

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

**California Independent System Operator) Docket No. ER07-127-000
Corporation)**

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR LEAVE TO FILE ANSWER, AND ANSWER TO
PACIFIC GAS AND ELECTRIC COMPANY**

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2006), the California Independent System Operator Corporation (“CAISO”) hereby files this motion for leave to file answer to a pleading filed by Pacific Gas & Electric Company (“PG&E”) in the above-referenced dockets on December 8, 2006 (“December 12 Pleading”). Although the December 12 Pleading is styled as an “answer” to comments filed earlier in this docket by Southern California Edison (“SCE”), it raises new issues that merit response, and the additional information contained herein will assist the Commission’s deliberations with respect to these issues. Therefore, the CAISO requests leave to file this answer to PG&E’s December 12 Pleading.

I. DISCUSSION

The CAISO filed this amendment with unconditional support from a range of stakeholders, including PG&E. See Answer to Comments and Protests, filed December 6, 2006 (“December 6 Answer”). PG&E in particular had supported the amendment in the stakeholder process and before the CAISO’s Board of Governors. The December 12 Pleading expresses a new position for PG&E. It states that although PG&E “supports the general idea of generator outage reporting,” it believes that SCE has raised “valid concerns” in its protest and “encourages the Commission to carefully

consider SCE’s recommendations.”¹ The CAISO has already responded to SCE’s arguments in its December 6 Answer, and will not repeat here the points raised therein.

PG&E’s December 12 Pleading introduces a new concern with respect to hydroelectric operations. Specifically, PG&E contends that because “full river hydroelectric systems require more attention than single stand alone power plants,” it might be difficult for operators of such systems to meet the 30 minute timeframe for reporting outages as “proposed” in the Outage Reporting Amendment.² PG&E states that if the Commission believes that a time commitment is necessary, then PG&E recommends 60 minutes.

In weighing this argument, the Commission should consider that the 30-minute timeframe for reporting Outages was not proposed in the Outage Reporting Amendment; it is a pre-existing requirement of the CAISO Tariff. In fact, the Outage Reporting Amendment actually proposed to *relax* the reporting timeframe by having the 30-minute window begin to run upon “discovery” of an Outage, as opposed to the current standard set forth in the CAISO Tariff, which requires that Outages be reported within 30 minutes of occurrence.

Given the fact that the CAISO Tariff already contains a 30-minute Outage reporting window and the fact that this issue was not raised in comments on the Outage Reporting Amendment, it should be incumbent upon PG&E to provide a compelling rationale as to why the 30-minute window is unreasonable as applied to operators of “large hydroelectric systems.” The December 12 Pleading does not do this. PG&E’s argument is based solely on its explanation that when a hydroelectric facility on a river

¹ PG&E December 12 Pleading at 1.

² *Id.* at 1-2.

system with multiple plants reduces generation, the priority for schedulers operating those facilities is to avoid spilling water or violating license requirements, and that only once generation levels are aligned can they focus on Outage reporting. The CAISO does not dispute that an Operator's first priority under Outage conditions is to ensure the safe and reliable operation of the Generating Unit. Operators of other types Generating Units must take steps upon the occurrence of an outage to ensure that their facilities do not suffer undue damage, and hydroelectric facilities are not the only types of Units whose Outages have impacts beyond the specific Unit suffering the Outage. For instance, an Operator of a power plant that consists of multiple Units will certainly have to account for the Outage of one Unit in the operation of the other Units that comprise the entire Facility. However, it is unclear from the December 12 Pleading why hydroelectric Operators need more time than Operators of other types of Generating Units to comply with Outage reporting requirements.

The Commission should also consider the fact that the CAISO has specifically requested that the Outage Reporting Amendment, and attendant sanctions, not become effective until the CAISO develops, tests, and implements improvements to its SLIC Outage reporting software interface. The purpose of these improvements, as explained in the Outage Reporting Amendment, is to streamline the Outage reporting process, thereby greatly reducing Market Participants' reporting burden. In this context, PG&E's argument that it is unreasonable to expect hydroelectric Operators to report Outages within a 30-minute window is premature.

Last, but not least, a 60-minute Outage reporting window would be incompatible with the CAISO's need for timely and accurate Generator availability data in order to

reliably operate the CAISO Controlled Grid. As explained in the attached Declaration of Mr. Gregory Van Pelt Concerning Outage Reporting Requirements, a 60-minute window would significantly and adversely affect the CAISO's ability to reasonably plan and procure the Operating Reserves necessary in order to ensure reliable grid operations, forcing the CAISO to overprocure capacity, leading to increased costs for all Market Participants. Mr. Van Pelt also explains that 60-minute reporting would impair the CAISO's ability to plan for operating contingencies, especially related to path overloading.

In addition to its comments about hydroelectric operations, PG&E states that it agrees with SCE that the CAISO should only impose financial sanctions for "egregious, willful violations of the reporting requirements." As the CAISO explained in its December 6 Answer, however, such an approach would be inconsistent with the underlying principle of the Rules of Conduct set forth in the CAISO's Enforcement Protocol: that the CAISO administers sanctions only for objectively identifiable violations, and that other determinations must be referred to the Commission or its staff.³ Moreover, it would be infeasible for the CAISO to make the determinations necessary to identify and sanction only "willful" violations of its Tariff.

³ See, e.g., CAISO Tariff Section 37.8.2 ("the Market Monitoring Unit shall refer to FERC any matter for which the particular circumstances preclude the objective determination of a Rules of Conduct violation"); Section 37.8.4 ("The Market Monitoring Unit shall contact the Market Participant(s) that may be involved, so long as the ISO has sufficient objective information to identify and verify the role of the Market Participant(s) in the potential Rules of Conduct violation").

II. CONCLUSION

For the foregoing reasons, the CAISO respectfully urges the Commission not to require the changes requested in PG&E's December 12 Pleading.

Respectfully submitted,

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Dated: December 26, 2006

ATTACHMENT

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

California Independent System Operator)
Corporation)

Docket No. ER07-127-000

**DECLARATION OF MR. GREGORY VAN PELT CONCERNING
OUTAGE REPORTING REQUIREMENTS**

1. My name is Gregory Van Pelt and I am currently employed by the California Independent System Operator (ISO) as Manager of Outage Coordination. My business address is 151 Blue Ravine Road, Folsom, California 95630.
2. As the Manager of Outage Management, I am responsible for managing operations and staff relating to scheduled and forced Outages of facilities (transmission, generation, telecommunications) on the ISO Controlled Grid. My duties include managing planned facility Outages (i.e., minimizing the risk of allowing grid facilities to be out of service) to provide for appropriate maintenance opportunities, connecting new resources, and reconfiguring existing facilities, all in an effort to ensure the continuing reliability of grid operations. I also analyze and recommend policy and procedure changes relating to Outages and Outage reporting and I represent the ISO in related industry forums.
3. I have approximately 30 years of experience in the field of power systems operations. I began my career at Southern California Edison, where I

held various positions including Operations Support Supervisor and Manager of Emergency Planning & Preparedness. I came to the ISO in 1997. Prior to assuming my current position as Manager of Outage Coordination in 2000, I was one of five Real-time Reliability Coordinators (who, with the two Reliability Coordinators in other regions of the WECC, endeavor to ensure WECC-wide system reliability and direct operations before, during, and after problems or disturbances that have regional impacts). Prior to that at the ISO, I was responsible for developing emergency planning and integrating the ISO into existing emergency management structures, the support of real-time dispatching functions, and acting as a liaison with state emergency response agencies and participating transmission owners and utility distribution companies.

4. The purpose of this declaration is to explain that the 30-minute timeframe for reporting Outages, as proposed in the CAISO's Tariff Amendment addressing Outage reporting ("Outage Reporting Amendment"), filed with the Commission on October 31, 2006 in Docket No. ER07-127, is necessary for reliability purposes. In particular, I explain why the 60-minute Outage reporting window, as proposed by Pacific Gas & Electric ("PG&E") in its December 8, 2006 response to comments, is not appropriate, as it will compromise the CAISO's ability to reliability operate the grid.

BACKGROUND ON CAISO OUTAGE REPORTING REQUIREMENTS

5. Under the current CAISO Tariff, if Generator Operators cannot give the CAISO prior notice of a Forced Outage, they are required such Outages to the CAISO within 30 minutes of the occurrence of the Outage. Moreover, Operators are required to report all Outages within this timeframe, which includes any capacity de-rates that a unit might suffer, no matter how small.

6. As explained in the Outage Reporting Amendment, the CAISO recognized that because Operators will be exposed to sanctions for failure to comply with the Outage reporting requirements of the CAISO Tariff, it was important that the CAISO Tariff appropriately balance the need for accurate and timely Outage reporting against the burden and exposure to penalties imposed on Market Participants. In particular, the CAISO recognized that it was not necessary, for reliability purposes, for Market Participants to report small de-rates in unit capability, or de-rates that last only for a short period of time. Therefore, the CAISO proposed an Outage reporting threshold that reduced the reporting burden of Market Participants while still ensuring that the CAISO would receive the Outage information necessary to maintain reliable operations. Moreover, in order to further Market Participants' reporting burden, the CAISO also agreed to modify the reporting timeframe to require Operators to report Outages that

exceed the reporting threshold within 30 minutes *of discovery* (instead of 30 minutes *after occurrence*).

NEED FOR A 30-MINUTE OUTAGE REPORTING TIMEFRAME AND REASONS WHY A 60-MINUTE TIMEFRAME IS INAPPROPRIATE

7. On November 22, 2006, PG&E filed comments in response to the Outage Reporting Amendment stating, without reservation, that it supported the Amendment. On December 8, 2006, however, PG&E filed further comments stating that it may be difficult, at times, for operators of large hydroelectric systems to meet the 30 minute window for reporting Outages. PG&E states that there should be, in practice, an exemption from the 30 minute requirement when a Scheduling Coordinator operates more than one hydroelectric facility on a river system. PG&E states that if the Commission believes a time commitment is necessary for reporting Outages, then PG&E recommends 60 minutes.
8. First, I wish to reiterate the CAISO's need for effective Outage reporting requirements. The CAISO is the entity charged with maintaining the overall reliability of the CAISO Controlled Grid. In order to perform this function, it is essential that the CAISO have timely access to information concerning the availability of Generating Units. This is a basic tenet of effective and reliable systems operation, and as far as I am aware, no entity has ever seriously challenged this truism. Because the CAISO is the entity with ultimate responsibility for reliable grid operations, it is imperative that the CAISO have the authority to promulgate and enforce

mandatory, reasonable, Outage reporting standards. I am aware of no ISO or RTO in the United States that lacks such authority.

9. A critical component of the CAISO's Outage reporting system is the imposition of a discrete timeframe for Outage reporting. Without such a timeframe, the requirement that Scheduling Coordinators report Outages in the first place is essentially meaningless. This is the case because operating information, such as Generating Unit availability data, is very time-sensitive. If the CAISO does not receive this information in sufficient time to make use of it, then the information is useless, from an operations perspective (although I recognize that Outage reporting also serves an important function in terms of monitoring the efficient operation of the markets, I am only focusing on the reliability aspects of Outage reporting).
10. The "30-minutes upon discovery" standard that the CAISO proposed in the Outage Reporting Amendment was developed as a compromise between the CAISO's need for timely information on Generator Outages, and the desire to ensure that Market Participants are not unduly burdened with reporting responsibilities and unfairly exposed to sanctions. I note that this standard actually represents a relaxation of the standard currently set forth in the CAISO Tariff, which requires that Generator Operators report Outages within 30-minutes of the Outage occurring.
11. Further relaxation of the 30-minute upon discovery standard, such as adopting the 60-minute window advocated by PG&E, would constitute an

unreasonable risk to the CAISO's ability to reliably operate the grid. Specifically, the CAISO must be aware of its Operating Reserves situation at all times, and be able to respond to changes in Operating Reserves within 15 minutes to ensure the reliable operation of the grid. The CAISO procures Operating Reserves based on peak Load forecasts, but these forecasts can be off to some degree, which means the CAISO can, at any particular moment in real-time operations, have more or less Operating Reserves than it needs. Therefore, the CAISO relies on timely and accurate reporting of Generator availability in order to respond to differences between forecasted Load levels and Load actually appearing in real-time. A 60-minute window for Outage reporting would significantly and adversely affect the CAISO's ability to reasonably plan and procure the capacity necessary in order to ensure reliable grid operations. In practice, this lack of timely knowledge as to Generator availability status would lead to the CAISO to over-procure Reserves, leading to increased costs for all Market Participants.

12. Another concern I have with a 60-minute timeframe concerns Transmission Path loading. 60-minute reporting would interfere significantly with the ISO's ability to plan to for operating contingencies. To assure stable operations after the contingent loss of a major facility, the CAISO constantly monitors the amount and distribution of Reserves throughout its system. If reliable Generator data is unavailable or too

seriously compromised by time delays, contingent response planning is impaired.

13. Also, I do not agree with PG&E's contention that the 30-minute reporting window will represent an unreasonable burden for hydroelectric operators. The Outage Reporting Amendment will not become effective until the CAISO completes and thoroughly tests upgrades to its SLIC software interface, which will make reporting much easier for all Market Participants, including hydroelectric operators, to report Outages to the CAISO. Therefore, the CAISO anticipates that making Outage reports within the 30-minute window will require very little effort on the part of Generator Operators.

14. For these reasons, I believe that PG&E's recommended 60-minute Outage reporting window is inappropriate, and should be rejected by the Commission.

I declare under penalty of perjury that the facts contained above are true to the best of my knowledge, information, and belief.

December 22, 2006



Gregory Van Pelt

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 26th day of December, 2006 at Folsom in the State of California.

/s/ Daniel J. Shonkwiler
Daniel J. Shonkwiler