

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION  
101 FERC \* 61,084

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

California Independent System  
Operator Corporation  
ER02-2576-000

Docket Nos.

ER02-1656-005

ORDER ON PROPOSED TARIFF REVISIONS  
AND COMPLIANCE FILING

(Issued October 25, 2002)

1. In this order, we accept parts of the California Independent System Operator's (CAISO) September 20, 2002 proposed tariff revisions concerning its Comprehensive Market Redesign Proposal (MD02). We also clarify an issue the CAISO raised in an August 16, 2002 compliance filing.[1] This order benefits customers by clarifying aspects of the CAISO tariff, which will result in enhanced electricity reliability for California and help provide power at just and reasonable prices.

Background

2. In its September 20, 2002 proposed tariff revisions, the CAISO requests the following modifications to its tariff: (1) postponement of the effective date for the implementation of real-time economic dispatch and uninstructed deviation penalties; (2) a change in the deadline for submitting supplemental energy bids for the next hour's real-time market from 45 minutes before the start of that operating hour to 60 minutes; (3) an exemption for bids \$0/MWh or less from the calculation to determine the reference price for resources; (4) an extension of the provision of the CAISO tariff amendment number 43 to pay system resources the instructed imbalance energy price for these intervals when the CAISO requested a reduction in scheduled amounts; (5) clarification that automatic mitigation procedures (AMP) reference prices will be calculated daily; and (6) a limitation of the liability of the independent entity calculating AMP reference prices.

Discussion

3. As an initial matter, we note that the Commission addressed the majority of the CAISO's September 20, 2002 proposed tariff revisions in an October 11, 2002 order.[2] In this order, we address the remaining issues of the CAISO's September 20, 2002 proposed tariff revisions.

4. Notice of the CAISO September 20, 2002 filing was published in the Federal Register on October 7, 2002, 67 Fed. Reg. 62,457 (2002), with comments, protests, and motions to intervene due on or before October 11, 2002. Duke Energy North America, LLC and Duke Energy Trading and Marketing; Mirant Parties and Northern California Power Agency filed timely comments to the CAISO's September 20, 2002 proposed tariff revisions. Southern California Edison Company filed a timely motion to intervene.

5. The CAISO requests that the limitation on liability clause in section 14.1 of its tariff be extended to the independent entity it hired to calculate AMP reference prices.[3] Specifically, this amendment to the CAISO tariff would limit the independent entity's liability for damages to any market participant arising from that entity's calculation of reference prices except to the extent that those damages result from negligence or intentional wrongdoing. In order to allow the independent entity to begin calculating AMP reference prices as of October 31, 2002 when AMP goes into effect, we will accept this proposed tariff revision. However, we note that our acceptance of this extension of the limitation on liability to the independent entity is subject to the final outcome of the Commission's Standard Market Design.[4]

6. The CAISO proposes to modify tariff section 2.5.22.4.1 and dispatch protocol section 7.3 to change the deadline for submitting supplemental energy bids from 45 minutes before the start of the operating hour to 60 minutes before the start of the operating hour. Without this change, the CAISO claims it will not have sufficient time to complete inter-control area schedules by 30 minutes prior to the next operating hour in accordance with standard Western Electricity Coordinating Council practice. The CAISO further states that this change is needed to accommodate the processing time AMP requires.

7. Mirant opposes changing the deadline for submitting supplemental energy bids unless a corresponding change is made to the deadline for submitting bids in the CAISO's hour-ahead market. Mirant suggests moving this deadline from 120 minutes before the start of the operating hour to 135 minutes before the start of the operating hour.

8. We find the modification the CAISO proposes and the corresponding change that Mirant proposes to be reasonable. Accordingly, we direct the CAISO to file tariff language reflecting these changes.

9. Additionally, we clarify the application of the single energy bid curve to the ancillary services market. At present, scheduling coordinators are required to submit an energy bid when they bid to provide ancillary services. In its May 1, 2002 MD02 filing, the CAISO proposed to eliminate this requirement. Specifically, the CAISO contended that, if the Commission had accepted the CAISO's entire proposal, scheduling coordinators would have been required to submit energy bids into its proposed residual unit commitment process and the requirement would have

become redundant. However, in our July 17 Order we rejected the proposed interim residual unit commitment process. We clarify that our rejection of the interim residual unit commitment proposal does not alter the existing requirement that an energy bid be associated with awarded ancillary services capacity. We further clarify that a bidder into the ancillary services market is not exempt from the requirement to submit a single energy bid curve. Thus, for the near term the single energy bid curve will apply to the hourly, 10-minute, and ancillary services markets. Accordingly, we direct the CAISO to reflect this clarification in its tariff.

10. Finally, we grant the CAISO's request for an extension of the provision of the CAISO tariff amendment number 43 to pay system resources the instructed imbalance energy price for those intervals when the CAISO requested a reduction in scheduled amounts. It would be unfair for system resources to receive a lower (uninstructed energy) price in instances when these system resources can not adjust their scheduled amounts in response to the CAISO's ten minute dispatch instructions.

The Commission orders:

The Commission hereby accepts in part the CAISO's September 20, 2002 proposed tariff revisions and clarifies the July 17, 2002 order, as discussed in the body of this order.

By the Commission.

( S E A L )

Linwood A. Watson, Jr.,  
Deputy Secretary.

#### Footnotes

[1]See California Independent System Operator Corporation, 101 FERC \* 61,061 (2002) (October 11 Order). In the October 11 Order, the Commission stated that it would address additional issues pertaining to the CAISO compliance filings at a later time.

[2]See Id.

[3]See California Independent System Operator Corporation, 100 FERC \* 61,060 (2002) (July 17 Order), rehearing denied in part and granted in part, October 11 Order.

[4]See Notice of Proposed Rulemaking on Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design, 100 FERC \* 61,138 at paragraphs 385-89 (2002).