

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

**California Independent System
Operator Corporation**

Docket No. ER06-615-000

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION**

I. Introduction

The California Independent System Operator Corporation (the ISO) submits this answer to the Western Area Power Administration's response to the ISO's motion to determine that the ISO has complied with the directive of a prior Commission order¹ to design and implement software to support the export of ancillary services from its balancing authority or, alternatively, eliminate that compliance obligation because the ISO has developed alternative means to facilitate the export of ancillary services.² In its motion, the ISO demonstrated that its existing market can support exports of ancillary services without the need to incur additional costs to design and implement new software. Western, however, argues that the ISO's motion is procedurally defective, but cites no authority for its position that a motion is not an appropriate means to request the relief the ISO seeks.³ The

¹ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274 (2006) (*September 2006 Order*) at PP 348-355.

² The ISO submits this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2010). The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer Western's pleading. Good cause for this waiver exists here because the answer will provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

³ Answer of Western at 5.

Commission has authority to grant the ISO's request pursuant to a motion filed in the existing docket in which the Commission issued its directive.

II. The ISO has demonstrated that its existing market can support exports of ancillary services.

Western argues that the ISO is seeking to overturn an existing Commission order and that the ISO's motion is effectively an untimely request for rehearing for the Commission's *September 2006 Order*.⁴ This is not the case. The purpose of rehearing is to permit the Commission to correct errors in its prior order.⁵ The ISO is not alleging there is an error in the Commission's *September 2006 Order*. In its motion, the ISO explains that it has adopted market rules to support dynamic transfer functionality that can facilitate the export of ancillary services.⁶ These market rules effectively fulfill the Commission's directive that the ISO implement functionality to export ancillary services as part of new software releases. The Commission's *September 2006 Order* did not direct the ISO to implement a separate market or any other specific type of mechanism to support exports of ancillary services. Rather, the Commission adopted a more generic directive that the ISO "develop software to support exports of ancillary services in the future through stakeholder processes and to propose necessary tariff changes to implement this feature...."⁷ As reflected in its report and motion, the ISO has effectively satisfied this requirement through its dynamic scheduling initiative.

⁴ Answer of Western at 3-4.

⁵ *Shell Pipeline Company LP*, 104 FERC ¶ 61,021 (2003) at P 5. See also Rule 713(c)(1) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.713 (c)(1).)

⁶ ISO motion dated April 30, 2013 at 3-5.

⁷ *September 2006 Order* at P 355.

Western asserts that the ISO has not provided any tariff provisions relating to dynamically scheduling exports of ancillary services (as opposed to energy).⁸ But the authority to dynamically schedule energy exports from resources within the ISO can technically also support the provision of ancillary services to external balancing authorities. Under these rules, a market participant could dynamically transfer all or a portion of the actual real-time output of a specific resource or aggregation of resources within the ISO balancing authority area to another balancing authority area. The ISO would treat the ancillary service as a firm energy schedule that it could dispatch on a five minute basis to honor the ancillary service export obligation. Of course, this arrangement would require the market participant to secure external transmission and the cooperation of the adjacent balancing authority receiving the export. The ISO commits to work with Western and all market participants to help them understand how the ISO can facilitate exports of ancillary services under its existing tariff.

Western expresses concern with existing ISO tariff provisions that do not permit scheduling coordinators to submit bids for the export of ancillary services.⁹ As further explained in the ISO's motion, the ISO cannot justify spending additional resources at this time to design and implement a bid-based, auction market functionality to support export for ancillary services.¹⁰ Stakeholder interest in this functionality is not apparent and the design and implementation costs do not appear to create a corresponding benefit for the ISO market. Nor did the *September 2006 Order* expressly impose a requirement for the ISO to establish a separate market for

⁸ Answer of Western at 6.

⁹ Answer of Western at 6.

¹⁰ ISO motion dated April 30, 2012 at 5-10.

ancillary services exports for entities that have decided not to be members of the ISO. To the extent the Commission's *September 2006 Order* contemplated that the ISO would develop software to support bid-based exports of ancillary services, the ISO is requesting that the Commission eliminate this requirement because the ISO has substantially accomplished the Commission's goal through other mechanisms.

As Western acknowledges, the ISO has also incorporated pseudo-tie functionality, which allows a generator located in one balancing authority to operate as if it is electrically located within an adjacent balancing authority.¹¹ In fact, Western currently uses this functionality in connection with the New Melones power plant to export energy from the ISO balancing authority to the Balancing Authority of Northern California.¹² As the Commission is aware, Western elected to join what is now known as the Balancing Authority of Northern California as of January 1, 2005. Had Western remained within the ISO balancing authority area it could have continued to satisfy its ancillary services obligation associated with loads now in the Balancing Authority of Northern California through the use of the ISO's bid-based, auction market.

III. The Commission has authority to grant the ISO's motion.

Western argues that the ISO should file a petition for a declaratory order, if it believes the Commission's *September 2006 Order* is unjust and unreasonable.¹³

¹¹ Answer of Western at 5-6.

¹² New Melones is a 300 MW hydro facility on the Stanislaus River in Calaveras County, California that is owned by the United States Bureau of Reclamation. The power plant sits within the ISO's balancing authority area. With the use of pseudo-tie functionality, Western may schedule exports from the ISO that match the output from the power plant.

¹³ Answer of Western at 5. In its Answer, Western references the need for the ISO to file both a Section 206 petition for a declaratory order and a Section 206 motion. Western states "While Western appreciates the work the CAISO has done to develop tariff changes to accommodate pseudo ties and dynamic schedules, such processes do not minimize the need for the CASIO to provide evidence to support a 206 motion."

Western asserts this procedure would allow the Commission to notice the filing and provide interested stakeholders with the opportunity to intervene and participate. The ISO's motion, however, is an acceptable procedural vehicle under the Commission's rules of practice and procedure and has provided parties with the opportunity to comment on the ISO's request for relief.

Rule 212 of the Commission's rules of practice and procedure provides that a party may file a motion at any time, unless otherwise provided, in any proceeding except an informal rulemaking proceeding.¹⁴ A motion must contain a clear and concise statement of the facts and law which support the motion and the specific relief or ruling requested.¹⁵ The ISO's April 30, 2013 motion complies with these procedural rules by explaining the ISO's current functionality, which allows scheduling of ancillary service exports, as well as the costs and benefits of implementing a more complicated bid-based mechanism. The ISO's motion then requests that Commission find that the ISO has satisfied the directive in the *September 2006 Order*. Alternatively, the motion requests that to the extent the Commission contemplated that the ISO would develop a bid-based, auction market for ancillary service exports the Commission remove any such compliance obligation. Good cause exists to grant this relief because the ISO has developed alternative means to facilitate the export of ancillary services. The ISO served its motion on all parties in the underlying docket in which the Commission issued its *September 2006 Order*, thereby affording parties the opportunity to comment on the ISO's requested relief.¹⁶

¹⁴ 18 C.F.R. § 385.212 (a).

¹⁵ 18 C.F.R. § 385.212 (c).

¹⁶ On May 15, 2013, Pacific Gas and Electric Company filed an answer supporting the ISO's motion. The ISO does not oppose the Commission publishing a notice of the ISO's April 30, 2013

The Commission has previously granted similar procedural requests.¹⁷ For example, in *Neptune Regional Transmission System, LLC*, the Commission granted in part and rejected in part a “motion to modify prior order” concerning the rules governing how a transmission developer could sell long-term transmission scheduling rights in connection with a proposed merchant transmission facility. Although the Commission denied the transmission developer’s motion in part, the Commission granted the transmission developer’s motion to modify its prior order to allow affiliates to participate in an open season for transmission scheduling rights, subject to conditions. The Commission granted this relief based on changes in market conditions and intervening Commission orders.¹⁸

In this proceeding, the ISO’s motion is likewise an acceptable means to request that the Commission find the ISO has complied with the Commission’s directive to design and implement software to support the export of ancillary services or, alternatively, eliminate this compliance obligation. The development of dynamic scheduling functionality that can facilitate ancillary services exports since the issuance of the Commission’s *September 2006 Order* provides good cause to grant the ISO’s motion.

IV. Conclusion

The ISO’s current market design allows for internal resources to sell capacity from a resource to a buyer outside of the ISO. As such, the ISO market contains features that scheduling coordinators may rely on to export ancillary services. The

motion in the Federal Register and setting a comment date, if the Commission determines it is appropriate to do so.

¹⁷ *Neptune Regional Transmission System, LLC* 103 FERC ¶ 61,213 (2002).

¹⁸ *Id.* at P 21-22.

ISO has appropriately submitted a motion requesting that the Commission find that the ISO has satisfied the directive in the *September 2006 Order*. Alternatively, the ISO requests, the Commission should eliminate any directive that the ISO must design and implement software to support bid-based export of ancillary services from its balancing authority. The Commission has authority to grant this motion under its rules of practice and procedure.

Respectfully submitted,

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Dated: May 22, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 22nd day of May 2013.

Is/ Anna Pascuzzo
Anna Pascuzzo