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# TROUTMAN SANDERS

April 7, 2009

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426-0001

Re: *California Independent System Operator Corporation*, Docket No. ER08-1113-002. **Errata to Request for Rehearing and Request For Clarification, or in the Alternative, Rehearing of the California Independent System Operator Corporation**

Dear Secretary Bose:

On April 6, 2009, the California Independent System Operator Corporation ("ISO") filed a timely *Request for Rehearing and Request For Clarification, or in the Alternative, Rehearing* ("Rehearing Request") in the above-captioned proceeding. There were two typographical errors in the Request for Rehearing. First, in footnote 50 on page 22, the numbers "29, 30, and 31" should be "45, 46, and 47". Second, in the second full sentence on the top of page 25, the number "200" should be "600" and the word "sale" should be "purchase".

The corrected pages are attached. Please contact me if you having any questions regarding this submission.

Sincerely,

*/s/ Roger E. Smith*
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*the circumstances* in which DEC, PEC, and NCMPA generation can receive agreement-specific

pricing (the equivalent of MEEA-specific LMPs).[48] Dr. Harvey then explains that:

> [t]he point of these restrictions is that if these entities are not purchasing power from outside their Balancing Authority Area, then any increase in exports to PJM must be supported by an increase in generation located within their Balancing Authority Area. Conversely, any decrease in imports from PJM must be supported by a decrease in generation within their Balancing Authority Area.[49]

The two narrow restrictions that ISO is requesting to implement are the *same restrictions*

contained in each of the Interface Pricing Arrangements PJM has with DEC, PEC, and NCMPA

and discussed by Dr. Harvey and Dr. Hildebrandt.[50] Dr. Hildebrandt notes that the specific

details of the pricing agreements or MEEAs will have to be developed on a case-by-case basis

and states that:

> . . . . the special agreements between PJM and several entities discussed in Dr. Harvey's testimony illustrate several key elements that should be included in such agreements to mitigate the concerns identified with the sub-hub approach. First, the data that must be made available under these agreements includes the entire portfolio of the subject entity and its affiliates, including load and generation data, and information regarding all bilateral transactions entered into by the entity. Second, the agreements must establish clear conditions that must be met for the entity to receive the special pricing, rather than the default price. For example, under the PJM agreements, if an entity makes spot market purchases [from other entities outside of PJM] while simultaneously selling to PJM, the entity is not eligible to receive a special price for any sales to PJM.[51]

In sum, the two restrictions are consistent with the fundamental purpose of the IBAA

proposal and will help to (i) ensure that ISO ratepayers are not subject to inappropriate pricing

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47   *See* March 19, 2007 North Carolina Municipal Power Agency ("NCMPA") Number 1 Interface Pricing Arrangement. The arrangements can be found at: http://www.pjm.com/~/media/documents/agreements/electricities-pricing-agreement.ashx.

48   June 17 Filing, Exhibit ISO-3, Testimony of Dr. Harvey at 39.

49   *Id*. (emphasis added).

50   *See* each PJM Interface Pricing Arrangement at Paragraph 4 regarding sales (imports) to PJM and at Paragraph 6 regarding purchases (exports) from PJM. The citation to the agreements DEC, PEC, and NCMPA have with PJM are set forth in notes 45, 46, and 47, *supra*.

51   June 17 Filing, Exhibit ISO-2, Testimony of Dr. Hildebrandt at 17 (emphasis and parenthetical information added).

MW and not 800 MW.  The additional 200 MW will be subject to default pricing.  The reason

for this outcome is that the MEEA signatory can only demonstrate the location and operation of

600 MW of resources within the IBAA to support the purchase.

>        **2.      The Proposed Restriction on MEEA-Specific Pricing in Section
>        27.5.3.2.5 Addresses a Different Issue Than the Provisions in Section
>        27.5.3.2.3 and 27.5.3.2.4**

Finally, the ISO notes that the restriction on receiving MEEA-specific pricing in the

situations set forth above (*i.e.*, proposed Section 27.5.3.2.5 and discussed by Dr. Harvey and Dr.

Hildebrandt in the June 17 Filing) is separate or distinct from the purpose of Sections 27.5.3.2.3

and 27.5.3.2.4 discussed earlier.  While proposed Section 27.5.3.2.5 and Sections 27.5.3.2.3 and

27.5.3.2.4 all are concerned with the amount of interchange transactions that receive MEEA

specific pricing, they address different situations.

Section 27.5.3.2.3 deals with an MEEA signatory's use (or uses) of its generation within

the IBAA which means that the generation could not have been sold to the ISO (*i.e.*, an MEEA

signatory's generation serving load within the IBAA could not have been sold to the ISO, a

MEEA signatory's generation sold within the IBAA could not have been sold to ISO, and a

MEEA signatory's generation sold to other BAAs could not also have been sold to ISO).

Consistent with Section 27.5.3.2.3, any generation of the MEEA signatory that served these other

purposes could not have been used to sell energy to ISO.  However, Section 27.5.3.2.3 does not

deal with a MEEA signatory's *purchases from other BAAs* when the MEEA signatory also is

selling to ISO.  This situation is addressed by the one of the restrictions in proposed Section

27.5.3.2.5.

Similarly, Section 27.5.3.2.4 deals with a MEEA signatory's use (or uses) of its

generation within the IBAA which means that the generation could not have been reduced to

accept a purchase from the ISO (*i.e.*, a MEEA signatory's generation that served load within the