

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 Nos. ER98-997-005 ER98-1309-004
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California Independent System Operator Corporation	Docket Nos. ER02-2297-004 ER02-2298-004
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ORDER ON COMPLIANCE FILING

(Issued February 11, 2005)

1. In this order, we conditionally accept the California Independent System Operator Corporation's (CAISO) compliance filing made in response to our order issued on September 21, 2004, in this proceeding (September 21 Order).<sup>1</sup> The September 21 Order directed the CAISO to file revisions to its *pro forma* Participating Generator Agreement (PGA) designed specifically for Qualifying Facilities (QF's). This decision reflects the appropriate implementation of our previous findings and will implement a QF-specific PGA to accommodate the distinct characteristics of QF's.

**Background**

2. In an Initial Decision in this proceeding,<sup>2</sup> the Commission's Administrative Law Judge (ALJ) concluded that CAISO's existing *pro forma* PGA is not just and reasonable when applied to QF's, and directed CAISO to file a QF-specific PGA that included the Initial Decision's findings. Among other things, the ALJ found that the requirement in the PGA that QF's abide by CAISO's Tariff provisions on metering, telemetry, scheduling, procurement and cost allocation of ancillary services on a gross basis is unjust and unreasonable, and that QF's should be allowed to do so on a net basis.<sup>3</sup>

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<sup>1</sup> *California Independent System Operator Corporation*, 108 FERC ¶ 61,273 (2004).

<sup>2</sup> *California Independent System Operator Corporation*, 96 FERC ¶ 63,015 (2001).

<sup>3</sup> Gross basis or gross metering refers to behind-the-meter loads and behind-the-meter generation that are metered individually. Net basis or net metering refers to the practice in which behind-the-meter load or generation is metered by a single meter, thereby providing either a net load or net generation meter read at a given instant of time.

3. In Opinion No. 464,<sup>4</sup> the Commission affirmed the Initial Decision, including the ALJ's directives for CAISO to file a *pro forma* QF-specific PGA that incorporated the Initial Decision's findings, within 60 days from the issuance of the Opinion. On October 14, 2003, November 6, 2003, and December 18, 2003, the CAISO and the Cogeneration Association of California (CAC) submitted joint motions for extension of time to submit the compliance filing, which were granted. On January 20, 2004, the CAISO submitted a compliance filing (January 20 Compliance). CAC and the Energy Producers and Users Coalition (CAC/EPUC) filed a joint protest.

4. In the September 21 Order, the Commission conditionally accepted the CAISO's January 20 Compliance, and directed the CAISO to make several more revisions to the QF PGA. Specifically, the CAISO was directed to: (1) revise sections 4.1.1 and 4.1.2 of the QF PGA to remove any requirement on the part of a QF to provide information on individual generating units located behind-the-meter; (2) revise section 4.2.2 to clarify that the purpose of meters and telemetry is to record only the net impact of QF's; and (3) replace any reference to "Generating Unit" with "Net Scheduled QF" throughout the QF PGA. The CAISO was also directed to designate the QF PGA as sheet numbers under its Open Access Transmission Tariff (OATT) pursuant to section 35.9 of the Commission's regulations.<sup>5</sup> On October 21, 2004, the CAISO submitted the instant compliance filing.<sup>6</sup>

### **Notice of Filings and Responsive Pleadings**

5. Notice of the October 21 compliance filing was published in the *Federal Register*, 69 Fed. Reg. 64,041 (2004), with comments, interventions and protests due on or before November 12, 2004. On November 12, 2004, CAC/EPUC filed a joint protest.

### **Discussion**

6. In the instant compliance filing, the CAISO states that it has made each of the changes as directed by the September 21 Order, with the exception of the directive to replace all references to "Generating Unit" with "Net Scheduled QF." The CAISO explains that the term would render certain portions of the QF PGA nonsensical, and that it consulted with CAC/EPUC to make the substitution in a manner that fulfills the

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<sup>4</sup> *California Independent System Operator Corporation*, 104 FERC ¶ 61,196 (2003).

<sup>5</sup> 18 C.F.R. § 35.9 (2004).

<sup>6</sup> On the same date, the CAISO filed a request for clarification and, in the alternative, rehearing of the directive to designate the QF PGA as tariff sheets under its OATT. That request is the subject of a separate order being issued concurrently.

Commission's intent. In addition, the CAISO notes that it did not delete the phrase "...and peak MW value of the self-provided Load served by the Net Scheduled QF" from section 4.1.2 as requested by CAC/EPUC in its protest of the January 20 Compliance, arguing that the September 21 Order did not direct the CAISO to make this change.<sup>7</sup>

7. Section 4.1.2, Technical Characteristics, now states, in part:

The Participating Generator shall provide to the ISO the required information regarding operating contacts, rated capacity, operating characteristics of the Net Scheduled QF *and peak MW value of the Self-provided Load served by the Net Scheduled QF.* (Emphasis added)

8. CAC/EPUC contends that, although the CAISO has given up on seeking information on behind-the-meter generating units, it continues to seek information on a QF's self-provided behind-the-meter load in contravention of the Commission's rulings in this proceeding. CAC/EPUC argues that the CAISO seeks to perform only a literal compliance, solely because the Commission did not expressly direct the CAISO to delete the phrase from section 4.1.2, with no other argument in support of the inclusion of the phrase. CAC/EPUC argues that the CAISO continues to refuse to comply with a fundamental premise of the Commission's orders in this proceeding by continuing to seek behind-the-meter "gross" information from QF's rather than "net" information. CAC/EPUC state that the Commission should order the CAISO to delete the phrase "...and peak MW value of the self-provided Load served by the Net Scheduled QF" from section 4.1.2 of the QF PGA.<sup>8</sup>

9. CAC/EPU correctly argues that section 4.1.2 is inconsistent with the Commission's orders in this proceeding. In the September 21 Order, the Commission found that the CAISO does not need information on individual generating units behind-the-meter in order to maintain reliability, and directed the CAISO to revise the QF PGA to remove any requirement on the part of a QF to provide information on individual generating units located behind-the-meter.<sup>9</sup> The CAISO removed from section 4.1.2 the phrase "...including the characteristics of the individual Generating Units within the Net Scheduled QF..." but left in the phrase "...and peak MW value of the self-provided Load served by the Net Scheduled QF."

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<sup>7</sup> CAISO transmittal at 2.

<sup>8</sup> In a letter to the CAISO attached to its protest, CAC/EPUC indicates that it agrees with all the other changes made to the QF PGA.

<sup>9</sup> September 21 Order at PP 11-12.

10. The intent of the Commission's directive was to remove the requirement to provide any behind-the-meter information, whether on generation or load. In the Initial Decision, the ALJ found that the CAISO only needs to measure the direct impact on its system, and that changes in load and generation behind-the-meter will be captured at the point of interconnection between the QF and the Utility Distribution Company (UDC). The ALJ explained that the UDC provides back up power and the necessary ancillary services for QF behind-the-meter loads, thereby satisfying the NERC and WSCC reliability requirements. The ALJ stated that if standby services are used because a QF shuts down, their effect will appear at the point of interconnection. The ALJ thus found that since the CAISO does not back up the behind-the-meter load for QF's, only net loads of QF's are included in the CAISO's control area firm load. Accordingly, we will direct the CAISO to revise section 4.1.2 of the QF PGA to remove the phrase "...and peak MW value of the self-provided Load served by the Net Scheduled QF."

The Commission orders:

(A) The proposed revisions to the QF PGA are hereby conditionally accepted, as designated, as discussed in the body of this order.

(B) The CAISO is hereby directed to file, within 30 days of the date of issuance of this order, a revised section 4.1.2 of the QF PGA, incorporating the revision required herein, as discussed in the body of this order.

By the Commission.

( S E A L )

Linda Mitry,  
Deputy Secretary.