April 8, 2009

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

Re: California Independent System Operator Corporation  
Compliance Filing  
Docket Nos. ER06-615-___ and ER07-1257-___

Dear Secretary Bose:

The California Independent System Operator Corporation ("ISO") hereby submits an original and five copies of this filing in compliance with the Commission’s "Order Conditionally Accepting Tariff Provisions, Subject to Modification," 126 FERC ¶ 61,211, issued on March 9, 2009 ("March 9 Order").¹ Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger.

I. Revisions to the MRTU Tariff to Comply with the March 9 Order

A. Revisions to the Definition of a Market Disruption

In the March 9 Order, the Commission directed the ISO to make revisions to the language in the MRTU Tariff regarding Market Disruptions. First, the Commission stated that the ISO's proposed definition of the term Market

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff (also known as the Market Redesign and Technology Upgrade or MRTU Tariff), and in the instant compliance filing. References herein to section numbers are references to section numbers contained in the MRTU Tariff unless otherwise specified.
Disruption was too broad in scope and directed the ISO to provide a definition which is more narrowly tailored to reflect the types of Market Disruptions specifically outlined in Sections 7.6 and 7.7. To comply with this directive, the ISO has revised the definition of a Market Disruption by adding the specific requirement that a Market Disruption is an action or event that causes a failure of a CAISO Market, related to system operations issues or System Emergencies referred to in Sections 7.6 and 7.7, respectively.

B. Revisions Related to the ISO's Authority to Remove Bids

The Commission directed the ISO to make several tariff revisions related to the ISO’s authority, under Section 7.7.15(b), to remove Bids. The Commission directed the ISO to provide objective measures for the removal of otherwise MRTU-compliant Bids, as well as examples of when the ISO expects that such Bids might cause Market Disruptions. Pursuant to this directive, the ISO proposes to include in new Section 7.7.15.2.1 the objective measures for the removal of the otherwise MRTU-compliant Bids, as well as examples.

Specifically, Section 7.7.15.2.1 provides that, in the event of a Market Disruption, to prevent a Market Disruption, or to minimize the extent of a Market Disruption, the ISO may remove Bids, which are defined to include Self-Schedules, from the relevant CAISO Market. The types of Bids that the ISO may remove include those that the ISO has a reasonable basis for concluding may cause or have previously caused a Market Disruption. These are Bids that are not feasible based on the misalignment of resource-specific conditions and physical constraints represented in the Master File, current outage information, and the Bid itself. The ISO proposes the following examples in Section 7.7.15.2.1: (1) Bids that pass through the automated Bid validation process but are invalid for other reasons, not detectable by the automated Bid validation process including derates reflected in the Scheduling and Logging system for the ISO (“SLIC”); (2) Bids that are identified prior to the end of the CAISO Market run as causing a feasibility issue that would prevent the CAISO Market from clearing in the time allotted for the run, including ramp rates in SLIC that result in infeasible generation Bids; and (3) multiple Bids that do not pose a problem for processing through the CAISO Market when considered individually, but may when submitted in combination with other Bids become infeasible and present an impediment to the successful completion of the CAISO Market.

---

2 March 9 Order at P 25.
3 The ISO notes that the definition of a Bid in the tariff includes Self-Schedules. The term Bid in this transmittal letter, therefore, includes Self-Schedules, unless otherwise specified.
4 March 9 Order at P 26.
5 New Section 7.7.15.2.1 appears under new Section 7.7.15.2. The ISO has also renumbered Section 7.7.15 as Section 7.7.15.1, given Section 7.7.15.1 its own title, and clarified in Section 7.7.15.1 that Bids include Self-Schedules. Further, the ISO has moved tariff language that was formerly contained in Section 7.7.15 to new Section 7.7.15.3, given Section 7.7.15.3 its own title, and clarified Section 7.7.15.3.
The ISO notes that to the ISO does not intend to remove "MRTU-compliant Bids." However, as reflected in the proposed criteria and examples in Section 7.7.15.2.1, there are circumstances in which, despite passing the automated Bid validation rules, certain bids will preclude a feasible outcome of a CAISO Market run. When this occurs, the Bids are, in effect, invalid. For example, in certain instances, there may be derates submitted through SLIC that renders a previously valid Bid infeasible due to a change in the physical characteristics of the unit. The ISO has learned through market simulation that the market software is not capable of accommodating the discrepancy between information in a Bid validated through the automated Bid validation process that uses the Master File data and information that has changed subsequent to the automated Bid validation process through SLIC. Such a discrepancy may result in an infeasible market run for that interval. The ISO is tracking these types of issues, and to the extent possible will address them through modifications to the automated process. Moreover, in the future the ISO will put into effect MRTU “Release 2” enhancements, which will include the implementation of an interface between SLIC and the Scheduling and Infrastructure Bidding Rules (“SIBR”) to recognize derates. Even with these future enhancements, the ISO will require authority for such manual bid validation, because it will never be possible for the market applications to have all available information as some time lag will always be present.

The Commission further directed the ISO to include in the MRTU Tariff an explanation of the consequences of Bid removal. Accordingly, the Commission directed the ISO to revise the MRTU Tariff to include the procedures the ISO will follow in the event that it removes a Bid that has caused a Market Disruption. Specifically, the Commission found that the MRTU tariff should be revised to include procedures for notifying market participants when their Bids cause a market disruption, when their Bids are removed, and whether the ISO will remove all or part of their Bids.

To comply with these directives, the ISO proposes to include the following explanation in new Section 7.7.15.2.2. The ISO may remove part of a Bid but retain other parts of the Bid for the applicable CAISO Market run and interval for the same or different product, may retain parts of the Bids for subsequent CAISO Market runs or intervals. The Scheduling Coordinator may resubmit removed Bids in subsequent ISO markets, provided the Scheduling Coordinator complies with any operator instructions regarding the subject Bids. In the event a Bid is removed from an Integrated Forward Market (“IFM”) run, the associated Residual Unit Commitment (“RUC”) Availability Bid associated with the removed IFM Bid may still be accepted for the corresponding RUC run, unless the RUC Availability

---

7 March 9 Order at P 28.
8 Id. at P 27.
Bid itself is determined to be the cause of the disruption. A problematic Bid as described in Section 7.7.15.2.1 will typically be identified as infeasible prior to publication of the CAISO Market interval in which it is causing a problem, in which case to the extent practicable the ISO may remove the Bid, execute the CAISO Market without the removed Bid, and publish a CAISO Market result for that interval. In some instances a Bid may be allowed to clear through the IFM without causing an infeasibility issue, but then it may be necessary to remove the RUC Availability Bid associated with the IFM Bid for the corresponding RUC run due to infeasibility issues raised for the RUC run. For example, for reasons discussed above, in the Real-Time Market, the ISO may be required to remove a Bid for a Non-Dynamic System Resource that would normally be dispatched in the Hour-Ahead Scheduling Process ("HASP"), yet may be able to utilize and accept the Bids submitted for the Real-Time Dispatch ("RTD") and non-HASP Real-Time Unit Commitment ("RTUC") runs of the Real-Time Market included within the same Scheduling Coordinator Bid submission. If an Ancillary Service Bid or Submission to Self-Provide Ancillary Services is removed from the IFM, the Scheduling Coordinator may resubmit these components in the Real-Time Market. If the issues identified in the IFM have been resolved and the Bid or submission is otherwise consistent with the Ancillary Service bidding rules in the tariff. If, for the reasons discussed above, the ISO is required to remove a Bid in the advisory RTUC or RTD runs conducted for future intervals during the Real-Time Market, the removed Bid set may still be used in the binding runs of the Real-Time Market for the same interval if the problems previously experienced with the Bid do not arise. If the ISO is required to remove an Ancillary Services Bid submitted in the Real-Time Market for consideration in the RTUC run, the ISO may retain the Energy Bid submitted associated with the Ancillary Services Bid for that CAISO Market run.

The Commission also directed the ISO to include additional detail as to how compensation will be determined for Bids that are removed by the ISO as a result of causing a previous Market Disruption. By way of example, the Commission stated that the ISO should clarify whether a resource whose Day-Ahead Self-Schedule is removed from the Day-Ahead Market can submit a Self-Schedule in the Real-Time Market and, if so, how that resource will be compensated. In accordance with these directives, the ISO is proposing to include the following explanation in Section 7.7.15.2.3.

In the event that a Bid is removed from the Day-Ahead Market, the Scheduling Coordinator whose Bid is removed will not be subject to Settlement for the Day-Ahead Market for the affected service. The Scheduling Coordinator may then resubmit the Bid in the HASP/Real-Time Market for the same service and, to the extent the Bid is feasible and the issues identified have been resolved, it may be accepted in the HASP/Real-Time Market consistent with the

---

9 Id.
CAISO Tariff requirements that apply to the HASP/Real-Time Market. In the case of Ancillary Services Bids, including Submissions to Self-Provide an Ancillary Service, that are removed from the Day-Ahead Market, the Scheduling Coordinator will not receive Settlement for the Ancillary Services in the Day-Ahead Market and will not receive an opportunity cost payment in the Day-Ahead Market for the offered service. If the Bid is accepted in the HASP/Real-Time Market, the Scheduling Coordinator will be subject to Settlement based on the CAISO Market in which the Bid actually clears. In the event that a Bid is removed from a CAISO Market run or interval, the ISO may subsequently be required to issue an Exceptional Dispatch for the resource, in which case the Scheduling Coordinator will receive Exceptional Dispatch Settlement as provided in Section 11.5.6. In the event that a Demand Bid is removed from the DAM, because no Demand Bids for load can be submitted in the Real-Time Market, Scheduling Coordinators for the load not cleared in the DAM will be settled as Uninstructed Imbalance Energy as provided in Section 11.5.2.

The Commission further directed the ISO to revise the MRTU Tariff to state that the ISO will provide Market Participants whose Bids were removed with information specifying when their Bids were removed as a result of causing a previous Market Disruption, and the nature of the Market Disruption, within three Business Days of the ISO taking such action.\textsuperscript{10} In accordance with these directives, the ISO has included in new Section 7.7.15.2.4 provisions stating that, to the extent practicable, the ISO will contact a Scheduling Coordinator before removing a Bid and advise the representative of the issues encountered with the Bid in the event that a Bid is removed, the Scheduling Coordinator’s Bid will not be cleared through the specific CAISO Market from which it was removed. The ISO will notify the Scheduling Coordinator as soon as practicable, but no later than within three (3) Business Days after the applicable Bid was removed and will provide information specifying when its Bid was removed and the nature of the disruption.

C. Revisions to Specify the ISO’s 60-Day Informational Filing Obligation Regarding Market Disruptions

The Commission directed the ISO to modify the MRTU Tariff to state that the ISO will submit an informational filing within 60 days after the date of MRTU implementation, and every 60 days thereafter, detailing the frequency and types of actions taken by the ISO pursuant to Section 7.7.15, as well as the nature of the Market Disruption and the ISO’s rationale for taking such actions. The Commission specified that these informational filings should also contain information about the Bids removed (i.e., megawatt quantity, point of interconnection, Day-Ahead versus Real-Time Bid, and Energy or Ancillary Services Bid) as a result of Market Disruption under Section 7.7.15(b), the ISO’s

\textsuperscript{10} Id.
rationale for removal, the specific Market Disruption that caused the ISO to take action, or the Market Disruption that was successfully prevented or minimized by the ISO as a result of taking action pursuant to its authority under Section 7.7.15.11

To comply with these directives, the ISO has added new Section 7.7.15.4, which provides that the CAISO will include reports on actions taken pursuant to Section 7.7.15 in the Exceptional Dispatch report required by Section 34.9.4. Pursuant to Section 34.9.4, the ISO will file its first report on May 15, 2009. This first report will cover the first fifteen days of MRTU operations. The ISO will file subsequent reports every two months and each such report will cover two months of data. For example, the ISO will file the second report on July 15, 2009 and the information in that report will cover data for the period from April 16 through June 15, 2009. As stated in Section 7.7.15.4, these reports will detail the frequency and types of actions taken by the ISO pursuant to Section 7.7.15, as well as the nature of the specific Market Disruptions or potential Market Disruptions that caused the ISO to take action and the ISO's rationale for taking such actions or and the Market Disruption that was successfully prevented or minimized by the ISO as a result of taking action pursuant to its authority under Section 7.7.15. Section 7.7.15.4 also provides that this informational filing will contain general information on the Bids removed pursuant to Section 7.7.15, which may include the megawatt quantity, point of interconnection, specification of the Day-Ahead versus Real-Time Bid, and Energy or Ancillary Services Bid, and the ISO's rationale for removal; provided, however, that any Scheduling Coordinator-specific individual Bid information will be submitted on a confidential basis consistent with the Commission's rules and regulations governing requests for confidential treatment of commercially sensitive information.

II. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes Attachment A and B. Attachment contains clean MRTU Tariff sheets reflecting the modifications to the MRTU Tariff described in Section I, above, and Attachment B shows these modifications in red-line format.

11 Id. at P 29 & n.29.
III. Conclusion

For the foregoing reasons, the ISO requests that the Commission accept the instant filing as complying with the applicable directives in the March 9 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,

Bradley R. Miliauskas

Sidney M. Davies
Assistant General Counsel
Anna A. McKenna
Senior Counsel
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7246
E-mail: sdavies@caiso.com
amckenna@caiso.com

Sean A. Atkins
Bradley R. Miliauskas
Alston & Bird, LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 756-3300
Fax: (202) 654-4875
E-mail: sean.atkins@alston.com
bradley.miliauskas@alston.com

Attorneys for the California Independent System Operator Corporation
7.7.15 System Operations in the Event of a Market Disruption.

7.7.15.1 Actions in the Event of a Market Disruption, to Prevent a Market Disruption or to minimize the Extent of a Market Disruption.

The CAISO may take one or more of the following actions in the event of a Market Disruption, to prevent a Market Disruption, or to minimize the extent of a Market Disruption:

(a) postpone the closure of the applicable CAISO Market;

(b) remove Bids, including Self-Schedules, that have resulted in a Market Disruption previously;

(c) close the applicable CAISO Market and manually copy Bids, including Self-Schedules, from the previous day or other applicable market period;

(d) close the applicable CAISO Market and use submitted Bids, including Self-Schedules, to the extent possible;

(e) cancel the applicable CAISO Market, in which case import/export schedules shall be determined by submittal of E-Tags;

(f) utilize Administrative Prices to settle metered Supply and Demand; and

(g) utilize Exceptional Dispatch and issue operating orders for resources to be committed and dispatched to meet Demand.
7.7.15.2 Removal of Bids, in the Event of a Market Disruption, to Prevent a Market Disruption, or to minimize the Extent of a Market Disruption.

7.7.15.2.1 Objective Measures.

In the event of a Market Disruption, to prevent a Market Disruption, or to minimize the extent of a Market Disruption, as provided in Section 7.7.15.1 (b), the CAISO may remove Bids, which as defined include Self-Schedules, from the relevant CAISO Market. The types of Bids that the CAISO may remove include those that the CAISO has a reasonable basis for concluding may cause or have previously caused a Market Disruption. These are Bids that are not feasible based on the misalignment of resource-specific conditions and physical constraints represented in the Master File, current outage information, and the Bid itself. For example, these include: (1) Bids that pass through the automated Bid validation rules but are invalid for other reasons not detectable by the automated Bid validation, including derates reflected in SLIC; (2) Bids that are identified prior to the end of the CAISO Market run as causing a feasibility issue that prevents the CAISO Market run from clearing in the time allotted for the run, including ramp rates in SLIC that result in infeasible generation Bids; and (3) multiple Bids that do not pose a problem for processing through the CAISO Market when considered individually, but may when submitted in combination with other Bids become infeasible and present an impediment to the successful completion of the CAISO Market.
7.7.15.2.2 Consequences of Removal of a Bid.

The CAISO may remove part of a Bid, but retain other parts of the Bid for the applicable CAISO Market run and interval for the same or different product, and may retain parts of the Bid for subsequent CAISO Market runs or intervals. The Scheduling Coordinator may resubmit removed Bids in subsequent CAISO Markets, provided the Scheduling Coordinator complies with any operator instructions regarding the subject Bids. In the event a Bid is removed from an IFM run, the RUC Availability Bid associated with the removed IFM Bid may still be accepted for the corresponding RUC run, unless the RUC Availability Bid is determined to be the cause of the disruption. A problematic Bid as described in Section 7.7.15.2.1 will typically be identified as infeasible prior to publication of the CAISO Market interval in which it is causing a problem, in which case to the extent practicable the CAISO may remove the Bid, execute the CAISO Market without the removed Bid, and publish a CAISO Market result for that interval. In some instances, a Bid may be able to clear through the IFM without causing an infeasibility issue, but then it may be necessary to remove the RUC Availability Bid associated with the IFM Bid for the corresponding RUC run due to infeasibility issues raised for the RUC run. In the Real-Time Market, for example, for reasons discussed above the CAISO may be required to remove a Bid for a Non-Dynamic System Resource that would normally be dispatched in the HASP, yet may be able to utilize and accept the Bids submitted for the RTD and non-HASP RTUC runs of the Real-Time Market included within the same Scheduling Coordinator Bid submission. If an Ancillary Service Bid or Submission to Self-Provide Ancillary Services is removed from the IFM, the Scheduling Coordinator may resubmit these components in the RTM provided the issues identified in the IFM have been resolved and the Bid or submission is otherwise consistent with the Ancillary Service bidding rules in the CAISO Tariff. If, for the reasons discussed above, the CAISO is required to remove a Bid in the advisory RTUC or RTD runs conducted for future intervals during the Real-Time Market, the removed Bid may still be used in the binding runs of the Real-Time Market for the same interval if the problems previously experienced with the Bid do not arise. If the CAISO is required to remove an Ancillary Services Bid submitted in the Real-Time Market for consideration in the RTUC run, the CAISO may retain the Energy Bid submitted in association with the Ancillary Services Bid for that CAISO Market run.
7.7.15.2.3 Settlement Consequences of Removal of Bids.

In the event that a Bid is removed from the Day-Ahead Market, the Scheduling Coordinator whose Bid is removed will not be subject to Settlement for the Day-Ahead Market for the affected service. The Scheduling Coordinator may then resubmit the Bid in the HASP/Real-Time Market for the same service and, to the extent the Bid is feasible and the issues identified have been resolved, it may be accepted in the Real-Time Market consistent with the CAISO Tariff requirements that apply to the HASP/Real-Time Market. In the case of Ancillary Services Bids, including Submissions to Self-Provide an Ancillary Service, that are removed from the Day-Ahead Market, the Scheduling Coordinator will not receive Settlement for the Ancillary Services in the Day-Ahead Market and will not receive an opportunity cost payment in the Day-Ahead Market for the offered service. If the Bid is accepted in the HASP/Real-Time Market, the Scheduling Coordinator will be subject to Settlement based on the CAISO Market in which the Bid actually clears. In the event that a Bid is removed from a CAISO Market run or interval, the CAISO may subsequently be required to issue an Exceptional Dispatch for the resource, in which case the Scheduling Coordinator will receive Exceptional Dispatch Settlement as provided in Section 11.5.6. In the event that a Demand Bid is removed from the Day-Ahead Market, because no Demand Bids for load can be submitted in the Real-Time Market, Scheduling Coordinators for the load not cleared in the Day-Ahead Market will be settled as Uninstructed Imbalance Energy as provided in Section 11.5.2.

7.7.15.2.4 Reporting to Affected Scheduling Coordinators.

To the extent practicable, the CAISO will contact a Scheduling Coordinator’s representative before removing a Bid and advise the representative of the issues encountered with the Bid. In the event that a Bid is removed, the Scheduling Coordinator’s Bid will not be cleared through the specific CAISO Market from which it was removed. The CAISO will notify the Scheduling Coordinator as soon as practicable, but no later than three (3) Business Days, after the applicable Bid was removed and will provide information specifying when its Bid was removed and the nature of the disruption.
7.7.15.3 Choices of Action to Prevent a Market Disruption, in the Event of a Market Disruption, or to minimize the Extent of a Market Disruption.

The CAISO's choice of action in the event of a Market Disruption shall depend on the CAISO Market that is disrupted, the cause of the Market Disruption, the expected time to resolve the Market Disruption, and the status of submitted Bids and Self-Schedules at the time the Market Disruption occurs. Nothing in this Section 7.7.15 shall prevent the CAISO from taking any other action permitted under the CAISO Tariff.

7.7.15.4 Reporting Requirements under Section 7.7.15.

The CAISO shall include reports on actions taken pursuant to Section 7.7.15 in the Exceptional Dispatch report provided in Section 34.9.4 of the ISO Tariff. The report shall detail the frequency and types of actions taken by the CAISO pursuant to this Section 7.7.15, as well as the nature of the specific Market Disruptions that caused the CAISO to take action and the CAISO rationale for taking such actions, or the Market Disruption that was successfully prevented or minimized by the CAISO as a result of taking action pursuant to its authority under Section 7.7.15. This informational filing shall also contain general information on the Bids removed pursuant to Section 7.7.15, which may include the megawatt quantity, point of interconnection, specification of the Day-Ahead versus Real-Time Bid, and Energy or Ancillary Services Bid, and the CAISO's rationale for removal; provided, however, that any Scheduling Coordinator-specific individual Bid information will be submitted on a confidential basis consistent with FERC's rules and regulations governing requests for confidential treatment of commercially sensitive information.
Manual RMR Dispatch
An RMR Dispatch Notice issued by the CAISO other than as a result of the MPM-RRD process.

Marginal Cost of Congestion (MCC)
The component of LMP at a PNode that accounts for the cost of congestion, as measured between that Node and a Reference Bus.

Marginal Cost of Losses (MCL)
The component of LMP at a PNode that accounts for the marginal real power losses, as measured between that Node and a Reference Bus.

Marginal Losses
The transmission system marginal real power losses that arise from changes in demand at a Node which are served by changes in generation at a Reference Bus.

Market Behavior Rules
Those rules established by FERC under Docket No. EL01-118.

Market Clearing
The act of conducting any of the process used by the CAISO to determine LMPs, Day-Ahead Schedules, RUC Awards or AS Awards, HASP Intertie Schedules and Dispatch Instructions based on Supply Bids and Demand Bids or CAISO Demand Forecast.

Market Clearing Price
The price in a market at which supply equals demand. All demand prepared to pay at least this price has been satisfied and all supply prepared to operate at or below this price has been purchased.

Market Close
The time after which the CAISO is no longer accepting Bids for its CAISO Markets which: 1) for the DAM is 10:00 A.M. Pacific Time of the Day-Ahead; and 2) for the HASP and the RTM is approximately seventy-five minutes prior to the Operating Hour.

Market Disruption
An action or event that causes a failure of a CAISO Market, related to system operation issues or System Emergencies referred to in Sections 7.6 and 7.7, respectively.

Market Efficiency Enhancement Agreement (MEEA)
An agreement between the CAISO and the Balancing Authority of an IBAA, or any entity or group of entities that use the transmission system of an IBAA, which provides for an alternative modeling and pricing arrangement to the default IBAA modeling and pricing provisions provided in Section 27.5.3. The CAISO may enter into such an agreement subject to FERC review and acceptance. Creation and modification of such an agreement will be pursuant to the process set forth in Section 27.5.3 and will be posted on the CAISO Website.
Attachment B – Blacklines
Market Disruption Compliance Filing
ER06-615-023 and ER07-1257-005
4th Replacement CAISO Tariff
April 8, 2009
7.7.15 System Operations in the Event of a Market Disruption.

7.7.15.1 Actions in the Event of a Market Disruption, to Prevent a Market Disruption or to minimize the Extent of a Market Disruption.

The CAISO may take one or more of the following actions in the event of a Market Disruption, to prevent a Market Disruption, or to minimize the extent of a Market Disruption:

(a) postpone the closure of the applicable CAISO Market;

(b) remove Bids, including and Self-Schedules, that have resulted in a Market Disruption previously;

(c) close the applicable CAISO Market and manually copy Bids, including and Self-Schedules, from the previous day or other applicable market period;

(d) close the applicable CAISO Market and use submitted Bids, including and Self-Schedules, to the extent possible;

(e) cancel the applicable CAISO Market, in which case import/export schedules shall be determined by submittal of E-Tags;

(f) utilize Administrative Prices to settle metered Supply and Demand; and

(g) utilize Exceptional Dispatch and issue operating orders for resources to be committed and dispatched to meet Demand.

7.7.15.2 Removal of Bids, in the Event of a Market Disruption, to Prevent a Market Disruption, or to minimize the Extent of a Market Disruption.

7.7.15.2.1 Objective Measures.

In the event of a Market Disruption, to prevent a Market Disruption, or to minimize the extent of a Market Disruption, as provided in Section 7.7.15.1(b), the CAISO may remove Bids, which as defined include Self-Schedules, from the relevant CAISO Market. The types of Bids that the CAISO may remove include those that the CAISO has a reasonable basis for concluding may cause or have previously caused a Market Disruption. These are Bids that are not feasible based on the misalignment of resource-specific conditions and physical constraints represented in the Master File, current outage information, and the Bid itself. For example, these include: (1) Bids that pass through the automated Bid validation rules but are invalid for other reasons not detectable by the automated Bid validation, including derates reflected in SLIC; (2) Bids that are identified prior to the end of the CAISO Market run as causing a feasibility issue
that prevents the CAISO Market run from clearing in the time allotted for the run, including ramp rates in SLIC that result in infeasible generation Bids; and (3) multiple Bids that do not pose a problem for processing through the CAISO Market when considered individually, but may when submitted in combination with other Bids become infeasible and present an impediment to the successful completion of the CAISO Market.

7.7.15.2.2 Consequences of Removal of a Bid.

The CAISO may remove part of a Bid, but retain other parts of the Bid for the applicable CAISO Market run and interval for the same or different product, and may retain parts of the Bid for subsequent CAISO Market runs or intervals. The Scheduling Coordinator may resubmit removed Bids in subsequent CAISO Markets, provided the Scheduling Coordinator complies with any operator instructions regarding the subject Bids. In the event a Bid is removed from an IFM run, the RUC Availability Bid associated with the removed IFM Bid may still be accepted for the corresponding RUC run, unless the RUC Availability Bid is determined to be the cause of the disruption. A problematic Bid as described in Section 7.7.15.2.1 will typically be identified as infeasible prior to publication of the CAISO Market interval in which it is causing a problem, in which case to the extent practicable the CAISO may remove the Bid, execute the CAISO Market without the removed Bid, and publish a CAISO Market result for that interval. In some instances, a Bid may be able to clear through the IFM without causing an infeasibility issue, but then it may be necessary to remove the RUC Availability Bid associated with the IFM Bid for the corresponding RUC run due to infeasibility issues raised for the RUC run. In the Real-Time Market, for example, for reasons discussed above the CAISO may be required to remove a Bid for a Non-Dynamic System Resource that would normally be dispatched in the HASP, yet may be able to utilize and accept the Bids submitted for the RTD and non-HASP RTUC runs of the Real-Time Market included within the same Scheduling Coordinator Bid submission. If an Ancillary Service Bid or Submission to Self-Provide Ancillary Services is removed from the IFM, the Scheduling Coordinator may resubmit these components in the RTM provided the issues identified in the IFM have been resolved and the Bid or submission is otherwise consistent with the Ancillary Service bidding rules in the CAISO Tariff. If, for the reasons discussed above, the CAISO is required to remove a Bid in the advisory RTUC or RTD runs conducted for future intervals during the Real-Time Market, the removed Bid may still be used in the binding runs of the Real-
Time Market for the same interval if the problems previously experienced with the Bid do not arise. If the CAISO is required to remove an Ancillary Services Bid submitted in the Real-Time Market for consideration in the RTUC run, the CAISO may retain the Energy Bid submitted in association with the Ancillary Services Bid for that CAISO Market run.

7.7.15.2.3 Settlement Consequences of Removal of Bids.

In the event that a Bid is removed from the Day-Ahead Market, the Scheduling Coordinator whose Bid is removed will not be subject to Settlement for the Day-Ahead Market for the affected service. The Scheduling Coordinator may then resubmit the Bid in the HASP/Real-Time Market for the same service and, to the extent the Bid is feasible and the issues identified have been resolved, it may be accepted in the HASP/Real-Time Market consistent with the CAISO Tariff requirements that apply to the Real-Time Market. In the case of Ancillary Services Bids, including Submissions to Self-Provide an Ancillary Service, that are removed from the Day-Ahead Market, the Scheduling Coordinator will not receive Settlement for the Ancillary Services in the Day-Ahead Market and will not receive an opportunity cost payment in the Day-Ahead Market for the offered service. If the Bid is accepted in the HASP/Real-Time Market, the Scheduling Coordinator will be subject to Settlement based on the CAISO Market in which the Bid actually clears. In the event that a Bid is removed from a CAISO Market run or interval, the CAISO may subsequently be required to issue an Exceptional Dispatch for the resource, in which case the Scheduling Coordinator will receive Exceptional Dispatch Settlement as provided in Section 11.5.6. In the event that a Demand Bid is removed from the Day-Ahead Market, because no Demand Bids for load can be submitted in the Real-Time Market, Scheduling Coordinators for the load not cleared in the Day-Ahead Market will be settled as Uninstructed Imbalance Energy as provided in Section 11.5.2.

7.7.15.2.4 Reporting to Affected Scheduling Coordinators.

To the extent practicable, the CAISO will contact a Scheduling Coordinator's representative before removing a Bid and advise the representative of the issues encountered with the Bid. In the event that a Bid is removed, the Scheduling Coordinator's Bid will not be cleared through the specific CAISO Market from which it was removed. The CAISO will notify the Scheduling Coordinator as soon as practicable, but no later than three (3) Business Days, after the applicable Bid was removed and will provide information specifying when its Bid was removed and the nature of the disruption.
7.7.15.3 Choices of Action to Prevent a Market Disruption, in the Event of a Market Disruption, or to minimize the Extent of a Market Disruption.

The CAISO's choice of action in the event of a Market Disruption shall depend on the CAISO Market that is disrupted, the cause of the Market Disruption, the expected time to resolve the Market Disruption, and the status of submitted Bids and Self-Schedules at the time the Market Disruption occurs. Nothing in this Section 7.7.15 shall prevent the CAISO from taking any other action permitted under the CAISO Tariff.

7.7.15.4 Reporting Requirements under Section 7.7.15.

The CAISO shall include reports on actions taken pursuant to Section 7.7.15 in the Exceptional Dispatch report provided in Section 34.9.4 of the ISO Tariff. The report shall detail the frequency and types of actions taken by the CAISO pursuant to this Section 7.7.15, as well as the nature of the specific Market Disruptions that caused the CAISO to take action and the CAISO rationale for taking such actions, or the Market Disruption that was successfully prevented or minimized by the CAISO as a result of taking action pursuant to its authority under Section 7.7.15. This informational filing shall also contain general information on the Bids removed pursuant to Section 7.7.15, which may include the megawatt quantity, point of interconnection, specification of the Day-Ahead versus Real-Time Bid, and Energy or Ancillary Services Bid, and the CAISO's rationale for removal; provided, however, that any Scheduling Coordinator-specific individual Bid information will be submitted on a confidential basis consistent with FERC's rules and regulations governing requests for confidential treatment of commercially sensitive information.

***

CAISO Tariff Appendix A
Master Definitions Supplement
***

Market Disruption
An action or event that causes a failure of the normal operation of any of the CAISO Markets, related to system operation issues or System Emergencies referred to in Sections 7.6 and 7.7, respectively.

***
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each party listed on the official service lists for these proceedings, 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 Washington, D.C. on this 8th day of April, 2009.

Bradley M. Miliauskas