

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

California Independent System Operator)
Corporation)

Docket No. ER08-1113-002

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR LEAVE TO FILE ANSWER AND
ANSWER TO PROTESTS**

I. INTRODUCTION

The California Independent System Operator Corporation (ISO) seeks to amend its tariff to include additional detail that govern the establishment of Market Efficiency Enhancement Agreements (MEEAs) in connection with the Integrated Balancing Authority Area (IBAA) of the Sacramento Municipal Utility District (SMUD) and Turlock Irrigation District (Turlock) in compliance with the March 6, 2009 Order on Compliance.¹ On May 12, 2009, the ISO submitted proposed tariff language. Parties filed protests on June 2, 2009.²

The protests focus on three issues: (1) the applicable Locational Marginal Price (LMP) under an MEEA; (2) the ISO's procedures that are necessary to verify the location and operation of resources identified in an MEEA in order to apply an LMP to interchange transactions subject to an MEEA; and (3) the ISO's information requirements that are necessary to verify the location and operation of resources identified in an MEEA when those resources are used to implement interchange transactions between the IBAA and ISO Balancing Authority Area. The protests

¹ *California Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,207 (2009) (*Order on Compliance*).

² Protests were filed by SMUD, Turlock, the Transmission Agency of Northern California (TANC), Modesto Irrigation District (Modesto), Western Area Power Administration (Western), Los Angeles Department of Water and Power (LADWP), Imperial Irrigation District (IID), and the City of Redding. The City of Palo Alto filed a motion to intervene.

largely seek to undermine the fundamental purpose of the IBAA, which is to apply an LMP to interchange transactions between the IBAA and the ISO Balancing Authority Area that appropriately reflects the actual congestion created on the ISO grid. The ISO responds to selected arguments in this answer to assist the Commission in reaching a decision in this matter.

The ISO urges the Commission to issue an order approving the ISO's proposed tariff language. If the Commission requires additional information to issue an order, the Commission should schedule a technical conference to address whether the ISO's proposed tariff language complies with the *Order on Compliance*.

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,³ the CAISO files this motion for leave to file an answer and answer to parties' protests in response to the CAISO's May 12, 2009 compliance filing.

II. ANSWER

A. LMPs under an MEEA should reflect the location of the resources identified in the MEEA that actually operated to implement the interchange transaction.

In their protests, parties argue that the ISO's proposed tariff language is inconsistent with the *Order on Compliance* because it does not specify that an MEEA signatory will receive the LMP at the applicable scheduling point for an interchange transaction.⁴ These protests do not "tell the whole story." The ISO's proposed tariff language specifies that the ISO will in fact provide an LMP to an MEEA signatory at the scheduling point for the interchange transaction if

³ 18 C.F.R. §§ 385.212 and 385.213 (2000). Answers to protests are generally not permitted. *See* 18 C.F.R. § 385.213(a)(2). The CAISO respectfully requests waiver of the Commission's Rules of Practice and Procedure prohibiting answers to protests pursuant to 18 C.F.R. § 385.101(e). Good cause exists for the waiver. Parties have raised specific concerns with the CAISO's proposed tariff compliance language. This answer will assist the Commission in considering these concerns. Accordingly, the Commission should permit the CAISO to file this answer and approve the proposed tariff amendments.

⁴ Protest at SMUD at p. 11; Protest of Turlock at pp. 8-14; Protest of TANC at pp. 9-11; Protest of Western at pp. 7-11; Protest of Modesto at pp. 3-5.

the ISO can verify that resources identified in the MEEA operated to implement the interchange transaction.⁵ Consistent with the Commission's *Order on Compliance*, the MEEA-specific LMP will be calculated to reflect the location of the actual resources identified in the MEEA that operated to implement the interchange transaction.⁶ The reason for this calculation is that an MEEA-specific LMP should account for the congestion created on the ISO grid based on the dispatch of the actual resource or resources used to implement the interchange transaction between the IBAA and the ISO Balancing Authority Area.

If a MEEA resource(s) did not operate to implement the interchange transaction, the MEEA entity should not receive the LMP for the scheduling point at the interchange. Otherwise, entities operating under a "contract path" business model will schedule transactions at the ISO scheduling point with the most favorable LMP. Without such considerations, the impact of scheduling in this manner inappropriately creates additional costs for other participants in CAISO Markets.⁷ Paying MEEA signatories an LMP that assumes that the MEEA signatories' resources that were actually used to effectuate the transaction are located at the scheduling point -- when they in fact the power is not coming from that physical location -- would undermine the entire IBAA policy because it aggravates the very congestion the ISO is attempting to manage. By calculating an LMP that reflects the location of the resource(s) identified in an

⁵ Proposed CASIO Tariff Section 27.5.3.2.

⁶ *Id.*

⁷ Prepared Testimony of Mark Rothleder and James E. Price at pp. 20-21 submitted as Exhibit No. ISO-1 with the ISO IBAA Proposal dated June 17, 2008.

MEEA, the ISO will provide appropriate price signals to entities seeking to enter into interchange transactions between the IBAA and the ISO Balancing Authority Area.⁸

The ISO's proposed tariff language is consistent with the Commission's prior orders on the IBAA policy. These orders recognize the ISO's need to identify the location of the resources to calculate accurate LMPs for interchange transactions subject to an MEEA. Absent this ability, the fundamental purpose of the IBAA policy approved by the Commission would be undermined. In the *IBAA Order*, the Commission conditionally approved the ISO's IBAA proposal that provided for alternative pricing if an MEEA signatory provided "information allowing the CAISO to verify the location and operation of the resources used to implement interchange transactions between the CASIO-controlled grid and the IBAA."⁹ In paragraph 42 of the *IBAA Order*, the Commission framed the importance of the location of resources within the IBAA in calculating LMPs:

As the CAISO explains, location is a key input to the calculation of LMPs. Absent more specific information, such as that provided in an alternative pricing arrangement under an MEEA, the CAISO must make an assumption about the location of an external resource. Since external entities do not bear all of the costs and responsibilities of RTO or ISO membership, they are not entitled to receive all of the benefits. In Order No. 2000, the Commission expressed concern that non-participating transmission owners may receive the benefits of an RTO without accepting any of the burdens of participation in the RTO. The Commission allowed RTOs to propose rates, terms, and conditions of transmission service that recognize the participatory status of the customer. In

⁸ Western and TANC argue that calculating an LMP for interchange transactions based on the location of resources identified in an MEEA discriminates against entities operating within the IBAA as compared to entities operating in other Balancing Authorities adjacent to the ISO. These arguments ignore the Commission's earlier findings regarding the integration of the IBAA and the ISO Balancing Authority and the impacts of unscheduled flows between the IBAA and the ISO grid. The Commission has already addressed these points in its *IBAA Order* and Western's and TANC's arguments constitute a collateral attack on the Commission's prior findings. (See *California Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 at PP 193-216 (2008) (*IBAA Order*)).

⁹ *IBAA Order* at P 6.

this case, if external entities do not submit sufficient information about the location of specific resources supporting their transactions to enable accurate price modeling by the RTO, they cannot be considered comparable to market participants, and are not entitled to receive the benefit of a location-specific price, particularly where their failure to supply such information may raise costs to other participants in the CAISO in the form of uplift. [Footnotes omitted.]¹⁰

In its *Order on Compliance*, the Commission specifically recognized SMUD's arguments that MEEA signatories should obtain an LMP "based on the actual location of the resource."¹¹

In its December 16, 2008 Protest, SMUD argued

The intended meaning of "actual pricing" is clear enough; it refers to the locational marginal price (LMP) that the MEEA signatory would obtain based on the actual location of the resource, not the default LMP price contemplated under the IBAA tariff. [Footnotes omitted.]¹²

While the Commission found that the CAISO's limits on quantities of transactions eligible for MEEA pricing were not justified and did not comply with the Commission's September 19 Order, in the same paragraph, the Commission stated that "if the MEEA signatory can verify the *location and operation* of an import or export, then it should receive *actual pricing for the interchange transactions.*" [emphasis added]¹³

¹⁰ See generally, *IBAA Order* at PP 42-48, which explains the relation of external resources to the calculation of LMPs on the ISO system and acknowledges the ISO's IBAA proposal to verify the dispatch of these resources to implement interchange transactions that receive ISO pricing.

¹¹ *Order on Compliance* at P 31.

¹² Protest of SMUD dated December 16, 2008 at pp 4-5.

¹³ *Order on Compliance* at P 60.

In its Order on Emergency Motion for Clarification issued March 27, 2009, the Commission again emphasized the importance of the location of an MEEA signatory's resources in calculating an LMP for an interchange transaction.¹⁴ Specifically, the Commission stated:

[A]ny entity that controls supply and provides the CAISO with information *verifying the location of the resources supporting their interchange transactions* with the CAISO will receive the appropriate LMP.” (Emphasis added.)¹⁵

Furthermore, on May 1, 2009, consistent with this requirement, the Commission issued an Order in PJM Interconnection Docket No. ER09-369, which relies on the *IBAA Order* to clarify the importance of the location of resources in developing LMPs for transactions with neighboring balancing authorities.¹⁶ In the *PJM Order*, the Commission stated:

In the CAISO Order, the CAISO addressed the issue of scheduled contract path and actual flow impacts on the system with other balancing authority areas and the fact that entities schedule transactions via the contract path having the most favorable LMP. As the Commission stated, “if external entities do not submit sufficient information about the location of specific resources supporting their transactions to enable accurate price modeling by the RTO, those entities are not entitled to receive the benefit of a location specific price, particularly where their failure to supply such information may raise costs to other participants.” This is precisely the same issue raised by the PJM Market Monitor and articulated by PJM in its March 2 response. The PJM Market Monitor raises the concern that, absent a congestion management agreement, there is no way to ensure the effects of scheduled contract path flows in real time. PJM in its response provides examples of situations and information sharing that is required to manage loop flows and congestion, including instances where transactions on neighboring systems are not actually scheduled on PJM facilities. [Footnotes omitted.]¹⁷

¹⁴ *California Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,278 (2009).

¹⁵ *Id.* at P 25.

¹⁶ *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,101 (2009) (*PJM Order*).

¹⁷ *PJM Order* at P 34. See also, Attachment A to PJM March 2, 2008 Response in FERC Docket ER09-369.

The Commission should not countenance SMUD's argument which implies that the ISO should provide an LMP for MEEA transactions that reflect the location of a scheduling point as opposed to the location of a resource identified in the MEEA.¹⁸ The Commission has already required the ISO to clarify that the price provided to an MEEA signatory reflects the LMP at the nodes where a specific import or export between the IBAA and the ISO Balancing Authority Area is demonstrated to be located.¹⁹ The ISO's proposed tariff language complies with these directives and will permit the ISO to calculate accurate LMPs that reflect the location of resources identified in an MEEA, which influenced where the import or export between the two areas actually occurred.

The ISO's proposed tariff language will allow the ISO to accurately model the congestion impact on the ISO's nodal markets of interchange transactions between the IBAA and ISO Balancing Authority Area that are subject to an MEEA. The MEEA-specific or *actual price* is the LMP that will be developed from a set of assumptions about resources within the IBAA that are negotiated with an MEEA signatory. Consistent with the ISO's market design, these LMPs will change in any settlement interval for which a price is calculated.

B. The ISO is required to verify the location and operation of resources identified in an MEEA that supported an interchange transaction in order to apply a MEEA-specific LMP

In their protests, parties raise concerns with the ISO's proposed process to verify whether resources identified in an MEEA in fact operated to support an interchange transaction. Parties argue that the ISO has not eliminated the limitation on volumes for transactions subject to an

¹⁸ Protest of SMUD at p. 11.

¹⁹ *Order on Compliance* at P 35.

MEEA as directed by the *Order on Compliance*.²⁰ Parties argue that under the ISO's proposal an MEEA signatory will never qualify for actual pricing. SMUD submits a sworn statement that it is continually importing power from the Pacific Northwest to supplement or supplant its own system resources,²¹ and Turlock argues that in most instances when it is selling into the ISO it would also be purchasing power from another Balancing Authority Area.²²

The ISO's proposed tariff language does not impose additional limitations on transactions that qualify for MEEA pricing beyond those already adopted in the *IBAA Order* and *Order on Compliance*. The *IBAA Order* determined that "resources capable of verifiably providing the CAISO with operational benefits should be valued and compensated appropriately."²³ In its *Order on Compliance*, the Commission approved limiting the eligibility for executing an MEEA to entities controlling resources within the IBAA.²⁴ Accordingly, the Commission's Orders create two limits on MEEA transactions, which the ISO's proposed tariff language capture. First, there is a natural limit to the volume of interchange transactions subject an MEEA -- the capacity of resources identified in the MEEA. MEEA signatories cannot sell to the ISO more than they can generate from resources identified in an MEEA at the MEEA-specific LMP. Second, the ISO must be able to verify that the resource identified in the MEEA actually operated to support the interchange transaction in order to value and compensate the MEEA signatory appropriately.²⁵

²⁰ Protest of SMUD at pp.5-6; Protest of Turlock at pp. 18-21; Protest of TANC at pp.12-19; Protest of IID at pp.4-7; Protest of LADWP at pp. 2-4; Protest of Western at pp. 11-16; Protest of Modesto at pp. 5-6.

²¹ Statement of Steven K. Sorey submitted with Protest of SMUD.

²² Protest of Turlock at p. 20.

²³ *IBAA Order* at P 181.

²⁴ *Order on Compliance* at P 28.

²⁵ *Order on Compliance* at P 60.

The proposed tariff language in Sections 27.5.3.2.2.1 and 27.5.3.2.2.2 describe the ISO's verification procedures for applying MEEA-specific LMPs for Import Bids and Export Bids. These sections do not apply any limitations apart from the need to verify that resources identified in an MEEA or a portion of those resources actually operated to implement an interchange transaction. This language is consistent with the Commission's orders and allows the ISO to apply an appropriate LMP to transactions that provide operational benefits to the ISO in the form of congestion management and feasible schedules. Indeed, the Commission emphasized the requirement for such verification when it specified that a MEEA signatory should receive actual pricing for the interchange transaction if it "can verify the location and operation of an import or export."²⁶

Contrary to the arguments raised in the protests, the ISO's proposed tariff language does not disqualify all interchange transactions from receiving an MEEA price if a MEEA signatory simultaneously imports power from another Balancing Authority Area when it is selling power to the ISO Balancing Authority Area. Instead, the proposed tariff language only precludes application of an MEEA-specific LMP for those quantities that the ISO cannot verify were actually sourced from resources identified in the MEEA.

In this regard, the statement made in the protests of entities operating in the IBAA that they are continuously importing power into the IBAA when they want to sell power to the ISO Balancing Authority Area does not prove that such verification is not necessary. On the contrary, it is precisely for such reason that the verification is required and is an integral component of IBAA type pricing, much as approved recently by the Commission in the *PJM Order*. Flows coming from north of Captain Jack can occur simultaneously with flows from the

²⁶ *Order on Compliance* at P 60.

resources generating within the IBAA, while the IBAA entity is also continuing to serve load within its own area. The parallel flows caused by the scheduled imports into the IBAA from the Pacific Northwest are precisely the situation that the ISO initially sought to address with the adoption of the IBAA policy.

The fact pattern presented in SMUD and Turlock's protests presents two problems. First, the ISO cannot verify that it is in fact receiving the congestion relief the MEEA is intended to provide in exchange for the more accurate pricing, thereby eroding the benefit to the ISO system of incremental generation dispatched from resources within the IBAA identified in an MEEA. The cost of congestion caused by the parallel flow resulting from the power coming down from the northwest will continue to be borne by CAISO load because the ISO will be required to conduct to manage such congestion through the re-dispatch of internal resources. Second, under such circumstance the MEEA-specific LMP would provide price incentive for interchange transactions that continue to pose congestion management issues on the ISO grid.

This can be demonstrated by a simple example. If an MEEA signatory were to schedule a 100 MW import into the ISO and receive a MEEA-specific LMP for that 100 MW interchange transaction while at the same time it is importing 100 MW of power from the Pacific Northwest, and is serving 100 MWs of load in the IBAA (or exporting to another BAA other than the ISO) and is generating 100 MW within the IBAA, it is impossible for the CAISO to verify that the 100 MWs produced in the IBAA area is actually supporting the 100 MW import into the ISO. In fact, the net effect of such flows is likely to result in the same impact on the ISO grid as if the 100 MWs supporting the interchange transaction with the ISO were simply imported from the northwest. Accordingly, the operation of 100 MW from resources identified in the MEEA does not provide the congestion management benefits that it otherwise would have provided had the

MEEA signatory not engaged in a simultaneous 100 MW import from the Pacific Northwest. Therefore, the congestion management benefits from the dispatch of resources identified in the MEEA are lost.

In such cases, the MEEA entity should receive an LMP that reflects the value of the resources supporting the interchange transaction -- the default IBAA LMP. The MEEA price should provide the incentive to produce sufficient power from within the IBAA such that there is no erosion of the value of the MEEA power, *i.e.*, the provision of congestion management benefits greater than the IBAA default pricing.

In its protest, SMUD asks why the ISO cannot accept an MEEA signatory at its word that it operated the resources identified in an MEEA to support an interchange transaction.²⁷ Similarly, LADWP suggests that the ISO could accept an MEEA entity's designation of which resources were used by an MEEA signatory to support interchange transactions with the ISO Balancing Authority Area as opposed to some other purpose such as serving the MEEA signatory's native load.

While the ISO is not prepared to exclude possible negotiated outcomes in the context of developing an MEEA with an individual party, these suggestions do not provide the ISO with sufficient information to calculate accurate LMPs for interchange transactions between the IBAA and ISO Balancing Authority Area and verify the actual location and operation of the resources supporting the imports and exports to and from the CAISO Balancing Authority Area. By simply deferring to the representations of an MEEA signatory regarding which resources operated for which purpose, the ISO cannot assure that the LMP reflects the congestion created by the simultaneous import from the Pacific Northwest and the operation of resources identified

²⁷ Protest of SMUD at p. 9.

in the MEEA. As a result, the MEEA signatory would not receive an accurate price signal. It is not appropriate to require for the ISO simply to rely on a statement from the IBAA entities because if the ISO cannot verify the actual location and operational benefits of the MEEA resources, the ISO load could be exposed to unjustifiable costs associated with the continued need to support such transactions. Indeed, the Commission has directed that it is necessary and appropriate that the ISO be able to verify the location and operation of resources used to implement an interchange transaction.²⁸

Such a verification requirement in an LMP-based market should not be alarming and is “nothing new”. In the ISO markets, for internal resources, the ISO relies on verifiable settlement quality meter data showing that the internal generators actually operate during each interval order to provide payment for their power at the LMP at the specific location which reflects the value of the power for the ISO’s congestion management.²⁹ MEEA resources would not be receiving any less favorable treatment than internal resources in this respect. Indeed, without such a requirement, they would be receiving preferential treatment by obtaining the benefit of the more locationally accurately pricing while not providing any evidence that the production came from that location.

The Commission should approve the ISO’s proposed tariff language, which complies with the Commission’s *Order on Compliance*. In its May 12, 2009 compliance filing, the ISO explained how the ISO will use data it receives under an MEEA to verify that the resources identified in the MEEA actually operated to support the interchange transactions as opposed to some other purpose (*e.g.* serving native load, fulfilling a contractual obligation, or making a sale to another Balancing Authority Area other than the ISO).

²⁸ *Order on Compliance* at P 60.

²⁹ *See e.g.*, Section 10.3.6 of the ISO Tariff requiring the submission of Settlement Quality Meter Data from Scheduling Coordinators.

C. The ISO has sufficiently identified the minimum information requirements it needs to verify the location and operation of resources identified in an MEEA that supported an interchange transaction and explained why it needs this minimum amount of information.

In their protests, parties argue that the ISO's proposed tariff fails to justify or eliminate the data requirements set forth in proposed tariff section 27.5.3.2.2 as directed in the Commission's *Order on Compliance*.³⁰ Parties argue that the ISO is impermissibly seeking information about whether resources identified in an MEEA operated for a purpose other than implementing interchange transactions between the IBAA and ISO Balancing Authority Area.³¹ Parties also continue to argue or suggest that once the ISO and a MEEA signatory have executed an MEEA, the ISO needs no further information in order to provide a MEEA-specific LMP for all interchange transactions.³²

With respect to the first argument, the ISO's data requirements are intended for the sole purpose of verifying whether a resource identified in an MEEA actually operated to support an interchange transaction. As explained in the ISO's May 12, 2009 transmittal letter, a MEEA signatory may use its resources as it determines for many different purposes other than supporting interchange transactions, *e.g.*, to serve native load, fulfill a contractual obligation, deliver power to a Balancing Authority other than the ISO, or sell power to the ISO Balancing Authority. The information requirements set forth in this proposed tariff section 27.5.3.2.2 are necessary to enable the ISO to determine whether a resource identified in the MEEA actually operated to sell power to the ISO as opposed to operating for some other purpose. Through the minimum information requirements it has identified, the ISO is not attempting to ascertain

³⁰ Protest of SMUD at pp. 7-10.

³¹ Protest of Modesto at pp. 7-8; Protest of TANC at pp. 20-21.

³² Protest of Western at pp. 16-18; Protest of TANC at p. 21; Protest of LADWP at pp. 5-6.

whether a resource was dispatched for a specific purpose; the ISO is only seeking to ascertain where the resource used to implement an interchange transaction with the ISO Balancing Authority is located. However, as the ISO carefully explained in its May 12, 2009 compliance filing, the ISO requires information about an MEEA signatory's other transactions in the settlement interval in which an MEEA signatory seeks an MEEA-specific LMP in order to determine if the MEEA signatory was operating sufficient generation resources to support the interchange transaction between the IBAA and ISO Balancing Authority Area.³³ Absent this information, the ISO cannot verify that (1) the resource is actually generating to support the ISO transaction and (2) the extent to which other transactions engaged in by the IBAA entity are creating congestion on the CAISO Balancing Authority Area. Thus, the ISO cannot appropriately apply the MEEA pricing.

A purpose of the ISO's data requirements is to verify that any increase in imports to the ISO is supported by an increase in resources identified in the MEEA. Similar provisions apply to exports from the ISO Balancing Authority Area to the IBAA to ensure that any increase in exports from the ISO to the IBAA is supported by a decrease in resources (or increase in load) identified in the MEEA.³⁴ Consistent with the IBAA proposal, and in compliance with the *IBAA Order and Order on Compliance*, the ISO has identified the minimum information necessary to settle an interchange transaction under an MEEA (*i.e.*, the information necessary to verify the operation of resources identified in the MEEA).³⁵ The requirements included in the tariff are the requirements that MEEA participants must provide at a minimum in order to receive the agreed upon MEEA pricing. The Commission's order did not require that the data requirements should

³³ ISO Transmittal Letter dated May 12, 2009 at pp. 12-14.

³⁴ See proposed CAISO Tariff § 27.5.3.2.2.

³⁵ *IBAA Order* at PP 161, 162 and 182; *Order on Compliance* at P 61, 80, and 81.

be so *minimal* as to nullify the entire IBAA policy. Rather, the Commission stated that the ISO must provide the minimum amount of data needed to grant the MEEA entity the agreed upon MEEA pricing. The ISO has sought solicit from MEEA-entity the limited amount of after the fact data that allows it to verify that the MEEA resources do indeed support the MEEA transactions. While more data can be beneficial to the ISO for pricing such information such as day-ahead schedules and real-time telemetry, in an effort to identify what are the minimal requirements for the MEEA pricing that can be obtained under the tariff provisions, the ISO has developed a method that uses post-real-time data that simply serves to provide the verification needed under such circumstances.

The ISO strongly disagrees with the second argument by protestors, *i.e.*, that the ISO only needs historical information concerning the location and operation of resources to accurately model LMPs. Such argument completely ignores the verification requirements reflected in the Commission's prior orders.³⁶ As the ISO explained in its May 12, 2009 compliance filing, historical data alone is insufficient to verify the location of resources identified in an MEEA supporting an interchange transaction.³⁷ The ISO requires ongoing information from MEEA signatories to ensure that it is calculating LMPs for interchange transactions that reflect the *current* congestion impacts — both positive and negative — on the ISO grid, which are caused by *ongoing* interchange transactions between the IBAA and ISO Balancing Authority Area. As recognized in prior Commission orders, the minimal after-the-fact data requested by the ISO -- in exchange for the MEEA pricing -- is necessary to demonstrate that the resources at the MEEA-identified locations are in-fact operated to support the interchange transactions. It simply is

³⁶ See *Order on Compliance* at P__; *PJM Order* at ____.

³⁷ ISO Transmittal letter dated May 12, 2009 at pp. 16-18.

inexplicable how *historical* data can achieve the verification necessary to demonstrate current operation.

D. Modesto improperly seeks to modify the *Order on Compliance* directives with respect to meter data submissions to the ISO.

In its protest, Modesto raises a concern with the ISO's proposed tariff language specifying the format for data exchanges under an MEEA. Modesto asks the Commission to direct that "NERC tags" be used as the format for data exchanges under an MEEA.³⁸ Modesto's concern contravenes its own prior recommendations in this proceeding and the recommendations of other intervenors that meter data submitted in a format that meets WECC requirements should be sufficient to verify the operation of resources identified in an MEEA. The Commission adopted the recommendation of MID and others in the Commission's *Order on Compliance*.³⁹ As such, Modesto's protest is a collateral attack on the *Order on Compliance* - oddly on an issue for which it advocated and prevailed. This should not be countenanced by the Commission.

³⁸ Protest of Modesto at pp. 9-10.

³⁹ Protest of Modesto dated December 16, 2008 at p. 7 in which Modesto argues:

Section 27.5.3.2.1 provides that an MEEA signatory provide information in "a standard electronic format." Section 27.5.3.2.2 also provides information in this format. It is unclear as to what format the CAISO considers "standard." MID believes that information provided in a format that meets the Western Electricity Coordinating Council's ("WECC") requirements would be sufficient. Accordingly, MID requests that the Commission direct the CAISO to clarify that "standard electronic format" means a format that meets WECC's requirements.

Section 27.5.3.2.2 requires the MEEA signatory to provide data to the CAISO in a manner and timeline that is consistent with the rules for the submission of meter data under Section 10.3.6 of the CAISO's MRTU Tariff. The CAISO should be more flexible on this requirement, as entities outside of the CAISO BAA may not necessarily have full technical compatibility with CAISO metering protocols. Accordingly, MID requests that the Commission direct the CAISO to require data transmittal under an MEEA in a manner and timeline consistent with the submission of meter data under Section 10.3.6 of the CAISO's MRTU Tariff or in a manner which is technically feasible to the MEEA signatory, given the MEEA signatory's then-current metering and data-sharing equipment and capabilities.

See also, Order on Compliance at PP 72 and 82 adopting recommendations of SMUD and TANC.

Modesto's shift in approach appears calculated to support an argument that the only information the ISO needs to verify the location and operation of a resource that supported an interchange transaction is a NERC tag. However, this information is inadequate to verify that an IBAA resource actually operated to support an interchange transaction between the IBAA and the ISO Balancing Authority Area, as opposed to some other purpose. A NERC tag will not permit the ISO to apply an accurate LMP for interchange transactions subject to an MEEA because it does not provide adequate information to enable the ISO to verify the source of the power flows supporting the interchange transaction absent information concerning the other transactions of the MEEA signatory.

The ISO's proposed tariff language complies with the Commission's directives that the ISO clarify that the WECC format is acceptable for meter data submissions. The ISO has specified that data submissions must be consistent with one of the ISO's existing meter data exchange formats: Meter Data Exchange Format or Comma Separated Value file format. The ISO understands that these data formats are commonly used by entities operating in the WECC region. The ISO also understands that WECC itself accepts data in Comma Separated Value file format, which is format often used to exchange meter data. Accordingly, these data formats are consistent with the earlier positions advocated by Modesto, SMUD and TANC and the Commission's *Order on Compliance*. For all of these reasons, the Commission should reject Modesto's argument and approve the ISO's proposed tariff language.

E. The Protests Do Not Identify Material Disputed Facts That Require a Hearing.

In its protest, TANC recommends that the Commission issue an order that establishes the minimum information that MEEA signatories will be required to provide to obtain an MEEA-

specific LMP. In the alternative, TANC requests that the Commission establish expedited hearing procedures. Turlock asks that the Commission reject the ISO's compliance filing or, alternatively, schedule a hearing so that the parties can attempt to negotiate a settlement. There is no reason to schedule an evidentiary hearing. No party has raised material facts in dispute. If the Commission finds that it needs additional information before issuing an order, the ISO recommends that the Commission schedule a technical conference to examine the following limited issues:

- (a) The calculation of MEEA-specific LMPs;
- (b) The ISO's procedures to verify the operation of resources identified in an MEEA to support an interchange transactions between the IBAA and ISO Balancing Authority Area; and
- (c) The minimum information requirements to verify the location and operation of resources identified in an MEEA to support an interchange transactions between the IBAA and ISO Balancing Authority Area

In the interim, the ISO stands ready to negotiate the terms and conditions of an MEEA with any entity controlling resources within the IBAA. The ISO has posted a sample draft MEEA on its website as a starting point for negotiations.⁴⁰

III. CONCLUSION

The CAISO's proposed tariff language complies with the *IBAA Order and Order on Compliance*. For the reasons set forth in its May 12, 2009 transmittal letter and this Answer, the Commission should proceed to issue an order approving the ISO's tariff. Alternatively, the Commission should schedule a technical conference to examine whether the ISOs' proposed tariff language complies with the *Order on Compliance*.

⁴⁰ <http://www.caiso.com/23ce/23cebad128150.pdf>

Respectfully submitted,

Andrew Ulmer

Nancy Saracino

General Counsel

Anthony Ivancovich

Assistant General Counsel-Regulatory

Anna McKenna

Senior Counsel

Andrew Ulmer

Senior Counsel

California Independent System

Operator Corporation

151 Blue Ravine Road

Folsom, CA 95630

Tel: (916) 608-7209

Fax: (916) 608-7296

E-mail: aulmer@caiso.com

*Attorneys for the California
Independent System Operator
Corporation*

Dated: June 17, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, 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 17th day of June, 2009.

/s/ Jane Ostapovich
Jane Ostapovich