

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

California Independent System  
Operator Corporation

Docket No. ER03-1221-002

ORDER ON COMPLIANCE

(Issued January 28, 2004)

1. On November 17, 2003, the California Independent System Operator Corporation (ISO) filed revised tariff sheets in compliance with the Commission's order issued on October 17, 2003.<sup>1</sup> In that order, the Commission rejected a tariff amendment filed by the ISO that would modify procedures for bidding, scheduling, and dispatching, Reliability Must-Run (RMR) energy. As discussed below, we will accept the ISO's revised tariff sheets since the ISO's proposal provides RMR Owners, who do not enter into a bilateral trade, the ability to schedule their RMR Energy to a load point designated by the ISO that would specifically be used for RMR Contract Energy.

**Background**

2. On August 18, 2003, the ISO filed tariff revisions proposing to modify its existing procedures for bidding, scheduling, and dispatching RMR energy. The ISO stated that such changes were necessary because RMR generation was being scheduled to dummy load, as a result of the demise of the California Power Exchange, and that such practice was a violation of the ISO's Market Monitoring and Information Protocol (MMIP).

3. In its compliance filing, the ISO proposes revised tariff sheets to require that all RMR Contract Energy not already scheduled in a bilateral trade to be scheduled to a unit-specific load identification (ID) point. To balance this scheduled energy, the Scheduling Coordinator must also schedule an equal amount of "artificial" load to this specific ID point. The ISO states that because this artificial load does not exist and will not be

---

<sup>1</sup>California Independent System Operator Corp., 105 FERC ¶ 61,074 (2003) (October 17 Order).

metered in real time, the Scheduling Coordinator will receive payment for the amount of the artificial load at the price paid to real-time deviations from Final Hour-Ahead Demand Schedules. As a result, the ISO states that RMR Contract Energy to a load ID point will be valued at the price the ISO pays to load deviations from the Final Hour-Ahead Schedule for the purpose of determining the Scheduling Coordinator credit on the RMR invoice. The ISO anticipates incorporating these changes into its tariff to be effective December 1, 2003.

4. On December 8, 2003, Independent Energy Producers Association (IEP) and Dynegy Power Marketing, Inc., et al. (Dynegy) filed timely comments in response to the ISO's compliance filing. On December 24, 2003, the ISO filed an answer in response to the issues raised in the comments.

### **Comments, ISO's Response, and Discussion**

5. In its comments, Dynegy states the ISO has proposed tariff language that could be interpreted to inappropriately limit the ability of RMR Owners to schedule RMR Contract Energy bilaterally after the close of the Day-Ahead market. As proposed, Section 2.2.12.2.2 now provides that RMR Owners "shall submit a Day-Ahead Energy Schedule that includes all RMR Contract Energy."

6. Dynegy states that the proposed language does not specify, however, whether the Day-Ahead schedules submitted to the special-purpose load points can be modified in the Hour-Ahead market. Dynegy points out that existing practice allows RMR Owners to enter into bilateral transactions after the close of the Day-Ahead market and to schedule that energy in the Hour-Ahead market when the RMR Owners' schedules become final. Dynegy therefore requests clarification that the proposed tariff language continues the existing flexibility to modify bilateral schedules associated with RMR Contract Energy between the Hour-Ahead and Day-Ahead market.

7. In its response, the ISO agrees with Dynegy that balancing RMR Contract Energy against actual demand is preferable to balancing it against artificial demand. The ISO also expresses support for the idea that an RMR Owner should have a chance to change a schedule that would have balanced RMR Contract Energy against artificial demand and replace it with a schedule that balances the RMR Contract Energy against real demand in a bilateral transaction. The ISO maintains, however, that an RMR Owner that has entered into a bilateral transaction for RMR Contract Energy in the Day-Ahead market should be required to maintain that transaction in the Hour-Ahead market.

8. The Commission agrees with the parties that RMR Contract Energy should be balanced against actual demand to the greatest extent possible. We therefore clarify that

an RMR Owner may modify a schedule associated with the RMR Contract Energy between the Day-Ahead and Hour-Ahead markets to the extent that a schedule balancing RMR Contract Energy against artificial demand is replaced with a schedule balancing RMR Contract Energy against actual demand (as a result of a bilateral transaction).

9. IEP seeks clarification that if an RMR Owner schedules artificial load to the RMR Contract Energy Load Point, the Owner will not be assessed any Load Serving Entity related charges described in the ISO Tariff and the Settlements and Billing Protocol. In its response, the ISO agrees with IEP's position that demand deviations that result from scheduling artificial demand solely to balance unsold RMR Contract Energy should be exempt from such charges.

10. IEP also seeks clarification that there will be no "adverse consequences" in the final settlement statement associated with the RMR Contract Energy Load Point or associated with any change in schedule from the forward markets into real-time when the artificial demand does not appear. The ISO responds that there will be no adverse consequences, as long as the demand scheduled at the RMR Contract Energy Load Point is scheduled there to match RMR Contract Energy.

11. IEP requests confirmation that the ISO will not consider the artificial demand to be a demand that must be met by denying Must-Offer Waiver requests. The ISO responds that, because this demand is not real demand and exists only to satisfy the balanced schedule requirement, they will not consider this artificial demand when evaluating Must-Offer Waiver requests. IEP asserts that the amount of artificial load scheduled should be clearly delineated from actual load scheduled within the ISO system and that the amount of artificial load scheduled should be published after the fact on the ISO's OASIS. The Commission agrees with IEP that such information should be posted on OASIS after the fact. The ISO is therefore directed to post information on its OASIS regarding the levels of artificial load that are scheduled.

12. IEP also seeks clarification that scheduling artificial demand at the RMR Contract Energy Load Point will not create additional congestion or transmission charges. In its response, the ISO states that it agrees with IEP that demand scheduled to these special load points should not affect transmission or congestion charges and explains that they designated the particular unit-specific demand identifiers to be points at or near the associated RMR unit so as to avoid any affect on inter-zonal congestion.

13. Finally, IEP states that the artificial load points should be eliminated when the balanced schedule requirement is eliminated as part of the MD02 implementation. The ISO agrees that the use of these special-purpose demand identifiers is a temporary

measure which will be discontinued when new systems are implemented as part of the MD02 modifications.

14. The Commission finds that the ISO has adequately responded to the issues raised by Dynegy and IEP. Additionally, the Commission finds that ISO's revised tariff sheets comply with the October 17 Order and will permit RMR Owners, who do not enter into a bilateral trade, the ability to schedule their RMR Energy to a load point designated by the ISO that would specifically be used for RMR Contract Energy.

The Commission orders:

(A) The ISO's revised tariff sheets are hereby accepted, to be effective December 1, 2003, as discussed in the body of this order.

(B) The ISO is directed to post information on its OASIS regarding the levels of artificial load that are scheduled.

By the Commission.

( S E A L )

Linda Mitry,  
Acting Secretary.