

California Power Exchange Corporation

Order No. EA-179

I. BACKGROUND

Exports of electric energy from the United States to a foreign country are regulated and require authorization under section 202(e) of the Federal Power Act (FPA) (16 U.S.C. §824a(e)).

On March 26, 1998, California Power Exchange Corporation (PX) applied to the Office of Fossil Energy (FE) of the Department of Energy (DOE) for authorization to transmit electric energy to Comision Federal de Electricidad (CFE), the national electric utility of Mexico. The PX, a newly structured corporation, does not own or control any electric generation or transmission facilities, nor does it have a franchised service area. In the application, PX claimed that its purpose is to provide, in California, an efficient, competitive energy auction on a non-discriminatory basis to suppliers ("PX sellers") and purchasers ("PX buyers").

The PX manages the trading of power in California's day ahead and hour ahead markets based on demand bids from PX buyers and generation bids from PX sellers. Based on these bids, the PX determines market clearing prices for each of the hours of the 24 hour scheduling day, then conducts auctions under which PX sellers sell power through the PX and PX buyers purchase power through the PX. PX sellers and PX buyers do not contract directly with one another but with the PX. For sales to Mexico, the PX controls the sale of the power, the quantity of power sold, and the price of such power to be sold.

The generation of the electric energy to be exported to Mexico will be scheduled by the PX and the transmission of the energy will be coordinated by the California Independent System Operator (California ISO). It is the international transmission facilities of San Diego Gas & Electric (SDG&E) over which the PX proposes to export electric energy to Mexico.

Notice of this application appeared in the Federal Register on April 14, 1998, (63 FR 18186) requesting that comments, protests, and petitions to intervene be submitted to the DOE by May 14, 1998. None were received.

II. DISCUSSION and ANALYSIS

The authority requested of DOE by PX is a necessary condition for exporting under section 202(e) of the FPA. After the PX schedules generation by PX sellers, the California ISO schedules the delivery of all generation (including exports) on the transmission systems under its control. In considering PX's request for service, the California ISO would have to assess the

electric reliability impacts of moving the export through the transmission systems under its control and, presumably, would only provide service under terms and conditions that would not cause reliability problems.

An export authorization issued under section 202(e) does not impose on transmitting utilities a requirement to provide service. However, DOE expects transmitting utilities owning border facilities to provide access across the border in accordance with the principles of comparable open access and non-discrimination contained in the FPA and articulated in Federal Energy Regulatory Commission (FERC) Order Nos. 888 and 888-A (Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities). The actual rates, terms and conditions of transmission service shall be consistent with the non-discrimination principles of the FPA and the transmitting utility's Open Access Transmission Tariff on file with the FERC.

All recipients of export authorizations, including owners of border facilities for which Presidential permits have been issued, are required by their export authorization to conduct operations in accordance with the principles of the FPA and pertinent rules, regulations and orders, which include the comparable open access provisions of FERC Order Nos. 888 and 888-A. Cross-border electric trade ought to be subject to the same principles of comparable open access and non-discrimination that apply to transmission in interstate commerce. (See Order On Complaint issued October 4, 1996 (Docket EL96-74-000)). Thus, DOE expects owners of border facilities to comply with the same principles of comparable open access and non-discrimination that apply to the domestic interstate transmission of electricity.

Before an electricity export authorization is granted, DOE must find that the proposed export will not impair the sufficiency of electric supply within the U.S. and that it will not impede the coordinated use of regional transmission facilities. DOE has always used a flexible approach in determining the information necessary to evaluate reliability impacts for specific export proposals. In determining reliability impact for exports by power marketers or other entities operating in a similar manner, DOE has used a combination of established industry guidelines, operating procedures and/or infrastructure, as well as technical studies supporting authorizations issued for traditional entities operating at the border. Allowing these existing technical studies to suffice in this docket is sound and, thus, DOE need not perform additional reliability assessments here, provided the maximum rate of transmission for all exports through a border system does not exceed the previously authorized limit of the system.

III. FINDING

DOE has assessed the impact that the proposed export would have on the reliability of the U.S. electric power supply system. Based on the above discussion and analysis, DOE has determined that the export of electric energy to Mexico as requested by PX would not impair the sufficiency of electric power supply within the United States and would not impede or tend to

impede the coordination in the public interest of facilities provided that PX coordinate exports with the California Independent System Operator such that total exports across the SDG&E/CFE interconnection are in conformity with the operating limitations established by the SDG&E/CFE operating nomogram and the Southern California Import Transmission Nomogram.

Similarly, DOE finds that it has adequately satisfied its responsibility under the National Environmental Policy Act of 1969 through the documentation of a categorical exclusion in this proceeding.

IV. ORDER

Based on the above finding, it is hereby ordered that PX is authorized to export electric energy to Mexico under the following terms and conditions:

(A) The electric energy exported by PX pursuant to this Order may be delivered to Mexico only over the following existing international transmission facilities:

<u>Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
San Diego Gas & Electric	Miguel, CA	230 kV	PP-68
	Imperial Valley, CA	230 kV	PP-79

(B) Exports authorized herein shall not cause a violation of the terms and conditions contained in existing electricity export authorizations associated with the international transmission facilities identified in paragraph (A). Specifically, exports made by PX pursuant to this Order shall not cause the total exports on a combination of the facilities authorized by Presidential Permits PP-68 and PP-79 to exceed an instantaneous transmission rate of 400 megawatts (MW). All exports made pursuant to this Order must be consistent with the operating limitations established by the SDG&E/CFE operating nomogram and the Southern California Import Transmission Nomogram.

(C) Amendment of the export authorization from which the export limit contained in paragraph (B) was derived shall result in a concomitant change to the export limit contained in that paragraph. Notice will be provided PX of any amendments to existing export authorizations that would impact on this Order.

(D) In scheduling the delivery of electricity exports to Mexico, PX shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council, Regional Councils, or independent system operators, as appropriate, on such terms as expressed therein, and as such criteria, standards, and guides may be amended from time to time.

(E) PX shall conduct all operations pursuant to the authorization hereby granted in accordance with the provisions of the Federal Power Act and pertinent rules, regulations, and orders adopted

or issued thereunder, including the comparable open access provisions of FERC Order Nos. 888 and 888-A.

(F) The authorization herein granted may be modified from time to time or terminated by further order of the DOE, but in no event shall such authorization extend beyond the date of termination or expiration of the Presidential permits referred to in paragraph (A).

(G) This authorization shall be without prejudice to the authority of any State or State regulatory commission for the exercise of any lawful authority vested in such State or State regulatory commission.

(H) PX shall make and preserve full and complete records with respect to the electric energy exported to Mexico. PX shall furnish quarterly reports to the DOE, within 30 days following each calendar quarter, detailing for each month of the previous quarter: (1) the gross amount of electricity delivered, in kilowatt hours; (2) the consideration received for such energy; and (3) the maximum hourly rate of transmission, in kilowatts. Quarterly reports must be filed regardless of current activity and whether or not deliveries of electric energy have been made. If no transactions have been made, a one-sentence report indicating “no activity” for the previous quarter is sufficient.

Reports shall be submitted to the U.S. Department of Energy, Office of Fossil Energy, FE-27, 1000 Independence Avenue, SW, Washington, D.C. 20585-0305. Properly identified quarterly reports will also be accepted via facsimile at (202) 287-5736 to meet time requirements, but original copies should still be filed at the above address.

(I) In accordance with 10 C.F.R. §205.305, this authorization is not transferable or assignable, except in the event of the involuntary transfer of this authority by operation of law. Provided written notice of the involuntary transfer is given DOE within 30 days, this authorization shall continue in effect temporarily. This continuance also is contingent on the filing of an application for permanent authorization within 60 days of the involuntary transfer; the authorization shall then remain effective until a decision is made on the new application. In the event of a proposed voluntary transfer of this authority to export electricity, the transferee and the transferor shall file jointly an application for a new export authorization, together with a statement of reasons for the transfer.

(J) Exports authorized herein shall be reduced or suspended, as appropriate, whenever a continuation of those exports would impair or tend to impair the reliability of the U.S. electric power supply system.

(K) This authorization shall be effective for a period of two (2) years from the date of this Order. Within six months prior to the expiration of this authorization, PX may reapply for renewal of this authorization.

Issued in Washington, D.C., on May 29, 1998.

Anthony J. Como
Manager, Electric Power Regulation
Office of Coal & Power Im/Ex
Office of Coal & Power Systems
Office of Fossil Energy