



PGA that QFs 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 QFs should be allowed to do so on a net basis.<sup>3</sup>

3. In Opinion No. 464, the Commission affirmed the Initial Decision, including the judge'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 the instant compliance filing.

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

4. Notice of the January 20 compliance filing was published in the *Federal Register*, 68 Fed. Reg. 5,968 (2004), with comments, interventions and protests due on or before February 10, 2004. On February 9, 2004, in response to a joint request by CAISO and CAC, the Commission granted an extension of time for the parties to submit interventions and protests to March 22, 2004. On March 22, 2004, CAC and the Energy Producers and Users Coalition (CAC/EPUC) filed a joint motion to intervene and a joint protest. On April 6, 2004, the CAISO and Southern California Edison Company (SoCal Edison) filed answers. On April 23, 2004, CAC/EPUC filed a joint answer to the CAISO's and SoCal Edison's answers.

### **Discussion**

#### **A. Procedural Matters**

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

6. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2003), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept CAISO's, SoCal Edison's and CAC/EPUC's answers because they have provided information that assisted us in our decision-making process.

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<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.

**B. Commission Analysis****1. QF Individual Generating Units****a. Proposed Revisions and Intervenor's Comments**

7. In response to the Commission's findings, the parties developed and added the term "Net Scheduled QF" to the QF PGA. Net Scheduled QF is defined in section 1.2 of the QF PGA as "the Qualifying Facility . . . operated as a single unit such that the Energy scheduled with the ISO is the net value of the aggregate electrical net output of the Qualifying Facility and the Self-Provided Load." In sections 4.1.1 and 4.1.2 of the proposed QF PGA, the CAISO delineates the requirements for a QF to provide generator operating characteristics. Specifically, section 4.1.1, Identification of Net Scheduled QF, states:

The Participating Generator has identified the Net Scheduled QF that it owns, operates or has a contractual entitlement to, including the individual Generating Units within the Net Scheduled QF.

Section 4.1.2, Technical Characteristics, states:

The Participating Generator shall provide to the ISO the required information regarding operating contacts, rated capacity, operating characteristics of the Net Scheduled QF, including the characteristics of the individual Generating Units within the Net Scheduled QF, and peak MW value of the Self-provided Load served by the Net Scheduled QF.

8. CAC/EPUC protests the requirements in sections 4.1.1 and 4.1.2 to provide the CAISO the operating characteristics of individual behind-the-meter generating units. CAC/EPUC argues that the Commission determined that the only data the CAISO needed to maintain system reliability is data on the actual power flow at the point of interconnection between the QF and the Utility Distribution Company (UDC).<sup>4</sup> CAC/EPUC argues that section 4.5 of the compliance PGA allows the CAISO to dispatch or curtail a QF Generating Unit for reliability reasons, and that the CAISO does not need individual behind-the-meter generating unit data to ensure reliability.

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<sup>4</sup> CAC/EPUC has provided proposed modifications to the CAISO's compliance QF-specific PGA.

**b. Answer(s)**

9. The CAISO argues that sections 4.1.1 and 4.1.2 do not relate to gross or net metering or telemetry; instead, they simply require the QF Generators to supply the ISO with information concerning the basic technical characteristics of their individual Generating Units, including Gross (Nameplate) Capacity and the peak MW demand of the on-site Self-provided Load, along with the other characteristics specified in QF-PGA Schedule 1. The CAISO states that its responsibility for maintaining system reliability requires at a minimum that it knows the total rated capacity of the individual generating Units and the peak MW value of the Self-provided Load in order to issue Dispatch Instructions that most suitably resolve the reliability concerns that may be created by an unanticipated contingency. Therefore CAISO also states that CAC/EPUC's proposed changes should be rejected.

10. In its response to the CAISO's answer, CAC/EPUC argues that the CAISO's arguments are essentially a repeat of the arguments initially raised and were rejected by the Commission in its Initial Decision and Opinion No. 464. CAC/EPUC further contends that the Commission only required net metering of a QF's generation and load regardless of whether the data is provided in real time or not.

**c. Commission's Conclusion**

11. In the Initial Decision, the Administrative Law Judge 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 UDC. The judge explained that SoCal Edison, the UDC in this case, provides back up power and the necessary ancillary services for QF behind-the-meter loads, thereby satisfying the NERC and WSCC reliability requirements. The judge stated that if standby services are used because a QF shuts down, their effect will appear at the point of interconnection. The judge thus found that since the CAISO does not back up the behind-the-meter load, only net loads are included in the CAISO's control area firm load.

12. The Commission has found that the CAISO need only measure the actual power flow at the point of interconnection between the QF and the UDC. Furthermore, the CAISO cannot call upon QFs to provide capacity. Moreover, the Commission has found that the CAISO's reliability concerns are satisfied by a QF's contracting for standby service with a UDC.<sup>5</sup> Thus the Commission agrees that the CAISO does not need information on individual generating units behind-the-meter, in order to maintain reliability. We will therefore direct the CAISO to revise sections 4.1.1 and 4.1.2 of the

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<sup>5</sup> See California Independent System Operator Corporation, 104 FERC ¶ 61,196 at P 36-40 (2003).

QF PGA to remove any requirement on the part of a QF to provide information on individual generating units located behind-the-meter (point of interconnection with the UDC).

**2. Metering and Telemetry Location**

**a. Proposed Revisions and Intervenor's Comments**

13. Section 4.2.2 of the QF PGA (Meter and Telemetry Location) states:

The Participating Generator may satisfy the provisions of the ISO Tariff and Metering Protocol for the installation of meters and telemetry by installing at the Point of Demarcation meters and telemetry that otherwise meet the requirements of the ISO Tariff and Metering Protocol.

CAC/EPUC states that, in order to avoid misinterpretation, section 4.2.2 should be modified to expressly state that metering and telemetry installed at the Point of Demarcation are for the purpose of recording the net impact of the QF on the CAISO grid. Specifically, CAC/EPUC proposes that section 4.2.2 be modified to read:

The Participating Generator may satisfy the provisions of the ISO Tariff and Metering Protocol for the installation of meters and telemetry by installing at the Point of Demarcation meters and telemetry for purpose of recording the net impact of the Net Scheduled QF upon the ISO-Controlled Grid; provided that the installed meters and telemetry satisfy the technical functional and performance requirements for meters and telemetry set forth in the ISO Tariff and Metering Protocol.

**b. Answer(s)**

14. In its answer, the CAISO states that the proposed modifications to section 4.2.2 should be rejected, arguing that the changes are not required by the Commission's orders and could potentially confuse, rather than clarify, the issue of net metering and telemetry.

15. In its response to the CAISO's answer, CAC/EPUC argues that the proposed clarifications to section 4.2.2 are necessary to ensure that the CAISO would not use any data that it acquired to assess charges to, or otherwise impose obligations on, behind-the-meter generation and load which does not have an impact upon the CAISO grid. Further, CAC/EPUC contends, the proposed language clarifies that metering and telemetry

installed at the Point of Demarcation should meet the technical and functional requirements specified in the CAISO's metering protocol, and that any other requirements should be clearly delineated.

**c. Commission Conclusion**

16. In the Initial Decision, the Administrative Law Judge found that the CAISO is permitted to require QFs that enter into PGAs to install telemetry at the point of interconnection with the UDC for reliability purposes. The Judge however ruled that it is unjust and unreasonable to require QFs to gross meter and telemeter generation and behind-the-meter load. The Commission affirmed the Judge's decision, and will therefore direct the CAISO to revise section 4.2.2, as proposed by CAC/EPUC, to clarify that the purpose of the meters and telemetry is to record only the net impact of QFs.

**3. Reference to Generating Unit**

**a. Proposed Revisions and Intervenor's Comments**

17. CAC/EPUC requests that the term "Generating Unit" in the QF PGA be replaced with the term "Net Scheduled QF." CAC/EPUC contends that the term, consistent with the Initial Decision and Order No. 464, was developed by the parties to reflect the fact that it is the net impact on the CAISO's system, measured at the point of interconnection, which the CAISO must concern itself with for reliability purposes.

18. The CAISO argues that, consistent with its arguments regarding the need to obtain individual Generating Unit information for reliability purposes, the proposed change to replace the term "Generating Unit" with "Net Scheduled QF" throughout the QF-specific PGA should be rejected.

**b. Commission Conclusion**

19. Consistent with the Commission's findings that the CAISO need only be concerned with the net impact of QFs on its system, and that the CAISO does not need information on individual behind-the-meter generating units, we will direct the CAISO to replace any reference to "Generating Unit" with "Net Scheduled QF" throughout the QF PGA.

#### **4. Exemption from QF PGA**

##### **a. Proposed Revisions and Intervenor's Comments**

20. Section 2.2.1 of the QF PGA exempts certain generators that have existing power purchase agreements (PPAs) with a UDC from the requirement to enter into the QF PGA. The exemption extends to PPAs entered into and effective as of December 20, 1995, where the QF sells all of its Energy (except for auxiliary load) and Ancillary Services to the UDC or sells any Energy through "over the fence" arrangements authorized under California law, or the QF uses landfill gas technology for the generation of electricity, pursuant to California law.

21. CAC/EPUC argues that based on a recent decision of the California Public Utilities Commission (CPUC),<sup>6</sup> QFs with existing PPAs with a UDC are entitled to renewal, extension or replacement of their existing PPAs, and that new QFs are also entitled to secure a PPA with a UDC under certain circumstances. CAC/EPUC argues that these PPAs will be executed and performed in the same manner and under the same terms and conditions as the PPAs which are presently exempted under section 2.2.1, and that the relationship between the CAISO, the UDC and the QF will remain the same. CAC/EPUC therefore contends that PPAs pursuant to this CPUC decision should be included within the section 2.2.1 exemption.

##### **b. Answer(s)**

22. The CAISO and SoCal Edison argue that CAC/EPUC has not, before now, argued that section 2.2.1, which contains the same exemption language as included in the Commission-approved *pro forma* PGA, was unjust and unreasonable. The CAISO and SoCal Edison contend that this argument should be rejected as it is beyond the scope of this compliance proceeding, and that CAC/EPUC can raise the issue by filing a section 206 complaint.

##### **c. Commission Conclusion**

23. The Commission agrees that CAC/EPUC's attempt to include CPUC's decision in section 2.2.1 is a new issue not previously raised in this proceeding. This proposed change is beyond the scope of the compliance filing, and will not be entertained in the

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<sup>6</sup> See California Public Utilities Commission Decision D.04-01-050 (January 26, 2004), where CPUC issued a rulemaking decision to establish policies and cost recovery mechanisms for generation procurement and renewable resource development.

instant filing. The Commission does not allow a new issue to be introduced in a compliance filing.<sup>7</sup> We therefore dismiss CAC/EPUC's argument.

**5. Other Information to be Provided by a QF**

**a. Proposed Revision and Intervenor's Comments**

24. CAC/EPUC states that section 4.6(a) of the QF PGA should be modified to state that the certification which must be provided to the CAISO is a Commission order granting QF status. CAC/EPUC contends that section 4.6(b) should be modified to state that the PPA to be provided to the CAISO is the electrical PPA with the UDC.

**b. Answer(s)**

25. The CAISO states that it agrees to CAC/EPUC's proposed modifications to sections 4.6(a) and 4.6(b).

**c. Commission Conclusion**

26. We do not find that adopting this proposed revision will cause any undue hardship to the parties. We will therefore direct the CAISO to include these changes in its QF-specific PGA.

**C. Tariff Sheet Designations**

27. The CAISO's proposed QF PGA does not comply with the requirements of section 35.9 of the Commission's regulations.<sup>8</sup> Specifically, the QF PGA must be designated as sheet numbers under the CAISO's Open Access Transmission Tariff (OATT). We will direct the CAISO to file the entire QF PGA, incorporating the modifications required by this order, with the appropriate tariff sheet designations under its OATT.

**The Commission orders:**

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

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<sup>7</sup> See *Consumers Energy Company*, 97 FERC ¶ 61,209 (2001), citing *Tucson Electric Power Company*, 96 FERC ¶ 61,315 (2001) (finding that Tucson Electric Power Co.'s proposal of an alternative load profiling methodology exceeded the scope of the Commission's direction to implement a specific load profiling methodology).

<sup>8</sup> 18 C.F.R. § 35.9 (2004).

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

By the Commission.

( S E A L )

Linda Mitry,  
Acting Secretary.