

UNITED STATES OF AMERICA 99 FERC ¶ 61,296
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
and Nora Mead Brownell.

California Independent System
Operator Corporation

Docket No. ER02-1637-000

ORDER ACCEPTING FOR FILING PROPOSED TARIFF AMENDMENT

(Issued June 11, 2002)

On April 24, 2002, the California Independent System Operator Corporation (ISO) filed Amendment No. 43 that modifies the Dispatch and Settlement provisions for Imbalance Energy under the ISO's Open Access Transmission Tariff (OATT). The ISO proposes to settle energy imported into the ISO Control Area by Scheduling Coordinators for each transaction interval during the operating hour at the ISO Instructed Imbalance Energy Market Clearing Price on a temporary basis through September 30, 2002.¹ As discussed below, we accept for filing, effective upon the issuance date of this order, the ISO's Amendment No. 43. This order is in the public interest because it will provide increased incentives to generators from outside the ISO's control area to make more energy available to meet the anticipated summer loads in California.

Background and Proposed Amendment

Under the ISO's current tariff provisions for Imbalance Energy, the ISO settles with each Scheduling Coordinator for Instructed Imbalance Energy based on the Market Clearing Price for each ten-minute transaction interval. When the ISO changes its dispatch instructions within the hour and System Resources² are unable to respond to the changed instructions, the ISO treats the energy as Uninstructed Imbalance Energy.

¹The ISO Stakeholders have reached general consensus that this modification is necessary given the critical need for imported Energy in the summer. However, the existing Section 11.2.4.1 will go back into effect on October 1, 2002.

²System Resources are defined as "a group of resources located outside the ISO Control Area capable of providing Energy and/or Ancillary Services to the ISO Controlled Grid."

In early April 2002, the ISO, in a stakeholder meeting with Market Participants, California State entities, investor-owned utilities and publically-owned utilities, concluded that the current settlement procedures for Scheduling Coordinators with generation outside of the ISO's Control Area, *i.e.*, System Resources, limits the ability of these System Resources to participate in the California markets. According to the ISO, System Resources located in Western Interconnection control areas schedule on an hourly rather than ten-minute interval and thus, are subject to both technical limitations and regulations of their control area that do not allow for intra-hour responses to ISO dispatch instructions. Therefore, these System Resources cannot respond to this instruction and thus, the ISO receives the scheduled energy amount but pays for that portion, which is deemed to be uninstructed energy, at a price lower than the Instructed Imbalance Energy price. The ISO claims that as a result of this pricing policy, System Resources have reduced their participation in the California market.

In Amendment No. 43, the ISO proposes to revise Section 11.2.4.1, Net Settlements for Uninstructed Imbalance Energy, so that System Resources, unable to comply with ten-minute dispatch instructions or make intra-hour schedule adjustments, will not be subject to settlement at the uninstructed deviation price for ten-minute intervals. System Resources will now be paid the Instructed Imbalance Energy Market Clearing Price throughout the operating hour. This amendment is proposed to be made effective immediately and remain in effect through September 30, 2002.

Notice of Filings and Interventions

Notice of the ISO's Amendment No. 43 was published in the Federal Register, 67 Fed. Reg. 30679 (2002), with motions to intervene or protests due on or before May 15, 2002. Timely motions to intervene were filed by the California Department of Water Resources (CDWR), Williams Energy Marketing & Trading Company (Williams), Turlock Irrigation District (Turlock), Duke Energy North America, LLC and Duke Energy Trading and Marketing, LLC (Duke Energy), the California Electricity Oversight Board (CEOB), Southern California Edison Company (SoCal Edison), the Transmission Agency of Northern California (TANC), the Modesto Irrigation District (Modesto), and the City of Santa Clara, California (Santa Clara). Timely motions to intervene and comments supporting the filing were filed by the Sacramento Municipal Utility District (SMUD), the Northern California Power Agency (NCPA), the Independent Energy Producers Association (IEPA), Powerex Corp. (Powerex), and the California Municipal Utilities Association (CMUA).

Discussion

A. Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2001), each timely, unopposed motion to intervene serves to make the entity that filed it a party to this proceeding.

B. Commission Determination

As noted, a number of intervenors have filed comments in support of this proposed amendment stating that it will help mitigate the financial penalties imposed on System Resources due to their inability to revise schedules on a ten-minute basis and will help the ISO meet load requirements this summer by increasing the amount of imported power. Additionally, no intervenors have filed protests to the ISO's proposed amendment.

We agree with the ISO that without modification of the current tariff requirements, System Resources may refrain from scheduling energy into the California markets during the upcoming summer peak season. Under the ISO's revised settlement procedures System Resources will receive the Instructed Imbalance Energy price, rather than the lower Uninstructed Imbalance Energy price, for those ten-minute intervals when the ISO requested a reduction in the scheduled amounts. The additional price certainty from this tariff amendment should alleviate the reluctance of System Resources to schedule into the ISO Imbalance Energy market as a result of the ISO's current pricing policies. Accordingly, while this amendment allows settlement procedures for System Resources that are different than those applied to in-state generators, we find that these generators are differently situated (they schedule on an hourly, rather than ten-minute basis, and may not be able to respond to ISO reduction requests), and will provide significant reliability benefits during this limited time period. Thus, we conclude that the ISO's proposed tariff amendment is reasonable and in the public interest and is accepted for filing to become effective upon the date of issuance of this order. The revised tariff provision, by its own terms, expires after September 30, 2002.

The Commission orders:

- (A) The Cal ISO's proposed tariff Amendment No. 43 is hereby accepted for filing, effective as of the date of this order.
- (B) Rate Schedule designations are shown on the Attachment.

By the Commission.

(S E A L)

Linwood A. Watson, Jr.,
Deputy Secretary.

Rate Schedule Designation
Docket No. ER02-1637-000

| <u>Designation</u> | <u>Description</u> |
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| (1) First Revised Sheet No. 247 under FERC Electric Tariff, First Revised Volume No. 1 (Supersedes Original Sheet No. 47) | Revised Section 11.2.4.1 - Net Settlements for Uninstructed Imbalance Energy |
| (2) Original Sheet No. 247A under FERC Electric Tariff, First Revised Volume No. 1 | " " |