

August 4, 2011

VIA ELECTRONIC FILING

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket Nos. ER11-____ - 000, ER09-1048-002, ER06-615-059, &
ER11-3408-000**

**Amendments to California ISO FERC Electric to Reinstate
Tariff Language Inadvertently Deleted In a Prior Compliance
Filing**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Federal Energy Regulatory Commission's (FERC or the Commission) regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714 regarding electronic filing of tariff submittals,¹ the California Independent System Operator Corporation (ISO) hereby submits for filing the attached amendment to its Fifth Replacement FERC Electric Tariff. The ISO is filing this amendment to reinstate a sentence in section 37.2.1.1 of its tariff that was deleted inadvertently in an earlier compliance filing made in the above-referenced dockets. The sentence in question states that a market participant's deviation from an ADS Dispatch Instruction does not constitute non-compliance with an ISO operating order. While this provision does not alter the substance of section 37.2.1.1, it nevertheless clarifies the rule for the ISO's market participants. To ensure the continued clarity of section 37.2.1.1 and to forestall incorrect assumptions regarding the ISO's intent in deleting the sentence, the ISO hereby requests that the Commission permit the ISO to reinstate the sentence.

¹ *Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276 (2008).

I. BACKGROUND

In 2008, the Commission issued Order No. 719,² which required independent system operators and regional transmission organizations to evaluate their operations in several areas, including market monitoring. Since then there have been several round of compliance orders issued by the Commission and compliance filings made by the ISO. One topic that has been subject of several of these issuances and filing has been the ISO's review of section 37 of the tariff (the Rules of Conduct for market participants) to ensure that section 37 meets the Commission's requirements for when an ISO or RTO, rather than the Commission, can levy penalties for tariff violations (*i.e.*, "traffic ticket penalties"). On April 20, 2011, the ISO submitted a compliance filing, in which it proposed substantial amendments to the Rules of Conduct.³ On July 5, 2011, the Commission issued an *Order on Compliance Filing*,⁴ in which it accepted the April 2011 Compliance Filing, subject to one additional compliance matter. Contemporaneous with the instant filing, the ISO is submitting what it anticipates will be its final compliance filing related to the market monitoring aspects of Order 719.

The April 2011 Compliance Filing included required amendments to section 37.2.1.1. This section requires market participants to comply with operating orders issued by the ISO. As amended, this section defines an operating order as "an order(s) from the CAISO directing a Market Participant to undertake, a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating Unit) that is intended by the ISO to resolve a specific operating condition." This definition of an operating order is meant to be followed by the clarification that: "Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1." This clarifying sentence was proposed in a December 30, 2010 tariff filing and was justified on the following basis:

The ISO proposes to modify the section to clarify that deviation from an automatic dispatch instruction shall not constitute a violation of this section. The ISO recognizes that a deviation from a dispatch instruction should not in itself result in a sanction, and has not sought to impose sanction where such conduct occurs. This clarification will provide market participants with greater certainty that they will not

² *Wholesale Competition in Regions with Organized Electric Market*, 125 FERC ¶ 61,071 (2008) (Order No. 719).

³ *Cal. Indep. Sys. Operator Corp.*, Compliance Filing, FERC Docket Nos. ER09-1048-002 & ER06-615-059 (Apr. 20, 2011) (April 2011 Compliance Filing).

⁴ *Cal. Indep. Sys. Operator Corp.*, 136 FERC ¶ 61,012 (2011) (*July 2011 Compliance Order*).

face penalties under section 37.2 when they deviate from an automatic dispatch signal.⁵

On February 28, 2011, the Commission accepted the uncontested portions of the Clarifications Filing, including the clarifying sentence regarding ADS instructions.⁶ The April 2011 Compliance Filing, which was made approximately one-and-a-half months later, inadvertently showed that new sentence as being struck from the tariff.

II. DISCUSSION OF FILING

The ISO respectfully requests that the Commission approve the ISO's request to reinstate the following sentence to section 37.2.1.1 of its tariff: "Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1." An ADS instruction does not meet the definition of an operating order in section 37.2.1.1, as an ADS instruction is not "intended by the ISO to resolve a specific operating condition." Nevertheless, the sentence regarding ADS instructions provides market participants with helpful clarity. In approving the uncontested provisions in the Clarifications Filing (which included the ADS clarification), the Commission noted the "proposed revisions help make CAISO's existing practices, requirements, and obligations more clear to market participants and other interested parties. These revisions also do not alter CAISO's existing policies, and therefore are just, reasonable, and not unduly discriminatory."⁷ Thus, the sentence in question has already been determined to be just and reasonable. Furthermore, as explained above, this sentence was not intended to be removed from the tariff in the first place but instead was removed unintentionally.

Finally, as noted above, the ISO is contemporaneously filing what it believes will be its final compliance filing in Order 719. The compliance process has involved significant revisions to section 37 of the ISO's tariff. In submitting both filings simultaneously, the ISO hopes that it can receive Commission approval on the same timeframe and thus have by early October a settled version of section 37 for its market participants and stakeholders.⁸ The ISO thus believes that good cause has been shown for granting the requested tariff amendment.

⁵ *Cal. Indep. Sys. Operator Corp.*, Tariff Clarifications Amendment, at 17, FERC Docket No. ER11-2574-000 (Dec. 30, 2010) (Clarifications Filing).

⁶ *Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,140, P 1 (2011).

⁷ *Cal. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,140, at P 6.

⁸ The ISO's Settlements Process Timeline Change tariff filing, which was submitted on August 1, 2011, additionally contains amendments to section 37. *Cal. Indep. Sys. Operator Corp.*, Settlements Process Timeline Changes, at 18-20, FERC Docket No. ER11-4176-000 (Aug. 1, 2011). These amendments have a requested effective date of October 1, 2011.

III. EFFECTIVE DATES

The ISO requests that the amendments included in this filing be made effective on October 3, 2011.

IV. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individual. The individual identified with an asterisk is the person whose name should be placed on the official service list established by the Secretary with respect to this submittal:

David Zlotlow*
Counsel

The California Independent
System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Fax: (916) 608-7007
Tel: (916) 608-7182
E-mail: dzlotlow@caiso.com

V. SERVICE

The ISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission and the California Energy Commission, and all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting this transmittal letter and all attachments on the ISO website.

VI. ATTACHMENTS

The following documents, in addition to this transmittal letter, support the instant filing:

Attachment A Revised ISO Tariff Sheets – Clean

Attachment B Revised ISO Tariff Sheets – Blackline

VII. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission approve this tariff revision as filed. Please contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

By: /s/ David Zlotlow

Nancy Saracino

General Counsel

Anna A. McKenna

Senior Counsel

David Zlotlow

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 608-7007

Fax: (916) 608-7222

dzlotlow@caiso.com

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Attachment A – Clean Tariff

Amendment to Clarify Section 37.2.1.1

August 4, 2011

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37.2.1.1 Expected Conduct

Market Participants must comply with operating orders issued by the CAISO as authorized under the CAISO Tariff. For purposes of enforcement under this Section 37.2, an operating order shall be an order(s) from the CAISO directing a Market Participant to undertake, a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating Unit) that is intended by the ISO to resolve a specific operating condition. Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1. A Market Participant's failure to obey an operating order containing multiple instructions to address a specific operating condition will result in a single violation of Section 37.2. If some limitation prevents the Market Participant from fulfilling the action requested by the CAISO then the Market Participant must promptly and directly communicate the nature of any such limitation to the CAISO.

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California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Attachment B – Marked Tariff

Amendment to Clarify Section 37.2.1.1

August 4, 2011

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37.2.1.1 Expected Conduct

Market Participants must comply with operating orders issued by the CAISO as authorized under the CAISO Tariff. For purposes of enforcement under this Section 37.2, an operating order shall be an order(s) from the CAISO directing a Market Participant to undertake, a single, clearly specified action (e.g., the operation of a specific device, or change in status of a particular Generating Unit) that is intended by the ISO to resolve a specific operating condition. Deviation from an ADS Dispatch Instruction shall not constitute a violation of this Section 37.2.1.1. A Market Participant's failure to obey an operating order containing multiple instructions to address a specific operating condition will result in a single violation of Section 37.2. If some limitation prevents the Market Participant from fulfilling the action requested by the CAISO then the Market Participant must promptly and directly communicate the nature of any such limitation to the CAISO.

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