

UNITED STATES OF AMERICA 90 FERC ¶ 61,316
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
William L. Massey, Linda Breathitt,
and Curt Hébert, Jr.

California Independent System Operator
Corporation

Docket No. ER00-1239-000

ORDER CONDITIONALLY ACCEPTING PROPOSED TARIFF REVISIONS

(Issued March 29, 2000)

In this order, we conditionally accept tariff revisions and other proposals filed by the California Independent System Operator Corporation (ISO), to become effective as discussed herein.

Background

On January 27, 2000, the ISO submitted for filing Tariff Amendment No. 25 containing numerous amendments to the ISO Tariff and related Protocols. Briefly, these revisions would modify the ISO's Tariff and Protocols by: (1) removing current restrictions on the import of Regulation service; (2) clarifying the ISO's procedures for canceling or rescheduling planned transmission outages; (3) providing for the publication of individual bid data with a six-month delay and providing earlier release of data sets under certain circumstances; (4) implementing improvements to the ISO's payments calendar; (5) modifying the Tariff to implement firm transmission rights (FTRs); (6) allocating Reliability Must-Run (RMR) costs in the event the San Onofre Nuclear Generating Station (SONGS) facility is designated as an RMR unit; and (7) requiring the ISO to provide Scheduling Coordinators with certain information in the event of transmission derates between the day-ahead and hour-ahead markets.

Regarding effective dates, the ISO requests (1) waiver of notice requirements and an effective date of February 1, 2000, for revisions related to FTRs, (2) for the revised payments calendar, an effective date of the later of March 27, 2000, or at least 10 days after the ISO posts notice on its home page that the software is ready for use, (3) waiver of notice requirements to allow the release of bid information, after a six month delay, for the period beginning on January 28, 2000, and (4) an effective date of March 27, 2000, for all other revisions.

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Notice, Interventions, and Responsive Pleadings

Notice of the ISO's filing was published in the Federal Register, 65 Fed. Reg. 6204 (2000), with motions to intervene and protests due on or before February 17, 2000. A notice of intervention was filed by the Public Utilities Commission of the State of California (California Commission). Timely motions to intervene, comments, and protests were filed by the Bonneville Power Administration (Bonneville); the California Department of Water Resources (DWR); California Electricity Oversight Board (Oversight Board); California Power Exchange Corporation (PX); Cities of Redding and Santa Clara, California and M-S-R Public Power Agency (Cities/M-S-R); City and County of San Francisco, California; City of Vernon, California (Vernon); Duke Energy Trading and Marketing, LLC (Duke); Dynegy Power Marketing, Inc. (Dynegy); Los Angeles Department of Water & Power (LADWP); Metropolitan Water District of Southern California (Metropolitan); Modesto Irrigation District (Modesto); Northern California Power Agency (NCPA); Pacific Gas and Electric Company (PG&E); Sacramento Municipal Utility District (SMUD); Southern California Edison Company (SoCal Edison); Southern Energy California, LLC, Southern Energy Potrero, LLC, and Southern Energy Delta, LLC, jointly (Southern); Transmission Agency of Northern California (TANC); Turlock Irrigation District (Turlock); Western Area Power Administration (WAPA); and Williams Energy Marketing & Trading Co. (Williams). On February 18, 2000, the Northern California Power Agency (NCPA) filed a motion to intervene one day out-of-time. On March 3, 2000, the ISO filed an answer.

Discussion

Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹ the notice of intervention and the timely, unopposed motions to intervene serve to make the above-listed intervenors parties to this proceeding. In view of the early stage of this proceeding and the absence of any undue prejudice or delay, we will grant NCPA's motion to intervene out-of-time for good cause shown. Although answers to protests generally are prohibited under 18 C.F.R. § 385.213 (a)(2), we nevertheless find good cause to allow the ISO's answer in this proceeding because it provides additional information that assists us in the decision-making process.

Imports of Regulation Service

¹18 C.F.R. § 385.214 (1999).

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The ISO proposes to allow Scheduling Coordinators to procure regulation services from resources located outside the ISO's control area, where technically feasible and consistent with the Western Systems Coordinating Council (WSCC) criteria. Currently, the ISO's Tariff allows Scheduling Coordinators to import energy and spinning, non-spinning and replacement reserves, but precludes the importation of regulation service (Section 2.5.7.4). In AES Redondo Beach L.L.C., et al., 87 FERC ¶ 61,208 at 61,816 (1999) (AES Redondo), the Commission recognized the ISO's need to govern the instantaneous electrical output of the generating units providing regulation service and accepted the ISO's proposal that, by the end of 1999, each generator supplying regulation service be capable of being controlled and monitored by ISO by remote control.

In the instant filing, the ISO explains that the purchase of regulation service from generating units located outside of its control area is contingent on the ability of the sending control area to support dynamic interchange of such service based on control signals issued by the automatic generation control function within the ISO's energy management system. At the urging of numerous stakeholders, the ISO proposes to initiate a certification process for Scheduling Coordinators who want to import regulation service and for operators of the control areas where resources are to be scheduled. This certification process will require the control area operator and scheduling coordinator to demonstrate that they have made the appropriate arrangements and have put in place the equipment and services necessary to deliver the regulation service to the point of interchange with the ISO control area. The ISO proposes to post the technical standards and operating procedures that must be satisfied to make such a demonstration on the ISO's home page. In addition, the ISO will require the operator of any control area from which imports of regulation service are to be scheduled to enter into an agreement with the ISO for interconnected control area operations.

Turlock, Cities/M-S-R and Modesto want the technical standards and procedures for delivery of regulation service from outside the ISO control area to be included in the ISO's Tariff and approved by the Commission, instead of being placed on the ISO's home page. Bonneville notes that the ISO's Interconnected Control Area Operating Agreements (ICAOAs) do not include the complex and unique requirements to transfer regulation service, and objects to the ISO's proposal to link imports of regulation service to unilaterally developed standards and conditions. Bonneville believes that the requirements for inter-regional transfer of reliability products between control areas should be developed in cooperation with the interconnected control area and that unilateral standards developed in isolation may not be sufficient to meet the reliability needs of other control areas or may conflict with regional practices. Bonneville suggests that Commission should direct the ISO to participate with WSCC participants to determine the technical requirements and allow the interconnected parties to negotiate

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bilateral agreements. Citing Order No. 889-A,² Bonneville also claims that this is an attempt by the ISO to rebundle what the Commission has functionally unbundled, because the ISO will purchase the regulation service from merchant functions or power marketers and not from the control area operator.

In its response, the ISO continues to claim that its requirements for the import of regulation service are appropriate and that the protestors' remarks are misplaced. The ISO advises that the importation of regulation service is relatively new to control areas within the western interconnection, that several dedicated telecommunication links necessary for dynamic interchange of regulation service have been installed since its initial start-up, and more are planned. With respect to Bonneville's protest over unilateral standards and conditions, the ISO explains that its Interconnected Control Area Operating Agreements (ICAOAs) entered into to date are too general because the level of coordination required between control area operators will be far greater for the moment-to-moment importation of regulation service. The ISO responds to Bonneville's concerns over reliability needs of other control areas and regional practices by reiterating that its technical standards will reflect WSCC criteria and regional practices and the technical requirements and procedures will be available for stakeholder review and comment prior to implementation. With respect to Turlock, Cities/M-S-R and Modesto's concern that technical requirements and procedures be included in the ISO's Tariff, the ISO cites a case where the Commission determined that the performance standards for generators to qualify for regulation service need not be incorporated into the ISO's tariff.³ Regarding Bonneville's claim that the ISO is attempting to rebundle generation with transmission, the ISO first notes that Bonneville incorrectly refers to the ISO as the purchaser when actually Scheduling Coordinators will purchase the regulation service, and further explains that nothing in its proposal would require collaboration between a transmission provider and its merchant function.

We will accept this proposal and deny the protestors' requests for modifications. As noted by the ISO and Bonneville,⁴ ICAOAs accepted by the Commission to date⁵ are

²Open Access Same-Time Information System and Standards of Conduct, Order No. 889-A, FERC Stats. & Regs. ¶ 31,049 (1997), order on reh'g, Order No. 889-B, 81 FERC ¶ 61,253 (1997), order on reh'g, Order No. 889-C, 82 FERC ¶ 61,046 (1998).

³AES Redondo Beach, L.L.C., et al., 87 FERC ¶ 61,208 at 61,816 (1999), order on reh'g, 90 FERC ¶ 61,036 (2000).

⁴ISO's Answer at 16; Bonneville at 6.

⁵ See, California Independent System Operator Corporation, et al., 82 FERC ¶ 61,174 (1998).

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too general to address imports of regulation, and specific provisions will need to be added to them. However, the ICAOAs and/or amendments thereto will be filed with the Commission, and so specific control area needs do not need to be addressed here. Under our existing "rule of reason,"⁶ we agree with the ISO that technical standards for the provision of regulation imports need not be included in its tariff. These standards will merely specify the types of equipment and arrangements necessary to import regulation into the ISO control area. We note that the ISO commits that its technical criteria will comply with WSSC requirements. Regional reliability standards are typically minimum standards, and individual control areas usually incorporate specific practices that are unique to their systems and that exceed the minimum general regional practices. Therefore, it is not unusual that the ISO will have specific needs for its control area. We also agree with the ISO that the proposal does not require Bonneville's merchant function to collaborate with its transmission personnel. Bonneville's merchant function, providing generation to California, will have to procure transmission from Bonneville under its tariff. The addition of imports of regulation service from outside the ISO control area will deepen the supply of resources available for regulation service in the ISO markets, and result in lower costs and increased system reliability.

Release of Bid Information

The ISO proposes to publish individual bid data after a six-month delay. Also, the proposal would authorize the ISO to publish data sets analyzed in conjunction with a published ISO or Market Surveillance Committee (MSC) report, with as little as a one-month lag, subject to the approval of the ISO Board of Governors.

The proposed tariff revision provides that the ISO will not reveal the specific resource or the name of the bidding Scheduling Coordinator, but that data will be released in a manner that allows the bidding behavior of individual, unidentified sources and Scheduling Coordinators to be tracked over time. The ISO plans to begin releasing the bid information for the period starting on the first trading day after the instant application was filed, *i.e.*, January 28, 2000, subject to the six-month delay described above. The ISO would not begin to publish the bid information until the later of (1) the date six months after January 27, 2000, or (2) the date on which the software is implemented that will enable the publication of the bid information. The information released on that date and thereafter would include the bid information collected for the 60-day period after January 27, 2000. The release of bid data for that period would be subject to the six-month delay.

⁶See, *e.g.*, Pacific Gas and Electric Company, *et al.*, 80 FERC ¶ 61,128 at 61,423, and 81 FERC ¶ 61,320 at 61,442 (1997).

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Dynegy, Williams, and Southern all protest the release of bid information with a one-month lag, even if approved by the ISO Board of Governors. Dynegy and Williams also oppose the release of bid information at any time. Dynegy and Southern assert that the ISO should release comparable information, such as decision-making behind the ISO's out-of-market calls and RMR unit dispatch. Williams also points out an inconsistency in the ISO's proposed tariff language regarding its intent to publish data with as little as a one-month lag.

The ISO answers that the Commission has previously mandated that bid data should be posted in a way that allows tracking each individual bidder's bids over time and has established that six months is a sufficient delay for the release of bid data to protect the commercial sensitivity of the information. The ISO also points out that the Commission has recognized that an ISO is not a market participant and therefore is not required to release its information on dispatch requirements, and further notes that the ISO provides a wealth of information on its Home Page and OASIS site. The ISO states that its proposal to release information with as little as one month delay is designed to minimize objections by market participants when the ISO or the MSC releases a report that includes an analysis of market data less than six months old. Finally, the ISO commits to correct in a compliance filing the inconsistent language identified by Williams.

We find that the proposed release of bid information with less than six months' delay does not protect the commercial sensitivity of the data. The approval of the ISO's Board of Governors does not make one-month old bid information any less sensitive. The Commission has previously found that a six month delay is sufficient to protect the interests of bidders.⁷ Accordingly, we will accept the ISO's proposal, except for the proposal to release bid information with as little as a one-month delay on the approval the Board of Governors. The ISO is directed to file revised tariff sheets eliminating this provision. We will grant waiver of the 60-day notice requirement so that the ISO may release bid data, after a six-month delay, for the period beginning on trading day January 28, 2000.

⁷See *PJM Interconnection, L.L.C.*, 88 FERC ¶ 61,274 at 61,854-55 (1999), in which the Commission reaffirmed that bid information must be made public after 6 months.

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FTR Implementation

The ISO states that, while preparing to implement FTRs, it has discovered three revisions necessary to conform its FTR provisions to Commission requirements and to existing settlement policies. The ISO states that the proposed revisions are necessary to facilitate the implementation of FTRs. First, reference to the clearing account in Section 9.4.2.7 will be removed because a separate account for FTR auction proceeds has already been established and the clearing account is not appropriate for FTR purposes. Second, the ISO proposes to amend the tariff to include FTR holders among the entities that are entitled to credits or debits of usage charge revenues. Finally, consistent with prior Commission direction, a revision to specify that FTRs which are resold in secondary markets are subject to the same tariff terms and conditions applicable to FTRs acquired in the ISO auction is proposed.⁸

Metropolitan objects to other changes included in the "clean" ISO tariff sheets which were submitted in a compliance filing in Docket No. ER99-4545-003 and which had not yet been approved by the Commission. Metropolitan requests that the Commission either direct the ISO to make changes to these tariff sheets for the changes that Metropolitan proposed in Docket No. ER99-4545-003 or, in the alternative, clarify that the tariff sheets here are not effective pending further action by the Commission. Cities/M-S-R and Modesto take issue with the provision that, when FTRs are assigned, sold or transferred by the FTR holder, the assignee or new owner must abide by all terms and conditions for FTRs in the ISO tariff. Modesto and Cities/M-S-R claim that this provision places substantive obligations on municipal utilities and results in an improper exercise of jurisdiction by the Commission over municipal utilities. They request that the tariff language be limited only to those entities over which the Commission has jurisdiction.

We will accept the proposed revisions. The issues raised by these parties are already before the Commission in other proceedings. Metropolitan acknowledges that it protested these tariff sections in a compliance filing in Docket No. ER99-4545-003. In an order addressing that compliance filing, which is being issued concurrently with this order, we accept those tariff sheets as filed. Therefore, we reject Metropolitan's arguments for the reasons stated there.⁹ Modesto and Cities/M-S-R have raised the issue

⁸See California Independent System Operator Corp., 89 FERC ¶ 61,153 at 61,436 (1999), reh'g pending (November 10, 1999 Order).

⁹We note that tariff sheets should reflect the proposed accumulated changes to date. If the Commission were to order changes to those tariff sheets in another docket, then superseding tariff sheets would follow.

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of the jurisdictional reach of the FTR provisions on rehearing of the November 10, 1999 Order, and that issue is beyond the scope of this proceeding. We will grant waiver of the 60-day notice requirement for this proposal to become effective on the implementation date for FTRs, February 1, 2000, as requested.

SONGS RMR Cost Allocation

The ISO states that the SONGS facility may be designated as an RMR unit, but the ISO and the affected stakeholders have determined that application of current RMR cost allocation principles to the SONGS facility would be inappropriate. Currently, the tariff requires that the participating transmission owner in whose service area an RMR unit is located (the "Responsible Utility") pay 100 percent of the costs of the RMR generation. In turn, the Responsible Utility passes these costs on to transmission customers. In order to provide for a more equitable allocation of costs for the SONGS facility, the proposed revision provides for the allocation of RMR costs between the Responsible Utility in whose service territory SONGS is located and the contiguous Responsible Utility that benefits from the RMR generation, in proportion to the benefits that the ISO determines each receives. The ISO states that this proposal is specifically limited to the situation presented by SONGS, and that, consistent with the order regarding its Amendment No. 22,¹⁰ it will make a separate filing under Federal Power Act section 205¹¹ to allocate the SONGS RMR costs to each Responsible Utility.

The California Commission reiterates the position it took in its rehearing request of the Amendment No. 22 Order that separate section 205 filings are required where the ISO seeks to pass through the costs of RMR contracts between the ISO and a non-FERC jurisdictional entity to a Responsible Utility.

Vernon seeks clarification of the circumstance where an RMR facility is located within the service area of a Responsible Utility but less than 100% of the associated facility costs is allocated to the Responsible Utility in whose service area the facility is located. Vernon wants clarification that a section 205 filing is required in this case. Vernon is also concerned that section 5.2.8.1 does not limit cost allocation to a Responsible Utility that is contiguous to the service area of the Responsible Utility in which the SONGS facility is located. Finally, Vernon suggests additional language for inclusion in sections 5.2.8 and 5.2.8.1.

¹⁰See California Independent System Operator Corp., 89 FERC ¶ 61,229 (1999), reh'g pending (Amendment No. 22 Order).

¹¹16 U.S.C. § 824d (1994).

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Metropolitan again objects to revisions submitted in Docket No. ER99-4545-003¹² being shown in the tariff sheet submitted in the instant filing, when they have not yet been accepted by the Commission.

SMUD does not oppose the proposed treatment for the SONGS facility but requests that the Commission state that the allocation of SONGS RMR costs is not precedential for treatment of other RMR units in California.

PG&E requests that the Commission direct the ISO to modify its existing RMR rules so that a Responsible Utility only pays a portion of RMR unit costs based on the proportional share of benefits it receives from the unit being designated as RMR, the remainder of the costs remaining the responsibility of the generation owner, or non-participating TO in whose area the unit is located.

In its answer, the ISO maintains that 5.2.8.1 is a subsection of 5.2.8 and therefore "pursuant to this section" does not need to be repeated in 5.2.8.1. The ISO, in response to the California Commission's concern, states that there is no basis for conditioning Amendment No. 25's limited and unrelated change to RMR cost allocation on the resolution of the issue raised on rehearing of the Amendment No. 22 Order. The ISO cites Vernon's argument as premature, and without basis for limiting the allocation of costs to contiguous Responsible Utilities. In response to SMUD, the ISO states that the proposed revision does not encompass any other generating unit. The ISO states that PG&E's argument is not relevant to the limited changes proposed in this filing.

We find that the protestors' requests and arguments are either premature, beyond the scope of this proceeding, or unnecessary. The proposed revision establishes a special case for allocation of RMR costs from SONGS only at this time, and our finding that this proposal is acceptable holds no precedential value. Metropolitan's concerns are moot, as the Commission is accepting the Amendment No. 22 revisions in an order on the ISO's compliance filing that will be issued concurrently with this one. PG&E's instant protest raises the same issues as in its rehearing request of the Amendment No. 22 Order and is more appropriately addressed in the rehearing order, which is being issued concurrently with this order.

Transmission Owner Debit Clarification

The ISO previously proposed in Amendment No. 13, and the Commission accepted, changes in the calculation and distribution of usage charge revenues in the

¹²This docket relates to the ISO's compliance filing required by the Amendment No. 22 Order.

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event of transmission derates between the day-ahead and hour-ahead markets.¹³ The ISO now proposes to clarify how it will notify Scheduling Coordinators of the hours in which the derate applies and the extent of the derate. Specifically, the ISO proposes to issue to Scheduling Coordinators a notice of the applicable hours, the extent of the derate, and the relevant hour-ahead markets to which the derate will apply. It states that further details concerning the timing and form of notice will be set forth in a revised Operating Procedure M-414.

The PX cites two deficiencies in the ISO's proposal: (1) the ISO does not commit to providing final billing information prior to the close of the hour-ahead market, and (2) the ISO has not yet provided the timing and form of notice to be set out in OP M-414 to Scheduling Coordinators. The PX wants acceptance conditioned on a requirement that the ISO provide final settlement quality information about interface derates concurrent with the close of the hour-ahead market.

The ISO states that the Commission approved the reallocation of congestion charges in the Amendment No. 13 Order without imposing a requirement to provide settlement quality usage charge information prior to the close of the hour-ahead market, and that the proposed addition of a requirement for notice to Scheduling Coordinators does not provide an appropriate occasion for the PX to question the order. With respect to the timing and content information of the notice that the ISO will issue in OP M-414, the ISO states that the Commission has already ruled that the ISO need not include all details of this kind in the tariff.¹⁴

We find that the addition of timing and content requirements for transmission derate notifications does not need to be included in the ISO's tariff under our "rule of reason."¹⁵ Also, the Commission previously determined that there is no need to provide final settlement quality usage charge information prior to the close of the hour-ahead market, and this proposed revision does not justify the PX's collateral attack on our prior decision. Accordingly, we will accept this revision, as proposed.

Payments Calendar

¹³California Independent System Operator Corporation, 86 FERC ¶ 61,122 at 61,419-20 (1999).

¹⁴The ISO cites California Independent System Operator Corp., 89 FERC ¶ 61,169 at 61,511 (1999); AES Redondo Beach, L.L.C., *et al.*, 87 FERC ¶ 61,208 at 61,816 (1999).

¹⁵See *supra* n.6.

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The Commission previously accepted an extension of the payments calendar as an interim measure on the condition that the ISO complete an evaluation of its billing process.¹⁶ In Amendment No. 25, the ISO proposes to reduce the average number of calendar days suppliers wait for payment from 93 to 73. The ISO states that it believes that the proposed approach, as an initial step, appropriately balances the benefits of the shortened collection period with the timing impact on customers and the impact on ISO capital resources and staff requirements necessary for development and implementation. Further, the ISO states that it intends to conduct additional payment process studies in the future.

The PX protests the proposal, requesting that the period to pay invoices be increased from the 5 business days proposed by the ISO to 6 business days, in order to give it sufficient time to complete the necessary tasks. The PX states that the ISO usually sends its invoices by approximately 6 p.m. of the first business day and expects payment by 10 a.m. of the fifth business day thereby not providing even a full five business days for completion of all required tasks. The PX further states that under the proposal, it will have to go through the payment cycle twice each month, once for the preliminary invoice and once for the final invoice, which would present a significant burden.

Noting the ISO's request for an effective date of March 27, 2000, or ten days after it posts notice that the software modifications are complete, the PX requests that the effective date of the proposed payments calendar be deferred until May 1, 2000, in order to allow sufficient time for it to make the required tracking system changes to its software.

Cities/M-S-R object that the proposed revision may be construed as a statute of limitations on billing disputes and requests that Commission order the tariff to be revised to explicitly state that issuance of settlement statements does not affect rights to seek and obtain relief from billing errors.

Williams complains that the ISO did not give serious consideration to other calendar revision options which would have provided an additional 30 days' advance in payments over the proposed method, and requests that the Commission order the ISO to explore and examine alternatives to the payment calendar method, especially the method favored by sellers.

The ISO answers that stakeholders were involved in selection of the current payment calendar option and that Williams' proposal was considered but was not

¹⁶See California Independent System Operator Corp., 88 FERC ¶ 61,182 (1999) (Amendment No. 17 Order).

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accepted because of higher costs and lesser accuracy. The ISO states that it will study further possible improvements to the payments calendar. In response to the PX's comments, the ISO states that it opposes extending the payment date by one day but that it does not object to implementing the new payments calendar on or after May 1, 2000. Finally, the ISO states that Cities/M-S-R's comment regarding billing disputes is unrelated because the proposed revision does not affect the dispute resolution provisions.

We find that the proposed revision is an appropriate initial step in improving the payment process which balances the benefits of a shortened payment collection period with impacts on customers and the ISO's resources. We note that the ISO has agreed to continue to study potential additional improvements in the payments process. The PX's request to extend the payment calendar from five to six days is not consistent with the purpose of shortening the payment cycle. However, the effective date of this provision should be extended to May 1, 2000 to allow the PX to make the necessary changes to its systems. The proposed revisions do not affect the right to seek and obtain relief from billing errors, and no revisions to the tariff are necessary.

Maintenance Outage Scheduling

The ISO proposes a revision to clarify and specify its authority to cancel and/or reschedule a planned transmission outage due to system reliability or significant market impacts prior to 5 a.m. of the day prior to the operating day on which the planned outage is scheduled to occur. Prior to the onset of the day-ahead market, the ISO will notify market participants of any such canceled or rescheduled transmission outage and will consult with the affected participating transmission owner to determine the impact of such a cancellation or rescheduling. If a transmission owner cancels or reschedules a planned transmission outage after the 5 a.m. deadline described above, for reasons unrelated to system reliability (e.g., in response to market impacts), the ISO will not reflect the effects of the modified outage schedule on the related ISO day-ahead markets. However, the ISO states that it will notify market participants and adjust the hour-ahead market to reflect the physical capabilities of the facilities, as required, as soon as possible.

Many of the protestors took issue with the ISO's proposal to be able to cancel a scheduled outage "to avoid unduly significant market impacts."¹⁷ The protestors argue that the criterion "to avoid unduly significant market impacts" is ambiguous, not defined, too broad, provides undue discretion and needs clarification. Further, WAPA believes that the dramatic increase in the number of canceled scheduled maintenance outages is a result of the ISO's congestion management and cites the Commission's finding that serious flaws exist in the existing intra-zonal congestion management scheme (i.e.,

¹⁷See, e.g., Modesto, Metropolitan, Bonneville, SMUD, Cities/M-S-R, and TANC.

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distorted bids, artificial congestion, and potential market issues).¹⁸ WAPA states that it was placed in a position where it was almost unable to complete essential maintenance because of the cancellation of scheduled maintenance outages. WAPA argues that granting the ISO authority to cancel prescheduled outages to prevent market impacts, especially in a market where there are distorted bids, artificial congestion, and potential market power, could lead to a situation where there is an even greater risk to the reliability of the transmission system. Bonneville similarly argues for better coordination with neighboring regions. Several protestors also argue that Transmission Owners should be compensated when scheduled outages are canceled by the ISO and point to the Commission's recent Regional Transmission Organization Order¹⁹ as support for such compensation.

The ISO responds to the protests by emphasizing that a cancellation of an outage "to avoid unduly significant market impacts" notice must be made no later than 5 a.m. of the day prior to the day when the outage is scheduled to begin; thus, it could only exercise this cancellation authority when it is aware well in advance of some unexpected circumstances. The ISO concludes that it could not use this authority to determine on the day of the outage that bids received were higher than market buyers would prefer, and that only severe market disruptions due to unexpected conditions that manifest themselves before the day-ahead market opens would allow the use of this cancellation authority.

In reply to Bonneville, the ISO states that it supports outage coordination but that it is responsible for reliable and efficient operation and cannot ignore unanticipated events. In recognition of the Commission statements in the RTO order, the ISO states that any direct, unavoidable, and demonstrated cost incurred by Participating Transmission Owners in rescheduling canceled outages should be paid by the beneficiaries of the cancellation and commits to modify the tariff to implement this concept.

We find that the ISO's proposal that it may, upon specified notice, cancel an approved maintenance outage when necessary to avoid unduly significant market impacts that would arise if the outage were to proceed as scheduled requires modification. First, the ISO has not clearly defined the triggering term "unduly significant market impacts" in

¹⁸See California Independent System Operator Corporation, 90 FERC ¶ 61,006 (1999), reh'g pending.

¹⁹ Regional Transmission Organizations, Order No. 2000, 65 Fed. Reg. 809 (Jan. 6, 2000), FERC Stats. & Regs. ¶ 31,089 (2000), 89 FERC ¶ 61,285 (1999), order on reh'g, Order No. 2000-A, 90 FERC ¶ 61,201 (2000) (RTO Order).

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order to give all parties sufficient assurance as to the necessity for the cancellation of an approved maintenance outage. Furthermore, the ISO includes an additional caveat that, in these instances, eliminates the applicability of sections 2.3.3.6.1 and 2.3.3.6.2 of the tariff regarding communication and consultation with the transmission operator. The ISO has provided no support for the elimination of these provisions.

Other than these concerns, we find that the proposal is acceptable, given that to cancel a scheduled outage under the proposed provision the ISO must do so no later than 5 a.m. of the day prior to the schedule outage. Further, the ISO's acknowledgment of the appropriateness of reimbursing transmission owners for costs associated with a canceled maintenance outage, and its commitment to modify its tariff to provide for such reimbursement, will provide an additional incentive for the ISO to carefully consider the consequences and costs of canceling a scheduled maintenance outage. Accordingly, we will accept the revision, as modified in the ISO's answer and in the discussion above. The ISO is directed to file revised tariff sheets modifying this proposal to provide compensation for costs incurred by transmission owners in rescheduling maintenance outages. We will also require the ISO to include in the tariff as a defined term the definition of "unduly significant market impacts."²⁰ Finally, the ISO is directed to modify the tariff sheets to reflect the continued applicability of sections 2.3.3.6.1 and 2.3.3.6.2.

The Commission orders:

(A) The ISO is hereby directed to submit a compliance filing as discussed in the body of this order within 30 days of the date of this order.

(B) The ISO's proposed tariff changes, as modified in Ordering Paragraph (A), are hereby accepted for filing, without suspension or hearing, to become effective on March 27, 2000, or as otherwise discussed in the body of this order.

(C) The ISO is hereby informed that the rate schedule designations will be supplied in a future order. Consistent with our prior orders, the ISO is hereby directed to promptly post the proposed tariff sheets as revised in this order on the Western Energy Network.

By the Commission.

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²⁰We would expect that the definition contain specific criteria, e.g., using the examples enumerated in the ISO's answer, p. 7.

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David P. Boergers,
Secretary.