

June 30, 2011, in all but the following two respects.⁴ First, the Commission directed the ISO to submit a further compliance filing to revise the ISO tariff to include provisions that permit federal agencies to participate in the ISO's congestion revenue rights (CRR) market upon making a demonstration of financial security.⁵ Second, the Commission directed the ISO to include tariff provisions in its compliance filing that require it to engage in periodic compliance verification to ensure that risk management policies and procedures are implemented and adequate capitalization is maintained.⁶ Thus, the scope of the Commission's review is limited to whether the ISO complied with these directives. Many of the comments and protests are beyond the scope of the Commission's compliance directives or the issues have already been addressed in a Commission order. Thus, the ISO is filing this limited answer addressing only protests where an issue requires further examination or explanation.

I. ANSWER

A. The Commission Should Reject Requests that the ISO Submit Materials and Make Revisions Not Required by the September 15 Order

Several parties request the Commission direct the ISO to submit materials or make revisions not required by the September 15 Order. SVP, for example, requests that the Commission direct the ISO to submit revisions to the Business Practice Manual (BPM) for Credit Management and the Officer Certification Form

⁴ September 15 Order at Ordering Paragraph (A).

⁵ *Id.* at PP 26-27.

⁶ *Id.* at P 49.

for the Commission’s “informal review” in this proceeding, despite the fact that SVP concedes that “the CAISO was not directed to do so in the September 15 Order.”⁷ In the September 15 Order, the Commission directed the ISO only to submit certain tariff revisions and the ISO submitted the tariff revisions required by the September 15 Order. Therefore, the December 14 compliance filing fully responds to the Commission’s directives.

In addition, SVP’s request is unnecessary. The BPM and the Officer Certification Form are publicly available on the ISO’s website. Those materials are readily accessible to the Commission, should it want to review them informally.

The Commission should also deny J.P. Morgan’s request that the ISO specify in Section 12.1 of the tariff that the certification and verification processes and related enforcement actions are subject to the alternative dispute resolution (ADR) procedures set forth in Section 13 of the tariff.⁸ This request is unnecessary and redundant as Section 13 applies to disputes under the ISO tariff generally. Given the existing tariff language in Section 13, adding a provision to Section 12.1 that requires use of the ADR procedures would be superfluous and potentially confusing as market participants may question whether the absence of a reference to ADR in a different tariff section might indicate that ADR might not apply. Moreover, as J.P. Morgan notes, the ISO has already included such language in the BPM pursuant to a request made by J.P. Morgan in the stakeholder process.

⁷ SVP at 6.

⁸ J.P. Morgan at 9.

The Commission must reject proposed changes in a compliance filing that are beyond the scope of the order in which the obligation was imposed.⁹

Accordingly, the Commission should reject requests that the ISO be directed to make a filing that is beyond the scope of compliance with the September 15 Order.

B. The Commission Should Reject SVP's Request for Revisions to the Officer Certification Form

SVP argues that the Commission should direct the ISO to revise the Officer Certification Form such that load serving entities that use CRRs primarily to hedge congestion are subject to lesser verification requirements than entities engaged in speculation.¹⁰ This issue is also beyond the scope of the Commission's compliance directives. The September 15 Order did not direct the ISO to make any revisions to the Officer Certification Form. Due to the inherent risk associated with CRRs, and the fact that Order No. 741 is as much as to ensure that market participants are aware of the risk and have adequate risk mitigation measures in effect than to minimize risk to the market over all, there should be no difference in the standard of review applied to different types of CRR holders or candidate CRR holders. The ISO's existing requirements apply

⁹ See, e.g., *Entergy Services, Inc.*, 117 FERC ¶ 61,055, at P 22 (2006) ("Compliance filings must be limited to the specific directives ordered by the Commission. Compliance filings are not to include new changes initiated by the filing entity, but only changes expressly directed by the Commission. . . . We direct Entergy to delete these [new] provisions.") (citations omitted); *NorthWestern Corp.*, 113 FERC ¶ 61,215, at P 9 (2005) ("The Commission will reject these proposed changes to NorthWestern's revised OATT submitted with the September 30, 2005 compliance filing as outside the scope of that compliance filing. The Commission reaffirms that compliance filings must only provide the changes directed by the Commission."); *Reliant Energy Aurora, LP, et al.*, 111 FERC ¶ 61,159, at P 3 (2005) ("[I]n this order, we reject as outside the scope of the compliance filings of Applicants certain proposed tariff revisions that they included with their updated market power analyses.").

¹⁰ SVP at 5.

to all CRR holders and candidate CRR holders by requiring them to provide certain attestations related to the risk management policies, procedures, and controls as set forth in the Officer Certification Form. If the net portfolio value criterion set forth in the Officer Certification Form applies, the market participant is required to also provide a copy of its current governing risk management policies, procedures, and controls applicable to its CRR trading activities. In this way, the ISO ensures that market participants have adequate risk mitigation measures in place.

II. CONCLUSION

For the reasons provided herein, the ISO respectfully requests that the Commission accept the December 14 compliance filing as submitted by the ISO.

Respectfully submitted,

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Dated: January 19, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for 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 19th day of January, 2012.

Is/ Anna Pascuzzo
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