

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator  
Corporation

Docket No. ER03-683-008

ORDER GRANTING REHEARING  
AND PROVIDING CLARIFICATION

(Issued August 7, 2006)

1. In this order, we grant the request for rehearing filed by Termoelectrica de Mexicali, S. de R. L. de C.V. (TDM) of the Commission's April 18, 2005 Order in this proceeding<sup>1</sup> in which we clarified, among other things, issues relating to the payment of start-up costs under the California Independent System Operator Corporation's (CAISO) revisions to its tariff, captioned as Amendment No. 50.

**Background**

2. On March 31, 2003, the CAISO filed its proposed Amendment No. 50 to provide the CAISO with a revised method for managing intra-zonal congestion and to permit the CAISO to share generator outage information with entities operating transmission and distribution systems affected by the outage.<sup>2</sup> This tariff amendment was proposed by the CAISO as an interim solution until locational marginal pricing (LMP) is implemented, or until some other long-term comprehensive congestion management solution is put in place. In the May 2003 Order, the Commission accepted, subject to modifications, the CAISO's proposed Amendment No. 50, and directed the CAISO to submit a compliance filing.

---

<sup>1</sup> *California Indep. Sys. Operator Corp.*, 111 FERC ¶ 61,074 (2005) (April 2005 Order).

<sup>2</sup> For a detailed summary of Amendment No. 50 see *California Independent System Operator Corporation*, 103 FERC ¶ 61,265 at P 3–7 (2003) (May 2003 Order).

3. Subsequently, we issued four additional orders addressing rehearing requests and compliance filings.<sup>3</sup>

4. This order addresses TDM's request for rehearing of our April 2005 Order, which acted on requests for rehearing of the January 2005 Order and the CAISO's compliance filing directed by that order.

### **Request for Rehearing**

5. On rehearing, TDM argues that the April 2005 Order erred in failing to address clarifications it sought of the January 2005 Order's findings regarding the basis for compensation of start-up and the repayment of auxiliary power costs associated with start-up costs.<sup>4</sup> As discussed below, we grant TDM's request for rehearing.

6. TDM states that its 600 MW combined cycle generating facility consists of two 170 MW combustion turbine-generators and one 260 MW steam turbine-generator. TDM also states that it previously sought clarification from the Commission that start-up costs associated with the shut down of one of its combustion turbine-generators, in compliance with a CAISO directive to manage intra-zonal congestion, will be recoverable under the Tariff. According to TDM, the Commission failed to provide the requested clarification and left it unclear whether TDM is eligible to receive compensation for start-up costs pursuant to section 7.2.6.1<sup>5</sup> of the CAISO Tariff in situations where one of its turbine-generators, as opposed to the entire 600 MW generating facility, has been shut down to manage intra-zonal congestion. TDM seeks clarification that a start-up eligible for compensation should be based on a unit start-up *versus* a start-up of an entire power plant.

---

<sup>3</sup> *California Indep. Sys. Operator Corp.*, 107 FERC ¶ 61,042 (2004); *California Indep. Sys. Operator Corp.*, 107 FERC ¶ 61,028 (2004); *California Indep. Sys. Operator Corp.*, 110 FERC ¶ 61,074 (2005) (January 2005 Order); and April 2005 Order.

<sup>4</sup> TDM's requested clarifications were included in its February 22, 2005 answer to the CAISO's February 7, 2005 request for rehearing of the January 2005 Order. TDM incorporated by reference its answer to the rehearing request in its March 7, 2005 protest to the CAISO's February 14, 2005 compliance filing. TDM's answer was disallowed but its protest was accepted in the April 2005 Order. *See* April 2005 Order, at P 8 and 15 n.12 (2005).

<sup>5</sup> On March 22, 2006, in Docket No. ER05-1501-001, the CAISO filed a conformed CAISO Simplified and Reorganized Tariff (S&R). Section 7.2.6.1 of the pre-S&R tariff was renumbered to 27.1.1.6.1 under the S&R. The S&R was accepted for filing on July 10, 2006. *California Indep. Sys. Operator Corp.*, Docket No. ER05-1501-001 (July 10, 2006) (unpublished letter order).

7. In addition, TDM argues that while the CAISO Tariff provides that start-up costs include auxiliary power, section 2.5.23.3.7.6<sup>6</sup> of the CAISO Tariff provides that “Start-up Cost Invoices shall specify the amount of auxiliary power used during the start-up and the actual price paid for that power.” TDM argues that requiring the invoice to include the “actual price paid” for auxiliary power does not account for the following scenario. TDM explains that when it is required to shut down one of its combustion turbines to comply with the CAISO’s instructions, and subsequently the CAISO directs TDM to increase its output to a normal operational level, TDM utilizes a turbine that is running at its facility to restart the combustion turbine that had been shut down. According to TDM, in such a scenario, the power required to restart the shut-down turbine would be supplied from a running turbine, thus decreasing the amount of power that the running combustion turbine can deliver to the grid. TDM asserts that in such a case, the generator incurs a cost for auxiliary power but would not be able to provide the “actual price paid,” as required by the CAISO Tariff, in order to receive recovery of start-up costs. TDM requests that the Commission require the CAISO to clarify that this provision of the CAISO Tariff will not prevent a generator in such circumstances from receiving repayment for auxiliary power consumption.

### **Discussion**

8. In the April 2005 Order, we found that the CAISO-proposed modifications to section 7.2.6.1 of the CAISO Tariff were in compliance with our directive for the CAISO to modify its tariff to allow generators to recover their start-up costs when directed to shut down in order to manage intra-zonal congestion. Upon further consideration, we clarify that a start-up eligible for compensation means the start-up of an individual generating unit.

9. It is clear from the plain language of the CAISO Tariff that section 7.2.6.1 allows the owner of a generator to be compensated on a *per* generating unit basis when it is required to restart after shutting down to manage intra-zonal congestion. Section 7.2.6.1 of the CAISO Tariff, as accepted, provides that: “[i]f a *Generating Unit* is instructed by the ISO to shut down to manage Intra-Zonal Congestion, and is subsequently re-started, the Owner of that *Generating Unit* may invoice the ISO for the Start-Up Costs incurred...”<sup>7</sup> In addition, “Generating Unit” is defined under Appendix A of the Master Definitions Supplement of the CAISO Tariff as “[a]n *individual* electric generator and its associated plant and apparatus whose electrical output is capable of being separately identified and metered of a Physical Scheduling Plant ....”<sup>8</sup>

---

<sup>6</sup> Renumbered to 40.1.10.6 under the S&R Tariff.

<sup>7</sup> CAISO Tariff section 7.2.6.1 (*emphasis added*).

<sup>8</sup> CAISO Tariff Master Definitions Supplement Appendix A (*emphasis added*).

10. Accordingly, we find that a generator should be compensated for its start-up costs when it has been directed by the CAISO to reduce its total output to manage intra-zonal congestion, regardless of whether the generator is required to shut down its entire plant or an individual generating unit. We, therefore, clarify that a start-up eligible for compensation means the start-up of an individual generating unit.

11. In addition, we clarify how combined cycle generators are compensated for auxiliary power under the start-up cost provisions of the CAISO Tariff. Section 2.5.23.3.7.6 of the CAISO Tariff requires start-up cost invoices to specify the amount of auxiliary power used during start-up and “the actual price paid for that power.” TDM argues that under this tariff provision, it is unclear how a combined cycle generator, such as TDM, will be compensated for auxiliary power when it uses power supplied from one combustion turbine to restart another combustion turbine. This type of generator may not be able to provide the “actual price paid” on its start-up cost invoice but may still incur auxiliary power costs. To disallow such generators to be compensated for their auxiliary costs while allowing other generators to receive compensation could render section 2.5.23.3.7.6 to be unduly discriminatory or preferential.

12. Accordingly, we clarify that a generator that uses one of its turbines to restart a turbine that has been shut down to manage intra-zonal congestion at the direction of the CAISO is not prohibited from receiving repayment for auxiliary power provided by another unit at the same generating facility.

The Commission orders:

TDM’s request for rehearing and clarification is hereby granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.