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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners:

California Independent System Operator

Docket Nos. ER02-1834-001 and
ER02-1835-001
(Not Consolidated)

ORDER DENYING REHEARING

1. On August 15, 2002, the California Independent System Operator (CA ISO) filed a request for rehearing of the Commission's order rejecting an unexecuted Participating Generator Agreement (PGA) and an unexecuted Meter Service Agreement (MSA) between the CA ISO and the City of Riverside, California (Riverside).¹ As discussed below, we deny the request for rehearing. The Commission's decision will allow new generation to be installed that will reduce the overall demands imposed on the CA ISO controlled grid, thereby enhancing reliability.

BACKGROUND

2. On May 17, 2002, the CA ISO filed an unexecuted PGA in Docket No. ER02-1834-000 and an unexecuted MSA in Docket No. ER02-1835-000 with the City of Riverside, California. Riverside recently built the Springs Generation Project (Springs Project) with a capacity of 40 MW. The Springs Project is located entirely within the Riverside system and is not interconnected directly with the CA ISO's grid facilities. Riverside will use the Springs Project solely to meet the needs of its native load customers for limited periods. The Springs Project has emissions restrictions that will limit the energy generated by the facility.

3. In our July 16 order, we pointed out that the language contained in the CA ISO Tariff and the pro forma PGA are directed to generation interconnected to the CA ISO controlled grid. We noted further that Riverside planned to use the Springs Project to offset imports from the CA ISO grid, and that Riverside had no intention of ever using the CA ISO grid for this project. Since the terms of the CA ISO Tariff and the pro forma

¹100 FERC ¶ 61,055 (2002) (July 16 order).

PGA are focused on generation that will be interconnected with the CA ISO grid and since Riverside will not use the CA ISO grid for Springs Project generation, we concluded that Riverside was not required to execute a PGA with the CA ISO for the Springs Project.

4. In our July 16 order, we also found that Riverside's Springs Project does not meet the definition of an "ISO Metered Entity" in the CA ISO's Tariff because the facility is not directly connected to the CA ISO controlled grid. Riverside was not obligated to execute an MSA with the CA ISO. The July 16 order therefore rejected both the unexecuted PGA and unexecuted MSA.

REQUEST FOR REHEARING

5. In its rehearing request, the CA ISO reiterates the arguments raised in its original filing. The CA ISO argues that there is no evidence in the record to support the Commission's conclusion that the Springs Project is not interconnected to the CA ISO controlled grid and therefore is not required to execute a PGA with the CA ISO. The CA ISO points out that the Springs Project is installed within the Riverside system, and that the Riverside system is interconnected to the CA ISO controlled grid through Southern California Edison Company's Vista Substation. The CA ISO also points out that a loss of all the Springs Project units could result in Riverside pulling as much as 40 MW from the Cal ISO controlled grid.

6. The CA ISO argues further that under the terms of its Tariff, generating units can be directly or indirectly interconnected to the CA ISO controlled grid. According to the CA ISO, the physical realities of interconnected system operations are such that effects at the distribution system level can impact the CA ISO controlled grid. This coupled with the fact that a sudden loss of the Springs Project generation could result in Riverside pulling power from the CA ISO controlled grid support the CA ISO's argument that the Springs Project is interconnected to the CA ISO controlled grid, albeit indirectly. According to the CA ISO, the Springs Project therefore is a Participating Generator that should be required to sign a PGA.

7. The CA ISO then argues that because the Springs Project is a Participating Generator, the Springs Project falls within the definition of an "ISO Metered Entity" even though it is not directly connected to the CA ISO controlled grid, and Riverside therefore must also sign a MSA for the Springs Project.

8. Finally, the CA ISO challenges the Commission's determination in the July 16 order that Riverside will provide to the CA ISO information on the operations of the Springs Project in order to enable the CA ISO to fulfill its responsibilities as Control Area operator and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. The CA ISO points out that while Riverside stated that it would provide such information, Riverside and the CA ISO have not reached an agreement on what information should be exchanged. The CA ISO therefore requests the Commission on rehearing to require either that Riverside and the CA ISO develop an agreement specifically identifying the information and other responsibilities of Riverside and the CA ISO, or that Riverside sign a Metered Subsystem Agreement (MSS Agreement).

DISCUSSION

9. We find that the CA ISO Tariff only requires entities that seek to participate in the CA ISO's markets (meaning to sell power) to sign a PGA. As we said in the July 16 order, the terms of both the pro forma PGA and Section 5 of the CA ISO Tariff are focused on generation that will be interconnected to the CA ISO controlled grid. In the July 16 order we found that Riverside's Springs Project is not directly connected to the CA ISO controlled grid, and as stated above Riverside does not intend to sell power generated by the Springs Project in the CA ISO's markets. The CA ISO does not challenge Riverside's representation that Riverside does not intend to use the Springs Project to participate in the CA ISO markets, and agrees the facility is only indirectly connected to the CA ISO's grid.² Riverside will not use the Springs Project for any purpose other than to serve its native load. The CA ISO has not presented any evidence to support the Commission concluding otherwise. Therefore, we will deny rehearing of the CA ISO's attempt to impose a PGA on the Springs Project as a Participating Generator in Docket No. ER02-1834-001.³

10. We find further that the CA ISO has not presented any evidence to reverse the Commission's conclusion that Riverside's Springs Project does not meet the definition of an "ISO Metered Entity" in the CA ISO's Tariff. As we noted in our July 16 order, under the tariff definition of an "ISO Metered Entity," an entity must meet several conditions,

²See Cal ISO's rehearing request at p. 3.

³The Commission reached a similar conclusion regarding the Cal ISO's attempt to impose an unexecuted PGA and an unexecuted MSA on a cogeneration unit owned by Valero Refining Company - California in Docket Nos. ER02-2043-000, et al.. See 101 FERC ¶ 61,081 (2002).

one of which is that the entity is directly connected to the CA ISO controlled grid. In its rehearing request, the CA ISO points out that even though the Springs Project is not an entity directly connected to its controlled grid, the Springs Project does fit within the second part of the "ISO Metered Entity" definition which applies to entities that are Participating Generators for which there is no requirement to be directly connected to the CA ISO controlled grid. But as we noted in the prior section, the Springs Project is not a Participating Generator that should sign a PGA. We find therefore that the Springs Project does not fall within the second part of the definition of an "ISO Metered Entity" as a Participating Generator required to sign a MSA. We deny rehearing of the CA ISO's attempt to impose an MSA on the Springs Project in Docket No. ER02-1835-001.

11. Riverside's Springs Project is an intermittent facility, not a base load facility. The Springs Project consists of 4 gas-fired combustion turbine generating units with a rated capability of 10 MW each. The Project was developed for two purposes – to provide in-system generating capability to support essential services such as hospital and public safety facilities in the event of an outage or capacity restriction at the Southern California Edison Company's Vista Substation, and to allow Riverside to reduce its demands on the CA ISO controlled grid when requested to do so by the CA ISO without curtailing service to Riverside's native load customers.⁴ Because of emission's restrictions, the Springs Project is energy limited, and will operate for no more than 1500 hours per year.⁵ Riverside's system is served by seven 66 kV radial transmission lines from the Southern California Edison Company's Vista Substation, and Riverside's minimum load in 2001 was 123 MW.⁶ In light of these facts, we concur with Riverside that at no time will the output exceed Riverside's load, thereby ensuring that electricity from the Springs Project will not be sent onto the CA ISO controlled grid.

12. In our July 16 order, we indicated that even though Riverside will not use the CA ISO grid for the Springs Project, Riverside had agreed in its formal comments (Mr. McCann's affidavit) that it would provide full information of the Springs Project in order to enable the CA ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. The CA ISO points out in its rehearing request however that while it has been in discussions with

⁴See Daniel McCann's Affidavit in Riverside's Motion to Intervene and Protest in Docket No. ER02-1834-000 at pp. 3-5.

⁵Id.

⁶Id.

Riverside as to the information that should be exchanged, to date the parties have not agreed on what that information should entail. According to the CA ISO, a "stumbling block" in the discussions was the treatment of the Springs Project in meeting Riverside's load responsibility. Our decision that Riverside is not required to sign a PGA or a MSA for the Springs Project removes that "stumbling block." Therefore, we direct Riverside to provide to the CA ISO all the information it deems necessary to enable the CA ISO to fulfill its responsibilities as Control Area operator and to collect all related necessary charges.

13. The CA ISO notes in its rehearing request that the fundamental issue underlying these filings relates to how the CA ISO should interact with vertically integrated utilities. The Cal ISO points out that Amendment No. 46 to the CA ISO Tariff establishing MSS Agreements, which has been filed with the Commission and is currently pending in Docket No. ER02-2321-000, proposes tariff revisions that would accommodate vertically integrated utilities such as Riverside within the CA ISO. According to the CA ISO, if Riverside signs the MSS Agreement proposed in Amendment No. 46, all the requirements would be in place to allow the CA ISO to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis; thus there would be no need for a PGA or MSA for the Springs Project. Without the MSS Agreement, the CA ISO argues there is no assurance that it will be given the information and commitments it requires from Riverside.

14. We agree with the CA ISO that it would be preferable for Riverside to sign an MSS Agreement with the CA ISO. We note that the CA ISO has successfully entered into such agreements with several other similarly situated entities. We believe there are benefits to both parties in such an agreement, including the determination of protocols, charges and reliability. We find, however, that the particular application of an MSS Agreement between CA ISO and Riverside is beyond the scope of this proceeding. That said, we encourage the parties to continue to work toward the goal of developing an MSS Agreement.

The Commission orders:

(A) The CA ISO's request for rehearing is denied.

(B) Riverside is directed to provide all the information the CA ISO deems necessary to enable the CA ISO to fulfill its responsibilities as Control Area operator and to collect all related necessary charges.

By the Commission.

Secretary