

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

Independent Energy Producers Association

Complainant

v.

California Independent System Operator
Corporation

Respondent

Docket No. EL05-146-000

JOINT REPLY COMMENTS OF THE SETTLING PARTIES

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. §§ 385.602, the Independent Energy Producers Association (“IEP”), the California Independent System Operator Corporation (“CAISO”), the California Public Utilities Commission (“CPUC”), Pacific Gas and Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”), and Southern California Edison Company (“SCE”) (collectively, “Settling Parties”) file these Joint Reply Comments regarding the Offer of Settlement filed in this matter on March 31, 2006 (the “Settlement”). These Joint Reply Comments relate to a single issue – the proposed Local Reliability Capacity Services Tariff designation process for 2006. The Settling Parties reserve the right to submit additional comments on an individual basis by the date appointed by the Commission.

I. BACKGROUND

On August 26, 2005, IEP filed a complaint at the Commission in the above-captioned docket to replace the existing Must Offer Obligation with a tariff-based procurement mechanism entitled the “Reliability Capacity Services Tariff” (“RCST”). Numerous parties intervened in the proceeding. The Settling Parties conducted settlement discussions that resulted in the Settlement filed on March 31, 2006.

Local RCST Designations

The Settlement includes a process for designating RCST units for local reliability needs in 2006 – treated, *inter alia*, in Section 2.2 of the Settlement, entitled “2006 Local Area Reliability Needs Identification Process.” Under this process, the CAISO applies information contained in an analysis of local capacity it performed to the question of its local reliability needs in Local Reliability Areas. The result of this undertaking is to determine its 2006 Local Area Reliability Needs (“LARN”). The 2006 LARN Report quantifies these needs (less the effect of Non-Generation Solutions) on a Local Reliability Area basis. The result is the amount of generation needed (in megawatts) to the area in question to comply with Applicable Reliability Criteria (“ARC”). The CAISO thereupon uses the 2006 LARN Report to determine the proportionate share of LARN responsibility of each Scheduling Coordinator for RA Entities for the portion of the CAISO controlled grid in which its RA Entities serve load (called a “Transmission Access Charge Area” or “TAC Area”).

As proposed in the Settlement, after reducing the amount for which each SC for RA Entities is responsible based on resources committed to the CAISO, the CAISO would designate Eligible Capacity under the RCST to meet any remaining reliability needs (“Residual LARN”). Such designation by the CAISO is called the “Local RCST Designation.”

II. COMMENTS

The CAISO has determined that based on the information provided to the CAISO, there would be no forward Local RCST Designations for 2006 under the Settlement (and therefore no cost allocation associated with such designation), as analysis of the showings of resources resulted in a relatively small level of Residual LARN for 2006 that does not merit any such Local RCST Designation under the terms of the Settlement.¹ In the comments filed regarding the Settlement, several Intervenors objected to Local RCST Designations for 2006.

For this reason, the Settling Parties request that the Commission's approval of the Settlement be conditioned upon the removal of the provisions related to the 2006 Local RCST Designation.

¹ In the case of a Significant Event, the CAISO may need to make an RCST designation under the Significant Event provisions of the Settlement. Costs associated with such designation will be allocated according to the terms of the Settlement.

III. CONCLUSION

For the foregoing reasons, the Settling Parties respectfully request that the Commission condition its approval of the Settlement on the removal of the Local RCST designation process for 2006.

Respectfully submitted,

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Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 28th day of April, 2006 at Folsom in the State of California.

/s/ Charity Wilson

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