

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation)))))	Docket No. RT01-85-000
---	-----------------------	------------------------

COMMENTS OF INDUSTRIAL CONSUMER INTERVENORS

Industrial Consumer Intervenors, the Electricity Consumers Resource Council (“ELCON”), the American Iron and Steel Institute (“AISI”), the American Forest and Paper Association (“AF&PA”), and the American Chemistry Council (“ACC”) submit the following comments with respect to the RTO status report filed by the California ISO (“CAISO”).

The current filing by CAISO continues to resist FERC’s much-needed efforts to prompt a Western RTO. FERC is correct that failure to have a single Western RTO has contributed to the crisis conditions in California and the West. Elimination of the multitude of inconsistent wholesale market and operational rules within the Western Interconnection would enhance reliability and improve market efficiency. As FERC observed in its November 1, 2000 Order in San Diego Gas & Elec., 93 FERC ¶ 61,121, 61,366 (2000):

California’s markets will never realize optimal performance until the impediments to efficient utilization of the regional transmission grid are eliminated and the regional interstate transmission system is designed in such a way that it supports transparent competitive Western bulk power markets....

California cannot make itself an island. Historically, California has relied substantially on imports to maintain reliability. The Western states are interdependent, yet different scheduling rules, operating practices and congestion management practices apply. There is a lack of coordination within the Western Interconnection that impedes efficient trading and frustrates regional cooperation that is essential for planning transmission expansion.

Industrial Consumers agree with the statement by Pacific Gas & Elec. Co. (“PG&E”) in its June 1, 2001 RTO compliance filing:

California is a net importer of up to one third of its daily energy needs. With that reality, it is not possible to solve the market dysfunction problems within California alone. The Western region is a series of markets that are integrally interconnected, and the Commission correctly recognizes that broad regional solutions are a necessary part of any long-term effort to maintain reliability, improve efficiency, and lower costs.

PG&E June 1, 2001 Filing, p. 1. As PG&E observes, California must work more closely with other states to improve congestion management, eliminate pancaked rates, and manage seams issues.

Industrial Consumers take issue with CAISO’s suggestion that it is premature for CAISO to forge a single Western RTO given the nascent state of RTO West and Desert Star. There is no time like the present to remove barriers within the Western region. Industrial Consumers also deplore CAISO’s continued adherence to a single-state parochial approach. For years CAISO clashed with FERC about the residence requirement of CAISO board members. It is simply not tenable to justify single-state ISOs which frustrate regional trading and regional development of transmission resources — to the detriment of California as well as the entire

Western Interconnection. The RTO cannot be run efficiently by the California governor and legislature. Political interference will only undermine the effective operation of the RTO.

Industrial Consumers recommend that FERC impose a deadline on CAISO similar to the timetable set forth in the RTO West Order which requires that both RTOs identify a timetable for achieving a West-Wide RTO by December 1, 2001.

Respectfully submitted,

/signed/

Sara D. Schotland
CLEARLY, GOTTLIEB, STEEN &
HAMILTON
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-1801
202-974-1500

Dated: June 19, 2001

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Comments of Industrial Consumer Intervenors were today mailed to parties on the service list of this proceeding by U.S. mail, postage paid.

Dated at Washington, D.C., this 19th day of June, 2001.

/signed/

Kari Vander Stoep
Law Clerk
Cleary, Gottlieb, Steen & Hamilton
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006-1801
202-974-1500