UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System	)	**Docket Nos. ER09-1281-000**
Operator Corporation	)	

REQUEST FOR CLARIFICATION OR, IN THE ALTERNATIVE, REHEARING
OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Section 313 of the Federal Power Act (FPA), 16 U.S.C. § 825l, and

Rule 713 of the Rules of Practice and Procedure of the Federal Energy Regulatory

Commission (Commission), 18 C.F.R. § 385.713 (2009), the California Independent

System Operator Corporation (the ISO) respectfully submits the following request for

clarification or, in the alternative, rehearing of the Commission's Order on Tariff

Revisions, 128 FERC ¶ 61,131 (2009) (August 4 Order).

I.   STATEMENT OF ISSUES

Pursuant to Rule 713 (c)(2) of the Commission's Rules of Practice and Procedure,

18 C.F.R. § 385.713(c) (2) (2009), the ISO respectfully submits the following statement

of issues:

1.   Whether the August 4 Order incorrectly presumes that the ISO is always

able to produce the comparative nodal cost data the Commission required the ISO to

publish when the Integrated Forward Market (IFM) fails to clear using the distributed

load reference bus and instead clears with the use of a distributed generation reference

bus as a backstop measure.

2. Whether the August 4 Order unreasonably requires that the ISO continue to seek to re-run the IFM in perpetuity to attempt to obtain the comparative nodal cost information the Commission required the ISO to publish.

This statement of issues is also intended to provide the concise statement of errors required by 18 C.F.R. § 385.713(c)(1).

II. BACKGROUND

On June 5, 2009, the ISO submitted tariff revisions to address the calculation of the marginal cost of energy component of the locational marginal price. Because transmission losses are unknown prior to determining the least cost solution for the market, the ISO calculates the marginal cost of energy component by using a reference bus to absorb any positive or negative power mismatches. The reference bus can be either a single node or a set of nodes on the ISO system. The ISO uses a set of nodes referred to as the distributed reference bus.

In using the distributed reference bus methodology to calculate the marginal cost of energy component of locational marginal prices, the ISO can use either the distributed load reference bus or the distributed generation reference bus. The ISO's preference, as reflected in Appendix C, Section B of the ISO Tariff is to use a distributed load reference bus. Because of issues experienced in clearing the IFM using the distributed load reference bus method, the ISO requested authority in its June 5, 2009, filing to use of a distributed generation reference bus as a backstop in cases where it is unable to calculate marginal prices using the distributed load reference bus.

On August 4, 2009, the Commission accepted the proposed changes subject to further compliance requirements. Concurrent with this Request for Clarification or, In

the Alternative Rehearing, the ISO has submitted a filing to comply with the tariff changes directives in the August 4 Order.

III. REQUEST FOR CLARIFICATION

In accepting the proposed tariff changes adopting the use of the distributed generation reference bus as a backstop measure, the Commission directed that the ISO to "post on its website an informational report detailing the nodal pricing ramifications resulting from the use of a distributed generation reference bus in clearing the integrated forward market after every use of the backstop provision." The Commission further specified that such a report should provide information similar to the summary information illustrating the effects of using the backstop provision on a nodal basis provided with the ISO's June 5 Filing.

The ISO does not object to posting the requested comparative cost information to the extent that the ISO actually is able to obtain such information. However, the ISO requests certain clarifications discussed below regarding the scope and feasibility of the posting requirements.

The August 4 Order appears to presume that ISO will always be able to obtain the cost information when the IFM fails using the distributed load reference bus. Any such presumption would not be correct. In order to obtain the comparative data, the ISO must be able re-run the IFM and successfully clear the IFM using the distributed load reference bus. As discussed in the testimony of Mark Rothleder submitted on July 30 in the above captioned docket, the ISO implemented a software fix on May 22, 2009. This fix resulted in the successfully re-run the previously failed IFM runs using the distributed load reference bus. A successful re-run is necessary to obtain the comparative cost

information submitted in the July 30 filing. However, as explained by Mr. Rothleder, even though the software fix appears to have resolved the issues that led to those prior failures, it is still possible that the IFM may fail for other reasons unknown at this time.[1] Under such circumstances, it may not be possible for the ISO to re-run the IFM within a reasonable period of time and obtain the results that the Commission has required the ISO to post.

Even if the ISO is able to identify the root-cause of the IFM failure using the distributed load reference bus, the solution may not be readily implemented to facilitate the requested report. In that regard, any solution that requires software changes or enhancements cannot be adopted until the software changes are developed, tested and deployed. This causes a delay in the ability to obtain a successful re-run of the failed IFM run. In addition, to the extent that the root-cause of the IFM failure is due to an issue that requires a policy change to implement, the successful re-run of the previously failed IFM would not be possible until the ISO has conducted a stakeholder process, and obtained board- and FERC-approval. Therefore, it could be a long period of time before the ISO is capable of successfully re-running the IFM using the distributed load reference bus in order to obtain the data needed to produce the comparative cost data required by the Commission.

On the other hand, a significant delay in the ability to obtain a successful re-run of the IFM calls into question the value of the solution when finally obtained for the purposes of determining the impact of using the distributed load reference bus as opposed to the distributed generation reference bus, which is the purpose of the requested cost information in the first place**.** Over time, the ISO is like to adopt software enhancements

---

[1]   *See* Exhibit No. ISO-1 at pp. 10-11.

that may alter the IFM solution for reasons entirely unrelated to the use of the distributed reference bus. For example, is not uncommon for the ISO to adopt software enhancements to improve the performance of the market software or to include policy changes requirements over time. The ISO is not able to retain all the software versions to reflect a prefect re-run in all cases. Therefore, when the ISO actually conduct a re-run it, it will be done using whatever software package is in existence at the time, which may reflect changes unrelated to the use of the distributed load reference bus. As a result of such changes, it will become increasingly difficult to discern whether the cost differences are due solely to the type of distributed reference bus used or for some other reason, thereby rendering the results of the re-run less comparable.

The order is not sufficiently clear on how long the ISO is required to continue to seek to obtain a successful re-run solution of the failed IFM runs given that, as discussed above: 1) there may be circumstances in which the ISO cannot immediately (and successfully) re-run the IFM using the distributed load reference bus and 2) when the ISO can finally obtain a successful re-run the results may be substantially different than they would have been had the ISO been able to obtain a successful run with the earlier software version.

For the foregoing reasons, the ISO believes that two clarifications regarding the scope of the reporting requirement are required. First, the Commission should clarify that it is not presuming that the ISO will always be able to obtain the information that is requiring the ISO to post, and that the ISO is required to post the comparative cost information only to the extent that information is available. In other words, to the extent

that the ISO is unable to achieve a successful re-run of the failed IFM run, it is not required to post the requested comparative cost data.

Second, the ISO believes that there needs to be a reasonable cut-off date after which there is no expectation that the ISO will be required to continue to attempt to re-run the failed IFM run using the distributed load bus for the purpose of obtaining the requested comparative cost data. Otherwise, the Commission's directive could be interpreted as imposing an obligation to continually re-run the market in perpetuity, impacting ISO resources and costs accordingly. For the reasons discussed above, there is no reasonable basis for such a requirement given that the results will be less and less comparable as more time passes. Therefore, the ISO also respectfully requests that the Commission clarify that, after 90-days, if the ISO is not able to still re-run the IFM using the distributed load reference bus, the ISO is no longer required to post such information. It is reasonable to limit such a request to a 90-day period because it affords the ISO and market participants' sufficient time to find a solution to successfully re-run the market, but not beyond a time when the software is likely to have aged for other unrelated reasons, thereby rendering the results less comparable, and hence less meaningful.

IV.   CONDITIONAL REHEARING

In the event that the Commission does not clarify the reporting requirement as requested above, then the ISO seeks rehearing of the August 4 Order. Without the requested clarifications, the August 4 Order could subject the ISO to a reporting requirement that is impossible to fulfill in certain instances. Moreover, without some reasonable cut-off date, the August 4 order could be interpreted as creating an obligation that lives in perpetuity such that the ISO must continue to attempt to clear the market

6

using a distributed load reference bus and produce comparable cost information, regardless of the degradation of the meaningfulness of the results over time for the reasons discussed above. Such a requirement is not just and reasonable.

V.   CONCLUSION

Wherefore, the ISO asks that the Commission grant clarification or, in the alternative, rehearing of the August 4 Order as set forth above.

Respectfully submitted,

 /s/Anna McKenna

Anthony Ivancovich
    Assistant General Counsel
Anna A. McKenna
    Senior Counsel
The California Independent System
    Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Counsel for the California Independent System
Operator Corporation

Dated: September 3, 2009

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all
parties listed on the official service lists compiled by the Secretary in the above-captioned
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 this 3rd day of September, 2009.

/s/ Jane Ostapovich
Jane Ostapovich
(916) 608-7130