



California Independent
System Operator Corporation

August 28, 2008

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. ER08-1059-____, ER06-615-____, ER07-1257-____,
and ER08-519-____.**

Dear Secretary Bose:

The California Independent System Operator (“ISO” or “CAISO”)¹ hereby submits an original and five copies of this instant filing in compliance with the Commission’s “Order Conditionally Accepting for Filing, Subject to Modification, Tariff Revisions and Compliance Filing,” 124 FERC ¶ 61,107, issued in the above-referenced proceedings on July 29, 2008 (“July 29 Order”). Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger.

I. Background

On May 30, 2008, the CAISO submitted in the above-referenced proceedings a filing (“May 30 Filing”) that contained proposed revisions to the current ISO Tariff and the MRTU Tariff to: (1) enhance the release rules concerning Congestion Revenue Rights (“CRRs”), including providing for increased MW granularity of CRR tracking, monthly CRR eligibility for Load Serving Entities serving loads without verifiable load forecasts, and changes to the exemptions from the “30-day rule” for the scheduling of outages; (2) enhance the CRR credit policy under the tariffs; (3) reflect a delay in the MRTU implementation date, which delay was then anticipated to be until the fall of 2008;

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 (4) comply with directives issued in previous Commission orders.² In the May 30 Filing, the CAISO requested that the proposed revisions to the current ISO Tariff and the MRTU Tariff be made effective on July 30, 2008, and upon implementation of MRTU, respectively. The Commission conditionally accepted the May 30 Filing in the July 29 Order, subject to the compliance directives discussed below.

II. Tariff Revisions Directed in the July 29 Order

A. Inclusion of the 30-Day Rule in CAISO Tariff

The MRTU Tariff requires that planned outages of transmission facilities having a significant effect upon CRR revenue adequacy be submitted to the CAISO for approval no fewer than thirty days in advance of the first day of the month in which the outage is proposed to begin. Pursuant to the Commission's March 24, 2008, order regarding Business Practice Manuals ("BPMs"),³ the May 30 Filing included the exemptions from the 30-day rule set forth in Section 10.3.1 of the BPM for CRRs in the MRTU Tariff. The CAISO also proposed to include corresponding tariff language in Appendix BB, Part H, Sections 36.4 and 36.4.3 of the current ISO Tariff, and Section 36.4 and 36.4.3 of the MRTU Tariff. In response, Pacific Gas and Electric Company ("PG&E") argued that, because of the fluidity of the MRTU implementation date, a specific effective date is inappropriate and these provisions of the tariffs should be effective no sooner than "30 days in advance of the beginning of the month MRTU goes live." Also, Southern California Edison Company ("SoCal Edison") requested that the Commission direct the CAISO to clarify that the 30-day rule will be effective concurrent with MRTU start-up or consistent with a schedule that reflects the actual MRTU implementation date, rather than effective July 30, 2008, pursuant to the proposed changes to the current ISO Tariff. In the answer it submitted in these proceedings on July 7, 2008 ("Answer"), the CAISO agreed to resubmit tariff sheets that indicate that the 30-day rule is made effective concurrent with the MRTU go-live date. The Commission found that the Answer satisfactorily responded to the issues raised by PG&E and SoCal Edison and directed the CAISO to make a compliance filing, within 30 days of the date of the July 29 Order, reflecting the effective date proposed in the Answer.⁴

Accordingly, the CAISO is resubmitting tariff sheets as directed by the Commission. It should be noted that these tariff sheets omit Section 36.4.3 from

² The May 30 Filing provides further detail on the background of that filing and the changes proposed therein.

³ *California Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271 (2008)

⁴ *Id.* at PP 34-37.

the currently effective ISO Tariff, so that that provision does not apply prior to the start of MRTU.

B. Changes to Section 9.3.6.3.2 – Outage Reporting Requirement

In the May 30 Filing, the CAISO modified the exemption from the 30-day rule for outages planned to start and end in a twenty-four hour period. In response, SoCal Edison stated that it supports the exemption for outages planned over a twenty-four hour period, rather than a single calendar day, and supports new Section 36.4.3 of the MRTU Tariff on the condition that Section 9.3.6.3.2 of the MRTU Tariff be revised to ensure consistency with Section 36.4.3. In the Answer, the CAISO proposed that Section 9.3.6.3.2 should reference the twenty-four hour exemption to the 30-day rule. The Commission accepted the CAISO's proposal.⁵ Therefore, the CAISO is submitting revisions to Section 9.3.6.3.2 so that it references Section 36.4.3.

C. Outages on Transmission Lines Rated Below 200 kV

PG&E asserted that, as revised in the May 30 Filing, Section 36.4 of the MRTU Tariff assumes that any facility that is part of a pre-defined flow limit, or any facility that has experienced an outage for which flow limits were applied, will significantly affect CRR revenue adequacy. PG&E argued that the existence of flow limits on transmission lines rated below 200 kV is not an indicator that planned outages on those lines will have a significant impact on CRR revenues, and requested that the Commission require the CAISO to revise Section 36.4 to exclude transmission lines below 200 kV from the 30-day rule. In the Answer, the CAISO responded that currently only facilities that are part of a defined flow limit that are rated above 200 kV will be subject to the 30-day rule. The CAISO committed to develop and place in an Operating Procedure the list of specific facilities that "are part of any defined flow limit" or "were out of service in the last three (3) years and for which the CAISO determined a special flow limit was needed for real-time operation," as set forth in Sections 36.4(b) and -(c). The CAISO stated that it will work with Participating Transmission Owners ("PTOs") to populate the list of facilities that are 200 kV and below and argued that PG&E would be able to indicate to the CAISO which facilities rated at 200 kV and below should not be placed on the list. The CAISO also proposed to revise Section 36.4 to specify that the CAISO will, in collaboration with the PTOs, create the list of facilities rated at 200 kV and below and will list them in the Operating Procedures. The Commission accepted the CAISO's proposed revisions to Section 36.4.⁶

⁵ *Id.* at PP 22-24.

⁶ *Id.* at PP 25-27.

Accordingly, in compliance with the July 29 Order, the CAISO is submitting revised tariff sheets containing the language proposed in the Answer.

D. CRR Credit Policy

In response to the May 30 Filing, the Modesto Irrigation District and the City of Santa Clara, California, d/b/a Silicon Valley Power, and M-S-R Public Power Agency asserted that the CAISO had not yet developed specific methodologies for calculating increased credit requirements in circumstances where actual or anticipated market conditions indicate that CRR credit requirements may be inadequate to cover CRR financial risk. The CAISO, in its Answer, responded to these assertions in relevant part by proposing to modify Section 12.6.3.1(c) of the current ISO Tariff and the MRTU Tariff to state that, whenever the CAISO requests additional Financial Security from a Market Participant as a result of a change in CRR value that is not related to an adjustment due to monthly CRR Auction price or an adjustment related to Historical Expected Value, the CAISO will provide a written explanation of the reasons for that request. In the July 29 Order, the Commission accepted this proposal and directed the CAISO to modify both tariffs accordingly.⁷ The CAISO has revised Section 12.6.3.1(c) in the tariffs to comply with this directive.

E. Affiliate Disclosure Requirements

In response to the May 30 Filing, Financial Institutions Energy Group (“FIEG”) argued that the proposed Affiliate disclosure requirements contained in the May 30 Filing should be narrowed. The CAISO responded to FIEG’s arguments in relevant part in the Answer by proposing two modifications to the tariff changes contained in the May 30 Filing. First, the CAISO proposed to modify Section 39.9 of its tariffs to state that each CRR Holder or Candidate CRR Holder must notify the CAISO of all entities with which it is affiliated that are CRR Holders, Candidate CRR Holders, or Market Participants and their guarantors, and any Affiliate participating in an organized electricity market in North America. Second, the CAISO proposed to modify Section 12.1.1 of the current ISO Tariff and Section 12.1.1 of the MRTU Tariff to state that the CAISO has the authority to obtain, from a Market Participant that requests an Unsecured Credit Limit, financial and/or other information concerning all of the Market Participant’s Affiliates, and proposed to modify Section 12.1.1.1 of the current ISO Tariff and Section 12.1.1.2 of the MRTU Tariff to state that the CAISO will use such information as one of the qualitative factors it considers in determining the Market Participant’s or a guarantor’s Unsecured Credit Limit. The Commission accepted these proposals in the July 29 Order and directed the CAISO to include them in its tariffs.⁸

⁷ *Id.* at PP 52, 56, 60.

⁸ *Id.* at PP 64-70.

To comply with this Commission directive, the CAISO has revised Sections 12.1.1, 12.1.1.1, and Appendix BB, Part M, Section 39.9 of the current CAISO Tariff, and Sections 12.1.1, 12.1.1.2, and 39.9 of the MRTU Tariff, to include the language concerning Affiliate disclosure requirements contained in the Answer.

III. Materials Provided in the Instant Compliance Filing

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

- Attachment A Clean current ISO Tariff sheets incorporating the red-lined changes contained in Attachment B
- Attachment B Red-lined changes to the current ISO Tariff to implement the revisions contained in this filing
- Attachment C Clean MRTU Tariff sheets incorporating the red-lined changes contained in Attachment D
- Attachment D Red-lined changes to the MRTU Tariff to implement the revisions contained in this filing

IV. Effective Date and Request for Waiver

With respect to the revisions made to the MRTU Tariff, the CAISO requests that the Commission approve this compliance filing as submitted to be effective upon implementation of MRTU. As discussed in the monthly status reports the CAISO has submitted in Docket No. ER06-615, the CAISO will not be able to announce a new proposed implementation date for MRTU until the CAISO is confident that the MRTU software is operating successfully. Accordingly, the CAISO is filing clean MRTU Tariff sheets without indicating a proposed effective date and therefore requests waiver of Order No. 614 and applicable provisions of Section 35.9 of the Commission's regulations.⁹

With respect to the revisions made to the currently effective ISO Tariff, the CAISO requests that the Commission approve this compliance filing as submitted to be effective on July 30, 2008, and requests no waivers.

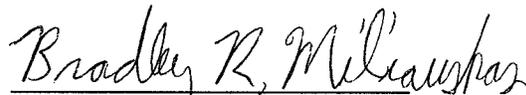
⁹ *Designation of Electric Rate Schedule Sheets*, FERC Stats. & Regs. ¶ 31,096 (2000); 18 C.F.R. § 35.9.

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V. Conclusion

The CAISO respectfully requests that the Commission accept the instant filing as complying with the directives of the July 29 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,



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Attachment A – Clean Sheets

**Congestion Revenue Rights Credit and Enhancements Compliance Filing
[Docket No. ER08-1059]**

Currently Effective CAISO Tariff

12 CREDITWORTHINESS.

12.1 Credit Requirements.

The creditworthiness requirements in this section apply to the ISO's acceptance of Schedules, to all transactions in an ISO Market, to the payment of charges pursuant to the ISO Tariff (including the Grid Management Charge), and to establish credit limits for participation in any ISO auction of FTRs or CRRs and to CRR Holders for the holding of CRRs. Each Market Participant (including each Scheduling Coordinator, UDC, MSS, CRR Holder, or Candidate CRR Holder) or FTR Bidder shall secure its financial transactions with the ISO (including its participation in any auction of FTRs or CRRs and for the holding of CRRs) by maintaining an Unsecured Credit Limit and/or by posting Financial Security, the level of which constitutes the Market Participant's or FTR Bidder's Financial Security Amount. For each Market Participant or FTR Bidder, the sum of its Unsecured Credit Limit and its Financial Security Amount shall represent its Aggregate Credit Limit. Each Market Participant or FTR Bidder shall have the responsibility to maintain an Aggregate Credit Limit that is at least equal to its Estimated Aggregate Liability.

12.1.1 Unsecured Credit Limit.

Each Market Participant or FTR Bidder requesting an Unsecured Credit Limit shall submit an application to the ISO in the form specified on the ISO Home Page. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder in accordance with the procedures set forth in the ISO Credit Policy & Procedures Guide posted on the ISO Home Page. The maximum Unsecured Credit Limit for any Market Participant or FTR Bidder shall be \$250 million. In accordance with the procedures described in the ISO Credit Policy & Procedures Guide, each Market Participant or FTR Bidder requesting or maintaining an Unsecured Credit Limit is required to submit to the ISO or its agent financial statements and other information related to its overall financial health as directed by the ISO. Each Market Participant or FTR Bidder is responsible for the timely submission of its latest financial statements as well as other information, including but not limited to information concerning all entities that are Affiliates or become Affiliates, that may be reasonably necessary for the ISO to conduct its evaluation. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder as described in Sections 12.1.1A, 12.1.1A.1, 12.1.1A.2.

- a) Applicant's history;
- b) Nature of organization and operating environment;
- c) Management;
- d) Contractual obligations;
- e) Governance policies;
- f) Financial and accounting policies;
- g) Risk management and credit policies;
- h) Market risk including price exposures, credit exposures and operational exposures;
- i) Event risk;
- j) The state or local regulatory environment; and
- k) Affiliate disclosure information provided pursuant to Section 12.1.1.1 and/or Section 39.9 of Part M of Appendix BB.

Material negative information in these areas may result in a reduction of up to 100% in the Unsecured Credit Limit that would otherwise be granted based on the eight-step process described in Section 12.1.1A. A Market Participant or FTR Bidder, upon request, will be provided a written analysis as to how the provisions in Section 12.1.1A and this section were applied in setting its Unsecured Credit Limit.

- (b) Each CRR Holder shall be required to ensure that its Aggregate Credit Limit is sufficient to satisfy the credit requirements described in this Section 12.6.3. Except as provided in this paragraph, CRRs are evaluated on a portfolio basis as follows. If a CRR Holder owns more than one CRR, such CRR Holder shall be subject to an overall credit requirement that is equal to the sum of the individual credit requirements applicable to each of the CRRs held by such CRR Holder, which is calculated after the MW associated with any Offsetting CRRs are netted out. If this sum is positive, the amount will be added to the CRR Holder's Estimated Aggregate Liability. However, if the sum is negative, the CRR Holder's Estimated Aggregate Liability shall not be reduced. If a CRR Holder holds one or more CRRs obtained through a CRR Allocation and also holds one or more CRRs obtained through a CRR Auction, the individual credit requirements applicable to any of the CRRs obtained through a CRR Allocation may not be netted against the individual credit requirements applicable to any of the CRRs obtained through a CRR Auction in determining such CRR Holder's Estimated Aggregate Liability.
- (c) The ISO shall reevaluate the credit requirements for holding CRRs, and shall adjust the credit requirements accordingly, not less than monthly. The ISO may adjust the credit requirements for holding CRRs with terms of one year or less at the ISO's discretion to account for changes in the monthly auction prices for CRRs and changes in the Historical Expected Values for CRRs, or more frequently than monthly if necessary if the ISO finds that actual or anticipated market conditions indicate that CRR credit requirements may be inadequate to cover the financial risk of the CRRs. The ISO may also adjust the credit requirements for holding Long Term CRRs annually to reflect the changes in auction prices of one-year CRRs in annual auctions, and to reflect updates to Credit Margins based on actual Locational Marginal Price data derived from market operations. Whenever the ISO requests additional Financial Security from a Market Participant as a result of a change in CRR value that is not related to an adjustment due to the monthly CRR Auction Price or an adjustment related to Historical Expected Value, the ISO will provide a written explanation of the reason for that request.

[NOT USED]

PART M. CRR MONITORING AND AFFILIATE DISCLOSURE REQUIREMENTS

39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. Each CRR Holder or Candidate CRR Holder must notify the CAISO of any Affiliate that is a CRR Holder, Candidate CRR Holder, or Market Participant, any Affiliate that participates in an organized electricity market in North America, and any guarantor of any such Affiliate.

Attachment B – Blacklines

**Congestion Revenue Rights Credit and Enhancements Compliance Filing
[Docket No. ER08-1059]**

Currently Effective CAISO Tariff

* * *

12.1.1 Unsecured Credit Limit.

Each Market Participant or FTR Bidder requesting an Unsecured Credit Limit shall submit an application to the ISO in the form specified on the ISO Home Page. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder in accordance with the procedures set forth in the ISO Credit Policy & Procedures Guide posted on the ISO Home Page. The maximum Unsecured Credit Limit for any Market Participant or FTR Bidder shall be \$250 million. In accordance with the procedures described in the ISO Credit Policy & Procedures Guide, each Market Participant or FTR Bidder requesting or maintaining an Unsecured Credit Limit is required to submit to the ISO or its agent financial statements and other information related to its overall financial health as directed by the ISO. Each Market Participant or FTR Bidder is responsible for the timely submission of its latest financial statements as well as other information, including but not limited to information concerning all entities that are Affiliates or become Affiliates, that may be reasonably necessary for the ISO to conduct its evaluation. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder as described in Sections 12.1.1A, 12.1.1A.1, 12.1.1A.2.

As a result of the ISO's credit evaluation, a Market Participant or FTR Bidder may be given an Unsecured Credit Limit by the ISO or denied an Unsecured Credit Limit with the ISO. Following the initial application and the establishment of an Unsecured Credit limit, the ISO will review each Market Participant's or FTR Bidder's Unsecured Credit Limit on a quarterly basis, unless that entity does not prepare quarterly statements, in which case the review will occur on an annual basis, and no entity shall be required to submit a new application. In addition, the ISO may review the Unsecured Credit Limit for any Market Participant or FTR Bidder whenever the ISO becomes aware of information that could indicate a Material Change in Financial Condition. In the event the ISO determines that the Unsecured Credit Limit of a Market Participant or FTR Bidder must be reduced as a result of a subsequent review, the ISO shall notify the Market Participant or FTR Bidder of the reduction, and shall, upon request, also provide the Market Participant or FTR Bidder with a written explanation of why the reduction was made.

* * *

12.1.1.1 Qualitative and Quantitative Credit Strength Indicators.

In determining a Market Participant's or FTR Bidder's Unsecured Credit Limit, the ISO may rely on information gathered from financial reporting agencies, the general/financial/energy press, and provided by the Market Participant or FTR Bidder to assess its overall financial health and its ability to meet its financial obligations. Information considered by the ISO in this process may include the following qualitative factors:

- a) Applicant's history;
- b) Nature of organization and operating environment;
- c) Management;
- d) Contractual obligations;
- e) Governance policies;
- f) Financial and accounting policies;
- g) Risk management and credit policies;
- h) Market risk including price exposures, credit exposures and operational exposures;
- i) Event risk;
- j) The state or local regulatory environment; and
- k) Affiliate disclosure information provided pursuant to [Section 12.1.1.1 and/or](#) Section 39.9 of Part M of Appendix BB.

Material negative information in these areas may result in a reduction of up to 100% in the Unsecured Credit Limit that would otherwise be granted based on the eight-step process described in Section 12.1.1A. A Market Participant or FTR Bidder, upon request, will be provided a written analysis as to how the provisions in Section 12.1.1A and this section were applied in setting its Unsecured Credit Limit.

* * *

12.6.3 Credit Requirements for the Holding of CRRs.

12.6.3.1 Credit Requirements Generally.

- (a) Each CRR Holder, whether it obtains CRRs through a CRR Allocation or a CRR Auction, must maintain an Aggregate Credit Limit in excess of its Estimated Aggregate Liability including the credit requirement of the CRR portfolio determined as described in this Section 12.6.3. CRR

Holders obtaining CRRs in the initial CRR Allocation will be required to comply with the credit requirements associated with such CRRs as determined by the ISO after completion of the initial CRR Auction. The ISO shall issue a market notice after completion of the initial CRR Auction to announce that CRR Holders obtaining CRRs in the initial CRR Allocation must comply with such credit requirements.

- (b) Each CRR Holder shall be required to ensure that its Aggregate Credit Limit is sufficient to satisfy the credit requirements described in this Section 12.6.3. Except as provided in this paragraph, CRRs are evaluated on a portfolio basis as follows. If a CRR Holder owns more than one CRR, such CRR Holder shall be subject to an overall credit requirement that is equal to the sum of the individual credit requirements applicable to each of the CRRs held by such CRR Holder, which is calculated after the MW associated with any Offsetting CRRs are netted out. If this sum is positive, the amount will be added to the CRR Holder's Estimated Aggregate Liability. However, if the sum is negative, the CRR Holder's Estimated Aggregate Liability shall not be reduced. If a CRR Holder holds one or more CRRs obtained through a CRR Allocation and also holds one or more CRRs obtained through a CRR Auction, the individual credit requirements applicable to any of the CRRs obtained through a CRR Allocation may not be netted against the individual credit requirements applicable to any of the CRRs obtained through a CRR Auction in determining such CRR Holder's Estimated Aggregate Liability.
- (c) The ISO shall reevaluate the credit requirements for holding CRRs, and shall adjust the credit requirements accordingly, not less than monthly. The ISO may adjust the credit requirements for holding CRRs with terms of one year or less at the ISO's discretion to account for changes in the monthly auction prices for CRRs and changes in the Historical Expected Values for CRRs, or more frequently than monthly if necessary if the ISO finds that actual or anticipated market conditions indicate that CRR credit requirements may be inadequate to cover the financial risk of the CRRs. The ISO may also adjust the credit requirements for holding Long Term CRRs annually to reflect the changes in auction prices of one-year CRRs in annual auctions, and to reflect updates to Credit Margins based on actual Locational Marginal Price data derived from market operations. [Whenever the ISO requests additional Financial Security from a Market](#)

Participant as a result of a change in CRR value that is not related to an adjustment due to the monthly CRR Auction Price or an adjustment related to Historical Expected Value, the ISO will provide a written explanation of the reason for that request.

- (d) In cases where the ownership of a CRR is to be transferred through either the Secondary Registration System or through Load Migration, the ISO shall evaluate and adjust the credit requirements for both the current owner of the CRR and the prospective owner of the CRR as appropriate prior to the transfer. If additional Financial Security is required from either the current or prospective owner, the transfer will not be completed until such Financial Security has been provided to and accepted by the ISO. CRRs transferred through the Secondary Registration System will be treated like auctioned CRRs for the purpose of calculating the credit requirements for holding the CRRs, regardless of whether the CRRs were originally allocated or purchased at auction or acquired through the Secondary Registration System. CRRs assigned to Load-gaining or Load-losing Load-Serving Entities as a result of Load Migration will be treated like allocated CRRs for the purpose of calculating the credit requirements for holding the CRRs.

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ISO TARIFF APPENDIX BB

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PART H. CONGESTION REVENUE RIGHTS

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~~36.4.3 Scheduling Requirements for Outages that May Have a Significant Effect on CRR Revenue Adequacy.~~

~~As provided in Section 9.3.6.3.2 of the MRTU Tariff, Outages that may have a significant effect upon CRR revenue adequacy must be submitted for approval no less than thirty (30) days in advance of the first day of the month in which the Outage is proposed to begin. Outages that may have a significant effect upon CRR revenue adequacy are defined in terms of the type of facility and the planned duration of the Outage. Outages of the types of transmission facilities described below that extend beyond a twenty-four (24) hour period must be submitted for CAISO approval consistent with this 30-day advance submittal~~

~~requirement. The types of transmission facilities on the CAISO Controlled Grid to which this 30-day advance submittal and approval requirement applies consist of transmission facilities that:~~

- ~~(a) are rated above 200 kV; or~~
- ~~(b) are part of any defined flow limit as described in a CAISO Operating Procedure;~~
- ~~or~~
- ~~(c) were out of service in the last three (3) years and for which the CAISO determined a special flow limit was needed for real-time operation.~~

~~A list of the transmission facilities that satisfy criteria (b) and (c) above is provided in the Operating Procedures. The list will be reviewed by the CAISO on an annual basis and revised as appropriate. The following types of Outages need not be submitted for approval within this thirty-day time frame and will not be designated as Forced Outages if they otherwise comply with the requirements in Section 9.3.6 of the MRTU Tariff: (1) Outages previously approved by CAISO that are moved within the same calendar month either by the CAISO or by request of the Participating TO; and (2) Outages associated with CAISO-approved allowable transmission maintenance activities during restricted maintenance operations as covered in CAISO Operating Procedures.~~

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PART M. CRR MONITORING AND AFFILIATE DISCLOSURE REQUIREMENTS

39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. Each CRR Holder or Candidate CRR Holder must notify the CAISO of any Affiliate that is a CRR Holder, Candidate CRR Holder, or Market Participant, any Affiliate that participates in an organized electricity market in North America, and any guarantor of any such Affiliate~~all entities that are Affiliates or become Affiliates of the CRR Holder or Candidate CRR Holder.~~

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Attachment C – Clean Sheets

**Congestion Revenue Rights Credit and Enhancements Compliance Filing
[Docket No. ER08-1059]**

4th Replacement MRTU Tariff

9.3.6.1.2 Each Participating TO will provide the CAISO with quarterly updates of the data provided under Section 9.3.6 by close of business on the fifteenth (15th) day of each January, April, and July.

These updates must identify known changes to any previously planned CAISO Controlled Grid facility Maintenance Outages and any additional Outages anticipated over the next twelve (12) months from the time of the report. As part of this update, each Participating TO must include all known planned Outages for the following twelve (12) months.

9.3.6.2 90 Day Look Ahead.

In addition to changes made at quarterly Outage submittals, each Participating Generator shall notify the CAISO in writing of any known changes to a Generating Unit or System Unit Outage scheduled to occur within the next ninety (90) days and may submit changes to its planned Maintenance Outage schedule at any time. Participating Generators must obtain the approval of the CAISO Outage Coordination Office in accordance with Section 9. Such approval may be withheld only for reasons of System Reliability or security.

9.3.6.3 Timeframe for Scheduling Generation and Transmission Outages.

9.3.6.3.1 72 Hours Ahead for Generating Units.

An Operator may, upon seventy-two (72) hours advance notice (or within the notice period in the Operating Procedures posted on the CAISO Website), schedule with the CAISO Outage Coordination Office a Maintenance Outage for a Generating Unit, subject to the conditions of Sections 9.3.6.4.1, 9.3.6.8 and 9.3.6.9.

9.3.6.3.2 For Transmission Facilities.

Except for Outages that may have a significant effect upon CRR revenue adequacy as defined in Section 36.4.3, an Operator may, upon seventy-two (72) hours advance notice (or within the notice period in the Operating Procedures posted on the CAISO Website), schedule with the CAISO Outage Coordination Office a Maintenance

Outage for transmission facilities on its system, subject to the conditions of Sections 9.3.6.4.1, 9.3.6.8 and 9.3.6.9. For Outages that may have a significant effect upon CRR revenue adequacy as defined in Section 36.4.3, an Operator may, upon thirty (30) days notice in advance of the first day of the month the Outage is proposed to be scheduled (or within the notice period in the Operating Procedures posted on the CAISO Website), schedule with the CAISO Outage Coordination Office a Maintenance Outage for transmission facilities on its system, subject to the conditions of Sections 9.3.6.4.1, 9.3.6.8, 9.3.6.9, and 36.4.3.

9.3.6.4 Changes to Planned Maintenance Outages.

A Participating TO may submit changes to its planned Maintenance Outage information at any time, provided, however, that if the Participating TO cancels an Approved Maintenance Outage after 5:00 a.m. of the day prior to the day upon which the Outage is scheduled to commence and the CAISO determines that the change was not required to preserve System Reliability, the CAISO may disregard the availability of the affected facilities in determining the availability of transmission capacity in the Day-Ahead Market. The CAISO will, however, notify Market Participants and reflect the availability of transmission capacity in the HASP and Real-Time Market as promptly as practicable.

9.3.6.4.1 The CAISO Outage Coordination Office shall evaluate whether the requested Maintenance Outage or change to an Approved Maintenance Outage is likely to have a detrimental effect on the efficient use and reliable operation of the CAISO Controlled Grid or the facilities of a Connected Entity. The CAISO may request additional information or seek clarification from Participating Generators or Participating TOs of the information submitted in relation to a planned Generating Unit and System Unit Outage or a planned Maintenance Outage. This information may be used to assist the CAISO in prioritizing conflicting requests for Outages.

9.3.6.5 CAISO Analysis of Generating Unit Outage Plans.

12 CREDITWORTHINESS.

12.1 Credit Requirements.

The creditworthiness requirements in this section apply to the CAISO's acceptance of, any transaction in a CAISO Market, to the payment of charges pursuant to the CAISO Tariff (including the Grid Management Charge), and to establish credit limits for participation in any CAISO auction of CRRs and to CRR Holders for the holding of CRRs. Each Market Participant (including each Scheduling Coordinator, UDC, MSS, CRR Holder, or Candidate CRR Holder) shall secure its financial transactions with the CAISO (including its participation in any auction of CRRs and for the holding of CRRs) by maintaining an Unsecured Credit Limit and/or by posting Financial Security, the level of which constitutes the Market Participant's Financial Security Amount. For each Market Participant, the sum of its Unsecured Credit Limit and its Financial Security Amount shall represent its Aggregate Credit Limit. Each Market Participant shall have the responsibility to maintain an Aggregate Credit Limit that is at least equal to its Estimated Aggregate Liability.

12.1.1 Unsecured Credit Limit.

Each Market Participant requesting an Unsecured Credit Limit shall submit an application to the CAISO in the form specified on the CAISO Website. The CAISO shall determine the Unsecured Credit Limit for each Market Participant in accordance with the procedures set forth in the applicable Business Practice Manual. The maximum Unsecured Credit Limit for any Market Participant shall be \$250 million. In accordance with the procedures described in the applicable Business Practice Manual, each Market Participant requesting or maintaining an Unsecured Credit Limit is required to submit to the CAISO or its agent financial statements and other information related to its overall financial health as directed by the CAISO. Each Market Participant is responsible for the timely submission of its latest financial statements as well as other information, including but not limited to information concerning all entities that are Affiliates or become Affiliates, that may be reasonably necessary for the CAISO to conduct its evaluation. The CAISO shall determine the Unsecured Credit Limit for each Market Participant as described in Sections 12.1.1.1, 12.1.1.1.1, and 12.1.1.1.2.

12.1.1.2 Qualitative and Quantitative Credit Strength Indicators.

In determining a Market Participant's Unsecured Credit Limit, the CAISO may rely on information gathered from financial reporting agencies, the general/financial/energy press, and provided by the Market Participant to assess its overall financial health and its ability to meet its financial obligations.

Information considered by the CAISO in this process may include the following qualitative factors:

- (a) Applicant's history;
- (b) Nature of organization and operating environment;
- (c) Management;
- (d) Contractual obligations;
- (e) Governance policies;
- (f) Financial and accounting policies;
- (g) Risk management and credit policies;
- (h) Market risk including price exposures, credit exposures and operational exposures;
- (i) Event risk;
- (j) The state or local regulatory environment; and
- (k) Affiliate disclosure information provided pursuant to Section 12.1.1 and/or Section 39.9.

Material negative information in these areas may result in a reduction of up to one hundred percent (100%) in the Unsecured Credit Limit that would otherwise be granted based on the eight-step process described in Section 12.1.1.1. A Market Participant, upon request, will be provided a written analysis as to how the provisions in Section 12.1.1.1 and this section were applied in setting its Unsecured Credit Limit.

- (c) The CAISO shall reevaluate the credit requirements for holding CRRs, and shall adjust the credit requirements accordingly, not less than monthly. The CAISO may adjust the credit requirements for holding CRRs with terms of one year or less at the CAISO's discretion to account for changes in the monthly auction prices for CRRs and changes in the Historical Expected Values for CRRs, or more frequently than monthly if necessary if the CAISO finds that actual or anticipated market conditions indicate that CRR credit requirements may be inadequate to cover the financial risk of the CRRs. The CAISO may also adjust the credit requirements for holding Long Term CRRs annually to reflect the changes in auction prices of one-year CRRs in annual auctions, and to reflect updates to Credit Margins based on actual Locational Marginal Price data derived from market operations. Whenever the CAISO requests additional Financial Security from a Market Participant as a result of a change in CRR value that is not related to an adjustment due to the monthly CRR Auction Price or an adjustment related to Historical Expected Value, the CAISO will provide a written explanation of the reason for that request.

- (d) In cases where the ownership of a CRR is to be transferred through either the Secondary Registration System or through Load Migration, the CAISO shall evaluate and adjust the credit requirements for both the current owner of the CRR and the prospective owner of the CRR as appropriate prior to the transfer. If additional Financial Security is required from either the current or prospective owner, the transfer will not be completed until such Financial Security has been provided to and accepted by the CAISO. CRRs transferred through the Secondary Registration System will be treated like auctioned CRRs for the purpose of calculating the credit requirements for holding the CRRs, regardless of whether the CRRs were originally allocated or purchased at auction or acquired through the Secondary Registration System. CRRs assigned to Load-gaining or Load-losing Load Serving Entities as a result of Load Migration will be treated like allocated CRRs for the purpose of calculating the credit requirements for holding the CRRs.

36.4.3 Scheduling Requirements for Outages that May Have a Significant Effect on CRR Revenue Adequacy.

As provided in Section 9.3.6.3.2, Outages that may have a significant effect upon CRR revenue adequacy must be submitted for approval no less than thirty (30) days in advance of the first day of the month in which the Outage is proposed to begin. Outages that may have a significant effect upon CRR revenue adequacy are defined in terms of the type of facility and the planned duration of the Outage. Outages of the types of transmission facilities described below that extend beyond a twenty-four (24) hour period must be submitted for CAISO approval consistent with this 30-day advance submittal requirement. The types of transmission facilities on the CAISO Controlled Grid to which this 30-day advance submittal and approval requirement applies consist of transmission facilities that:

- (a) are rated above 200 kV; or
- (b) are part of any defined flow limit as described in a CAISO Operating Procedure;
or
- (c) were out of service in the last three (3) years and for which the CAISO determined a special flow limit was needed for real-time operation.

A list of the transmission facilities that satisfy criteria (b) and (c) above is provided in the Operating Procedures. The list will be initially created in collaboration with the respective Participating TOs and will be reviewed by the CAISO in collaboration with the Participating TOs on an annual basis and revised as appropriate; provided, however, that the CAISO will ultimately determine the lines that are included in the list. The following types of Outages need not be submitted for approval within this thirty-day time frame and will not be designated as Forced Outages if they otherwise comply with the requirements in Section 9.3.6: (1) Outages previously approved by CAISO that are moved within the same calendar month either by the CAISO or by request of the Participating TO; and (2) Outages associated with CAISO-approved allowable transmission maintenance activities during restricted maintenance operations as covered in CAISO Operating Procedures.

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, the Secondary Registration System, or are assigned CRRs for Load Migration.

39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. Each CRR Holder or Candidate CRR Holder must notify the CAISO of any Affiliate that is a CRR Holder, Candidate CRR Holder, or Market Participant, any Affiliate that participates in an organized electricity market in North America, and any guarantor of any such Affiliate.

Attachment D – Blacklines

**Congestion Revenue Rights Credit and Enhancements Compliance Filing
[Docket No. ER08-1059]**

4th Replacement MRTU Tariff

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9.3.6.3.2 For Transmission Facilities.

Except for Outages that may have a significant effect upon CRR revenue adequacy [as defined in Section 36.4.3](#), an Operator may, upon seventy-two (72) hours advance notice (or within the notice period in the Operating Procedures posted on the CAISO Website), schedule with the CAISO Outage Coordination Office a Maintenance Outage for transmission facilities on its system, subject to the conditions of Sections 9.3.6.4.1, 9.3.6.8 and 9.3.6.9. For Outages that may have a significant effect upon CRR revenue adequacy [as defined in Section 36.4.3](#), an Operator may, upon thirty (30) days notice in advance of the first day of the month the Outage is proposed to be scheduled (or within the notice period in the Operating Procedures posted on the CAISO Website), schedule with the CAISO Outage Coordination Office a Maintenance Outage for transmission facilities on its system, subject to the conditions of Sections 9.3.6.4.1, 9.3.6.8, ~~and 9.3.6.9,~~ [and 36.4.3](#).

* * *

12.1.1 Unsecured Credit Limit.

Each Market Participant requesting an Unsecured Credit Limit shall submit an application to the CAISO in the form specified on the CAISO Website. The CAISO shall determine the Unsecured Credit Limit for each Market Participant in accordance with the procedures set forth in the applicable Business Practice Manual. The maximum Unsecured Credit Limit for any Market Participant shall be \$250 million. In accordance with the procedures described in the applicable Business Practice Manual, each Market Participant requesting or maintaining an Unsecured Credit Limit is required to submit to the CAISO or its agent financial statements and other information related to its overall financial health as directed by the CAISO. Each Market Participant is responsible for the timely submission of its latest financial statements as well as other information, [including but not limited to information concerning all entities that are Affiliates or become Affiliates](#), that may be reasonably necessary for the CAISO to conduct its evaluation. The CAISO shall determine the Unsecured Credit Limit for each Market Participant as described in Sections 12.1.1.1, 12.1.1.1.1, and 12.1.1.1.2.

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12.1.1.2 Qualitative and Quantitative Credit Strength Indicators.

In determining a Market Participant's Unsecured Credit Limit, the CAISO may rely on information gathered from financial reporting agencies, the general/financial/energy press, and provided by the Market Participant to assess its overall financial health and its ability to meet its financial obligations.

Information considered by the CAISO in this process may include the following qualitative factors:

- (a) Applicant's history;
- (b) Nature of organization and operating environment;
- (c) Management;
- (d) Contractual obligations;
- (e) Governance policies;
- (f) Financial and accounting policies;
- (g) Risk management and credit policies;
- (h) Market risk including price exposures, credit exposures and operational exposures;
- (i) Event risk;
- (j) The state or local regulatory environment; and
- (k) Affiliate disclosure information provided pursuant to [Section 12.1.1 and/or](#)
Section 39.9.

Material negative information in these areas may result in a reduction of up to one hundred percent (100%) in the Unsecured Credit Limit that would otherwise be granted based on the eight-step process described in Section 12.1.1.1. A Market Participant, upon request, will be provided a written analysis as to how the provisions in Section 12.1.1.1 and this section were applied in setting its Unsecured Credit Limit.

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12.6.3.1 Credit Requirements Generally.

- (a) Each CRR Holder, whether it obtains CRRs through a CRR Allocation or a CRR Auction, must maintain an Aggregate Credit Limit in excess of its Estimated

Aggregate Liability including the credit requirement of the CRR portfolio determined as described in this Section 12.6.3. CRR Holders obtaining CRRs in the initial CRR Allocation will be required to comply with the credit requirements associated with such CRRs as determined by the CAISO after completion of the initial CRR Auction. The CAISO shall issue a Market Notice after completion of the initial CRR Auction to announce that CRR Holders obtaining CRRs in the initial CRR Allocation must comply with such credit requirements.

- (b) Each CRR Holder shall be required to ensure that its Aggregate Credit Limit is sufficient to satisfy the credit requirements described in this Section 12.6.3. Except as provided in this paragraph, CRRs are evaluated on a portfolio basis as follows. If a CRR Holder owns more than one CRR, such CRR Holder shall be subject to an overall credit requirement that is equal to the sum of the individual credit requirements applicable to each of the CRRs held by such CRR Holder , which is calculated after the MW associated with any Offsetting CRRs are netted out. If this sum is positive, the amount will be added to the CRR Holder's Estimated Aggregate Liability. However, if the sum is negative, the CRR Holder's Estimated Aggregate Liability shall not be reduced. If a CRR Holder holds one or more CRRs obtained through a CRR Allocation and also holds one or more CRRs obtained through a CRR Auction, the individual credit requirements applicable to any of the CRRs obtained through a CRR Allocation may not be netted against the individual credit requirements applicable to any of the CRRs obtained through a CRR Auction in determining such CRR Holder's Estimated Aggregate Liability.
- (c) The CAISO shall reevaluate the credit requirements for holding CRRs, and shall adjust the credit requirements accordingly, not less than monthly. The CAISO may adjust the credit requirements for holding CRRs with terms of one year or less at the CAISO's discretion to account for changes in the monthly auction prices for CRRs and changes in the Historical Expected Values for CRRs, or

more frequently than monthly if necessary if the CAISO finds that actual or anticipated market conditions indicate that CRR credit requirements may be inadequate to cover the financial risk of the CRRs. The CAISO may also adjust the credit requirements for holding Long Term CRRs annually to reflect the changes in auction prices of one-year CRRs in annual auctions, and to reflect updates to Credit Margins based on actual Locational Marginal Price data derived from market operations. Whenever the CAISO requests additional Financial Security from a Market Participant as a result of a change in CRR value that is not related to an adjustment due to the monthly CRR Auction Price or an adjustment related to Historical Expected Value, the CAISO will provide a written explanation of the reason for that request.

- (d) In cases where the ownership of a CRR is to be transferred through either the Secondary Registration System or through Load Migration, the CAISO shall evaluate and adjust the credit requirements for both the current owner of the CRR and the prospective owner of the CRR as appropriate prior to the transfer. If additional Financial Security is required from either the current or prospective owner, the transfer will not be completed until such Financial Security has been provided to and accepted by the CAISO. CRRs transferred through the Secondary Registration System will be treated like auctioned CRRs for the purpose of calculating the credit requirements for holding the CRRs, regardless of whether the CRRs were originally allocated or purchased at auction or acquired through the Secondary Registration System. CRRs assigned to Load-gaining or Load-losing Load Serving Entities as a result of Load Migration will be treated like allocated CRRs for the purpose of calculating the credit requirements for holding the CRRs.

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36.4.3

Scheduling Requirements for Outages that May Have a Significant Effect on CRR Revenue Adequacy.

As provided in Section 9.3.6.3.2, Outages that may have a significant effect upon CRR revenue adequacy must be submitted for approval no less than thirty (30) days in advance of the first day of the month in which the Outage is proposed to begin. Outages that may have a significant effect upon CRR revenue adequacy are defined in terms of the type of facility and the planned duration of the Outage. Outages of the types of transmission facilities described below that extend beyond a twenty-four (24) hour period must be submitted for CAISO approval consistent with this 30-day advance submittal requirement. The types of transmission facilities on the CAISO Controlled Grid to which this 30-day advance submittal and approval requirement applies consist of transmission facilities that:

- (a) are rated above 200 kV; or
- (b) are part of any defined flow limit as described in a CAISO Operating Procedure;
or
- (c) were out of service in the last three (3) years and for which the CAISO determined a special flow limit was needed for real-time operation.

A list of the transmission facilities that satisfy criteria (b) and (c) above is provided in the Operating Procedures. The list will be initially created in collaboration with the respective Participating TOs and will be reviewed by the CAISO in collaboration with the Participating TOs on an annual basis and revised as appropriate; provided, however, that the CAISO will ultimately determine the lines that are included in the list. The following types of Outages need not be submitted for approval within this thirty-day time frame and will not be designated as Forced Outages if they otherwise comply with the requirements in Section 9.3.6: (1) Outages previously approved by CAISO that are moved within the same calendar month either by the CAISO or by request of the Participating TO; and (2) Outages associated with CAISO-approved allowable transmission maintenance activities during restricted maintenance operations as covered in CAISO Operating Procedures.

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39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies

such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. Each CRR Holder or Candidate CRR Holder must notify the CAISO of any Affiliate that is a CRR Holder, Candidate CRR Holder, or Market Participant, any Affiliate that participates in an organized electricity market in North America, and any guarantor of any such Affiliate~~all entities that are Affiliates or become Affiliates of the CRR Holder or Candidate CRR Holder.~~

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