

January 3, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: California Independent System Operator Corporation
Docket No. ER01-____ - ____

Dear Secretary Boergers:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("ISO")¹ submits for filing and acceptance the Utility Distribution Company Operating Agreement ("UDC Operating Agreement") between the ISO and the City of Vernon, California ("Vernon").² The ISO is requesting waiver of the Commission's 60-day prior notice requirement to allow the UDC Operating Agreement to be made effective as of January 1, 2001, the date on which Vernon has requested that it be permitted to become a Participating TO.³

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The ISO notes that the enclosed UDC Operating Agreement complies with the Commission's order dated December 17, 1997, *Pacific Gas and Electric Company, et al.*, 81 FERC ¶ 61,320, and thus does not require amendment in that regard.

³ See Transmittal Letter for Submission of Amendment to Transmission Control Agreement, Docket No. ER01-724-000 (Dec. 21, 2000), at 3. The ISO supports Vernon's request. See *id.* at 13.

I. Purpose of the UDC Operating Agreement

The UDC Operating Agreement is applicable to utilities that own or operate their Distribution Systems within the ISO Controlled Grid and who wish to participate in the California market by transmitting Energy or Ancillary Services to or from the ISO Controlled Grid. Focusing on the physical and operational interface between the Distribution System and the transmission system, the UDC Operating Agreement covers matters such as the coordination and maintenance of facilities and other activities that affect the reliability of the grid, for which the ISO has responsibility under California law. The UDC Operating Agreement establishes ISO specifications and procedures that govern the general operation of the facilities that form the interface between the UDC systems and the ISO Controlled Grid. The UDC Operating Agreement also requires the UDC to coordinate outages with the ISO, in accordance with the ISO Tariff.

In order to coordinate operating of the ISO and UDC systems, the UDC Operating Agreement recognizes that the ISO and UDC shall each have the right to install or to have installed equipment or other facilities, including metering equipment, on the electric utility property of the other. Accordingly, the UDC Operating Agreement sets access, testing, and emergency procedures for meters or other such equipment. The UDC Operating Agreement also governs System Emergencies in a manner consistent with the ISO Tariff. Specifically, the UDC Operating Agreement provides that the ISO will adopt a nondiscriminatory approach to Load Shedding among all UDCs in the event of a System Emergency. Additionally, the UDC Operating Agreement supplements provisions of the ISO Tariff for the Electrical Emergency Plan, load restoration, record keeping, and the gathering and sharing of information.

II. Schedules

The UDC Operating Agreement supplements applicable provisions of the ISO Tariff with a set of schedules designed to be applicable to individual UDCs, the details of which will remain subject to change as facilities, standards, and responsibilities change. The schedules include operational contact information, the operational responsibilities of the ISO that are delegated to the UDC, and details concerning maintenance coordination requirements, System Emergencies, emergency electrical planning, Load Shedding, and load restoration.

III. Variations From *Pro Forma* Agreement

The UDC Operating Agreement with Vernon includes a number of variations from the *pro forma* version of the UDC Operating Agreement submitted in Docket Nos. ER98-899-000, *et al.*, and accepted by Commission letter order on May 28, 1999.⁴ Recitals A, C, and F, Sections 1.2, 4.1.1, and 4.1.2, and Schedules 12 and 13 of the UDC Operating Agreement have been modified to account for the fact that Vernon's distribution system is connected to the distribution system of Southern California Edison Company ("SCE"), and not directly connected to the ISO Controlled Grid. Section 2.1 of the UDC Operating Agreement has been modified to recognize that the UDC Operating Agreement may be terminated if Vernon later decides to enter into a Metered Subsystem Agreement in lieu of the UDC Operating Agreement. A new Section 2.4 has been added to the UDC Operating Agreement to provide Vernon with certain termination rights as a UDC that is not a party to the Transmission Control Agreement ("TCA"). The ISO recognizes that Vernon is a party to the TCA,⁵ but new Section 2.4 provides Vernon with these termination rights in the event that Vernon stops being a party to the TCA. In addition, Schedules 5, 6, 8, 8A, 9, and 10 of the UDC Operating Agreement have been modified to describe Vernon's continuing operation under the SCE emergency planning structure, on a temporary basis, while Vernon is using good-faith efforts to implement a separate set of emergency operations procedures.

IV. Request for Waiver

The ISO respectfully requests a waiver of FPA Section 205(d), which would require the UDC Operating Agreement to go into effect no earlier than 60 days after it was filed. The ISO requests that the UDC Operating Agreement be made effective as of January 1, 2001, the date on which Vernon has requested that it be permitted to become a Participating TO. Granting the waiver will allow Vernon to participate in the California market as a Utility Distribution Company as quickly as possible, which will enhance the efficiency of the market. Granting the requested waiver, therefore, is appropriate.⁶

⁴ *California Independent System Operator Corporation*, 87 FERC ¶ 61,232.

⁵ See Transmittal Letter for Submission of Vernon Signature Page, Docket No. ER01-724-000 (Dec. 27, 2000), at 2.

⁶ The ISO also requests waiver of the provision in 18 C.F.R. § 35.2 n.1 that directs public utilities to include an index of customers, in the form of a list of previously filed rate schedules, in their service agreement filings. The ISO has not yet completed its process of compiling its previously filed service agreements, and thus cannot include a list of the existing service agreements and their proper designations in the instant filing. The ISO will include such a list with its similar future filings as soon as possible.

V. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

VI. Service

Enclosed for filing are six copies of each of the following:

- (1) the UDC Operating Agreement (Attachment A); and
- (2) a Notice of Filing suitable for publication in the *Federal Register* (Attachment B), along with a 3½ -inch diskette version of the Notice in WordPerfect format.

Copies of this filing have been served on Vernon and the Public Utilities Commission of the State of California.

VII. Correspondence

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

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Respectfully submitted,

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