

Keith E. Casey, Ph.D.  
VP, Market and Infrastructure Development

September 27, 2011

Honorable Members of the California Air Resources Board  
California Air Resources Board  
1001 "I" Street  
P.O. Box 2815  
Sacramento, CA 95812

Re: Second 15-day Notice of Public Availability of Modified Text for the Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Regulation, including Compliance Offset Protocols

Dear Members of the California Air Resources Board:

The California Independent System Operator Corporation (ISO) appreciates the opportunity to provide comments in response to the above-referenced notice issued by the California Air Resources Board (ARB) on September 12, 2011. As part of this notice, the ARB modified the definition of *Electricity Importers* in its proposed regulation. The ISO recommends that the ARB change this definition to clarify that the ISO is not an electricity importer when scheduling energy and/or capacity during an emergency in the ISO balancing authority area or in an adjacent balancing authority area.

ARB's proposed regulation defines *Electricity Importers* to mean "marketers and retail providers that deliver imported electricity." The definition also provides in part:

For electricity delivered between balancing authority areas, the electricity importer is identified on the NERC E-tag as the purchasing-selling entity (PSE) on the last segment of the tag's physical path with the point of receipt located outside the state of California and the point of delivery located inside the state of California.

The ISO is a nonprofit public benefit corporation chartered under the laws of the state of California for the purpose of operating and maintaining the reliability of the statewide electric transmission grid for the benefit of the citizens of California. The Federal Power Act requires that the ISO plan and operate the power grid in compliance with federal and regional mandatory reliability standards.<sup>1</sup> These federal reliability standards are designed to prevent system instability throughout the

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<sup>1</sup> Section 215 of the Federal Power Act; 16 U.S.C. § 824o. Reliability standards applicable to the ISO are developed by the North American Electric Reliability Corporation and Western Electricity Coordination Council and approved by the Federal Energy Regulatory Commission. See generally, [http://www.ferc.gov/industries/electric/indus\\_act/reliability.asp](http://www.ferc.gov/industries/electric/indus_act/reliability.asp).

Honorable Members of the California Air Resources Board  
September 27, 2011  
Page 2

western grid. State law recognizes the obligation for the ISO to adhere to these requirements.<sup>2</sup>

By way of example, the disturbance control performance standard BAL - 002 - 0 requires the ISO as a balancing authority to deploy and utilize its operating reserves to stabilize the power grid and return interconnection frequency to defined limits within 15 minutes after the occurrence of a contingency.<sup>3</sup> As part of complying with reliability standards, the ISO must have operating agreements with adjacent balancing authorities that shall, at a minimum, contain provisions for emergency assistance.<sup>4</sup> The ISO must also request emergency assistance if it cannot comply with specific standards such as disturbance control performance standard BAL - 002 - 0 referenced above.<sup>5</sup>

As ARB is aware, the ISO operates a wholesale electricity market. The ISO does not provide electricity to retail end users. The ISO does not own any electric generating resources inside or outside the state of California and does not operate a portfolio of contracts for the delivery of power from entities importing electricity into California. Despite these facts, the ISO may be required to request emergency assistance from other balancing authority areas, including balancing authority areas outside of the state of California. In addition, the ISO may be required to provide emergency assistance to an adjacent balancing authority area.

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<sup>2</sup> California Public Utilities Code Section 345 provides:

The [ISO] shall ensure efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council.

The North American Electric Reliability Council is now known as the North American Electric Reliability Corporation and serves as the Electric Reliability Organization under the Federal Power Act.

<sup>3</sup> North American Electric Reliability Corporation Standard BAL - 002 - 0 - Disturbance Control Performance. A copy of this reliability standard is available at the following website: <http://www.nerc.com/files/BAL-002-1.pdf>

<sup>4</sup> Standard EOP-001-0 — Emergency Operations Planning, Requirement 1. <http://www.nerc.com/files/EOP-001-0.pdf>

<sup>5</sup> Standard EOP-002-2.1 — Capacity and Energy Emergencies, Requirement 6.4. [http://www.nerc.com/files/EOP-002-2\\_1.pdf](http://www.nerc.com/files/EOP-002-2_1.pdf)

Emergency assistance may involve a schedule of energy and/or capacity between balancing authority areas. This schedule may result in the identification of the ISO as a purchasing selling entity on an E-tag. This convention may arise because during periods of emergency assistance there is not another scheduling coordinator to identify on the E-tag. The ISO tariff provides specific criteria to avoid the need for requesting emergency assistance from other balancing authority areas.<sup>6</sup> As a result, the need for the ISO to request emergency assistance is extremely rare. For example, in 2010, the ISO relied on emergency assistance once, which amounted to less than one ten-thousandth of a percent of all power delivered on the ISO grid that year.

The ISO recommends that the ARB add the following language to the definition of *Electricity Importer* to exempt the ISO from the definition when the ISO schedules energy and/or capacity during an emergency in the ISO balancing authority area or in an adjacent balancing authority area:

The CAISO is not an “electricity importer” if it is identified as a purchasing-selling entity on the NERC E-tag as a result of requesting or providing emergency assistance during a declared emergency in order to comply with applicable reliability criteria, pursuant to either an agreement required by NERC standards regarding emergency assistance or section 42.1.5 of the CAISO tariff or a successor provision.

This exemption is appropriate for at least two reasons. First, ARB should not make the ISO a point of regulation for the extremely rare occurrence and minimal quantities of power it may request from or provide to neighboring balancing authority areas during an emergency. Second, when the ISO requires or must provide emergency assistance, it acts under tight time constraints with one purpose only – ensure the reliability of the electricity grid. Under these circumstances, the ISO should not pause to consider the type and location of a resource providing energy and/or capacity from a neighboring balancing authority or whether the ISO should or should not appear as a purchasing-selling entity on an E-tag. ARB’s regulation governing mandatory reporting of greenhouse gas emissions does not apply to generating units designated as emergency generators in a permit issued by an air

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<sup>6</sup> See generally, Section 42 of the ISO tariff available at the following Web site:  
[http://www.caiso.com/Documents/Sections36-43\\_FifthReplacementTariff.pdf](http://www.caiso.com/Documents/Sections36-43_FifthReplacementTariff.pdf)

Honorable Members of the California Air Resources Board

California Independent System Operator Corporation

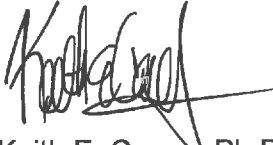
September 27, 2011

Page 4

pollution control district or air quality management district.<sup>7</sup> A similar exemption is appropriate here.<sup>8</sup>

Thank you for considering these comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Keith E. Casey", with a long horizontal line extending from the end of the signature.

Keith E. Casey, Ph.D.

Vice President, Market and Infrastructure Development

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<sup>7</sup> 17 California Code of Regulations § 95101 (c)(3).

<sup>8</sup> The ISO is willing to publish an annual report on its Web site identifying the total quantity of power the ISO imports from or exports to adjacent balancing authority areas in connection with emergency assistance so that ARB can monitor the effect of this exemption.