

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

California Independent System Operator
Corporation

Docket Nos. ER06-54-000
ER06-54-001

ORDER ACCEPTING INTERCONNECTED CONTROL AREA OPERATING
AGREEMENT

(Issued January 27, 2006)

1. In this order, we accept the California Independent System Operator Corporation's (CAISO or ISO) Interconnected Control Area Operating Agreement (ICAOA)¹ with the Turlock Irrigation District (Turlock), as amended, to become effective on December 1, 2005, as requested.

Background

2. On December 1, 2005, Turlock began operating its electric system as an independent control area and, therefore, assumed the responsibility for generating, securing, scheduling and delivering power to its customers.² The instant ICAOA governs the coordination of these two interconnected control areas over two points of interconnection.³ Specifically, the ICAOA establishes the rights and obligations of

¹ To be designated as Original Rate Schedule FERC No. 62.

² See "District Now Control Area," dated December 1, 2005 and posted on Turlock's website. Turlock previously was in the CAISO Control Area.

³ The two points of interconnection are: (1) the Westley Interconnection, a 230-kV line connecting the Westley Switchyard, jointly-owned by the Modesto Irrigation District (Modesto) and Turlock, to Pacific Gas and Electric Company's (PG&E) Los Banos Substation; and (2) the Oakdale Interconnection, which is a tapped connection of Turlock's electric system to the City and County of San Francisco, California's (San Francisco) Moccasin-Newark 115-kV lines #3 and #4 that connect the Moccasin Substation to PG&E's Newark Substation. According to Service Schedule 4 of the

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CAISO and Turlock with respect to the operation, maintenance and control of the transmission facilities that interconnect these two control areas, in accordance with North American Electric Reliability Council (NERC) and Western Electricity Coordinating Council (WECC) requirements.

3. CAISO identified the following variances from its *pro forma* ICAOA in this ISO-Turlock ICAOA: (1) language is incorporated to recognize the circumstances associated with the implementation of the Turlock Control Area as a new Control Area separate from the ISO Control Area in which the Turlock system is located;⁴ (2) language is incorporated to recognize that Turlock operates under the terms of particular pre-existing contracts that will affect the interconnected operations of the Turlock and ISO Control Areas;⁵ (3) language is incorporated to expand the termination provision in the ICAOA;⁶ (4) language is incorporated to reflect current WECC terminology regarding the WECC “Reliability Coordinator;”⁷ (5) language is incorporated to recognize that the WECC changed its time period for returning to “Real Time Operating Limits” from 10 minutes to 20 or 30 minutes depending on the facilities, and that those time periods could further change;⁸ (6) a new section and service schedule are added to provide for dynamically scheduled energy and non-regulation ancillary services from the Turlock Control Area to the ISO Control Area and to provide for a future pilot program for dynamic imports into the Turlock Control Area from the ISO Control Area;⁹ and (7) minor revisions are made and sections are added to make agreed-upon refinements and updates to the language of the *pro forma* ICAOA.¹⁰

Agreement, the Westley intertie lies within the CAISO Control Area and the Oakdale intertie is in the Turlock Control Area.

⁴ In the Recitals, sections ICAA 1.3.1, 1.3.2, 3.1.1, 3.1.2, and 3.2.1 and Service Schedules 1, 4, 5, 6, 7, 8, 9, and 10.

⁵ In sections ICAOA 1.2.1, 2.2.16, 3.1.2, and 5.1 and Service Schedules 2 and 11.

⁶ In section ICAOA 1.3.3.

⁷ In sections ICAOA 2.2.22, 4, 7.3, 7.5, and Service Schedule 15.

⁸ In section ICAOA 3.2.3.2.

⁹ In section ICAOA 5.3 and Service Schedule 17.

¹⁰ In sections ICAOA 1.2.2, 2.2.1, 2.2.4, 2.2.5, 2.2.8, 2.2.10, 2.2.12, 2.2.13, 2.2.14,
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Notice of Filings and Responsive Pleadings

4. Notice of CAISO's October 19, 2005 filing of the unexecuted ICAOA was published in the *Federal Register*, 70 Fed. Reg. 66,830 (2005), with comments, protests and interventions due on or before November 9, 2005. Turlock, San Francisco, Transmission Agency of Northern California (TANC), and Modesto filed timely motions to intervene and/or protest. Sacramento Municipal Utility District (SMUD) filed a motion to intervene out of time. CAISO, San Francisco and Turlock filed answers on November 17, 22, and 25, 2005, respectively.

5. On November 29, 2005, CAISO amended its filing, in Docket No. ER06-54-001, to include the signature page for the ICAOA signed by CAISO and Turlock. Notice of this amendment was published in the *Federal Register*, 70 Fed. Reg. 74,799 (2005), with interventions and protests due on or before December 19, 2005. PG&E filed a timely motion to intervene and comment, and CAISO filed an answer to PG&E's comments.

Discussion

A. Procedural Matters

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this Interconnected Control Area proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2005), given its interest in this proceeding, the early stage of the proceeding, and the absence of any undue prejudice or delay, we find good cause to grant SMUD's untimely, unopposed motion to intervene.

7. While Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(a)(2), generally prohibits answers to protests unless otherwise permitted by the decisional authority, we will permit the answers filed by CAISO, San Francisco and Turlock because they provide additional information that assists us in the decision-making process.

2.2.15, 2.2.18, 3.1.3, 3.2.2, 3.2.6, 7.2, 7.4, 9, 10.1, 10.4, 10.5 and 10.8, and Service Schedules 3, 12, and 13. Sections ICAOA 2.2.7, 2.2.11, 2.2.16, 2.2.19 and 2.2.20 are added.

B. Protests

8. Turlock notes that Footnote 2 in the transmittal letter states:

The ISO has advised Turlock that the ISO's process for scheduling transactions on Control Area interties requires that schedules be submitted into the ISO's scheduling systems by a Scheduling Coordinator in order to assure reliable operations of Control Area interties. While the *pro forma* ICAOA and the ISO-Turlock ICAOA do not include an express requirement relative to non-ISO Controlled Grid facilities within the ISO Control Area, one of the ISO-Turlock Control Area interties is comprised of non-ISO Controlled Grid facilities and the ISO has filed the ISO-Turlock ICAOA on the understanding that this requirement would apply both to non-ISO Controlled Grid and ISO Controlled Grid facilities.

Turlock argues that the ICAOA speaks for itself and CAISO's expectations about the outcome of future negotiations between the parties is not part of the agreement and should not be an issue in this proceeding. Turlock commits to using scheduling and checkout procedures that are both consistent with WECC criteria and commonly practiced throughout WECC, but does not commit to using a Scheduling Coordinator to schedule transactions between the Turlock Control Area and non-ISO-controlled grid facilities within CAISO's Control Area electronically, as doing so is not expressly required by the ICAOA.¹¹

9. San Francisco, who delivers power to Turlock at the Oakdale intertie, one of the interconnection points under the ICAOA, requests the Commission to suspend the ICAOA for the maximum time period to allow for resolution of certain outstanding

¹¹ As a preliminary matter, we note that Turlock filed comments generally supporting the ICAOA, but clarifying certain statements made by CAISO in its transmittal letter. First, Turlock notes that CAISO states in its transmittal letter that "Turlock, which is currently in the ISO Control Area, has requested to become an independent Control Area on [December 1, 2005]." Turlock states that a more accurate statement is that its system is being transferred on December 1, 2005, to a Control Area operated by Turlock pursuant to WECC and NERC certification. Turlock also takes issue with CAISO's statement in the transmittal letter that "Granting the waiver [of the 60-day prior notice requirement] will permit Turlock to become an independent Control Area effective on that date." Turlock states that, while it supports CAISO's request for this waiver, the granting of the waiver is not what will permit Turlock to become a WECC-approved, NERC-certified Control Area.

issues. Specifically, San Francisco objects to the transfer of its facilities to another Control Area. Furthermore, San Francisco notes that a new scheduling point has been created as a result of this ICAOA that may result in additional charges for deliveries by San Francisco to Turlock. Additionally, San Francisco states that the ICAOA may allow for unauthorized and uncompensated use of its facilities that would adversely impact San Francisco, and that no arrangement has been worked out between San Francisco and Turlock regarding compensation for such service. San Francisco also argues that the ICAOA should reflect the rights and role of San Francisco as owner of some of the facilities that will now be part of the new Control Area intertie. Finally, San Francisco identifies a number of provisions in the ICAOA that may need to be modified to recognize San Francisco's facilities.

10. In its protest, PG&E requests that its Tesla-Westley Tap line plus its Los Banos-Westley Tap line be considered looped through Westley. If this is not done, PG&E argues that Modesto and Turlock would only have a single circuit that directly connects to the CAISO Control Area, rendering all imports of these parties to be non-firm since a single contingency would separate their connections from PG&E. In addition, PG&E wants assurance that it will not be held responsible for any costs associated with the implementation of the Turlock or Modesto Control Area changes whether associated with existing contracts or scheduling. Lastly, PG&E requests clarification from Turlock that its use of a Scheduling Coordinator to schedule across the Oakdale intertie will extend beyond December 2005.

C. Answers

11. On November 17, 2005, CAISO filed an answer in response to Turlock's clarifications and San Francisco's protest. First, CAISO argues against Turlock's decision not to use the CAISO's scheduling system to schedule transactions between the Turlock Control Area and non-ISO Controlled Grid facilities within the CAISO Control Area.¹² CAISO notes that its Scheduling Infrastructure system is part of CAISO's Energy Management System/Automatic Generation Control System, which is used to manage real-time operations of 52 individual interties between the CAISO Control Area and 12 other control areas, including Turlock's Westley intertie. While Turlock's Oakdale intertie is not formally apart of the ISO Controlled Grid, CAISO questions from

¹² In its answer, CAISO states that, since the filing of Turlock's protest, discussions between CAISO and Turlock indicate that Turlock will arrange for scheduling over the Oakdale intertie. However, CAISO notes that no legally binding commitment had been tendered as of the date of its answer.

a reliability standpoint the operation of one of Turlock's interties (Westley) using CAISO's Scheduling Infrastructure system and the other through some alternative means, such as via a manual spreadsheet or by phone. Moreover, according to CAISO, all current users of its grid, including other municipals, federal entities and neighboring control areas (*e.g.*, Western Area Power Administration, Northern California Power Agency, SMUD and Modesto), follow the same rules as other ISO market participants and use CAISO's Scheduling Infrastructure system to submit interchange schedules for interties where the facilities are both ISO Controlled Grid facilities and non-ISO Controlled Grid facilities alike. In CAISO's opinion, creating a different set of rules to govern a single intertie could trigger a number of undesirable results that compromise grid reliability, and may lead to complications relating to the transfer of Modesto to the SMUD Control Area. CAISO, therefore, requests the Commission to exert the authority granted to it under the Energy Policy Act of 2005 (EPAcT 2005)¹³ to direct Turlock to comply with its request to submit schedules electronically through a Scheduling Coordinator.¹⁴

12. With respect to the issues raised by San Francisco, CAISO proposes to make a unilateral filing of a special agreement (*i.e.*, the Interim Operations Agreement between the CAISO and San Francisco) to address those concerns, in keeping with San Francisco's suggestion that a temporary agreement may be appropriate so as not to delay the establishment of the Turlock Control Area.¹⁵ Accordingly, CAISO requests that the issues raised by San Francisco be addressed in the proceeding on the interim agreement. According to CAISO, this would allow the ICAOA to be accepted without suspension, and San Francisco's issues to be resolved in a separate proceeding.

¹³ Pub. L. No. 109-58, 119 Stat. 594 (2005).

¹⁴ CAISO argues that EPAcT 2005 gives the Commission jurisdiction over "all users, owners and operators of the bulk-power system, including but not limited to the entities described in section 201(f) [of the Federal Power Act (FPA)], for purposes of approving reliability standards established under [EPAcT 2005 § 1211(a) (quoting amended section 215(b) of the FPA)] and enforcing compliance with this section. The CAISO states further that Turlock, as an entity described in section 201(f) of the FPA, is subject to this provision of EPAcT 2005.

¹⁵ On November 17, 2005, CAISO filed its Interim Operations Agreement with San Francisco in Docket No. ER06-227-000. The Commission issued an order on January 13, 2006 which accepted and suspended the Interim Operations Agreement, to be effective December 1, 2005, subject to refund. *See California Independent System Operator Corporation*, 114 FERC ¶ 61,024 (2006).

13. In its response to CAISO's answer, San Francisco disagrees with CAISO's assertion that its issues can be addressed elsewhere. Specifically, San Francisco argues that the allocation of charges between San Francisco and Turlock cannot be resolved in the proceeding on the Interim Operations Agreement. Moreover, San Francisco argues that CAISO's insistence that all exports be scheduled through the Scheduling Infrastructure software highlights its concern that charges will be imposed that were not imposed in the past, which, according to San Francisco, begs the question of who will bear these additional costs: San Francisco or Turlock. San Francisco proffers that it remains in discussions with Turlock about potential approaches.

14. In its answer, Turlock provides CAISO with the assurance it requested regarding the scheduling of certain transactions. Turlock states that it has, in fact, arranged to schedule transactions with San Francisco through a Scheduling Coordinator that will enter schedules into CAISO's Scheduling Infrastructure system through the month of December. In addition, Turlock notes that the Interim Operations Agreement filed by CAISO in Docket No. ER06-227-000 contains provisions that require San Francisco to use a Scheduling Coordinator for scheduling deliveries to Turlock at the Oakdale intertie via CAISO's Scheduling Infrastructure system, in accordance with the ISO Tariff, ISO Scheduling Protocols, and other ISO procedures and time lines. In addition, Turlock argues that the imposition of charges to exports using San Francisco's facilities should be addressed in Docket No. ER06-227-000. With respect to the issues San Francisco claims are not addressed by the Interim Operations Agreement, namely the allocation of charges between Turlock and San Francisco, Turlock argues that this issue has nothing to do with the terms of interconnected control area operations that are the subject of this proceeding. According to Turlock, any agreement that is reached between Turlock and San Francisco would not be subject to the Commission's jurisdiction and, therefore, it is inappropriate to ask the Commission to make a determination regarding the allocation of costs between two non-jurisdictional entities.

15. In its answer to PG&E's protest, CAISO argues that PG&E's protest is untimely and beyond the scope of this proceeding. Furthermore, according to CAISO, PG&E's comments regarding the treatment of the Tesla-Westley-Los Banos line relate to an agreement already approved by the Commission, where PG&E raised no similar objections.¹⁶ CAISO asserts that it is improper for PG&E to raise its concerns for the

¹⁶ CAISO is referring here to its filing of Amendment No. 4 to the ICAOA between CAISO and SMUD in Docket No. ER05-1533-000, which included provisions for Modesto to join SMUD's Control Area and the establishment of the first new control area interconnection point between the ISO Control Area and another control area at the Westley Substation.

first time in response to the filing of a signature page as an amendment to the unexecuted ICAOA. CAISO asserts, further, that PG&E's concern about looping is a seams issue between control areas that may best be addressed through coordinated operation procedures rather than in a bilateral ICAOA. CAISO states that it commits to work with the other parties (*i.e.*, PG&E, Modesto, Turlock and SMUD) to develop operating procedures to address PG&E's concern about looping. Finally, CAISO reassures PG&E that the ICAOA contains no provision requiring the imposition of additional costs on PG&E or that makes PG&E responsible for ensuring the scheduling of transactions between CAISO's and Turlock's Control Areas.

F. Commission's Determination

16. We note that the ICAOA, a bilateral agreement between CAISO and Turlock, is intended "to assist the ISO and Turlock in coordinating the operation and maintenance of their interconnected Control Areas, in a manner consistent with the NERC and WECC criteria, WECC Minimum Operating Reliability Criteria, and Good Utility Practices."¹⁷ It appears that most of the issues raised by intervenors have been resolved through the parties' answers and CAISO's filing of the Interim Operations Agreement with San Francisco. Specifically, Turlock has agreed to CAISO's request that the ISO Scheduling Infrastructure system be used to schedule transactions over the Oakdale intertie; and CAISO filed an Interim Operations Agreement on November 17, 2005 to address San Francisco's other concerns including the impact of the ICAOA on its Oakdale facilities.

17. San Francisco's only remaining concern is how costs incurred from scheduling exports over the Oakdale intertie will be allocated between San Francisco and Turlock, which Turlock claims is the subject of ongoing negotiations. We find that this proceeding is not the appropriate forum to address San Francisco's concern regarding the allocation of costs between San Francisco and Turlock for deliveries by San Francisco to Turlock over non-ISO Controlled Grid facilities, and that any agreement that emanates from San Francisco and Turlock's negotiations would not be subject to our jurisdiction.

18. With regard to Turlock's assurance that it now intends to utilize the ISO Scheduling Infrastructure system through a Scheduling Coordinator to schedule over the Oakdale intertie, we interpret Turlock's assurance to be binding throughout the life of the ICAOA. We agree that the reliability of the ISO Controlled Grid would be compromised unnecessarily by instituting alternate scheduling arrangements for one intertie.

¹⁷ ISO Transmittal letter at 2.

19. We disagree with CAISO's argument that PG&E's motion to intervene and protest is untimely. We point out that CAISO's November 29, 2005 amendment to its filing was noticed in the *Federal Register* and triggered a second opportunity for entities to file comments, protests and interventions on or before December 19, 2005. PG&E filed a timely motion to intervene and protest in response to that notice and, therefore, is a party to this proceeding.

20. That said, however, we agree with CAISO that the treatment of PG&E's Tesla-Westley-Los Banos line is beyond the scope of this proceeding. Nevertheless, we accept CAISO's offer to work with the relevant parties to this proceeding to develop operating procedures to address PG&E's issue. Accordingly, we direct the CAISO to report to the Commission the status of its efforts on this issue within 60 days of the date of this order.

G. Waiver

21. CAISO requests waiver of the Commission's 60-day prior notice requirement to allow the ICAOA, as amended, to become effective December 1, 2005, consistent with the date Turlock became an independent Control Area. The Commission finds good cause to grant CAISO's request for waiver of the Commission's 60-day prior notice requirement to permit a December 1, 2005 effective date.¹⁸

The Commission orders:

(A) The ICAOA between CAISO and Turlock is accepted as filed to become effective on December 1, 2005, as discussed in the body of this order.

(B) CAISO is directed to report the status of its coordinated efforts to develop operating procedures regarding the treatment PG&E's Tesla-Westley-Los Banos line within 60 days of the date of this order, as discussed in the body of this order.

¹⁸ See *Central Hudson Gas & Electric Corporation*, 60 FERC ¶ 61,106 at 61,337, *reh'g denied*, 61 FERC ¶ 61,089 (1992) (Commission will waive prior notice requirement when filing has no rate impact).

(C) The rate schedule designations conform to Order No. 614 and, therefore, are accepted.¹⁹

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

¹⁹ *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs. ¶ 31,096 (2000).