



December 18, 2018

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

**Re: California Independent System Operator Corporation
Filing in Compliance with November 26, 2018 Order
Docket No. ER18-2520-_____**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this filing in compliance with the Commission's order on the CAISO's tariff revisions, issued in this proceeding on November 26, 2018.¹

The November 26 Order accepted all but one of the CAISO's tariff revisions to remain in effect until December 31, 2019, to address the limited operability of the Aliso Canyon natural gas storage facility (Aliso Canyon). The Commission did not accept the tariff provision that would allow the CAISO to continue to increase or decrease the gas commodity price it uses to calculate commitment cost caps and default energy bids in the real-time market through the application of gas price scalars. The Commission directed the CAISO to remove the gas price scalar proposal in Section 39.7.1.1.1.3(d) from its tariff.²

Consistent with the November 26 Order, the CAISO is removing the gas price scalars proposal in Section 39.7.1.1.1.3(d).

In addition to this transmittal letter, the CAISO is including the following attachments:

Attachment A: Clean version of the tariff records that contain the Commission's directive; and

Attachment B: Marked version of the tariff records in red-line showing the proposed revisions to Section 39.7.1.1.1.3(d) in compliance with the Commission's directive.

¹ *Cal. Indep. Sys. Operator Corp.*, 165 FERC ¶ 61,161 (2018) at P 51 (November 26 Order).

² *Id.*

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The CAISO respectfully requests that the Commission approve this filing as being fully in compliance with the Commission's November 26 Order. If there are any questions or concerns regarding this filing, please contact the undersigned.

By: /s/ Anna A. McKenna

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CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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 Folsom, California, this 18th day of December, 2018.

/s/ Grace Clark
Grace Clark

Attachment A – Clean Tariff

Aliso Canyon Phase 4 Compliance Filing

California Independent System Operator Corporation

39.7.1 Calculation of Default Energy Bids

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39.7.1.1.1.3 Calculation of Natural Gas Price

- (a) The CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market. If a gas price index is unavailable for any reason, the CAISO will use the most recent available gas price index as set forth in Section 39.7.1.1.1.3(c).
- (b) For the Day-Ahead Market, the CAISO will use a gas price index based on natural gas prices reported by the Intercontinental Exchange one (1) day prior to the applicable Trading Day between 8:00 and 9:00 a.m. Pacific Time for natural gas deliveries on the Trading Day, which is a volume-weighted average price calculated by the Intercontinental Exchange based on trades transacted that day on the Intercontinental Exchange during its next-day trading window.
- (c) For the Real-Time Market, the CAISO will calculate a gas price index using at least two (2) prices from two (2) or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange. The CAISO will update the gas price indices for the Real-Time Market between 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the applicable Trading Day for natural gas deliveries on the Trading Day, unless gas prices are not published on that day, in which case the CAISO will use the most recently published prices that are available.

Attachment B – Marked Tariff

Aliso Canyon Phase 4 Compliance Filing

California Independent System Operator Corporation

39.7.1 Calculation of Default Energy Bids

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- ~~(d) For the Real-Time Market, the CAISO will increase the gas price calculated pursuant to Section 39.7.1.1.1.3(c) for resources receiving gas service from Southern California Gas Company and San Diego Gas & Electric Company by an amount that: (1) improves the dispatch of these resources so that they are more likely to be dispatched to address local needs rather than system needs; (2) better accounts for systematic differences between day-ahead and same-day natural gas prices; and (3) improves the ability to manage the generators' gas usage within applicable gas balancing rules. For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Start-~~

~~Up-Costs, Minimum Load Costs, and Transition Costs pursuant to Section 30.4.1.1, and Generated Bids pursuant to Section 40.6.8, by seventy five (75) percent, and may decrease this amount or increase it further by an amount not to exceed \$2.50/therm plus two (2) times the next day gas index price calculated pursuant to Section 39.7.1.1.3(b). For applicable resources, the CAISO will initially increase the gas commodity price used in the calculation of Default Energy Bids pursuant to Section 39.7.1.1 by twenty five (25) percent, and may decrease this amount or increase it further by an amount not to exceed one hundred (100) percent. Upon determining that a subsequent change in the gas price is necessary after the initial increase, the CAISO will issue a Market Notice specifying the amount of any price change.~~