
June 7, 2000

ADVICE 1457-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Tariff Modifications To Eliminate Limitations To Allow
Certain Customers To Bid Curtailable Load Into The
Independent System Operator As An Ancillary Service

Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing seeks California Public Utilities Commission (Commission) approval for SCE to modify its tariffs to allow Large Power Interruptible customers the opportunity to bid curtailable load into the Independent System Operator (ISO) as an ancillary service.

BACKGROUND

Currently, SCE has an Interruptible Service Program that provides non-firm customers with rate discounts in exchange for the ability to call upon the customers to reduce load, when necessary, to maintain system reliability. Prior to the restructuring of the electric industry, customers such as those served under Schedule I-6 could be asked by SCE to reduce their load to a contractually determined Firm Service Level when: (1) SCE was ready to start its next-to-the-last peaking generator and there was insufficient time to evaluate and secure alternative resources, or (2) SCE's spinning reserve was anticipated to fall below five percent for more than one hour and the cost of replacement capacity and energy available to SCE was 7¢/kWh or greater. If either of these events occur, SCE would

notify some or all of its interruptible customers to reduce load. With restructuring of the electric industry and the introduction of competitive generation markets, SCE is no longer in a position to identify when the interruptible program should be activated and whether some of the operational criteria and protocols associated with this program are applicable. Furthermore, pursuant to Public Utilities Code Section 743.1, the current non-firm program and incentives provided to SCE's large industrial customers are to remain in place and be fixed until March 31, 2002. Thus, in Advice 1263-E, SCE proposed, and the Commission approved, the following revisions to all of SCE's interruptible schedules:

1. The ISO now determines when an interruption should be initiated.
2. The ISO directs SCE to curtail specific amounts of load (up to full capacity of the interruptible program) sufficient to maintain operating reserves above a five percent level through the next forecast hour.
3. Interruptible service customers may cancel interruptible service and return firm service in an annual window.
4. Interruptible service customers are prohibited from bidding curtailable demand into the ISO as an ancillary service.

Once SCE is notified by the ISO and a notice of interruption is sent, customers have up to 30 minutes to curtail load. Customers that receive the notice and fail to curtail load are assessed penalties, referred to as Excess Energy Charges. The program continues to be limited to 25 curtailments in a calendar year with each curtailment lasting no longer than six hours.

TARIFF PROVISIONS

Presently, Interruptible customers (those customers served under Schedule I-6, Schedule RTP-2-I, Schedule TOU-8-SOP-I, Schedule AP-I, and Schedule TOU-PA-SOP-I) are prohibited from bidding interruptible or curtailable load into the ISO's ancillary services market unless SCE has already used the full capability of the load curtailment programs, whereby SCE has interrupted all the available hours as set forth in the applicable rate schedules. Once this limitation is met, the customer is then permitted to bid its load into the ISO as an ancillary service such as for replacement reserve.

However, since the inception of the restructured electric industry, the ISO has never notified SCE to fully utilize its curtailment capability as permitted by its tariffs. As the ancillary services markets are developing, the limitation discussed above may constrain customers from participating in such markets. In order for the ancillary services market to flourish in the restructured electric industry, limitations on market entry need to be minimized. In order to be truly competitive, electric markets need demand responsiveness as recently reported by the Market

Surveillance Committee of the California Independent System Operator. As discussed in previous MSC Reports,

“A price-responsiveness hourly wholesale demand is essential to limit the exercise market power by generators during periods expected to have high system loads. Currently, during periods forecast to have high system loads, all generation unit owners know that a very large fraction of their capacity will be required to meet the ISO’s energy and ancillary services needs, regardless of the bid price. With a credible price responsive hourly wholesale demand (which is only possible with a price-responsive hourly retail demand), generators bidding high prices know that they stand a significant chance of not selling their capacity, even during periods predicted to have high system loads. For this reason, generation unit owners will bid prices closer to their marginal cost because they recognize that if prices are too high, the price responsive wholesale demand will decide not to purchase.”¹

For the reasons stated above, SCE proposes to eliminate the customer bidding restrictions set forth in its tariffs and thereby permit the effected customers the opportunity to participate in the ancillary services markets.

Should the customer bid its curtailable load into the ISO’s ancillary services market and that bid is accepted, it is possible that the time period the load is available to the market may overlap with the time period that the ISO directs SCE to activate its load curtailment programs. If this occurs, the customer’s bill will be adjusted accordingly to prevent double payments from occurring for such curtailable load. The ISO has provided assurance that they will work with SCE in order to prevent the occurrence of any potential double payments. One way of achieving this objective is for the ISO not to make any payment for customer’s ancillary service bid if that customer has already been called upon by SCE, after notification by ISO, to curtail its load under the Interruptible rate program.

No cost information is required for the advice filing.

This advice filing will not increase any rate or charge, cause withdrawal of service, or conflict with any schedule or rule.

EFFECTIVE DATE

The proposed tariff changes contained in this advice filing will become effective on the 40th calendar day after the date filed, which is July 17, 2000.

¹ Report on Redesign of California Real-Time Energy and Ancillary Services Markets, page 10, dated October 18, 1999.

NOTICE

Anyone wishing to protest this advice filing may do so by letter which must be received by SCE no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be sent to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile to the attention of:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile (626) 302-4829

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile (415) 673-1116

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list. Address change requests should be directed to Emelyn Lawler at (626) 302-3985.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters.

Southern California Edison Company

Donald A. Fellows, Jr.

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Enclosures