

October 7, 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 No. ER06-615-____
Informational Filing of Negotiated Default Energy Bids
Request for Privileged Treatment Under 18 C.F.R Section 388.112**

Dear Secretary Bose:

Pursuant to Paragraph 1057 of the Federal Energy Regulatory Commission's (Commission) September 21, 2006 order in Docket Nos. ER06-615-000, *et al.*¹ and Section 39.7.1.3.2 of its tariff, the California Independent System Operator Corporation (CAISO) respectfully submits this informational filing containing formulas used to calculate default energy bids (DEBs) under the negotiated rate option for certain suppliers participating in the CAISO's markets that went into effect in the month of September 2011. As explained in greater detail below, the CAISO is seeking privileged treatment of the attached formulas pursuant to 18 C.F.R. Section 388.112 because the CAISO is obligated to keep bid data confidential under its tariff.

I. BACKGROUND

Under its market power mitigation procedures, the CAISO calculates DEBs for all generating units and participating loads pursuant to one of three methodologies, at the election of the scheduling coordinators representing such resources: (1) the variable cost option, under which the DEB is determined by adding the incremental fuel costs and variable operation and maintenance costs, along with a 10% bid adder; (2) the LMP option, under which the DEB is set at the weighted average of the lowest quartile of locational marginal prices at the generating unit PNode in periods when the unit was dispatched during the preceding 90 days; and (3) the negotiated rate option, under which the DEB is derived through consultation between the scheduling coordinator and the CAISO or an

¹ 116 FERC ¶ 61,274 (2006) ("September 2006 Order").

independent entity selected by the CAISO. If a scheduling coordinator does not elect to use any of these three options or the CAISO cannot obtain sufficient data to calculate a DEB using one of these three options, then the CAISO may establish a temporary DEB based on certain types of data as provided in tariff section 39.7.1.5. In the September 2006 Order, the Commission approved the CAISO's proposal to provide the negotiated rate option for calculating DEBs, finding that it provided market participants with greater flexibility to recover their variable operating costs when their market bids were subject to local market power mitigation. The Commission also directed the CAISO to include in its tariff language a requirement to file these DEBs in an informational filing with the Commission. The CAISO complied with this directive by adding to its tariff section 39.7.1.3.2, which states that the CAISO shall make an informational filing with the Commission of any DEBs calculated pursuant to the negotiated rate option, or any temporary DEBs, no later than seven (7) days after the end of the month in which the DEBs were established. On May 7, 2009, the CAISO made its first informational filing of negotiated rate option DEBs pursuant to this requirement. Since then, the CAISO has submitted an informational filing on or about the seventh of any month following the implementation of a new or changed DEB or to update any scheduling coordinator-specific information. In September 2011, the CAISO implemented two revised negotiated rate option DEBs. Accordingly, the ISO is submitting this informational filing to the Commission.

II. REQUEST FOR CONFIDENTIAL TREATMENT

Section 20.2 of the CAISO tariff requires that the CAISO treat individual bids from scheduling coordinators as confidential. Pursuant to this Section, the CAISO has labeled the negotiated DEB formula documents included with this filing as confidential because, although they do not contain specific numeric bids, the methodologies set forth in these documents can be used to determine the bids that the CAISO will use for these units when applying market mitigation measures. Moreover, many of the documents contain proprietary information regarding specific generating units, such as unit efficiency factors, scaling factors, and operation and maintenance costs. For these reasons, the Commission should accord these attachments privileged treatment pursuant to 18 C.F.R. Section 388.112.

IV. CONTENTS OF FILING

This filing is comprised of:

This Transmittal Letter

Attachment A

Confidential Negotiated DEB Formula Documents

V. COMMUNICATIONS

Correspondence and other communications regarding this filing should be directed to:

Sidney M. Davies*
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 351-2350
sdavies@caiso.com

Debi LeVine *
Director of System Operations
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 351-2350
ntraweek@caiso.com

* Parties designated for service.

VI. SERVICE

The CAISO has served a copy of this filing letter on all parties on the official service list for Commission docket no. ER06-615.

VII. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Commission accept this informational filing and accord the attachment to this filing confidential treatment under Section 388.112.

Respectfully submitted,

By: /s/ Sidney M. Davies

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 351-2350
sdavies@caiso.com

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA this 7th day of October, 2011.

/s/ Anna Pascuzzo

Anna Pascuzzo

**Informational Filing of Negotiated Default Energy Bids
October 7, 2011
California Independent System Operator Corporation
Attachment A
Confidential
Contains Privileged Information
Do Not Release**