

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

California Independent System) Docket No. ER08-1317-002
Operator Corporation)

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO COMMENTS OF
CALIFORNIA PUBLIC UTILITIES COMMISSION ON COMPLIANCE FILING**

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the California Independent System Operator Corporation ("CAISO") hereby submits its answer to the December 10, 2008 comments by the California Public Utilities Commission ("CPUC") on the CAISO's November 25, 2008 compliance filing made in this proceeding ("Compliance Filing"). The Compliance Filing pertains to the CAISO's Large Generator Interconnection Procedures reform effort; the CAISO refers to this effort as the Generator Interconnection Process Reform ("GIPR") initiative and to its related tariff amendments as the "GIPR Amendment." For the reasons set forth below, the Commission should accept the Compliance Filing as filed and should reject the CPUC's request to make certain language changes and include a special provision which would require the CAISO to offer a new intermediate deliverability status.

I. BACKGROUND

The CPUC filed its Answer to the GIPR Amendment on September 12, 2008, in which it raised issues pertaining to sections of the GIPR LGIP that are now the subject of the CPUC's Comments on the Compliance Filing. The Commission's September 26, 2008 Order conditionally approved the GIPR Amendment, directing the CAISO to make certain changes by compliance filing. The CAISO made the Compliance Filing on November 25, 2008.

II. ANSWER

The CPUC's Comments on the Compliance Filing raise three issues. Upon review, the issues are procedurally improper, because they are not within the scope of the compliance directed by the Commission in the September 26 Order.

The first two issues raised by the CPUC, when read together, actually seek review of the Commission's rejection of the CPUC's earlier request that the Commission require that the CAISO develop an intermediate deliverability option for Interconnection Customers. The third issue concerns GIPR LGIP Section 2.4.3, a tariff provision which the Commission accepted without modification in the September 26 Order and thus is not within the scope of the CAISO's Compliance Filing. The CPUC offered modified language relating to the second paragraph of that section in its Answer to the GIPR Amendment. However, the September 26 Order rejected the CPUC's request and directed no change to

Section 2.4.3 on compliance. Nevertheless, the CPUC now offers another proposed change to Section 2.4.3.

A. The CPUC’s Request for Language Regarding Phase II Deliverability Studies is Unnecessary, Except to Lay the Groundwork for Intermediate Deliverability

The CPUC synthesizes its first request as follows:

As FERC required, it should be made clear that the Phase II Interconnection Study will re-do the deliverability assessment to ascertain that customers will achieve the deliverability level that was both requested at the end of the Phase I Interconnection Study and reflected in customers’ financial security deposit responsibilities. (CPUC Comments on Compliance Filing at p. 3.)

Elaborating further in its comments, the CPUC states that LGIP Section 7.1 must be modified to “explicitly provide” that the Deliverability Assessment within the Phase II Deliverability study will insure that the Interconnection Customer receive that level of Deliverability which the Customer agreed to pay for at the end of Phase I. (CPUC Comments at p. 4.) Towards this end, the CPUC recommends adding the following language to Section 7.1:

The Phase II Deliverability Assessment will ensure that Interconnection Customers selecting other than Energy-Only Deliverability Status will, as a result of transmission upgrades identified in the Phase II Interconnection Study, receive no less than the level of deliverability that those Customers requested, and for which they were assigned financial security deposit responsibility, at the end of the Phase I Interconnection Study.

(CPUC Comments at p. 4.)

The CPUC acknowledges that the CAISO’s Compliance Filing modified Section 7.1 to clarify that, after the Phase I studies and the Results Meeting, the Interconnection Customer shall confirm the deliverability status it wants to obtain

as the study process moves forward into Phase II. The additional language that the CPUC recommends does not add anything to Section 7.1, or to the conceptual description of the study process as laid out in the GIPR Amendment, unless the CAISO is required to permit an Interconnection Customer to chose some level of deliverability in between Energy-Only deliverability status and Full Capacity deliverability status-*i.e.* the “intermediate deliverability” status that the CPUC advocates. It is unnecessary to engraft tariff protections to ensure against inappropriate draws on study deposits or unfair allocation of financial security deposits, which is all that the CPUC’s language offers without the associated concept of intermediate deliverability.

B. The CPUC’s Request to Add Intermediate Deliverability Inappropriately Seeks Reversal of the Commission’s Earlier Determination to Deny the Request in the September 26 Order

The CPUC requests that the Commission direct the CAISO to make a further compliance filing so as to allow Interconnection Customers to select an intermediate deliverability status after the completion of the Phase I studies. (CPUC Comments at pp 5-6.) However, as the CPUC itself recognizes, the Commission already denied the CPUC’s request to impose such a deliverability option in the September 26 Order:

[T]he Phase I Interconnection Study results meeting allows for modifications to decrease the electrical megawatt output of the proposed project. However, it is not clear in the GIPR LGIP whether an interconnection customer is able to request a lesser deliverability level without decreasing the capacity of the project. In addition, the operational and reliability implications of lesser deliverability without a decrease in the project’s capacity is also unclear. For example, it is possible that adding capacity classified as energy-only would necessitate additional reliability analyses and impede the queue process. For those reasons, we deny the CPUC’s requested revision. However, we suggest

that the CAISO have further discussions with the CPUC and interested stakeholders to assess whether further GIPR LGIP tariff revisions are needed that address the CPUC's request.

(September 26 Order at P 92, emphasis added.)

Despite the fact that the Commission only suggested that the CAISO, the CPUC, and stakeholders continue discussions regarding an intermediate deliverability option, the CPUC asks the Commission to refashion the order, reverse its prior determination, and direct that the CAISO establish an "intermediate deliverability" status before any such discussions have taken place.¹

The CAISO appreciates the CPUC's concern for the importance of promoting renewable energy development, and the CAISO is also committed to that policy. However, the CPUC's request is, in effect, an untimely petition for rehearing and therefore beyond the scope of the Compliance Filing.

Moreover, as the Commission recognized, it would be inappropriate to direct the inclusion of an intermediate deliverability option without further study and consideration. The Commission correctly noted in the portion of the order quoted above that "the operational and reliability implications of lesser deliverability without a decrease in the project's capacity" requires further analysis and "would necessitate additional reliability analyses" that would "impede the queue process." (September 26 Order at P 92.)

The implications relating to intermediate deliverability are complex, and the current analytical tools do not provide a commensurate level of precision

¹ In this regard, the CPUC asserts that the discussions have not yet taken place due to the press of other business. (CPUC Comments at p 6.)

implied by a determination of partial deliverability, because a deliverability analysis for a cluster of newly proposed projects is overlaid upon an analysis of existing and previously studied generators. The deliverability analysis needs to address many data components which are dynamic (such as fluctuations in the dependable capacity of existing generators and the evolution of the transmission and generation facilities planned to be added or removed from the system).²

In sum, it is unclear at this time whether an intermediate deliverability option is feasible or warranted, and the Commission should not impose such a requirement.

C. The CPUC's Request to Modify Section 2.4.3 is Directed Toward a Tariff Provision That is Not Part of the Compliance Filing and Should Therefore Be Rejected

In its third request, the CPUC revisits GIRP LGIP Section 2.4.3, a tariff provision which the Commission did not direct the CAISO to modify in the September 26 Order and thus not within the scope of the CAISO's Compliance Filing³. When the Commission initially considered the GIPR tariff Amendments, it

² The deliverability study process is designed to produce consistent and repeatable results, and it does so, as long as the objective is to test the deliverability of a single output level for each Interconnection Request. If this output level is not deliverable, then specific transmission upgrades are identified to ensure the full deliverability of the generation projects in the study. Because transmission facility upgrades come in discrete sizes, there is a certain amount of tolerance for fluctuations in the study results, and most changes to the grid model that occur from one study to the next will not change the study results enough to change the deliverability status of the generation project. However, if the process is expected to produce precise intermediate deliverability levels for each generation project, then the tolerance for fluctuations is eliminated, and almost any change to the grid model that occurs from one study to the next will change the intermediate deliverability level of every generation project. This increased complexity impedes the queue process.

³ The CPUC's stated basis for its request to modify the section is as follows:

It should be clarified that Delivery Network Upgrades and associated Deliverability Assessments address what output from a generator is "deliverable," not what output is "allowed." (CPUC Comments on Compliance Filing, at p. 6, emphasis added.)

noted that the CPUC's Answer proposed to modify the second paragraph of Section 2.4.3.⁴ The September 26 Order rejected the CPUC's request,

We deny the CPUC's request to include resource adequacy criteria into the proposed GIPR on-peak deliverability assessment. Determination of qualifying capacity for resource adequacy purposes is beyond the scope of this proceeding. Therefore, the second paragraph in Section 6.3.2.1 will remain as originally proposed by the CAISO.

(September 26 Order at P 109.)

Nevertheless, the CPUC's Comments on the Compliance Filing offers another proposed change to Section 2.4.3. Because the Commission's order directed no change to Section 2.4.3 on compliance the CPUC's request should be denied as beyond the scope of the Compliance Filing.

⁴ Paragraph 107 of the September 26 Order recites the CPUC's initial proposal to revise Section 2.4.3:

[T]he CPUC states that the second paragraph of Section 2.4.3 should be revised to read as follows:

"The Interconnection Studies will also identify Delivery Network Upgrades to allow the full output of a Large Generating Facility selecting Full Capacity Deliverability Status, aggregate requested deliverable capacity of group of Large Generating Facilities studied together, or of an individually studied Large Generating Facility, to be delivered to the aggregate of system load and, as applicable, to estimate the maximum allowed expected aggregate deliverable output of the interconnecting Large Generating Facilities studied as a group, or a Large Generating Facility Studied individually, without one or more Delivery Network Upgrades in accordance with the On-Peak and Off-Peak Deliverability Assessment set forth in LGIP Section 6.3.2."

III. CONCLUSION

For the reasons set forth above, the CAISO urges the Commission to accept the CAISO's Compliance Filing in this proceeding as submitted and to reject the requests by the CPUC for additional modifications to the CAISO GIPR LGIP.

Respectfully Submitted,

Michael Kunselman
Christopher R. Jones
Alston & Bird LLP
The Atlantic Building
950 F Street, N.W.
Washington, DC 2004
Tel: (202) 756-3300
Fax: (202) 756-3333

/s/Baldassaro "Bill" DiCapo

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
Bill Di Capo
Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
(916) 608-7157
bdicapo@caiso.com

Counsel for the California Independent
System Operator Corporation

Dated: December 31, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties 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 at Folsom, California this 31st day of December 2008.

/s/Susan L. Montana
Susan L. Montana