

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

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| <b>California Independent System<br/>Operator Corporation</b> | )<br>)<br>)<br>) | <b>Docket No. ER00-1239-000</b> |
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**ANSWER OF  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO MOTIONS TO INTERVENE,  
COMMENTS, AND PROTESTS**

**I. INTRODUCTION AND SUMMARY**

On January 27, 2000, the California Independent System Operator Corporation (“ISO”) filed Amendment No. 25 to the ISO Tariff.<sup>1</sup> Amendment No. 25 proposed a variety of modifications to the ISO Tariff, including the following: (a) removal of certain current restrictions on the import of Regulation service in order to facilitate such imports from resources in other Control Areas with which necessary contractual and technical arrangements are in place; (b) clarification of the ISO’s procedures with respect to the cancellation or rescheduling of a planned transmission outage; (c) provision for the publication of individual bid data with a six-month delay, as well as data sets analyzed in conjunction with certain published reports, in accordance with current Commission policy; (d) implementation of improvements to the ISO’s Payments Calendar to reduce the overall period during which suppliers must wait for payment; (e) changes to the

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<sup>1</sup> Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

ISO Tariff that are necessary to implement Firm Transmission Rights (“FTRs”); (f) provision for the allocation of Reliability Must-Run (“RMR”) costs among the Responsible Utilities that would benefit should the San Onofre Nuclear Generating Station (“SONGS”) be designated as RMR Generation; and (g) changes to the ISO Tariff to provide that the ISO will issue to Scheduling Coordinators certain information in the event of transmission derates between the Day-Ahead and Hour-Ahead Markets.

In accordance with the Notice of Filing issued February 1, 2000, a number of interventions were filed on or before February 17, 2000,<sup>2</sup> some of which included comments on or protests of Amendment No. 25.

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213, the ISO submits its Answer to the Motions to Intervene, Comments, and Protests submitted in the above-captioned docket. As explained below, the ISO does not oppose the intervention of any of the parties that have sought leave to intervene in this proceeding.

The opposition and requests for substantial modifications of some parties to portions of Amendment No. 25, however, are unsupported. As discussed below, in response to certain comments, the ISO has agreed to make several modifications to the Amendment No. 25 Tariff revisions in a compliance filing to be submitted in this docket. The Commission should accordingly accept Amendment No. 25 with only those modifications the ISO has agreed to make in this Answer.

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<sup>2</sup> In addition, on February 18, 2000, the Northern California Power Agency (“NCPA”) filed a motion to intervene one day out-of-time.

## **II. BACKGROUND**

### **A. Amendment No. 25**

In Amendment No. 25, the ISO proposes a number of modifications to the ISO Tariff which are the product of various stakeholder processes conducted over many months. Prior to the filing of Amendment No. 25 with the Commission, these modifications had been presented for public review by stakeholders and participants in the California electricity markets and had been approved by the ISO Governing Board.

The Tariff changes in Amendment No. 25 include the following: (a) removal of certain current restrictions on the import of Regulation service in order to facilitate such imports from resources in other Control Areas that have executed an Inter-Control Area Operating Agreement with the ISO and have satisfied certain technical requirements; (b) clarification of the ISO's procedures with respect to the cancellation or rescheduling of a planned transmission outage; (c) provision for the publication of individual bid data with a six-month delay, as well as data sets analyzed in conjunction with certain published reports, in accordance with current Commission policy; (d) implementation of improvements to the ISO's Payments Calendar through issuance of a new invoice that will reduce the overall payment period by 20 calendar days on average; (e) changes to the ISO Tariff that are necessary to implement Firm Transmission Rights ("FTRs"); (f) provision for the allocation of Reliability Must-Run ("RMR") costs among the Responsible Utilities that would benefit should the San Onofre Nuclear Generating Station ("SONGS") be designated as RMR

Generation; and (g) changes to the ISO Tariff to provide that the ISO will issue to Scheduling Coordinators certain information in the event of transmission derates between the Day-Ahead and Hour-Ahead Markets.

## **B. Interventions**

A notice of intervention was filed by the Public Utilities Commission of the State of California ("CPUC") and motions to intervene were filed by a number of parties.<sup>3</sup>

Most intervenors either indicated support for or did not oppose the majority of the changes proposed in Amendment No. 25. A number of the intervenors, however, accompanied their interventions with comments and/or protests to portions of Amendment No. 25.<sup>4</sup> The ISO does not oppose the intervention of any of the parties that have sought leave to intervene. The ISO does not believe, however, that any of the substantive challenges to Amendment No. 25 or any of the proposals for substantial modification of Amendment No. 25 have merit. The

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<sup>3</sup> Timely motions to intervene were filed by the Bonneville Power Administration ("BPA"); California Department of Water Resources ("DWR"); California Electricity Oversight Board ("Oversight Board"); California Power Exchange Corporation ("PX"); Duke Energy Trading and Marketing, L.L.C. ("DETM"); Dynegy Power Marketing, Inc. ("Dynegy"); Los Angeles Department of Water and Power; Metropolitan Water District of Southern California ("MWD"); Modesto Irrigation District ("Modesto"); Pacific Gas and Electric Company ("PG&E"); the Cities of Redding and Santa Clara, *et al.* ("Redding"); Sacramento Municipal Utility District ("SMUD"); Southern California Edison Company ("SCE"); Southern Energy California, L.L.C., *et al.* ("Southern"); Transmission Agency of Northern California ("TANC"); Turlock Irrigation District ("Turlock"); the City of Vernon ("Vernon"); Western Area Power Administration ("WAPA"); and Williams Energy Marketing & Trading Company ("Williams"). *See also supra* note 2.

<sup>4</sup> Some of the intervenors commenting on Amendment No. 25 do so in portions of their pleadings that are variously styled, without differentiation. There is no prohibition on the ISO's responding to the comments in these pleadings. The ISO is entitled to respond to these pleadings and requests notwithstanding the labels applied to them. *Florida Power & Light Co.*, 67 FERC ¶ 61,315 (1994). In the event that any portion of this answer is deemed an answer to protests, the ISO requests waiver of Rule 213 (18 C.F.R. § 385.213) to permit it to make this answer. Good cause for this waiver exists here given the nature and complexity of this proceeding and the usefulness of this answer in ensuring the development of a complete record. *See, e.g., Enron Corp.*, 78 FERC ¶ 61,179, at 61,733, 61,741 (1997); *El Paso Elec. Co.*, 68 FERC ¶ 61,181, at 61,899 & n.57 (1994).

ISO does agree to address certain issues raised by the intervenors in a compliance filing to be submitted in this proceeding.

### **III. ANSWER TO COMMENTS AND PROTESTS**

#### **A. The Proposed Tariff Revisions Concerning Transmission Maintenance Outage Scheduling Are Reasonable.**

Amendment No. 25 includes a proposal to modify in three respects the ISO Tariff's provisions relating to the scheduling of transmission facility outages. First, the amendment specifies that if a Participating Transmission Owner ("Participating TO") cancels or reschedules a scheduled maintenance outage after the Day-Ahead scheduling process has begun, the ISO may disregard the change in the scheduled outage in determining the availability of transmission capacity in the Day-Ahead Market. This change is intended to minimize the potential for a Participating Transmission Owner to adjust transmission outages to gain advantages as a market seller or buyer. Second, the amendment clarifies the ISO's ability to cancel or reschedule a previously approved transmission facility outage to preserve or maintain reliability. Third, the amendment also authorizes the ISO to cancel or reschedule a previously approved transmission outage to avoid unduly significant market impacts. Whether it acts to preserve System Reliability or to avoid unduly significant market impacts, the ISO must direct the change in the transmission maintenance outage and notify Scheduling Coordinators before the deadline for submission of Day-Ahead Schedules.

No intervenor takes issue with the first two proposed modifications. Intervenors who address this portion of Amendment No. 25 are divided, however,

with respect to the ISO's proposal that it be authorized to modify approved transmission facility outages to avoid unduly significant market impacts.

PG&E generally supports the proposal, but seeks clarification that, in the absence of impacts on System Reliability or unduly significant market impacts, the ISO will permit approved transmission outages to go forward, even if some Generators may be affected by the outage or some desired schedules rendered infeasible. PG&E at 3. The ISO does not believe any modification to the proposed Tariff language is necessary. By specifying the only circumstances in which the ISO may direct a Participating Transmission Owner to cancel or reschedule an approved outage, amended Section 2.3.3.6 of the ISO Tariff makes it clear that outages that do not threaten the ISO's ability to preserve or maintain System Reliability and are not expected to create unduly significant market impacts may go forward, subject only to the ISO's existing authority to request modifications and the need for final approval in accordance with Section 2.3.3.8. Under the existing Tariff provisions, effects on some Generators whose operation is not critical to preserving System Reliability or reductions in scheduling capability that do not create unduly significant market impacts would not justify the ISO's canceling a previously approved maintenance outage.

Other intervenors argue that the ISO should not be permitted to modify transmission outages to avoid unduly significant market impacts. They challenge the absence of an objective standard for what constitutes an unduly significant market impact, arguing that it gives the ISO too much discretion and could impair the ability of Participating Transmission Owners to perform necessary

maintenance.<sup>5</sup> They propose various limitations on the circumstances under which the ISO could exercise this authority.

These objections fail to appreciate the significance of a substantial limitation on the Amendment No. 25 proposal: to cancel or reschedule a transmission outage to avoid significantly undue market impacts, the ISO must provide notice by no later than 5:00 a.m. on the day prior to the day when the outage is scheduled to begin. This means that the ISO must make its decision before the deadline for the submission of Day-Ahead Schedules. See ISO Tariff, Section 2.2.12.3 (Preferred Day-Ahead Schedules due by 10:00 a.m.). The ISO thus could only exercise this authority when it is aware in advance of particular unexpected circumstances, such as unseasonable weather or forced outages of other facilities, that are significantly different than the conditions that were expected to prevail when the Participating TO's outage schedule was first approved. This authority would not enable the ISO to determine on the basis of the bids it receives for the day when the outage is scheduled to begin that prices would be higher than some market buyers would prefer. Rather, the ISO would have to conclude that other unexpected events have transpired, so that going forward with the scheduled outage under these changed circumstances would produce market impacts that are so severe that a prudent transmission operator would not have scheduled the outage for this time if the events could have been anticipated. Under the ISO's proposal, only severe market disruptions due to unexpected conditions that manifest themselves before the Day-Ahead Market

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<sup>5</sup> Modesto at 5-7; MWD at 11-14; Redding at 15-16; SMUD at 5-7; TANC at 5-7; WAPA at 8-11.

opens can constitute “unduly significant market impacts” sufficient to require a change in a scheduled transmission outage. Certainly, utilities operating integrated generation and transmission systems prior to restructuring were able to adjust transmission outage schedules in these circumstances, and would be expected to do so. It would be paradoxical and inimical to the interests of consumers if the capability to make such adjustments were lost when Participating Transmission Owners gave Operational Control of their transmission facilities to the ISO.

Concerns that the ISO would exercise this authority in a manner that impairs the ability of Participating Transmission Owners to perform necessary maintenance are unfounded. WAPA at 8-11. In determining whether an adverse market impact is “unduly significant,” the ISO will necessarily have to take into account whether the maintenance activities can be shifted to another period, when expected market impacts would be less severe.

Nor is there any basis for claims that the ISO’s exercise of limited authority to revise transmission maintenance outages to avert unduly significant market impact will distort price signals that guide the location of new facilities. WAPA at 8-9. This authority would only involve the rescheduling of maintenance outages of transmission facilities, which are typically no more than a few days or, at the longest a few weeks, in duration. It makes no sense to encourage the siting of new generating facilities or new transmission facilities to avoid high market prices during such brief periods nor would market prices likely be sustained at high enough levels during transmission maintenance outages to influence facility

siting decisions. The appropriate focus of price signals for transmission outage scheduling is on the Participating Transmission Owners who submit outage schedules to the ISO and can, in the first instance, decide whether to reschedule an outage. *California Independent System Operator Corp.*, 90 FERC ¶ 61,006, slip op. at 13 (January 7, 2000). Prices in the Energy and Ancillary Service markets, however, provide only a limited price signal to the Participating Transmission Owners, because they purchase only a portion of the Energy and Ancillary Services scheduled on the ISO Controlled Grid, and that portion will decline as more consumers select competitive suppliers. Depriving the ISO of limited authority to reschedule transmission outages to avoid unduly significant market impact would thus subject consumers to higher prices without encouraging efficient scheduling of transmission maintenance outages.

The ISO also believes that its proposed limited authority to reschedule or cancel a transmission maintenance outage to avoid unduly significant market impacts is consistent with and complementary to its authority to dispatch Generators out-of-market in instances of a transmission facility outage. The ISO has the authority to dispatch Generators out-of-market to maintain system reliability when market bids are unavailable and there are transmission facility outages, whether scheduled or not,<sup>6</sup> A Participating TO's obligation to pay the costs of such dispatch, *California Independent System Operator Corp.*, 90 FERC ¶ 61,006, slip op. at 13, will, in the first instance, give the Participating TO the necessary financial incentive to make advance determinations to schedule,

reschedule or cancel transmission outages in a manner that reduces their overall cost exposure. The incentive for Participating TO's to schedule outages at times where there are not likely to be significant impacts on the market or market prices are low will reduce (albeit not eliminate) the likelihood that the ISO will need to exercise its out-of-market dispatch authority.

BPA argues that the rescheduling of transmission outages could interfere with regional coordination. BPA at 6-10. The ISO is a strong advocate of regional coordination in transmission operations, including the scheduling of transmission outages. As BPA notes, the ISO has been an active participant in efforts to improve regional coordination of transmission outages with neighboring Control Area operators. The ISO remains responsible, however, for ensuring the reliability and efficient operation of the ISO Controlled Grid. To fulfill that responsibility, the ISO cannot ignore unanticipated changes in weather conditions or facility performance that make it necessary to reschedule transmission outages on short notice in order to permit the ISO Controlled Grid to fulfill its primary purpose: to facilitate the efficient functioning of the restructured California electricity markets. Insofar as BPA expresses concerns about the ISO's proposal resulting in the cancellation of outages on the day an outage is scheduled, the ISO reiterates that, under its proposal, the ISO must provide notice of a cancellation rescheduling of a transmission outage to avoid

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<sup>6</sup> The ISO notes that it has requested, in Docket No. ER00-555, clarification of that authority for the interim period before reforms developed through its stakeholder review of the ISO's Congestion Management system can be implemented.

significantly undue market impacts by no later than 5:00 a.m. on the day prior to the day when the outage is scheduled to begin.

MWD also argues that the rescheduling of transmission outages could affect water delivery systems whose pumping plants rely on Energy delivered by the ISO Controlled Grid. MWD at 12. The thrust of this concern is unclear. If the ISO requires a Participating Transmission Owner to cancel a scheduled transmission outage, the transmission facility that would have been out of service will be available to serve the needs of water delivery systems and other customers. Water delivery systems thus would not be adversely affected by the ISO's exercise of the authority proposed in Amendment No. 25. When the Participating Transmission Owner reschedules the outage to perform the required maintenance, it will presumably select a time that, to the extent practicable, takes the needs of water delivery systems and other customers into account.

Finally, several intervenors argue that a Participating Transmission Owner should be entitled to reimbursement for the costs it incurs when the ISO cancels or reschedules a previously approved transmission outage to avoid an unduly significant market impact. Upon consideration of the Commission's direction in Order No. 2000,<sup>7</sup> and the concerns of intervenors, the ISO would agree that, if a transmission outage is canceled or rescheduled to avoid unduly significant market impacts under the authority added by Amendment 25, or for reliability reasons, it would be reasonable that any direct, unavoidable, and demonstrated

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<sup>7</sup> *Regional Transmission Organizations*, Order No. 2000, *FERC Statutes and Regulations, Regulations Preambles* ¶ 31,089 (Dec. 20, 1999), slip op. at 321.

costs incurred by the Participating Transmission Owner in rescheduling the maintenance should be paid by the beneficiaries of that action, *i.e.*, participants in the ISO's markets during the period for which the outage had been scheduled. The ISO commits to propose appropriate modifications to the ISO Tariff to implement this concept in a compliance filing to be submitted in this proceeding.

**B. The Proposed Requirements for Imports of Regulation Are Appropriate and Necessary to Ensure That Such Imports Are Technically Feasible and Consistent With WSCC Criteria.**

As explained in the Amendment No. 25 transmittal letter, the ISO Tariff currently does not permit the import of Regulation service from System Resources, (*i.e.*, resources that are located outside the ISO's Control Area). The Tariff does provide for imports of other Ancillary Services from System Resources. Energy associated with the other Ancillary Services from System Resources is provided under static schedules arranged by the ISO and the operator of the Control Area in which the System Resource is located. The restriction on imports of Regulation has been necessary because, historically, the ISO did not have the mechanisms in place to schedule, monitor and account for imports of Regulation. Additionally, most of the other Control Areas within the western interconnection have not been in a position to coordinate and deliver dynamic interchange to the ISO; not having yet installed the dedicated direct telecommunications links that are necessary to support the deliver of Regulation by way of dynamic interchange. However, several direct telecommunications links have been installed since the ISO's initial start-up, and several additional communication links are planned.

At the urging of numerous stakeholders, the ISO Governing Board authorized the removal of the current Tariff restriction on imports of Regulation. In order to ensure that the ISO has the necessary mechanisms in place to implement such imports, however, certain technical and contractual requirements will have to be satisfied before a Scheduling Coordinator can be certified to supply Regulation from a System Resource. The Control Area from which imports of Regulation are to be dynamically scheduled (*i.e.*, the "host Control Area") must also meet certain technical and contractual requirements. Such requirements are necessary to ensure that all imports of Regulation are technically feasible, consistent with Western Systems Coordinating Council ("WSCC") criteria and consistent with the design of the Regulation market. Since the supply of Regulation from System Resources is contingent upon the host Control Area's ability to support the dynamic interchange of such service based on control signals issued by the automatic generation control function within the ISO's Energy Management System, this certification will include a requirement that the host Control Area and Scheduling Coordinator representing the System Resource demonstrate that they have made appropriate arrangements and have put in place the equipment and services necessary to deliver the Regulation to the point of interchange with the ISO Control Area. The technical standards that must be satisfied to make such a demonstration will be posted on the ISO Home Page. In addition, as a prerequisite to certification, any System Resources from which imports of Regulation are to be scheduled must be in a Control Area which

has entered into an agreement with the ISO for interconnected Control Area operations.

As noted above, this aspect of Amendment No. 25 is widely supported by stakeholders. See, e.g., SMUD at 4. Several intervenors, however, raise concerns about the ISO's requirements for imports of Regulation. BPA argues that the ISO is improperly linking the import of Regulation from resources outside the ISO Control Areas with requirements for adjacent Control Area operators. BPA at 4-6. Specifically, BPA suggests that requiring Control Area operators to satisfy certain technical and contractual requirements as a prerequisite to a Scheduling Coordinator jointly requesting ISO certification to schedule imports of Regulation to the ISO from System Resources in those Control Areas would somehow be contrary to the Commission's functional unbundling requirements as set forth in Order No. 889. BPA seems to suggest that the ISO's proposal would require BPA's Transmission Business Line and Power Business Line to collaborate on imports of Regulation into the ISO Control Area.

BPA's comments are based on misperceptions and misstatements. As an initial matter, the ISO notes that BPA incorrectly refers to the ISO as a "purchaser" of Regulation or other Ancillary Services. The ISO's proposal is designed to permit other entities, *i.e.* Scheduling Coordinators, to import of Regulation into the ISO Control Area. In order for Scheduling Coordinators to take advantage of this opportunity, however, the ISO needs certain assurances that other Control Areas will be able to coordinate such imports. Nothing in the ISO's proposal would require collaboration between a transmission provider and

its merchant function. A transmission provider, however, may also be a Control Area operator, with a necessary role in coordinating the import of Regulation from System Resources in that Control Area into the ISO Control Area.<sup>8</sup>

BPA correctly points out that its Transmission Business Line currently has a role, as a Control Area operator, in scheduling the imports of other Ancillary Services to the ISO Control Area. BPA at 5. In fact, in accordance with WSCC scheduling practices, all interchange scheduling is coordinated by Control Area operators. Currently, all interchange of Energy, Spinning Reserves, Non-Spinning Reserves and Replacement Reserves imported from other Control Areas is coordinated between the ISO as Control Area operator and the host Control Area operator from which such Energy or Ancillary Services are supplied. The level of coordination between Control Area operators, however, will be far greater for the importation of Regulation since these imports are supplied by dynamic interchange that derives from ISO-issued control. Therefore, the operator of the host Control Area from which Regulation is to be imported has an essential, and irreplaceable, role in the moment-to-moment delivery of Regulation imports within each relevant operating hour. The ISO cannot implement such imports unless the Control Area operator can fulfill that role. Thus, no matter what entity seeks to schedule imports of Regulation from another Control Area, the ISO must ensure that the other Control Area operator can support such imports.

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<sup>8</sup> BPA is also incorrect insofar as it suggests that the Tariff revisions related to the imports of Regulation proposed in Amendment No. 25 are limited to *adjacent* Control Area operators.

In order to implement importation of Regulation, the ISO will need to coordinate with the host Control Area on the pre-scheduling of such imports and on the real-time delivery of imports as dynamic interchange in response to ISO-issued control within each relevant operating hour, in connection with such imports. The ISO's financial settlements will remain with Scheduling Coordinators, but Scheduling Coordinators will rely upon host Control Area operators to arrange the supply of Regulation from System Resources within their Control Area. Certain of these details must be reflected in an agreement between the ISO and the host Control Area for interconnected Control Area operations. BPA claims that the Interconnected Control Area Operating Agreements ("ICAOAs") which the ISO has entered into to date are too general in scope to address the requirements for implementing imports of Regulation. BPA at 6. The *pro forma* ICAOA accepted by the Commission includes service schedules that provide specific details on various aspects on interconnected Control Area operations. See 87 FERC ¶ 61,231 (1999). The ISO anticipates that any additional ICAOAs with host Control Areas could include service schedules with specific provisions relating to the imports of Regulation. In the alternative, the ISO could enter into bilateral agreements with host Control Areas specifically relating to the imports of Regulation. In either event, for the reasons described above, the ISO believes it is critical that certain details relating to the import of Regulation service be reflected in an agreement between the ISO and the host Control Area for interconnected Control Area operations.

Other details concerning the coordination between Control Areas will be reflected in technical standards to be posted on the ISO Home Page. BPA expresses concern that the ISO has not, to date, provided more details on these standards. BPA at 5. Similarly, several other intervenors argues that such standards must be filed with the Commission. *See, e.g.*, Turlock at 3. The Commission has already ruled, however, that it is not necessary or appropriate to incorporate standards for the provision of Regulation service in the ISO Tariff. In Amendment No. 14, the ISO proposed Tariff revisions related to communications with resources within the ISO Control Area providing Regulation service. As part of this proposal, the ISO committed to post certain standards on the ISO Home Page. The Commission approved this proposal, and in response to intervenor comments, stated: "We disagree with intervenors that the performance standards for generators to qualify for Regulation service must be incorporated into the ISO's Tariff." *AES Redondo Beach, L.L.C., et al.*, 87 FERC ¶ 61,208 at 61,816 (1999). The ISO notes that other detailed standards, such as metering specifications and standards are also posted on the ISO Home Page.

These technical standards will reflect WSCC requirements and regional practices and will be available for stakeholder review and comment. Section 2.5.7.4.3, as revised by Amendment No. 25, specifically requires that imports of Regulation be consistent with WSCC criteria. In addition, the ISO's standards for imports of Regulation will take into account the unique relationship that already exists with respect to WSCC scheduling practices and ISO hourly financial settlements associated with forward transmission pricing and forward Ancillary

Services pricing. While the ISO does not believe it is necessary or appropriate to develop a unique standard for each combination of Scheduling Coordinator and host Control Area operator, the ISO does envision that varying arrangements will be negotiated between individual Scheduling Coordinators and System Resources. The ISO's standards for Regulation imports will be made available to Market Participants for review and comment prior to March 27, 2000, the requested effective date for Amendment No. 25. BPA's concerns that the ISO will unilaterally develop standards that are not sufficient to meet the reliability needs of other Control Areas or conflict with regional practices are therefore misplaced.

BPA suggests that the WSCC should be the forum for developing technical requirements related to the imports of Regulation into the ISO Control Area. BPA at 6. While the ISO is developing standards that are consistent with WSCC requirements and scheduling practices, the WSCC has no standards specifying the type of equipment, service, and other arrangements necessary to implement imports of Regulation into the ISO Control Area. It is therefore appropriate for the ISO to develop such standards, informed by stakeholder input, as noted above. The Commission should therefore accept the Tariff revisions related to the imports of Regulation as proposed in Amendment No. 25.

Two other intervenors raise issues related to the provision of Regulation that are both unjustified and unrelated to the ISO's proposal in Amendment No. 25. These intervenors claim that the ISO Tariff does not allow Generators within the ISO Control Area to provide Regulation "unless the owner of the Generator

has 'joined' the ISO by becoming a Participating TO." Redding at 8 and Modesto at 8. These claims are specious. There is no requirement that the owner of a Generating Unit within the ISO Control Area become a Participating TO for that Generating Unit to provide Regulation service. The owner of any Generating Unit within the ISO Control Area can designate a Scheduling Coordinator to bid or self-provide Regulation from that unit without transferring operational control of transmission facilities to the ISO. Owners of such units simply must execute a Participating Generator Agreement that makes clear that the Generating Unit will comply with applicable ISO Tariff provisions and satisfy the ISO's standards for providing Regulation service. These requirements are applicable to all Generators within the ISO Control Area, on a non-discriminatory basis. See, e.g., Section 2.5.2 *et seq.* of the ISO Tariff. Both Redding and Modesto suggest that these issues are currently pending in the "Unresolved Issues" proceeding in Docket Nos. ER98-3760 *et al.* and the complaint proceeding in Docket No. EL99-93 and urge the Commission to take action in the "appropriate docket" in the near future. The ISO agrees that the Commission should promptly address these intervenors' baseless claims that Generators within the ISO Control Area must become Participating TOs to provide Regulation service. The Commission should rule in this docket and reject the claims of Redding and Modesto on this issue.

**C. The ISO's Proposed Bid Data Release Policy Will Enhance Market Efficiency and is Consistent with Commission Precedent.**

Amendment No. 25 includes proposed Tariff revisions which provide for the publication of individual bid data no sooner than six months after the Trading

Day with respect to which the bid was submitted. The revised Tariff provisions would require that such data be published in a manner that does not reveal the identity of specific resources or Scheduling Coordinators submitting bids, but that does permit tracking of the bidding behavior of individual Market Participants over time. These revisions were proposed to bring the ISO's treatment of bid data in conformance with the Commission's current policy, as applied to other independent system operators. *See Central Hudson Gas & Electric Corp., et al.*, 86 FERC ¶ 61,062, at 61,224, 61,227, 61,231, *reh'g denied in relevant part and clarification provided*, 88 FERC ¶ 61,138, at 61,396-37 (1999); *PJM Interconnection, L.L.C.*, 87 FERC ¶ 61,054, at 61,219 (1999); *PJM Interconnection, L.L.C.*, 86 FERC ¶ 61,247, at 61,890, *reh'g denied in relevant part and clarification provided*, 88 FERC ¶ 61,274, at 61,854-55 (1999).

The proposed Tariff revisions authorize the ISO to publish data sets analyzed in any public report issued by the ISO or Market Surveillance Committee ("MSC"). A six-month delay would generally apply to the publication of such data sets, but, with the approval of the ISO Governing Board, the ISO would also be authorized to publish such data sets with as little as a one-month lag, if the ISO determines that publication within such time-frame is appropriate.

A number of intervenors enthusiastically support the ISO's proposal to release bid data. The CPUC calls the proposal "a good first step in increasing the transparency of this important market data." CPUC at 1. SMUD states that the ISO's proposal "will promote transparency with respect to the operation of the

transmission market, which will in turn encourage market efficiency and competition." SMUD at 4.

Those intervenors who oppose the ISO's proposal disagree with the Commission's current policy concerning the disclosure of bid data by independent system operators. For example, Southern argues that the ISO's proposal will result in an unwarranted disclosure of commercially sensitive information because it will allow bidding behavior to be tracked over time on a resource-specific basis. Southern at 4. In its orders concerning the release of bid data by other independent system operators, however, the Commission has specifically mandated that "bid data should be posted in a way that allows tracking each individual bidder's bids over time." *PJM Interconnection, L.L.C.*, 88 FERC at 61,854. Both Williams and Dynegy raise arguments opposing the release of bid data after a six-month delay that the Commission has rejected in its orders on PJM and the New York ISO.<sup>9</sup> No intervenor offers any justification for overturning the Commission's prior decisions on this issue. The Commission has established a policy that independent system operators should make bid data available to the public after a reasonable delay, so that all interested parties (and not just the market monitoring divisions of those independent system operators) may monitor the market. Consistent with this policy, the Commission should approve the ISO's proposal in Amendment No. 25.

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<sup>9</sup> Williams acknowledges that the Commission has previously rejected these arguments, Williams at 5, while Dynegy simply attaches its Request for Rehearing in Docket No. ER98-3527 to reiterate its earlier arguments on this issue. Dynegy at 3, Attachment 1.

Southern and Dynegy attempt to distinguish the ISO's proposal from the data release policies mandated for PJM and the New York ISO, claiming that the ISO should also be required to disclose market information after a six-month delay. As an initial matter, these arguments are based on a faulty premise: Southern and Dynegy characterize the ISO as a Market Participant. Dynegy at 4 and Southern at 6. The Commission, however, has expressly recognized that the ISO is not a Market Participant.<sup>10</sup> Moreover, the ISO already provides the market with abundant information concerning its procurement of services, treatment of bids, and similar practices. This information is available on the ISO's Home Page and OASIS site, and includes forecasted and actual load data, the prices at which services and Energy have been procured, a record of specific resources that have been dispatched, and other market data which can be found through the links at [www.caiso.com/marketops](http://www.caiso.com/marketops). This information is regularly updated and is made available to the market with minimal delay. It is absurd to suggest that the ISO fails to provide sufficient information to support market transparency. Intervenors making such claims are simply trying to deflect the Commission from approving a proposal that is consistent with a Commission policy that they oppose. The Commission should disregard these claims.

Dynegy states that it would support the ISO's proposed effective date for the Tariff revisions that implement the release of bid data by the ISO, but only if the ISO convenes a stakeholder meeting to seek input regarding the scope and

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<sup>10</sup> "The ISO should not be deemed to procure ancillary services on its own behalf since the ISO is not a participant in the market place." *Pacific Gas and Electric Co., et al.*, 81 FERC ¶ 61,122 at 61,496 (1997).

content of the data disclosure as well as details on how the ISO will protect the identity of individual bidders. Dynegy at 5. As reflected in Attachment G to the Amendment No. 25 transmittal letter, these Tariff revisions were subject to stakeholder review and were presented for approval to the ISO Governing Board. There is no need for a further stakeholder process.<sup>11</sup>

Two intervenors oppose the ISO's proposal to release data sets analyzed in public reports issued by the ISO or MSC with as little as a one-month delay upon approval of the ISO Governing Board. Dynegy suggests that the Commission has established six months as "the absolute minimum time period before bid data can be released." Dynegy at 4. This is not the case. The Commission has stated that a six-month delay would "alleviate problems of commercial sensitivity," *PJM Interconnection, L.L.C.*, 87 FERC at 61,219, and will "help prevent collusive behavior," *Central Hudson Gas & Electric Corp. et al.*, 88 FERC at 61,397, but nowhere does the Commission state that six months is an absolute minimum for the release of bid or market data.

This aspect of the ISO's proposal is designed to address a specific situation. When the ISO or the MSC releases a report that includes an analysis of recent market data, Market Participants often complain that they are unable to fully review the data that forms the basis of that analysis.<sup>12</sup> Where the ISO determines it is appropriate and the ISO Governing Board explicitly approves this

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<sup>11</sup> In addition, the ISO notes that the Commission did not direct either PJM or the New York ISO to undertake such a stakeholder process.

<sup>12</sup> See, e.g., The April 19, 1999 Comments and Request for Technical Conference of Duke Energy in Docket Nos. ER98-2843-007 *et al.* raising objections to a report prepared by the MSC because "the input data which forms the basis for that study's conclusion was not included" and the April 19, 1999 Supplemental Comments of Reliant Energy in the same docket complaining that "certain data underlying the [MSC's] analysis has been inaccessible to date."

determination, the ISO therefore proposes to release the discrete data sets which form the basis for a report's analysis and conclusions. This would allow Market Participants a greater opportunity to review and critique reports issued by the ISO or the MSC. As with the ISO's release of bid data after six months, the identity of all Scheduling Coordinators, resources, or other affected Market Participants would not be disclosed. The ISO believes that such an approach will enhance the ability of all interested entities to contribute to the review and analysis of the ISO's markets. As such, this proposal is wholly consistent with the Commission's policy on the release of market information, including bid data.

Williams does identify one error in the ISO's Amendment No. 25 filing related to this proposal. Williams at 6-7. The proposed revisions to Section 20.3.4 set forth in Attachment C to the filing, state in relevant part:

- (a) The ISO: . . . (ii) may publish data sets analyzed in any public report issued by the ISO or by the Market Surveillance Committee, provided that such data sets shall be published no sooner than six (6) months after the latest Trading Day to which data in the data set apply, and in a manner that does not reveal any specific resource or the name of any Scheduling Coordinator submitting bids or Adjustment Bids included in such data sets unless, upon affirmative vote of the ISO Governing Board, the ISO determines that publication with *no more than* a one (1) month delay is appropriate. (emphasis added)

As stated in both the Amendment No. 25 Transmittal Letter and the November 9, 1999 Governing Board memorandum provided as Attachment G to the filing, however, the ISO's proposal is to release data sets with Governing Board approval only after a minimum one-month delay. The last portion of Section 20.3.4(a) should therefore read: "unless, upon affirmative vote of the ISO Governing Board, the ISO determines that publication with *no less than* a one (1)

month delay is appropriate." The ISO commits to make this change in a compliance filing.

**D. The Proposed Modifications to the ISO's Payments Calendar Are Reasonable.**

The ISO has proposed in Amendment No. 25 to modify its payments calendar to reduce the time that suppliers must wait for payment by an average of approximately twenty days (about twenty-one percent of the current average interval). This proposal followed an extensive stakeholder process in which five different options were considered and ranked by the participants.<sup>13</sup> The stakeholders and the ISO agreed that the option included in Amendment No. 25 – the "Preliminary Statement Invoice" or "PSI" approach – provided the best balance of benefits, in terms of reducing the payment delay, and costs.<sup>14</sup> The ISO also agreed to continue to study potential additional improvements in the payments process.

Williams, one of the participants in the stakeholder process that considered the payments calendar issue, argues that the ISO should not have "summarily" rejected the option it favored, which would have shortened the payments calendar. Williams at 8-11. The ISO did no such thing. The ISO's Governing Board made a reasoned decision following a well-attended stakeholder process. While the ISO Governing Board took note of the stakeholders' preference for the PSI approach, its decision was not simply a matter of counting noses. Instead, the ISO Board that took into account the fact

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<sup>13</sup> The ISO committed to undertake this stakeholder process in connection with other adjustments to the payments calendar, which were filed as part of Amendment No. 17 and approved in *California Independent System Operator Corp.*, 88 FERC ¶ 61,182 (1999).

that Williams' preferred option would have cost approximately three times more to implement than the PSI approach and would also involve a greater level of estimation, and hence inaccuracy. In contrast, the PSI approach was expected to produce highly accurate statements. The ISO Board also did not decide the adoption of PSI would be the last enhancement to the payments calendar; it had before it the commitment of ISO Management to continue to study further improvements in the payments process. In these circumstances, Williams' contentions that *additional* deliberations are required before the PSI approach may be implemented ring hollow.

The PX, which supported the PSI option during the stakeholder process, now argues that the requirement to pay two invoices each month (one preliminary statement and one final statement) would put a strain on the PX's administrative resources. It asks for an additional business day to pay invoices. Alternatively, it requests that the effectiveness of the modification of the payment calendar be delayed at least until May 1, 2000, to enable the PX to modify its computer systems. PX at 4-5. Adding an additional day for the payment of each invoice would defeat the purpose of Amendment No. 25's reform of the payment calendar, taking back one-tenth of the average reduction in the period that suppliers must wait for payment. In addition, the Commission has already approved Tariff revisions in Amendment No. 17 which extended the period payments are due after Final Settlement Statements are issued from four Calendar Days to five Business Days. *California Independent System Operator Corp.*, 88 FERC ¶ 61,182 at 61,590 (1999). The ISO does not believe any

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<sup>14</sup> See Amendment No. 25 Transmittal Letter, Attachment I.

additional extension of the time periods for invoices to be paid is necessary or appropriate. The ISO would not object, however, to implementing the new payments calendar on or after May 1, 2000, so that the PX and other Scheduling Coordinators can modify their systems to accommodate the revised calendar.

Finally, Redding states that it does not oppose the change in the payments calendar, but asks the Commission to specify that the issuance of preliminary and final settlements cannot bar Scheduling Coordinators from raising disputes regarding billing errors at a later date. Redding at 13-15. This request is unrelated to the change that the ISO has proposed in the payments calendar. Amendment No. 25 changes only the timing of the issuance of Preliminary Settlement Statements, not their content or effect. Redding's complaint is with Section 11.7.2 of the ISO Tariff, which is not changed by this amendment and which states that each Scheduling Coordinator shall be "deemed to have validated a Preliminary Settlement Statement unless is has raised a dispute or reported an exception within eight (8) Business Days" and, once validated, "a Preliminary Settlement Statement shall be binding on the Scheduling Coordinator." Because Amendment No. 25 does not alter the period for review of Preliminary Settlement Statements, Redding's concerns are misplaced. Moreover, the Commission has already addressed a similar argument in ruling on Amendment 22. There, the Commission concluded that the ISO Tariff's deadlines for challenges to settlement statements were reasonable, but that Scheduling Coordinators retained the right to bring a dispute

before the ISO Governing Board at any time. See *California Independent System Operator Corp.*, 89 FERC ¶ 61,229 at 61,686 (1999).

**E. The Provisions Implementing the Allocation of RMR Costs Associated with SONGS Are Reasonable.**

Under Section 5.2.8 of the ISO Tariff, the cost of Reliability Must-Run Generation is normally assigned to the Participating TO in whose Service Area the RMR Unit is located (referred to as the “Responsible Utility”). Amendment No. 22 created an exception for this rule for RMR Units not located in the Service Area of any Responsible Utility. In that case, the costs of the RMR Generation are assigned to the Responsible Utility or Responsible Utilities with Service Areas contiguous to the Service Area in which the RMR Unit is located. See *California Independent System Operator Corp.*, 89 FERC at 61,684-84. In Amendment No. 25, the ISO proposes a second exception, embodied in a new subsection of Section 5.2.8, to provide that if Generating Units at SONGS are designated as RMR Units, the ISO will determine an appropriate allocation of the costs of obtaining RMR Generation from those units among Participating TOs, based on the benefits that each Participating TO’s Service Area is expected to obtain.

No intervenor opposes the substance of this proposal. Several intervenors, however, present implementation issues or peripheral issues. Vernon asserts that language set forth Section 5.2.8, requiring the ISO to file any allocation of RMR costs among Participating TOs “pursuant to this section” under Section 205 of the Federal Power Act, should be repeated in Section 5.2.8.1. Vernon at 2-4. This change is unnecessary, since the reference to “this section”

in Section 5.2.8 encompasses Section 5.2.8.1 as a subdivision of that section. MWD argues that the sentence in Section 5.2.8 that Vernon focuses on should be expanded to specify that any allocation of RMR costs is subject to the Commission's prior review and approval. MWD at 8-10. This change, too, is unnecessary, since the consequence of a filing pursuant to Section 205 is that the substance of the filing is subject to the Commission's review and approval. Moreover, MWD's claim is unrelated to the change proposed in Amendment No. 25. It is, in substance, a contention that the ISO did not properly comply with the Commission's order accepting Amendment No. 22, *California Independent System Operator Corp.*, 89 FERC ¶ 61,229 (1999), in its December 22, 1999 filing in Docket No. ER99-4545. It therefore must be advanced in the context of that docket, not this one.

Vernon also argues that any allocation of RMR costs relating to Generating Units at SONGS should be limited to the Responsible Utility in whose Service Area SONGS is located and any Responsible Utilities with contiguous Service Areas. Vernon at 3-4. There is no necessary or valid basis for this restriction. Section 5.2.8.1 requires the ISO to identify through studies and analyses the Responsible Utilities whose Service Areas benefit from RMR Generation from a SONGS Generating Unit if and when such a unit is designated as an RMR Unit. There is no reason artificially to limit this analysis.<sup>15</sup> In addition, Vernon's arguments are premature; any issues of this sort should be raised only

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<sup>15</sup> Vernon also asserts that the term "Responsible Utility," used in Sections 5.2.8 and 5.2.8.1, is undefined. Vernon at 10. Vernon is incorrect. See ISO Tariff, Appendix A, Sheet No. 344, filed with the Commission as part of Amendment No. 15 to the ISO Tariff.

if a SONGS Generating Unit is designated as RMR and after the allocation of costs for that unit are filed with the Commission.

The CPUC supports the equitable distribution of RMR costs associated with SONGS, when and if a SONGS unit is designated as an RMR Unit.<sup>16</sup> The CPUC states that, whenever the ISO contracts to procure RMR Generation from an RMR Unit owned by a non-jurisdictional entity, the ISO should be required to file the resulting RMR Contract with the FERC to ensure that its terms are reviewed by a regulatory agency with jurisdiction. CPUC at 3. The CPUC raises a significant issue, but one that is not related to Amendment No. 25. If the ISO is required, as the purchaser of RMR Generation on behalf of the Responsible Utilities, to file RMR Contracts with non-jurisdictional entities for the Commission's review, it will do so. There is no basis, however, for conditioning Amendment No. 25's limited and unrelated change to RMR cost allocation on the resolution of this issue.

PG&E does not challenge the allocation of the costs of RMR Generation from a Generating Unit at SONGS among Responsible Utilities. It argues, however, that Responsible Utilities should be responsible only for a portion of the costs of RMR Generation, with the remainder being spread among the owner of the Generation as well as transmission owners that are not Participating TOs. PG&E at 2-3. PG&E, too, raises an issue that has nothing to do with the limited change proposed in Amendment No. 25. Amendment No. 25 does not alter the principle that all costs that the ISO incurs under an RMR Contract are payable by

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<sup>16</sup> CPUC at 2. The CPUC is correct in noting that the filing of Amendment No. 25 does not predetermine the designation of any SONGS Generating Unit as RMR.

one or more Responsible Utilities. This principle is not equivalent to a requirement that *all* costs of an RMR Unit that should be reflected in that Contract. The ISO agrees that only a portion of those costs are appropriately recovered through payments made under an RMR Contract. The issue of how large a share is appropriate, however, is well beyond the scope of this proceeding.

Finally, while SMUD supports Amendment No. 25's treatment of potential RMR costs from a SONGS Generating Unit, it asks the Commission to declare that its acceptance of this proposal is not precedential with respect to RMR costs from any other Generating Units. SMUD at 4-5. The ISO concurs that Section 5.2.8.1, as approved by the ISO Board and proposed in Amendment No. 25, does not encompass any other Generating Unit. The question of the precedential effect of a Commission Order accepting this proposal on any future amendment to the ISO Tariff is appropriately addressed when and if such an amendment is submitted.

**F. The Proposed Modifications Related to Implementation of Firm Transmission Rights Are Reasonable And Reflect the Commission's Orders.**

In Amendment No. 25, the ISO proposed three changes which were necessary to conform the FTR provisions of the ISO Tariff with Commission requirements and settlement policies approved by the ISO Governing Board. These changes included: 1) modification of Section 9.4.2.7 of the Tariff to remove a reference to the ISO Clearing Account, a change which was necessary to because the ISO has established a separate account for FTR auction proceeds; 2) modification of Appendix A of the Settlement and Billing Protocol to

include FTR Holders among the entities entitled to debits or credits of Usage Charge revenues, a change necessary to conform this provision to the Board-approved FTR policy as reflected in the ISO's December 1998 FTR filing in Docket No. ER98-3594; and 3) modification of Section 9.8.1 of the Tariff to specify, consistent with the Commission's November 10, 1999 order in *California Independent System Operator Corp.*, 89 FERC ¶ 61,153, at 61,435-36 ("November 10 Order"), that FTRs resold in secondary markets are subject to the terms and conditions applicable under the Tariff to FTRs acquired in the ISO's auction.

No intervenor takes issue with the first two proposed changes related to FTR implementation. Two intervenors raise issues related to the proposed revisions to Section 9.8.1. Redding and Modesto claim that, to the extent the revisions to Section 9.8.1 would be applicable to municipal utilities, they would impose substantive obligations on such utilities contrary to the Federal Power Act. Redding at 9-13 and Modesto at 9-12. The ISO notes that the language it proposes be added to Section 9.8.1 merely incorporates the requirement established by the Commission in the November 10 Order that "FTR resellers (*public and non-public utilities*) must require, in contracting with buyers, that all resales are subject to the terms and conditions approved by the Commission for the ISO's FTRs." 89 FERC at 61,436 (emphasis added). Redding and Modesto are taking issue not with Amendment No. 25, which merely brings the ISO Tariff in conformance with the Commission's November 10 Order, but with the

November 10 Order itself. Their claims therefore go beyond the scope of the instant proceeding and are more properly addressed in Docket No. ER98-3594.<sup>17</sup>

Moreover, the November 10 Order makes it clear that FTRs are FERC jurisdictional products that relate to the use of the transmission facilities operated by the ISO, which is a public utility as defined in the Federal Power Act. The ISO recognizes that its release of FTRs is subject to the terms and conditions approved by the Commission. There is no reason why Firm Transmission Rights over transmission facilities operated by a public utility should cease to be a jurisdictional product simply because they are resold to a non-public utility, especially where the Commission has mandated that any such resale must also be subject to the terms and conditions approved by the Commission. The Commission should approve the revisions to Section 9.8.1 as proposed in Amendment No. 25.

MWD, another entity which is not a public utility, has no objections to the proposed changes in Amendment No. 25 related to implementation of FTRs, including the proposed revisions to Section 9.8.1. MWD at 6 n.4. MWD does have objections, however, to changes the ISO has proposed in another proceeding entirely, the filing submitted in Docket No. ER99-4545 on December 22, 1999, in compliance with the Commission's order accepting Amendment No.

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<sup>17</sup> Indeed, Redding acknowledges that these issues were raised in a Joint Request for Rehearing of the November 10 Order by TANC, Modesto, and Redding, which is currently pending in Docket No. ER98-3594. Redding at 9 n.2. The claims raised by Redding and Modesto in the instant proceeding would only be valid if the Commission did, in fact, modify the November 10 Order as requested by those parties.

22 to the ISO Tariff. *California Independent System Operator Corp.*, 89 FERC ¶ 61,229 (1999). Specifically, MWD requests that the Commission direct the ISO to modify Section 9.4.2.8 of the ISO Tariff as filed in the Amendment No. 22 compliance filing to indicate that the ISO will post the following information on the ISO Home Page: the identity of entities that hold FTRs, the quantity of FTRs held by such entities on each path, and the path rating of the interface.<sup>18</sup> MWD at 7-8. The ISO has proposed no changes to Section 9.4.2.8 in Amendment No. 25. The issues raised by MWD therefore go beyond the scope of the instant proceeding and are properly addressed in Docket No. ER99-4545. Moreover, the posting requirements that MWD proposes be added to Section 9.4.2.8 are already set forth in Section 9.8.3 of the ISO Tariff, as that provision would be modified by the ISO's Amendment No. 22 compliance filing. There is no reason why such posting requirements would need to be stated twice in the Tariff. MWD's claim that the ISO has not complied with the Amendment No. 22 Order is incorrect, and the objections it raises in this proceeding should therefore be disregarded.

MWD also objects to the fact that the proposed Tariff sheets submitted with Amendment No. 25 reflect changes proposed in the Amendment No. 22 compliance filing, upon which the Commission has not, to date, acted. MWD at 6. In the Amendment No. 25 transmittal letter, the ISO explicitly acknowledged

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<sup>18</sup> Section 9.4.2.8 as proposed by the ISO already indicates that the ISO will post on the ISO Home Page the prices at which FTRs are sold in each FTR Market through the primary auction.

the overlap between these two filings.<sup>19</sup> Contrary to MWD's claim, the ISO therefore has not treated the Amendment No. 22 compliance changes as if they have already been accepted by the Commission. To the extent necessary, the ISO would, of course, revise the Tariff sheets submitted with Amendment No. 25 to reflect the Commission's action on the Amendment No. 22 compliance filing.

**G. The Limited Transmission Owner Debit Clarification Proposed in Amendment No. 25 Is Appropriate.**

Amendment No. 25 included only a minor modification related to the proposal approved in Amendment No. 13 relating to the calculation and distribution of Usage Charges in the event of transmission derates (the "TO Debit" solution). *See California Independent System Operator Corp.*, 86 FERC ¶ 61,122 at 61,419-20 (1999). Specifically, the ISO proposed to insert a requirement for the ISO to notify Scheduling Coordinators of the operating hour in the Hour-Ahead Market in which the transmission derate will apply and the extent of the derate.

SMUD supports this proposal. SMUD at 4. The PX, however, raises unrelated objections to the TO Debit solution, arguing that the ISO should be required to provide final, settlement-quality Usage Charge information prior to the close of the Hour-Ahead Market. PX at 3-4. This argument, however, has nothing to do the modification proposed in Amendment No. 25. The Commission approved the TO Debit solution in Amendment 13 without imposing such a requirement. *See California Independent System Operator Corp.*, 86 FERC at

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<sup>19</sup> Amendment No. 25 Transmittal Letter at 6 n.7. The overlap is found on Tariff Sheet Nos. 189-I and 189-M, the latter of which includes Section 9.8.3.

61,420. The ISO's addition of a requirement for notice to Scheduling Coordinators does not provide an appropriate occasion for the PX to reargue challenge to the Amendment No.13 Order or to present unrelated concerns about the ISO's settlements system.

The PX also complains about the failure of the ISO to insert in the ISO Tariff detailed provisions regarding the timing and content of the notice that the ISO will issue. PX at 4. The Commission has already ruled, however, that the ISO need not include all details of this kind in the Tariff. *See 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). Given the specification in the ISO Tariff that the ISO provide notice to Scheduling Coordinators when a transmission derate occurs, the inclusion of timing and content requirements need not be included in the Tariff.

#### IV. CONCLUSION

For the foregoing reasons, the Commission should accept Amendment No. 25 to the ISO Tariff with only those modifications the ISO has agreed to make in this Answer.

Respectfully submitted,

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Dated: March 3, 2000

## **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 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 Washington, D.C. this 3rd day of March, 2000.

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Sean A. Atkins