmission Owner's own wholesale use of the system. n26

- - - - -Footnotes- - - - -

n26 DWR at 9; TANC at 4; and MID at 6 citing Commission's Order No. 888-A, FERC Stats. & Regs. § 31,048 at p. 30,279.

- - - - -End Footnotes- - - - -

Commission Response

In Phase I of the California restructuring proceedings, we recognized the importance of Must-Take status accorded to some of the generation in the California proposal, and stated that at this juncture, we were inclined to defer to the California Commission's determinations. However, we were also concerned about how this treatment may not be consistent with economic dispatch and required further detail on the proposal. n27 Furthermore, in its November 26, 1996 Order, the Commission directed the ISO in its Phase II filing to reconcile conflicts between existing contractual arrangements and the operating practices and protocols of the ISO and PX on a nondiscriminatory and comparable basis. In addition, the order required a detailed explanation of how all contractual arrangements would be handled. n28 **[**24]** In our October 30, 1997 Order, the Commission determined that it would be inappropriate and unnecessary to abrogate existing transmission contracts in order to implement the proposed restructuring. n29

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n27 Pacific Gas and Electric Company, San Diego Gas & Electric company, and Southern California Edison Company, 77 FERC P61,265, at p. 62,092 (1996).

n28 Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company, 77 FERC P61,204, at p. 62,821 (1996).

n29 81 FERC at pp. 61,470-71.

- - - - -End Footnotes- - - - -

Amendment No. 3 does not satisfy these determinations. Our main concerns are that the ISO has not adequately demonstrated that the proposed transmission priority on Path 15 is supported by an Existing Contract, was clearly presented and approved by the ISO Board, n30 or **[*62,243]** that the Amendment No. 3 was the product of prior stakeholder discussions or understandings. To the contrary, we believe that the proposed Amendment No. **[**25]** 3 may violate Path 15 rights for those entities other than PG&E. The Commission is concerned about the lack of stakeholder support or understanding of such significant, late-filed tariff changes. n31

- - - - -Footnotes- - - - -

n30 "Certain Market Participants may disagree with the Board's characterization of the restructuring deal regarding RMT/RMR Generation and/or PG&E's instructions for Path 15." Application at 13-14.

n31 See *Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company*, 81 FERC P61,122, at p. 61,444 (1997) (October 30 Order) and *Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company*, 81 FERC P61,320, at p. 62,476 (1997) (December 17 Order).

- - - - -End Footnotes- - - - -

Accordingly, we will reject Amendment No. 3. Our rejection of the proposed modifications to the ISO's originally designed software is without prejudice to future negotiated modifications that fully comply with our prior orders. Specifically, **[**26]** our November 26 Order required that where existing contractual arrangements conflict with ISO operating practices and protocols these differences must be reconciled in a nondiscriminatory and comparable fashion. In addition, the order required a detailed explanation how all contractual arrangements will be handled. As stated above, the proposed transmission priority contained in Amendment No. 3 does not satisfy these requirements. We urge all affected parties to redouble their efforts to negotiate a resolution to this issue. As noted in our November 26 Order, to the extent parties wish to renegotiate existing contracts, the ISO should, at a minimum, be available for consultation on all technical or operational issues.

The Commission orders:

(A) The ISO's Proposed Amendment No. 1 to its ISO Tariff and Protocols is hereby accepted, with the conditions and modifications discussed in the body of this order. The ISO shall post this Amendment, as modified, on the publicly accessible portion of WEnet (the ISO's Home Page), and shall file these changes with the compliance filing that is to be filed within 60 days of the ISO Grid Operations date.

(B) The ISO's Proposed Amendment No. 2 to **[**27]** its ISO Tariff and Protocols is hereby rejected, as discussed in the body of this order.

(C) The ISO's Proposed Amendment No. 3 to its ISO Tariff and Protocols is hereby rejected, as discussed in the body of this order.

(D) The late filed motions to intervene of Nevada Power and IEP are hereby granted.

By the Commission

APPENDIX:
APPENDIX A

TIMELY NOTICES OF INTERVENTION, MOTIONS TO INTERVENE,

PROTESTS AND COMMENTS

EC96-19-014 and ER96-1663-015

Bonneville Power Administration
Electric Clearinghouse, Inc.
Imperial Irrigation District
Los Angeles Department of Water and Power

Northern California Power Agency

Public Utilities Commission of the State of California

Sacramento Municipal Utility District

Turlock Irrigation District

Western Area Power Administration

EC96-19-015 and ER96-1663-016

Bonneville Power Administration

California Municipal Utilities Association

Cities of Anaheim, Colton, and Riverside California and Azusa
and Banning, California

Cities of Redding and Santa Clara, California, and the M-S-R
Public Power Agency

Electric Clearinghouse, Inc.

Imperial Irrigation District

Los Angeles Department of Water and Power

Metropolitan **[**28]** Water District of Southern California

Modesto Irrigation District

Nevada Power Company *

Northern California Power Agency

Pacific Gas and Electric Company

Public Utilities Commission of the State of California

Sacramento Municipal Utility District

Trinity County Public Utility District

Transmission Agency of Northern California

Turlock Irrigation District

Western Area Power Administration

* Filed late motion to intervene.

APPENDIX A

EC96-19-016 and ER96-1663-017

Bonneville Power Administration

California Department of Water Resources

California Municipal Utilities Association

Cities of Anaheim, Colton, and Riverside California and Azusa
and Banning, California

Cities of Redding and Santa Clara, California, and the M-S-R
Public Power Agency

City of Vernon, California

Electric Clearinghouse, Inc.

Enron Power Marketing, Inc.

Independent Energy Producers Association *

Metropolitan Water District of Southern California

Modesto Irrigation District

Northern California Power Agency

Pacific Gas and Electric Company

Public Utilities Commission of the State of California

Sacramento Municipal Utility District

Southern California **[**29]** Gas Company **[*62,244]**

Transmission Agency of Northern California

Turlock Irrigation District

The Utility Reform Network (TURN) and Utility Consumer Action
Network (UCAN)

Western Area Power Administration

* Filed late motion to intervene.

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