

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

California Independent System) Docket No. ER08-1113-002
Operator Corporation)

**MOTION FOR LEAVE TO RESPOND AND RESPONSE OF THE OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO THE
ANSWER OF THE TRANSMISSION AGENCY OF NORTHERN CALIFORNIA AND
MODESTO IRRIGATION DISTRICT**

I. INTRODUCTION

On April 6, 2009, the California Independent System Operator Corporation (“the ISO”) submitted in the above-captioned proceeding a Request for Rehearing and Request for Clarification or, in the alternative, Rehearing (“Request for Clarification”) of the Commission’s March 6, 2009, Order on Compliance.¹ On April 21, 2009, the Transmission Agency of Northern California (“TANC”) and the Modesto Irrigation District (“MID”) filed answers to the ISO’s Request for Clarification.² The ISO moves to respond to the answers of TANC and MID. The ISO’s response is limited to clarifying or correcting a premise contained in the answers of TANC and MID. The ISO is not otherwise responding to the arguments of TANC and MID.

II. MOTION FOR LEAVE TO RESPOND

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2008), the ISO hereby requests leave to file this response to the answers filed by TANC and MID on April 21, 2009 in the above-referenced proceeding. The ISO requests waiver of Rule 213(a)(2) (18 C.F.R. § 385.213(a)(2)) to permit its response. The ISO’s response is limited to clarifying or correcting a premise contained in the TANC and MID answers. The

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

² MID adopted and incorporated the answer filed by TANC as its own. *See* MID Answer at p 2.

ISO is not otherwise responding to the arguments of TANC and MID. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case.³

III. ISO RESPONSE

In the ISO's Request for Clarification, it agreed to remove the simultaneous import/export restriction in the last sentence of Section 27.5.3.2.2 consistent with the Commission's direction in the *Order on Compliance*.⁴ The ISO also requested that it be allowed to implement two narrower rules regarding pricing under Market Efficiency and Enhancement Agreements ("MEEAs") that were based on the Interface Pricing Arrangements PJM had with Duke Energy Carolinas ("DEC"), Progress Energy Carolinas ("PEC"), and North Carolina Municipal Power Agency ("NCMPA") and that were discussed in the testimony submitted in this proceeding by Dr. Harvey and Dr. Hildebrandt.⁵ The ISO noted that the proposed restrictions were consistent with the goals of the IBAA proposal to "not apply[] MEEA-specific pricing in circumstances where the ISO cannot verify that the resources used to implement the interchange transaction are the IBAA resource or resources specified in the MEEA and used to calculate the MEEA-specific LMPs."⁶

³ 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); *Entergy Services, Inc.*, 101 FERC ¶ 61,289, at 62,163 (2002); *Duke Energy Corp.*, 100 FERC ¶ 61,251, at 61,886 (2002); *Delmarva Power & Light Co.*, 93 FERC ¶ 61,098, at 61,259 (2000).

⁴ See ISO Request for Clarification at 20 (and generally at 19-26).

⁵ *Id.* at 21-25.

⁶ *Id.* at 21.

Both TANC and MID allege that the ISO restriction is intended to restrict MEEA pricing even in those circumstances where “resource information is available and can be provided.”⁷

TANC also claims that:

*the limitation the ISO proposes on MEEA eligible pricing violates the ISO’s stated intent for its IBAA proposal of obtaining information that allows it to verify the location and operation of resources used in interchange transactions and the Commission’s determination that obtaining such information justified the IBAA proposal.*⁸

TANC and MID are incorrect. In proposing the two restrictions, the ISO did not mean to imply that the restrictions could not be overcome if the ISO had the necessary information to verify that the resources identified in the MEEA were the resources dispatched to implement the interchange transaction.

The main point with a MEEA always has been to ensure that the ISO (and the Commission) have the ability to verify that MEEA-specific pricing is appropriate. The ISO has no objection to making this point clear in the language proposed in its Request for Clarification. In other words, the tariff language would indicate that the restrictions in Section 25.5.3.2.5 would not apply if a MEEA executed by the ISO and a MEEA signatory provided otherwise and if, of course, the MEEA were approved when it was filed with the Commission under Section 205 of the Federal Power Act. The ISO also will make this point clear in the upcoming IBAA compliance filing.⁹

⁷ TANC Answer at 5; MID Answer at 2.

⁸ *Id.* (emphasis added).

⁹ ISO also notes that the numbering of proposed Section 25.5.3.2.5 could change due to the upcoming IBAA compliance filing. *See, e.g.*, the Commission’s May 4, 2009 Order granting extension of time in Docket No. ER08-1113-002.

IV. CONCLUSION

For the reasons discussed herein, the ISO respectfully requests that the Commission accept this limited response and clarification to the answers filed by TANC and MID.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 6th day of May, 2009.

/s/ Anna Pascuzzo
Anna Pascuzzo