

May 12, 2005

Via Electronic Filing

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

**Re: California Independent System Operator Corporation,
Docket No. ER05-784-000**

Dear Secretary Salas:

Enclosed please find the Answer of the California Independent System Operator Corporation to Motions to Intervene and Comments, submitted in the captioned docket.

Feel free to contact the undersigned with any questions. Thank you for your attention to this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas
J. Phillip Jordan
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Counsel for the California
Independent System Operator
Corporation

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

**California Independent System) Docket No. ER05-784-000
Operator Corporation)**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO MOTIONS TO INTERVENE AND COMMENTS**

On April 6, 2005, the California Independent System Operator Corporation (“ISO”)¹ filed in the captioned proceeding a Dynamic Scheduling Host Control Area Operating Agreement (“DSHCAOA”) between the ISO and British Columbia Transmission Corporation (“BCTC”) as a “non-conforming” service agreement (“April 6 Filing”). Several parties submitted motions to intervene and comments in the proceeding concerning the April 6 Filing.² Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.213, the ISO submits this answer to the motions to intervene and comments.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff, as filed August 15, 1997, and subsequently revised.

² The Transmission Agency of Northern California submitted a motion to intervene that raised no substantive issues. The Northern California Power Agency (“NCPA”) submitted a filing styled as a motion to intervene that nevertheless contained substantive comments. The City of Santa Clara, California, doing business as Silicon Valley Power (“SVP”), submitted a motion to intervene and comments. Powerex Corp. submitted a motion to intervene in support of the April 6 Filing.

I. Answer

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

SVP states that Section 10.1 of the DSHCAOA between the ISO and BCTC contains language providing that neither the ISO nor BCTC will be in default as a result of the action or failure to act of an intermediary Control Area, and notes that the *pro forma* DSHCAOA found in the ISO Tariff does not contain such a provision. SVP argues that the Commission should order the ISO to incorporate such a provision into the *pro forma* DSHCAOA. SVP at 6.

The ISO takes no position regarding SVP's request and has no objection to incorporating this particular provision if the Commission considers it appropriate.

SVP notes that Schedule 4 to the DSHCAOA between the ISO and BCTC exempts BCTC from the provisions of Section 6.2 of the ISO's Dynamic Scheduling Protocol ("DSP"), which requires a change in an "e-tag" in the event that there is a change in the magnitude of a dynamic schedule by 25% or 25 MW, whichever is less. SVP argues that the Commission should direct the ISO to include such a provision in the *pro forma* DSHCAOA. SVP at 7. SVP's concern has been rendered moot by the ISO's recent submittal, in Docket No. ER05-224, of a compliance filing that eliminated from Section 6.2 of the DSP the requirement that an e-tag be changed in the event that there is a change in the magnitude of a dynamic schedule as described above. See Compliance Filing, Docket No. ER05-224-002 (filed May 9, 2005), at pages 1-2 of transmittal letter and Attachment B.

SVP asserts that “[t]he ISO should be obligated to file with the Commission changes to its DSP, including changes it makes to individual DSHCAOA[s] that are not only specific to the parties to that agreement, but are also applicable to all entities that anticipate participating in future agreements.” SVP argues that “[u]nless such changes are filed, affected entities may not have notice of changes the ISO seeks to make to the DSP or changes that it makes to agreements made under the DSP.” SVP at 7. SVP’s concerns are groundless. The ISO already files every change to the DSP and every individual DSHCAOA with any provision that differs from the *pro forma* DSHCAOA (and explains the differing provision(s) in the filing letter); thus, affected entities have notice and an opportunity to comment, as SVP desires.

NCPA does not oppose the April 6 Filing, but suggests that the ISO should permit not only dynamic scheduling into the ISO Control Area (*i.e.*, dynamic scheduling of imports), but also dynamic scheduling by resources within the ISO Control Area to a location outside of the ISO Control Area (*i.e.*, dynamic scheduling of exports). NCPA at 3. NCPA made the same argument in Docket No. ER05-224. See NCPA Motion to Intervene, Docket No. ER05-224-000 (filed Dec. 7, 2004), at 3. That proceeding, like the present one, concerned a “non-conforming” service agreement submitted by the ISO. See *California Independent System Operator Corporation*, 111 FERC ¶ 61,015, at P 1 (2005). The Commission found that NCPA’s argument in Docket No. ER05-224 was beyond the scope of that proceeding because the proceeding was limited to

evaluating a non-conforming service agreement. *Id.* at P 9. The Commission should dismiss NCPA's present argument for the same reason.

In any event, the ISO Tariff currently does not permit dynamic scheduling of exports. As the ISO has indicated in prior filings with the Commission, *e.g.*, Amendment No. 59 to the ISO Tariff ("Amendment No. 59"), the ISO proposed to allow imports from System Resources. System Resources are, by definition, located outside of the ISO Control Area.³ As such, the ISO did not contemplate the export of Energy and Ancillary Services from the ISO Control Area in the Amendment No. 59 filing. The ISO stated that it focused its efforts on developing standards for imports due to the short time frame it had within which to make its dynamic scheduling filing.⁴ The ISO also explained that, while there had been some informal inquiries from Market Participants regarding dynamically scheduling exports, exports would require different standards than those required for imports "due to the different operational and business relationship of the ISO to resources within the ISO Control Area in contrast to imports from other Control Areas . . . [and] the ISO has far more limited experience with the dynamic scheduling of exports."⁵ As the ISO explained in Amendment No. 59, it is aware of the need to explore the issue of the dynamic scheduling of exports. However, this issue deserves a great deal of consideration and thorough assessment as to

³ Appendix A to the ISO Tariff defines a System Resource as "[a] group of resources located outside of the ISO Control Area capable of providing Energy and/or Ancillary Services to the ISO Controlled Grid."

⁴ Transmittal Letter for Amendment No. 59, Docket No. ER04-793-000 (filed Apr. 30, 2004), at 4 n.7.

⁵ *Id.*

the functionality of dynamic scheduling of exports, including pilot programs similar to those instituted concerning the dynamic scheduling of imports.⁶

While the ISO is not obligated to implement dynamic transfers by the requirements of NERC or WECC or the Commission's requirements under Order No. 888, the ISO understands that Market Participants are concerned about the dynamic scheduling of exports and will continue to take the necessary steps to explore the possible implementation of this functionality. However, to require the ISO to implement a functionality that it is neither obligated, nor currently equipped, to provide would be unfounded and operationally burdensome – even if it were in any way relevant to this proceeding.

The ISO has not yet been approached by any Market Participant requesting the commencement of negotiations regarding the implementation of a specific pilot for dynamic exports from a particular resource in the ISO Control Area. Once such a specific request to commence negotiations is received, the ISO anticipates that it will require at least two months of negotiations to reach *agreement on the terms of the pilot and several more months to implement that functionality in the ISO's and the neighboring Control Area's systems.*

⁶ The ISO provided the explanation contained in this paragraph and the following two paragraphs in the filing the ISO submitted in Docket No. ER05-224 on February 10, 2005.

II. Conclusion

Wherefore, for the foregoing reasons, the ISO respectfully requests that the Commission accept the April 6 Filing as submitted.

Respectfully submitted,

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Dated: May 12, 2005

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 at Folsom, California, on this 12th day of May, 2005.

/s/ John Anders
John Anders