

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 3, 2005

In Reply Refer To:
California Independent System Operator
Corporation
Docket Nos. ER05-784-000, ER05-785-000,
and ER05-786-000

Swidler Berlin, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007

Attention: J. Phillip Jordan
Attorney for the California Independent System Operator

Reference: Original Service Agreement Nos. 598, 599, and 600 under FERC Electric
Tariff, First Revised Volume No. 1

Dear Mr. Jordan:

1. On April 6, 2005, the California Independent System Operator Corporation (CAISO) filed: (1) a Dynamic Scheduling Host Control Area Operating Agreement (Host Control Area Agreement) between the CAISO and British Columbia Transmission Corporation (British Columbia) as a non-conforming agreement (British Columbia Host Control Area Agreement); (2) a letter agreement between the CAISO and Bonneville Power Administration Transmission Business Line (Bonneville) regarding Bonneville's role as an intermediary control area for dynamic scheduling to the CAISO control area (Bonneville Letter Agreement); and (3) a Dynamic Scheduling Agreement for Scheduling Coordinators (DSA) between the CAISO and Powerex Corporation (Powerex) as a non-conforming agreement (Powerex DSA). The CAISO sought waiver of the Commission's prior notice requirement under section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11 (2004), and requested an effective date of April 8, 2005.

2. Waiver is granted to allow the agreements to go into effect on April 8, 2005, as requested. In addition, to prevent undue discrimination, the Commission will require the CAISO, prospectively, to include in all dynamic scheduling host control area operating agreements its clarification that neither the CAISO nor the host control area will be in

default as a result of the action or failure to act of an intermediary control area. We will also require the CAISO to amend its *pro forma* Dynamic Scheduling Host Control Area Operating Agreement (*pro forma* Host Control Area Agreement) to include this clarification. This order benefits customers by modifying the *pro forma* Host Control Area Agreement to facilitate imports of dynamically scheduled power into the CAISO.

Background

3. On April 6, 2005, the CAISO filed the British Columbia Host Control Area Agreement, Bonneville Letter Agreement, and Powerex DSA in Docket Nos. ER05-784-000, ER05-785-000, and ER05-786-000, respectively. The CAISO noted that these three filings, although filed separately, must all be effective for the CAISO to support schedules for dynamic imports of energy and ancillary services from Powerex.¹

The CAISO's Filings

4. The CAISO states that the British Columbia Host Control Area Agreement satisfies the requirements established by the Commission's June 29, 2004 order concerning Amendment No. 59 to the CAISO Tariff, in which the Commission approved the CAISO's *pro forma* Host Control Area Agreement.² The CAISO notes that there are a number of differences between the British Columbia Host Control Area Agreement and the *pro forma* Host Control Area Agreement, which are primarily due to: (1) British Columbia's location, operation, and regulation in Canada; (2) the incorporation into the British Columbia Host Control Area Agreement of provisions to address imports of regulation; and (3) British Columbia's special interest in emphasizing the distinctions between its role as the host control area operator for the dynamic scheduling functionality and the role of the scheduling coordinator for dynamic scheduling.³

5. The CAISO states that the Bonneville Letter Agreement establishes the framework for operating requirements for Bonneville's role as an intermediary control area in facilitating the dynamic scheduling functionality and requires Bonneville to comply with the CAISO Dynamic Scheduling Protocol (DSP).⁴ The Bonneville Letter Agreement terminates on October 1, 2005 and, in anticipation, the CAISO explains that the CAISO and Bonneville will negotiate a more comprehensive agreement covering dynamic

¹ See Transmittal Letter for British Columbia Host Control Area Agreement at 2.

² See *id.* (citing *California Independent System Operator Corp.*, 107 FERC ¶ 61,329 (2004) (Amendment No. 59 Order)).

³ See *id.*

⁴ See Transmittal Letter for Bonneville Letter Agreement at 2.

scheduling prior to that date.⁵ In addition, the Bonneville Letter Agreement provides that the provisions of the DSP section 6.2, regarding e-tagging of intra-hourly changes to dynamic schedules, are not applicable.

6. The CAISO states that the Powerex DSA satisfies the requirements established in the Amendment No. 59 Order in which the Commission approved the CAISO's *pro forma* DSA. There are several differences between the Powerex DSA and the *pro forma* DSA, which the CAISO highlights in its filing. Among other things, the differences include: (1) recognition that Powerex intends to provide imports of regulation in addition to its dynamic schedules for energy and non-regulation ancillary services; (2) a modification that exempts Powerex from the provisions of DSP section 6.2, which concerns intra-hourly e-tagging; and (3) a provision to make clear that Powerex is not excused from its obligations to the CAISO under the Powerex DSA as a result of any failure by the host control area or any intermediary control area to perform its obligations.⁶ The CAISO states that, while it believes Powerex would be liable in any event, including an explicit provision concerning Powerex's liability is particularly important given that British Columbia and Bonneville Power have no liability.⁷

Notices, Interventions and Comments

7. Notice of the CAISO's filing in Docket No. ER05-784-000 was published in the *Federal Register*, 70 Fed. Reg. 20,889 (2005), with comments, protests, and interventions due on or before April 27, 2005. Powerex, Transmission Agency of Northern California (TANC), and Northern California Power Agency (NCPA) filed timely motions to intervene. The City of Santa Clara, California and Silicon Valley Power (Santa Clara and SVP) filed a motion to intervene and comments. On May 12, 2005, the CAISO filed an answer to motions to intervene and comments.

8. Notice of the CAISO's filing in Docket No. ER05-785-000 was published in the *Federal Register*, 70 Fed. Reg. 20,889 (2005), with comments, protests, and interventions due on or before April 27, 2005. Powerex, TANC, and Santa Clara and SVPVP filed timely motions to intervene.

9. Notice of the CAISO's filing in Docket No. ER05-786-000 was published in the *Federal Register*, 70 Fed. Reg. 20,889 (2005), with comments, protests, and interventions due on or before April 27, 2005. Powerex and TANC filed timely motions to intervene. Santa Clara and SVPVP filed a motion to intervene and comments. On May 12, 2005, the CAISO filed an answer to motions to intervene and comments.

⁵ *See id.*

⁶ *See* Transmittal Letter for Powerex Agreement at 2-4.

⁷ *See id.* at 4.

Discussion

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2004), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept the CAISO's answer and will, therefore, reject it.

11. In its motion to intervene, NCPA notes that the Sacramento Municipal Utility District (SMUD) asked the CAISO to include a similar functionality (for resources within the CAISO control area to be dynamically scheduled to the SMUD control area) as the CAISO has in the British Columbia Host Control Area Agreement, and encountered CAISO resistance. NCPA contends that the CAISO should not be permitted to pursue dynamic scheduling in only one direction and only where it suits its own purposes, while declining to provide it for other market participants. NCPA's contention concerns matters that are beyond the scope of this proceeding. This proceeding is limited to evaluating service agreements that do not conform to the existing DSP, *pro forma* DSA, or *pro forma* Host Control Area Agreement in the CAISO tariff currently on file with the Commission. Accordingly, we will not address NCPA's concern at this time.

12. Powerex states that it supports the CAISO's filing in this proceeding, but points out that the Bonneville Power Agreement will terminate October 1, 2005, unless otherwise extended by mutual agreement. Powerex states that, if a new operating agreement is not in effect by the termination date, it trusts that Bonneville and the CAISO will extend by mutual agreement this current operating agreement. We note however, that the CAISO and Bonneville are aware that the Bonneville Letter Agreement will terminate, and in anticipation, the CAISO represents that the CAISO and Bonneville are working to negotiate a more comprehensive agreement covering dynamic scheduling prior to that date.⁸

13. Santa Clara and SVP comment on Powerex's exemption from the provisions of DSP section 6.2, and urge the Commission to order the CAISO to make conforming changes to the *pro forma* Host Control Area Agreement and DSA. However, this concern is rendered moot by the CAISO's May 9, 2005 compliance filing in Docket No. ER05-224, which eliminated from DSP section 6.2 the requirement for e-tagging intra-hourly changes in the magnitude of a dynamic schedule by the lesser of 25 percent or 25 MW.

⁸ See Transmittal Letter for Bonneville Letter Agreement at 2.

14. Santa Clara and SVP note that the CAISO has added a clarification to section 10.1 of the British Columbia Host Control Area Agreement absolving the CAISO and British Columbia from any liability in the event that Bonneville defaults on its obligations as an intermediary control area. Santa Clara and SVP urge the Commission to order the CAISO to make conforming changes to the *pro forma* Host Control Area Agreement so that all such future agreements will reflect this clarification. Santa Clara and SVP further assert that such changes should be filed to provide affected entities with notice of such changes and to give them a formal opportunity to comment on them as well.

15. The Commission has reviewed the non-conforming aspects of the British Columbia Host Control Area Agreement, Bonneville Letter Agreement, and Powerex DSA, and will accept the agreements, provided that, on a prospective basis, all entities that enter into a Host Scheduling Area Agreement are absolved, along with the CAISO, from any liability in the event that the intermediary control area defaults on its obligations.

16. We agree with SVP and Santa Clara that the CAISO should file an amended *pro forma* to standardize this change in liability apportionment, provide all affected entities with notice of this change, and give them an opportunity to comment on this change. Consequently, we will require the CAISO to file an amendment to its *pro forma* Host Control Area Agreement to clarify that neither the CAISO nor the host control area will be in default as a result of the action or failure to act of an intermediary control area, within 30 days of the issuance of this order.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.