

January 18, 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-\_\_\_\_-000  
Amendment No. 37 to the ISO Tariff, Bidding  
Requirements for RMR Units**

Dear Secretary Boergers:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Sections 35.11 and 35.13 of the Commission's regulations, 18 C.F.R. §§ 35.11, 35.13, the California Independent System Operator Corporation ("ISO")<sup>1</sup> respectfully submits for filing six copies of an amendment ("Amendment No. 37") to the ISO Tariff. Amendment No. 37 would modify the ISO Tariff to change the bidding requirements for Reliability Must-Run ("RMR") Unit Owners whose Units are dispatched by the ISO prior to the close of the PX Markets and who chose payment under the terms of the RMR Contract rather than through the market. Such an Owner would be exempted from the requirement that the RMR Contract Energy be bid into the PX Day-Ahead Market if it is prohibited from bidding into that market by law or regulation or because it is disqualified under the terms of the PX Tariff. The ISO requests that the Commission waive notice requirements and allow an effective date of January 18, 2001. Because of the conditions that give rise to this filing, the ISO is implementing Amendment No. 37 in accordance with these proposed effective dates, without waiting for Commission action.

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<sup>1</sup> Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A, as filed August 15, 1997, and subsequently revised.

## I. NEED FOR AMENDMENT

Amendment No. 26 to the ISO Tariff, approved by the Commission on March 31, 2000, *California Independent System Operator Corporation*, 90 FERC ¶ 61,345 (2000), revised the ISO's RMR procedures in order to reduce the appearance of RMR Energy in real-time unscheduled against Load. Amendment No. 26 provided that the ISO would dispatch RMR Units, to the extent it was aware of its needs for those units, prior to the close of the PX Day-Ahead Market. To ensure that the RMR Energy is scheduled, Amendment No. 26 specifies that RMR Unit Owners choosing to be paid under the terms of the Must-Run Service Agreement ("MSRA") (rather than at market prices) must bid the RMR Contract Energy into the PX Day-Ahead Market at zero dollars. Under Section 2.2.12.2.3.3 of the ISO Tariff, an RMR Owner that fails to bid the RMR Contract Energy as required is not paid.

As the Commission is well aware, events in the California electricity markets have caused credit-rating agencies to downgrade the ratings of one RMR Owner, Pacific Gas & Electric Company ("PG&E"). Under the terms of the PX Tariff, this downgrade precludes PG&E from bidding into the PX Market. Because one of PG&E's RMR Units is under Condition 2 of MSRA<sup>2</sup>, and therefore cannot choose to deliver the Energy as RMR Market Energy and receive a market payment, Section 2.2.12.2.3.3 of the ISO Tariff would prohibit payment to that RMR Owner for failing to comply with the bidding and scheduling requirements imposed by Amendment 26. In addition, the effect of the bidding requirement is to preclude PG&E from choosing the contract price for its Condition 1 Units even when that price is likely to exceed the PX Market Clearing Price.

Moreover, the requirement that PG&E bid its Contract Energy into the PX Day-Ahead Market is no longer necessary to ensure that the Contract Energy is scheduled against Load. Prior to the Commission's December 15, 2000, Order, in Docket No. EL00-95<sup>3</sup>, PG&E was required by State law to bid its owned Generation into the PX Markets. In the December 15<sup>th</sup> Order, the Commission authorized PG&E to use the Generation to serve its own retail Load.

Finally, the ISO notes that the Commission has directed the termination of

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<sup>2</sup> The unit is Hunter's Point.

<sup>3</sup> *San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, et al.*, 93 FERC ¶ 61,294 (2000).

the PX Day-Ahead Market, in which case no RMR Units would be able to comply with the requirement that they bid RMR Contract Energy in to the PX Day-Ahead Market. This event will require revision of the RMR procedures to ensure that Generators continue to credit market payments for RMR Energy produced at the ISO's instruction against RMR payments made for the same Energy under the MRSA. In the interim, however, Amendment No. 37 will allow RMR Owners with RMR Units under Condition 2 to receive payment under the MSRA (and will allow those with RMR Units under Condition 1 to choose be paid according to the MRSA rather than the market) following the termination of the PX Day-Ahead Market.

## **II. AMENDMENT NO. 37**

Amendment No. 37 amends Section 2.2.12.2.2 of the ISO Tariff to exempt RMR Owners from the requirement to bid RMR Contract Energy into the PX Day-Ahead Market if the RMR Owner is precluded from bidding such Energy into the PX Day-Ahead Market by law, regulation, or the terms of the PX Tariff, such as the credit-worthiness requirements. The ISO does not intend such circumstances to include an inability to bid that is within the RMR Owners' ability to remedy. The exemption would also apply if the PX Market is no longer available, as it would be if, for example, its Tariff is terminated.

Amendment No. 37 also amends Section 2.2.12.2.3.1.1 to specify that the Scheduling Coordinator for an RMR Owner that is exempted from the bidding requirements of Section 2.2.12.2.2 must nonetheless include all of the RMR Contract Energy in its Preferred Day-Ahead Schedule. Section 2.2.12.2.3.2.1 would continue to require that the RMR Contract Energy appear in the RMR Owner's Preferred Hour-Ahead Schedule, unless it was bid into the PX markets and failed to clear.

## **III. REQUESTED EFFECTIVE DATE, REQUEST FOR WAIVER OF 60 DAY PRIOR NOTICE REQUIREMENT, AND STATEMENT OF IMMEDIATE IMPLEMENTATION**

The ISO respectfully requests, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, that the Commission accept Amendment No. 37 for filing and permit it to become effective on January 18, 2001. For the reasons described above, the ISO believes that immediate implementation of these provisions is necessary so that the RMR Owners are paid for RMR Energy and continue to make it available to the ISO under the MRSA.

Consistent with this request, the ISO must immediately implement the procedures contained in Amendment No. 37, pending Commission action. As the ISO noted in its transmittal letter for Amendment No. 33, immediate implementation without prior Commission action is not taken lightly. Nevertheless, the grave circumstances at issue leave the ISO with no alternative. Immediate implementation of the proposed amendment cannot be avoided if the ISO's ability to ensure reliability of service through the use of RMR Units is to be ensured.

#### **IV. SERVICE**

The ISO has served this filing on Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, all parties with effective MSRAs and all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff.

#### **V. NOTICES**

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Charles F. Robinson  
General Counsel  
Roger E. Smith  
Senior Regulatory Counsel  
The California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, California 95630  
Tele: (916) 608-7135  
Fax: (916) 608-7296

Edward Berlin  
Kenneth G. Jaffe  
J. Philip Jordan  
Michael E. Ward  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, N.W. 20007  
Washington, D.C.  
Tel: (202) 424-7500  
Fax: (202) 424-7643

#### **VI. SUPPORTING DOCUMENTS**

The following documents, in addition to this letter, support this filing:

Attachment A	Revised Tariff Sheets
Attachment B	Black-lined Tariff provisions

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Attachment C      Notice of this filing, suitable for publication in the  
Federal Register (also provided in electronic format).

An additional copy of this filing is enclosed to be stamped with the date and time of filing and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

Charles F. Robinson  
General Counsel  
Roger E. Smith  
Senior Regulatory Counsel

California Independent  
System Operator Corporation

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Edward Berlin  
Kenneth G. Jaffe  
J. Philip Jordan  
Michael E. Ward

Swidler Berlin Shereff Friedman, LLP

**Counsel for  
The California Independent System  
Operator Corporation**

