

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket Nos. ER08-367-000 and
Operator Corporation) ER06-615-016**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO MOTIONS TO INTERVENE, COMMENTS,
AND PROTESTS**

On December 21, 2007, the California Independent System Operator Corporation (“CAISO”) submitted in the above-referenced proceedings a filing (“December 21 Filing”) containing a proposed replacement version of the CAISO’s Market Redesign & Technology Upgrade (“MRTU”) Tariff.¹ The Commission established a February 1, 2008 comment date regarding the December 21 Filing.² In response, a number of parties submitted motions to intervene, comments, and protests.³

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the MRTU Tariff (also known as the CAISO Tariff). In this answer, references to specific section numbers and appendices are references to those provisions of the MRTU Tariff, except where otherwise indicated.

² The Commission originally established a January 11, 2008 comment date regarding the December 21 Filing but subsequently granted a party’s request for an extension of the comment date. See Notice of Extension of Time, Docket Nos. ER08-367-000 and ER06-615-016 (Jan. 10, 2008).

³ Motions to intervene were submitted by the following parties: the Alliance for Retail Energy Markets (“AReM”); California Department of Water Resources State Water Project (“SWP”); Citadel Energy Products LLC, Citadel Energy Strategies LLC, and Citadel Energy Investments Ltd.; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; City of Santa Clara, California, and the M-S-R Public Power Agency (together, “SVP/M-S-R”); Cogeneration Association of California and Energy Producers and Users Coalition; EPIC Merchant Energy LP and SESCO Enterprises, LLC; Golden State Water Company; Imperial Irrigation District; Metropolitan Water District of Southern California; Mirant Energy Trading, LLC, Mirant California, LLC, Mirant Delta, LLC, and Mirant Potrero, LLC; Modesto Irrigation District (“MID”); Northern California Power Agency (“NCPA”); NRG Power Marketing, Inc., Cabrillo Power I LLC, Cabrillo Power II LLC, El Segundo Power LLC, and Long

The CAISO does not object to any party's motion to intervene. However, pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the CAISO files its answer to the comments, and pursuant to Rules 212 and 213 of the Commission's Rules, 18 C.F.R. §§ 385.212, 385.213, the CAISO respectfully requests leave to file an answer, and files its answer, to the protests.⁴ For the reasons explained below, the Commission should accept the December 21 Filing without substantial modification and with only those clarifications discussed below.

As a preliminary matter, the CAISO acknowledges that the proposed effective date of March 31, 2008 identified on the clean tariff sheets that were filed on December 21, 2007 is no longer the proposed effective date for MRTU launch and that the CAISO is unable at this time to determine a new proposed effective date. The CAISO nevertheless requests that the Commission issue an order on the December 21 filing and outstanding MRTU filings as soon as reasonably practicable to facilitate an orderly transition to the new market design, and specifically requests that the Commission direct the CAISO to make an

Beach Generation LLC; Pacific Gas and Electric Company; Powerex Corp.; Sacramento Municipal Utility District; Southern California Edison Company ("SCE"); Transmission Agency of Northern California ("TANC"); and Western Power Trading Forum ("WPTF"). The California Public Utilities Commission filed a notice of intervention. In addition, AReM, MID, NCPA, SCE, SVP/M-S-R, SWP, TANC, and WPTF filed comments, and MID, SVP/M-S-R, TANC, and WPTF filed protests.

⁴ The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the protests. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

informational filing of an Order No. 614-compliant MRTU Tariff 30 days prior to the new proposed effective date of MRTU.

I. ANSWER

A. The Commission Should Accept the Ministerial Changes to the MRTU Tariff Contained in the December 21 Filing.

In the version of the MRTU Tariff contained in the December 21 Filing, the CAISO included, *inter alia*, amendments to the current CAISO Tariff that were previously accepted by the Commission, and also included other “ministerial changes” to the MRTU Tariff.⁵ The ministerial changes consist of (i) updates to the MRTU Tariff to incorporate tariff provisions that have previously been submitted for Commission approval, including revisions to improve the use of defined terms and their definitions, (ii) revisions to the *pro forma* contracts in Appendix B to the MRTU Tariff to ensure consistency of these standard agreements with the terms and conditions of the MRTU Tariff, and (iii) revisions to the MRTU Tariff to reflect the revised defined terms and conditions in Appendix A to the MRTU Tariff submitted for Commission approval in the CAISO’s August 3, 2007 filing in Docket Nos. ER06-615 and ER07-1257 (“August 3 Filing”).⁶ For the reasons explained in the December 21 Filing and in this Answer, the Commission should accept these ministerial changes.

⁵ December 21 Filing, Transmittal Letter at 2, 11-15, and Attachment A.

⁶ *Id.*, Transmittal Letter at 2.

SWP opposes certain revisions to Section 6.1 of Schedule 3 of Appendix F.⁷ The Commission should reject SWP's comments. As the CAISO noted in the mapping table provided in Attachment A to the December 21 Filing, the Commission accepted the revisions in question as amendments to the CAISO's currently effective tariff in a letter order issued on October 18, 2007 in Docket No. ER06-1395.⁸ In the December 21, Filing, the CAISO simply incorporated these same revisions into the MRTU Tariff. Thus, SWP's comments are beyond the scope of the instant proceeding. Moreover, although SWP intervened in Docket No. ER06-1395, SWP declined to file a request for rehearing of the October 18, 2007 letter order. Therefore, SWP's comments in the instant proceeding also constitute an untimely request for rehearing of that letter order.⁹

MID states that the CAISO should be required to clarify the basis for, and assert whether any substantive implication was intended from, the CAISO's proposed changes concerning the use of terminology relating to bidding and scheduling and whether Schedules are intended to be a subset of Bids.¹⁰ TANC lists a number of specific examples for which TANC requests clarification.¹¹ As a general matter, MRTU Tariff terminology differs from the currently effective tariff

⁷ SWP at 2, 3.

⁸ December 21 Filing, Attachment A at 88.

⁹ See, e.g., *Southwest Power Pool, Inc.*, 116 FERC ¶ 61,053, at P 102 ("We find that the comments of the New Mexico Attorney General and Southwest Industrials, including comments regarding the issue of functional control by SPP, are untimely requests for rehearing of the *SPP Market Order* and outside the scope of the instant filing.").

¹⁰ MID at 8-9.

¹¹ TANC at 9-10.

and the changes are intended to ensure consistent use of tariff terminology. Under the terminology of the MRTU Tariff, Scheduling Coordinators submit “Bids” to offer to buy or sell Energy or Ancillary Services and the term “Bid” is defined to include “Self-Schedules” of Energy. Under the terminology of the MRTU Tariff, when a Scheduling Coordinator desires to self-provide an Ancillary Service, it submits a “Submission to Self-Provide an Ancillary Service.” Under MRTU, the CAISO issues Day-Ahead “Schedules” after running the Integrated Forward Market. In contrast, under the currently effective tariff, it is Scheduling Coordinators that submit “Schedules” for Energy and can self-provide Ancillary Services through submission of a “Schedule” while also submitting “bids” for Ancillary Services or Energy in the Real-Time Imbalance Energy Market. The proposed changes to the use of terms related to bidding and scheduling are intended simply to ensure appropriate use of both defined terms and undefined terms consistent with the new terminology of the MRTU Tariff.

Regarding TANC’s specific examples, the foregoing general approach has been implemented as follows:

- In Sections 4.5.4.4, 4.5.4.4.1, and 4.5.4.4.2, where the CAISO proposes to substitute the term “participate” for the phrase “schedule or bid,” the CAISO has attempted to avoid potential confusion in the use of terms related to scheduling and bidding by substituting the more general term “participate.” This approach has particularly been adopted to allow the CAISO to draft these provisions to read the same in both the currently effective tariff and in the MRTU Tariff, due to the need to make these

provisions effective in the currently effective tariff in advance of the implementation of the MRTU Tariff but continue to apply to Scheduling Coordinator Applicants after the implementation of the MRTU Tariff.

- In Section 4.9.8.1, where the CAISO proposes to modify the language so that the provision provides in pertinent part, “bidding or scheduling Load,” the CAISO has added the term “bidding” to reflect the Scheduling Coordinator’s function of submitting Bids (*i.e.*, “bidding”) under the terminology of the MRTU Tariff, as discussed above.
- In Section 4.6.3.4.3, where the CAISO proposes to modify the language so that the provision provides in pertinent part, “for bidding, scheduling, billing, and Settlement purposes,” the CAISO has proposed the same addition of the term “bidding” to reflect general MRTU Tariff terminology.
- In the definition of “Net Scheduled QF,” where the CAISO proposes to modify the language so that the provision provides in pertinent part, “bid or self-scheduled,” the CAISO has proposed the addition of the indicated terms to reflect the general shift in MRTU Tariff terminology, as discussed above.
- In Sections 2.1.1 and 2.1.2 of the *pro forma* Scheduling Coordinator Agreement, where the CAISO proposes to modify the language so that the provision provides in pertinent part, “bidding and scheduling,” the CAISO has proposed the addition of the term “bidding” to reflect general MRTU Tariff terminology.

- In Sections 7.7.14.2.1 and 12.5, respectively, where the CAISO proposes to add the term “Bid” so that the provision provides “Bid or Schedule” and “Bids, including Self-Schedules,” the CAISO has proposed the addition of the term “Bid” to reflect MRTU Tariff terminology.
- In Section 26.1.4, where “scheduling” is proposed to be replaced with the phrase “submitting a Bid or Self-Schedule for,” the CAISO has proposed the change in terminology to reflect the general shift in MRTU Tariff terminology, as discussed above.
- In Sections 31.4 and 34.10 and Appendix I (Station Power Protocol) at Sections 3.2, 4.1, 4.2, and 5, where “schedules” has been proposed to be changed to “Self-Schedules,” the CAISO has proposed the change to reflect applicable MRTU Tariff terminology, as discussed above.
- In other provisions where the term “Bidding” has been proposed to be added with “Scheduling” (see, e.g., Section 40), the CAISO has proposed the addition of the term “Bidding” to reflect general MRTU Tariff terminology, as discussed above.
- In other provisions where the CAISO proposes to delete the term “schedule” and replaces it with the phrase “submits Bids” or “accepts Bids for” (see, e.g., Appendices B.1, B.2, B.4, B.8, and B.10), the CAISO has proposed the change to reflect applicable MRTU Tariff terminology – particularly as a reminder to signatories to the MRTU Tariff versions of the CAISO’s *pro forma* agreements of their need to comply with the MRTU Tariff and its associated terminology.

- In Appendix B.2 and Appendix B.3 at Section 4.3.2, where the CAISO proposes to delete “schedule for the” and replace it with “Submission to Self-Provide an Ancillary Service,” the CAISO has proposed the change to reflect applicable MRTU Tariff terminology, as discussed above.
- In Section 26.1.4.4, where the CAISO proposes to delete the term “scheduled” so that the provision provides “(other than transactions submitted as Self-Schedules pursuant to Existing Contracts),” the CAISO has proposed the change to reflect applicable MRTU Tariff terminology related to Existing Contracts.
- In Appendix B.3, where the CAISO proposes to delete “submit” and revise a sentence as follows: “the CAISO shall not accept Bids for Energy or Ancillary Services generated by any Generating Unit interconnected to the CAISO Controlled Grid . . . of a UDC or MSS Operator otherwise than through a Scheduling Coordinator,” the CAISO has proposed the change to reflect applicable MRTU Tariff terminology.
- In Section 26.1.4, where the CAISO proposes to add the term “and awards” so that the provision provides, “that Schedules and awards that include Wheeling transactions shall be subject to any charges resulting from the CAISO Markets in accordance with Section 27” (*see also* Appendix F, Schedule 3, where the CAISO adds a reference to “Schedules or awards . . .”), the CAISO has proposed the change to reflect applicable MRTU Tariff terminology regarding awards of Bids to supply Ancillary Services.

MID requests that the CAISO explain the basis for the proposed change to Tariff Section 9.3.6.8 to replace the term “Aggregated Unit” with “Physical Scheduling Plant”).¹² “Aggregated Unit” is not a defined term in the MRTU Tariff. Consequently, it needs to be replaced with the appropriate MRTU Tariff term. The defined term that most closely reflects the concept of an “aggregated” unit is the term “Physical Scheduling Plant,” which is defined as an aggregation of related Generating Units subject to the conditions specified in the definition. Consequently, the CAISO proposes to make this replacement in Section 9.3.6.8.

TANC asserts that the CAISO should be required to clarify that no substantive change is intended due to the use of the term “Transmission Interface” in various specified provisions of the MRTU Tariff.¹³ The provisions specified by TANC are the following:

- In Section 6.5.2.1, where the CAISO proposes to delete the term “interconnections” and replace it with the term “Transmission Interfaces.”
- In Sections 27.5.1, Appendix L at Section L.1.2, Appendix X at Section 5.1, where the CAISO proposes to delete the term “branch groups” and replace it with “Transmission Interfaces.” Similarly, in Section 31.7.2.5, where the CAISO proposes to delete “Branch Group” which is not a defined term under the MRTU Tariff, and replace it with “Transmission Interface.”

¹² MID at 9.

¹³ TANC at 10-11.

- In Section 23, where the CAISO adds the term “Transmission” before “Interface” to create the defined term “Transmission Interface.”

As noted by TANC, the term “Branch Group” is not a defined term in the MRTU Tariff, although it was used in certain contexts under the currently effective tariff. Consequently, the CAISO determined that an alternative term reflecting the new market design should be used in lieu of continuing uses of the term “Branch Group” (or “branch group”). To this end, the CAISO has defined the new term “Transmission Interface” to capture the essence of the intent of the prior use of the term “Branch Group” (or “branch group”) and has substituted this new term where the prior term might otherwise have been carried over into the MRTU Tariff. The CAISO has identified a few additional places, including some of those identified by TANC above, where the new term is also appropriately used.

TANC asserts that CAISO should be required to explain the basis for replacing the term “Trading Day” with “Operating Day” in certain MRTU Tariff provisions and whether such changes have a substantive effect. TANC makes the same assertion with regard to the replacement of the term “Operating Day” with “Trading Day” in the following MRTU Tariff provisions.¹⁴ The changes that TANC cites are the following:

- Replacing the term “Trading Day” with “Operating Day” in MRTU Tariff Sections 6.5.2.3.5, 8.7, and 10.2.1.3.
- Replacing the term “Operating Day” with “Trading Day” in MRTU Tariff Sections 6.5.3.2.2 and 6.5.6.1.2.

¹⁴ *Id.* at 11.

In the course of its review to verify appropriate use of defined terms throughout the MRTU Tariff for purposes of the December 21 Filing, the CAISO concluded that the terms “Trading Day” and “Operating Day” were not always used entirely precisely to reflect the actual calendar day on which the specified activity was intended to occur. On a given Operating Day the CAISO is operating a Day-Ahead Market for the next Trading Day that falls on the next calendar day, and a Real-Time Market for the Trading Day that falls on the same calendar day as does the Operating Day. Consequently, the CAISO made the changes noted by TANC to make sure that the Settlements and operational language track to the same day on which the Real-Time Market is executed and to track the settlement time intervals for which each Day-Ahead and Real-Time Market is executed.

In Section 6.5.2.3.5, the CAISO changed the term Trading Day to Operating Day because the posting will always be made two days in advance of a given Operating Day, regardless of the Trading Day. The CAISO could also stipulate in this case that it would always be two days in advance of the targeted Trading Day. The Operating Day will always be the given calendar day, but the Trading Day for a given Operating Day may not be the same on a given calendar day. For similar reasons, the CAISO changed Trading Day to Operating Day in Section 8.7 because the CAISO will always notify the Scheduling Coordinator two days before the Operating Day. Again the targeted Trading Day would coincide with a given Operating Day, but the two are not always the same in terms of calendar days. For the same reasons, the CAISO changed the term Trading Day to Operating Day in Section 10.2.1.3 to make it clear that it will use

its best efforts to ensure that the data is made available five Business Days before the Operating Day.

The CAISO changed the term Operating Day to Trading Day in Section 6.5.3.2.2 to align the concept that the Marginal Cost of Losses posted would be for the applicable Trading Day for which the Day-Ahead Market is settled. Similarly, the CAISO changed Operating Day to Trading Day in Section 6.5.6.1.2 because it is important to align the Start-Up Costs and Minimum Load Costs with the Trading Day for which these costs apply.

TANC states that CAISO should be required to explain the basis for other revisions to ensure that the proposed modifications will not result in substantive changes since the changes are described as ministerial.¹⁵ The other revisions that TANC lists, and the reasons for the CAISO's changes, are set forth below:

- In MRTU Tariff Section 37.2.5, where the CAISO proposes to add the term “non-automated” before the term “Dispatch Instruction”, the CAISO has done so to clarify that the “separate and distinct” Dispatch Instruction to which the penalties in the provision apply is not intended to apply to an ordinary Dispatch Instruction communicated through the CAISO's Automated Dispatch System.
- In MRTU Tariff Sections 37.3, 37.3.1, and 37.3.1.2, where the CAISO proposes to add the term “RUC Capacity,” the CAISO has done so in order to clarify that the requirements of the specified provisions are meant to apply to conduct associated with all bidding and that RUC Capacity

¹⁵

Id.

Bids were not intended to be excluded from the requirements for appropriate bidding behavior.

- In MRTU Tariff Section 37.5.2.3, where the CAISO proposes to replace the term “meter” with the term “market,” the CAISO has done so to correct an obvious error in terminology.
- In the definition of “Exceptional Dispatch Energy,” where the CAISO proposes to replace the term “Residual” with the term “Ramping”), the CAISO has done so to correct the use of a non-defined term to use the intended defined term.
- In Appendix F, Schedule 3, Section 4.5, where the CAISO proposes to add the term “IFM” before “Congestion Credit,” the CAISO has done so to replace the use of a non-defined term with the appropriate defined term.
- In Appendix X, Section 5.1, where the term “Zone” is proposed to be changed to “Ancillary Service Region,” the CAISO has done so to replace an outdated term from the currently effective tariff with the appropriate defined term in the MRTU Tariff.

WPTF asserts that the use of the phrase “Energy Bid price” in Sections 11.5.6.1, 11.5.6.2.1, and 11.5.6.2.4 is ambiguous and should be changed.¹⁶

While WPTF is correct that the provisions would be accurate if edited as WPTF proposes, WPTF’s revisions are unnecessary as they are not incorrect or ambiguous in their current form, except that WPTF is correct in noting that the term “Energy Bid Price” in Section 11.5.6.1(b) (which WPTF identifies as

¹⁶ WPTF at 9.

11.5.6.1(a)) should be revised to read “Energy Bid price.” The CAISO proposes to make this latter change to Section 11.5.6.1(b) on compliance.

WPTF requests that the Commission direct the CAISO to remove from Section 11.10.7 the reference to “Zones,” which no longer exist under MRTU, and to replace the reference with a clarification of the spatial basis for voltage support payments.¹⁷ In the process the CAISO had undertaken to reconcile the MRTU Tariff with its Business Practice Manuals (“BPMs”) in Docket No. ER06-615, the CAISO had proposed to modify Section 11.10.7 to allocate costs of Voltage Support to Participating Transmission Owners rather than to Demand as provided in the prior provisions of Section 11.10.7 due to the inconsistency between the tariff provision and the provisions of the BPM for Settlements and Billing. In other words, the CAISO had proposed to reconcile the difference by reconciling the tariff to the BPM. SCE opposed this approach, noting in its comments submitted after the BPM technical conference conducted by Commission Staff in the MRTU proceedings on September 26-27, 2007 (“BPM Technical Conference”) that the CAISO had not submitted this proposed change for stakeholder review, nor had it presented the proposed change to the CAISO Governing Board. In addition, SCE asserted that the change was unrelated to the implementation of MRTU.

In its post-BPM Technical Conference reply comments, the CAISO agreed with SCE and, therefore, in the December 21 Filing restored the language of Section 11.10.7 as originally filed on February 9, 2006. However, due to

¹⁷ *Id.*

uncertainty regarding the appropriate provisions of Section 11.10.7 at the time of the December 21 Filing, the restored tariff language in Section 11.10.7 was not modified for MRTU; as WPTF notes, there is a reference to “Zones” which will not exist in MRTU. Therefore the CAISO proposes to file, on compliance, MRTU Tariff language that preserves the cost allocation in the currently effective CAISO Tariff at Section 8.12.4, which is substantially the same as Section 11.10.7 of the MRTU Tariff, to the extent possible. To this end, the CAISO proposes to calculate user rates to allocate short-term and long term market Voltage Support to “Measured Demand,” which includes exports, excluding Demand inside an MSS. Similarly, the CAISO notes that it has also not modified the substance of the provisions of MRTU Tariff Section 11.10.8 relating to Black Start cost allocation, the essence of which is identical to Section 8.12.5 in the currently effective CAISO Tariff. Therefore the CAISO also proposes to file, on compliance, revised tariff language to preserve the cost allocation in the currently effective tariff for Black Start to the extent possible. Specifically, the CAISO proposes to allocate Black Start costs to Measured Demand excluding exports and excluding Demand inside an MSS. These proposed changes preserve the cost allocation to Demand, but the costs will be allocated more broadly under the MRTU Tariff than under the currently effective tariff as there is no equivalent to today’s zonal cost allocation under MRTU.

Finally, for clarity, the CAISO notes that current tariff terminology excluding cost allocation to MSS Operators for Voltage Support or Black Start applies only to the extent MSS Operators self-provide these services. Sections

4.9.4.4 and 4.9.4.5 of the currently effective CAISO Tariff and the MRTU Tariff indicate that the MSS Operators are responsible for Voltage Support and Black Start costs but may satisfy these requirements from their own resources. The CAISO proposes to make MRTU Tariff Sections 11.10.7 and 11.10.8 consistent with MSS Operator responsibility and to exempt CAISO costs only when MSS Operators self-provide these services.

WPTF asserts that the definition of Trading Day has been modified to imply that if the Day-Ahead Market and/or the Real-Time Market cannot be run because, for example, the CAISO suffers a system failure, there is no Trading Day. WPTF requests that that the CAISO be directed to remove its ministerial changes to the definition of Trading Day until it explains how the definition is affected by events that preclude running the Day-Ahead Market or the Real-Time Market.¹⁸ As discussed above in response to the comments of TANC on the correction of certain uses of “Trading Day” and “Operating Day” in the December 21 Filing, the CAISO concluded that the terms “Trading Day” and “Operating Day” were not always used entirely precisely to reflect the actual calendar day on which the specified activity was intended to occur or the Settlement day for which the market was intended to apply. Consequently, the CAISO made changes to the use of these terms and to the definition of the term “Trading Day” itself to make sure that the Settlements and operational language track to the same day on which the Real-Time Market is to be executed. This was particularly significant in order to make clear for which day the Day-Ahead Market is run on

¹⁸ *Id.* at 10-11.

any given Operating Day, *i.e.*, the next Operating Day. The CAISO submits that its proposed revisions to the definition of “Trading Day” help clarify this distinction and do not suffer from the defect that WPTF finds “implied” in the revised definition. Section 7.7.4 of the CAISO Tariff already includes specific requirements for what the CAISO will do in the event that it must intervene in its market operations. The change proposed in the December 21 Filing does not change these procedures in any way and WPTF’s speculative comments on what motivated the CAISO are entirely unfounded and outside the scope of the intended changes in this filing.

B. In the December 21 Filing, the CAISO Has Appropriately Included Certain Details in the BPMs Rather than in the MRTU Tariff.

TANC lists seven Business Practice Manual provisions (from the BPMs that have been revised by the CAISO since the last major posting of draft BPMs in July 2007) that TANC states should be incorporated into the MRTU Tariff.¹⁹ The issue of which materials should be included in BPMs rather than in the MRTU Tariff has already been thoroughly addressed in MRTU proceedings and filings that specifically focused on that issue – namely, the BPM Technical Conference, and the comments and reply comments of parties (including TANC) submitted as a result of the BPM Technical Conference.²⁰ The issue of whether materials should be included in the BPMs or in the MRTU Tariff should be

¹⁹ TANC at 12-13.

²⁰ See Post-Technical Conference Response of the California Independent System Operator Corporation on Business Practice Manual Issues, Docket Nos. ER06-615-012 and ER07-1257-000 (Nov. 15, 2007); Post-Technical Conference Reply Comments of the California Independent System Operator Corporation on Business Practice Manual Issues, Docket Nos. ER06-615-012 and ER07-1257-000 (Dec. 7, 2007).

addressed solely in that proceeding, and it would be inappropriate to rehash the same issues here. Suffice it to say that the CAISO continues to submit that its allocation of provisions between the BPMs and the MRTU Tariff is consistent with the Commission's rule of reason discussed at length in the comments described above.²¹

TANC also protests the CAISO's proposal, as part of the ministerial changes in the December 21 Filing, to move to the BPMs the formula for calculating the Weighted Average Rate payable for Wheeling over joint facilities at each Scheduling Point, and the CAISO's proposal to move to the BPMs the formula previously set forth in Section F 2.2 of Appendix F for calculating the sum to be paid to a Participating TO for the Wheeling Access Charge for a Trading Interval. TANC asserts that these provisions specify the method for calculating rates and therefore should be included in the MRTU Tariff.²² In contrast, WPTF states that it has no objection to the CAISO having moved the formula that explained exactly how the weighted average rate for Wheeling services is computed from Appendix H to a BPM. WPTF points out, however, that the movement of the formula has left the tariff provisions lacking an explanation of the principles on which this allocation is made and suggests an addition to Section 14.4 that describes how the weighted average rate for Wheeling service is calculated.²³

²¹ *California Independent System Operator Corp.*, 116 FERC ¶ 61,274, at P 1370 (2006).

²² TANC at 12.

²³ WPTF at 10.

As discussed at length in the comments on the allocation of provisions between the BPMs and the MRTU Tariff described above, TANC's proposal to restore the referenced formulae to the MRTU Tariff should be rejected. Consistent with the Commission's application of the rule of reason, the Commission should not require both the principles and the implementing formulae to be in the MRTU Tariff. Particularly with regard to the CAISO's proposal to move to the BPMs the formula previously set forth in Section F 2.2 of Appendix F for calculating the sum to be paid to a Participating TO for the Wheeling Access Charge for a Trading Interval, the principles reflected in this formula have been moved to and remain in the proposed provisions of Section 14.3 of Schedule 3 of Appendix F. However, the CAISO acknowledges WPTF's point that the movement of the formula for the computation of the weighted average rate for Wheeling services to the BPMs has left the proposed text of Section 14.4 of Schedule 3 of Appendix F without a clear explanation of the principles on which this allocation is based. Rather than TANC's proposal simply to restore this formula to the MRTU Tariff, the CAISO considers WPTF's proposed approach of adding an explanation of the relevant allocation principles to Section 14.4 to be more appropriate and consistent with the application of the Commission's rule of reason. However, the CAISO submits that the language suggested by WPTF is not entirely clear and proposes to make similar revisions to capture the essence of WPTF's proposed revisions to Section 14.4 of Schedule 3 of Appendix F on compliance.

C. The Commission Should Approve the Other Revisions to the MRTU Tariff Proposed in the December 21 Filing.

In the December 21 Filing, the CAISO proposed changes to the MRTU Tariff that included, *inter alia*, the following:

- Provisions giving the CAISO the authority to revert to the previously effective version of the CAISO Tariff within 30 days after MRTU implementation, in the unlikely event this is needed;
- Modification of specifications for the CAISO’s annual operations compliance review;
- Provisions implementing limitations on the availability of CAISO Operating Procedures on the CAISO Website to exclude confidential information;
- Substitution of the term “Balancing Authority Area” for “Control Area” in the MRTU Tariff, and related substitutions, to reflect current industry practice;
- Addition of a “survival” clause in the *pro forma* Scheduling Coordinator Agreement; and
- Establishment of greater consistency in the “boilerplate” terms in *pro forma* agreements set forth in Appendix B.²⁴

For the reasons explained in the December 21 Filing and in this Section I.C, the Commission should approve these proposed changes.

1. The Commission Should Approve the CAISO’s Proposed Revisions to the MRTU Tariff Concerning Authority for Reversion to the Previously Effective Version of the CAISO Tariff if Necessary.

SCE requests that language be added to proposed Section 44.1 to state a minimum period of time that Market Participants must operate on the pre-MRTU systems, in the event of a reversion to the previously effective CAISO Tariff pursuant to Section 44.1. SCE suggests that the new “cutover” date be at the

²⁴ See December 21 Filing, Transmittal Letter at 2-3, 19-21, 23-25.

beginning of a month, and that there be at least 10 days of operation on the pre-MRTU system before transitioning back to MRTU. If the system correction requires changes to Market Participant processes or systems, SCE requests a minimum of 35 days of operation on the pre-MRTU system.²⁵

The CAISO agrees that, in the event of a reversion to the previously effective tariff, that Market Participants should have reasonable notice, including sufficient time to update their systems, if necessary, prior to a re-launch of MRTU. The CAISO also agrees that the re-launch should occur on the first of the month (with the Day-Ahead Market open the day prior to the first day of the month). Finally, the CAISO believes that a 10-day minimum notice period is reasonable, but believes a minimum 30-day notice period, rather than a 35-day notice period is appropriate to avoid needlessly deferring MRTU re-launch by a month. Most importantly, the CAISO recognizes that additional time may be required and would not re-launch MRTU unless both the CAISO and Market Participants are ready. The CAISO proposes to make the agreed upon changes to Section 44.1 on compliance.

SCE states that it does not support the provisions concerning Settlement in proposed Section 44 because they do not provide sufficient detail. SCE requests that the CAISO be required to provide detailed settlement descriptions for all applicable charge groups under both the MRTU operational system and reversions to the pre-MRTU systems, and to conduct a “tabletop walk-through” of the MRTU cut-over and reversion and associated Settlements plans for Market

²⁵ SCE at 3.

Participants.²⁶ Proposed Section 44.1 provides that, in the event of reversion, the CAISO will settle the month during which the reversion occurred in accordance with a single version of the CAISO Tariff for the entire month “to the extent practicable.” The CAISO believes the tariff language as filed provides adequate notice albeit at a high level due to the fact that the CAISO could revert to the previously effective CAISO Tariff on day-one of MRTU or on day 30 or any day in between. In addition, the need to settle a particular element under a different version of the tariff may depend on whether or not the CAISO invokes its Administrative Price authority or not. There are simply too many scenarios to be able to “provide detailed settlement descriptions for all applicable charge groups under both the MRTU operational system and reversions to the pre-MRTU systems” in the tariff. The CAISO believes that the cut-over and reversion plan is the appropriate place for including details for particular scenarios and is willing to conduct a “tabletop walk-through” of the plan.

SCE states that, while the legal authority to revert to the pre-MRTU Tariff should be contained in that tariff, the details of how the reversion should be handled should be contained in the CAISO’s reversion plan.²⁷ The CAISO agrees with SCE on this point and believes that the tariff language submitted in the December 21 Filing is consistent with this principle.

WPTF argues that proposed Section 44 is unnecessary because the CAISO already has sufficient authority under several existing provisions of the

²⁶ *Id.*

²⁷ SCE at 3.

MRTU Tariff “to deal with almost any conceivable circumstance.” WPTF also argues that the Commission’s April 20, 2007 MRTU order only requires the CAISO to prepare a contingency plan and does not authorize or invite the CAISO to request new authority.²⁸

The CAISO believes that the current MRTU Tariff already provides it with the ability to deal with most circumstances that might arise after the implementation of MRTU. However, in the December 21 Filing, the CAISO filed revisions to Section 44 in order to ensure that it can revert to the previously effective CAISO Tariff if circumstances not contemplated in the current MRTU Tariff arise. The provisions of Section 44 will be employed only as a last resort: as Section 44.3 states, “[t]he CAISO shall not declare a suspension under Section 44.1 unless it has determined that there are no viable automated or manual work-arounds or other options” available (emphasis added). These provisions are consistent with the directive in the April 20, 2007 MRTU order that the CAISO “include a contingency plan that addresses any failure of MRTU software and systems to function as designed.”²⁹ Further, as stated in the December 21 Filing, the Commission has approved similar reversion tariff language for the New York Independent System Operator and the Midwest Independent Transmission System Operator.³⁰ Therefore, the provisions in Section 44, as proposed in the December 21 Filing, are appropriate.

²⁸ WPTF at 3-4.

²⁹ *California Independent System Operator Corp.*, 119 FERC ¶ 61,076, at P 246 (emphasis added).

³⁰ December 21 Filing, Transmittal Letter at 19-20.

2. The Commission Should Approve the CAISO's Proposed Revisions to the MRTU Tariff Concerning Modification of Specifications for the CAISO's Annual Operations Compliance Review.

SCE requests that the CAISO be required to initiate a stakeholder process for the development of a scope for the annual operations compliance review described in Section 22.1.2.2. SCE also requests that, once the scope is established, a monthly progress report should be presented to the CAISO Governing Board, the CAISO Audit Committee, and Market Participants.³¹

The CAISO believes that the changes SCE requests are not needed. The CAISO already follows this process and it does not need to be in the tariff. Each year the CAISO issues a Market Notice requesting input from Market Participants regarding areas they would like to see reviewed in the CAISO's annual operations compliance review. Based in part on this stakeholder input, CAISO management prepares a report that is discussed with the CAISO Audit Committee at a public meeting, the CAISO responds to recommendations contained in the report with an action plan and timetable, and then the CAISO reports back to the CAISO Audit Committee when the action plan has been finalized. Therefore, the CAISO already employs a fully responsive process for obtaining and responding to stakeholder input on the annual operations compliance review, and stakeholders are free to participate in that process. No further changes are required.

³¹ SCE at 2.

3. The Commission Should Approve the CAISO's Proposed Revisions to the MRTU Tariff Concerning Limitations on the Availability of CAISO Operating Procedures on the CAISO Website to Exclude Confidential Information.

WPTF protests the CAISO's proposed revisions to Section 22.11 to authorize the CAISO to exclude confidential information from the Operating Procedures posted on the CAISO Website, and WPTF proposes its own revisions to Section 22.11. WPTF also asserts that if the CAISO contends that an Operating Procedure should not be in the public domain, the CAISO should be required to demonstrate why in a filing pursuant to Section 205 of the FPA.³²

The Commission should accept the revisions to Section 22.11 as proposed by the CAISO. The current MRTU Tariff states that Operating Procedures will be available on the CAISO Website, without expressly stating that the CAISO will not post confidential provisions found in the Operating Procedures.³³ The purpose of the CAISO's revisions to Section 22.11 is simply to set forth in the MRTU Tariff the CAISO's existing practice, which it has employed since the CAISO first posted Operating Procedures on the CAISO Website, of not making confidential information in the Operating Procedures publicly available.³⁴ The CAISO identifies all Operating Procedures on the

³² WPTF at 5-6.

³³ By comparison, Section 1.3.2(j) of the CAISO Tariff currently in effect states that the CAISO will post on the CAISO Website "[t]he Operating Procedures referenced in this ISO Tariff," without making reference to confidential provisions in Operating Procedures. The current CAISO Tariff does not state that all Operating Procedures, including confidential provisions, are posted on the CAISO Website.

³⁴ See, e.g., <http://www.caiso.com/thegrid/operations/opsdoc/emergency/index.html> (stating that portions of Operating Procedures concerning emergency operations are not posted on the CAISO Website due to systems security restrictions).

CAISO Website and indicates which portions are confidential. Thus, there is sufficient transparency as to what is not publicly available and why. Moreover, it is possible for Market Participants to obtain access to some of the Operating Procedures based on necessity by requesting such access and signing a non-disclosure agreement.

The CAISO is not the only CAISO that maintains such a practice. For example, ISO New England (“ISO-NE”) Operating Procedure No. 11, which is posted on the ISO-NE website, expressly excludes confidential information concerning black start generators in the New England balancing authority.³⁵ For these reasons, the Commission should reject WPTF’s proposal.

Further, the CAISO’s proposed criteria for maintaining the confidentiality of certain Operating Procedures were filed for Commission review in the CAISO’s October 11, 2007 filing in Docket No. OA08-12 to comply with the Commission’s Order No. 890.³⁶ Thus, any issues concerning the criteria for maintaining confidentiality of Operating Procedures should be addressed in Docket No. OA08-12, not in the instant proceeding.

4. The Commission Should Approve the CAISO’s Proposed Revisions to the MRTU Tariff Concerning Substitution of the Term “Balancing Authority Area” for “Control Area,” Substitution of the Term “Balancing Authority” for “Control Area Operator,” and Related Substitutions.

TANC states that the CAISO has not replaced the term “Control Area” with the term “Balancing Authority Area” throughout the entirety of the MRTU Tariff.

³⁵ See http://www.iso-ne.com/rules_proceeds/operating/isone/op11/op11a_rto_final.pdf.

³⁶ See CAISO Filing, Docket No. OA08-12-000, Transmittal Letter at 40 (Oct. 11, 2007).

TANC asserts that for clarity and to ensure the proper use of the terms, the CAISO should be required to make conforming substitutions in all appropriate sections of the MRTU Tariff.³⁷

TANC is correct in the essence of its proposal. In particular, the CAISO in the December 21 Filing deferred the replacement of the terms “Embedded Control Area,” “Adjacent Control Area,” and “Metered Control Area Load” to subsequent amendments to be made to the MRTU Tariff. The first two terms will be replaced in a forthcoming set of amendments addressing the substance of the provisions of the MRTU Tariff for which they were created, including their use in Section 27.5.3, Appendix A, and Appendix C. The CAISO is currently engaged in a stakeholder process regarding these proposed amendments, and it is premature to submit revisions to their use in the MRTU Tariff at this time. The latter term and its uses in the MRTU Tariff are proposed to be revised in the comprehensive set of amendments to the MRTU Tariff provisions related to the CAISO’s Grid Management Charge, which the CAISO is planning to file with the Commission on February 20, 2008. The Commission should address the amendment of these terms in the separate proceedings on the subject amendments.

In addition to the foregoing residual remnants of the terms related to “Control Area” in the MRTU Tariff, the CAISO also left certain of the more commonly use of the prior terms related to “Control Area” in Appendix A of the MRTU Tariff in the December 21 Filing. The CAISO did this solely to minimize

³⁷ TANC at 8.

any confusion that might be created as a result of the use of the term “Control Area” and related terms in agreements and other documents that rely on the incorporation of CAISO Tariff defined terms by reference. The CAISO has attempted to minimize the potential for confusion by revising the definitions of the prior “Control Area” terms to have them simply reference the appropriate replacement term related to the new “Balancing Authority Area” terminology.

5. The Commission Should Approve the CAISO’s Proposed Revisions to the MRTU Tariff Concerning the Addition of a “Survival” Clause in the *Pro Forma* Scheduling Coordinator Agreement.

WPTF agrees with the CAISO that it is necessary to include a “survival clause” in the *pro forma* Scheduling Coordinator Agreement (“SCA”), but states that the CAISO’s version is flawed because it does not include a time limit beyond which settlement obligations are deemed satisfied. WPTF asserts that agreements of other entities besides the CAISO include survival clauses that are limited both in the amount of time they are effective and in their scope.³⁸

The Commission should accept the survival clause as filed by the CAISO. As stated in the December 21 Filing, the CAISO’s policy is to require a Scheduling Coordinator whose SCA is terminating to remain obligated to satisfy outstanding Settlements obligations following that termination of its SCA.³⁹ This policy is evidenced in Section 4.5.4.4(c), which allows the CAISO to maintain credit support until it is satisfied that “no sums remain owing by the Scheduling Coordinator” upon termination. The survival clause proposed by the CAISO

³⁸ WPTF at 7-8.

³⁹ December 21 Filing, Transmittal Letter at 24.

simply clarifies this existing policy and includes it in the *pro forma* SCA. Further, as WPTF itself notes (at 7-8), another RTO/ISO, ISO-NE, employs the following survival clause that is similar to the one contained in the December 21 Filing:

Survival of Obligations. Notwithstanding any termination of this Agreement, any accrued obligations under this Agreement or the ISO New England Operating Documents, including obligations for the payment of money or obligations to provide information regarding operations or activities conducted prior to termination, shall survive the termination of this Agreement.⁴⁰

The Commission has approved this ISO-NE provision as just and reasonable, and therefore should also approve the similar CAISO provision. To be sure, the CAISO is aware that there may be benefits to setting a time limit beyond which settlement obligations are deemed satisfied, but any such time limit should first be discussed in a CAISO stakeholder process before being established. Further, WPTF ignores the fact that the open-ended nature of the survival clause in the December 21 Filing is a two-way street: the survival clause obligates a Scheduling Coordinator to satisfy outstanding Settlements obligations following the termination of its SCA, but that Scheduling Coordinator is also eligible to receive revenues from future re-settlements. Thus, the survival clause ensures equitable treatment of all Scheduling Coordinators after termination of the SCA, whether re-settlements result in payments due to the Scheduling Coordinator or in re-settlement obligations.

⁴⁰ ISO-NE Market Participant Service Agreement, Article 2.5 (ISO-NE FERC Electric Tariff No. 3, Original Sheet No. 9004).

6. The Commission Should Approve the CAISO's Proposed Revisions to the MRTU Tariff Concerning Consistency of "Boilerplate" Terms in the *Pro Forma* Agreements.

TANC requests that the CAISO explain how reference to the "applicable Business Practice Manual" in Sections 3.1 and 3.2.3 of the *pro forma* Meter Service Agreement for CAISO Metered Entities ("MSAME") will allow for a clear understanding of all the terms relevant to the MSAME.⁴¹ TANC also asks that the CAISO explain why it has added, in Section 3.2.3 of the *pro forma* MSAME, the phrase "or metering connected to the Distribution System."⁴² These revisions further conform the MSAME to the provisions of the BPM for Metering. In its November 15, 2007 Post-Technical Conference Response in Docket Nos. ER06-615 and ER07-1257, the CAISO committed to develop a mapping table that will be posted on the CAISO Website. This table will map references to the BPMs in the CAISO Tariff (including the *pro forma* agreements) to the titles of the relevant BPMs. Updating this mapping document will be less burdensome than including the names of specific BPMs in the tariff because the mapping table can and will be updated without the need for a Commission filing. This approach appeared to be generally acceptable to interested parties during the September Technical Conference and will be posted shortly.

D. Miscellaneous Issues

SWP notes that the CAISO, in its August 27, 2007 answer in Docket Nos. ER07-869, *et al.*, stated that "SWP supports the CAISO's modifications to allow

⁴¹ TANC at 9.

⁴² *Id.*

the use of a five year historical load average for CRR [Congestion Revenue Right] allocations,” and that the CAISO “proposes to include in its tariff clarifying language which would implement the five year historical average in its determination of SWP’s Load Metric.” However, SWP asserts, it cannot locate any such tariff language in the December 21 Filing. SWP requests that the CAISO be directed to include this language in the MRTU Tariff, as the CAISO proposed.⁴³

The CAISO did indeed agree to include that detail in its tariff and intends to do so in response to any compliance requirement the Commission will issue in FERC Docket No. ER07-869. More specifically, in its August 27, 2007 answer, the CAISO specified that it had already provided SWP with the option to use the five year average historical load information and that it will include this option in its BPM for CRRs. The CAISO further agreed with comments by SCE that SWP’s need for a stable basis for calculating CRR eligibility does not require that SWP have the option each year to choose between five-year average historical load or its prior year’s historical load. The CAISO agreed that for loads such as SWP’s that are subject to variable and hard-to-predict hydrological conditions, it is appropriate to use the rolling five-year average historical load data for calculating the Load Metric, because the five-year historical average will tend to provide a more stable, normalized picture of their actual need than relying only on the most recent year’s data. The CAISO proposed to include in its tariff clarifying language which would implement the five-year historical average in its

⁴³ SWP at 2-3.

determination of SWP's Load Metric, which would apply in all years and would not provide SWP an opportunity to elect on a year-to-year basis whether to use the five-year average or the most recent year. Further, the CAISO notes that such that other entities similarly situated to SWP would be entitled to the same treatment under the proposed language changes. The CAISO further notes that Section 7.2.1 of its BPM for CRRs already includes language that allows SWP to avail itself of the use of the five-year historical load usage and the CAISO will modify that language to make it consistent with the tariff provisions it will file on compliance in Docket No. ER07-869.

WPTF asserts that Sections 6.5.3.1.1, 6.5.3.1.3, and 6.5.4.1.2 should be revised to be more specific about the "feedback" the CAISO intends to provide to Scheduling Coordinators pursuant to those tariff sections. WPTF recognizes that its assertion is made well past the deadline for comments on the relevant language in the tariff sections, which was originally provided in the August 3 Filing.⁴⁴ The CAISO believes that no further changes to the tariff sections are needed. The language is sufficiently sufficient to describe the information that the CAISO will provide to Scheduling Coordinators pursuant to the tariff sections, and further details are provided in the relevant BPM.

WPTF asserts that the CAISO should be directed to modify elements of the cost allocation formulas set forth in Sections 11.20 through 11.20.3, and the definition of NERC/WECC Metered Demand, because they contain concepts that are inconsistent with MRTU and appear to be holdovers from the existing CAISO

⁴⁴ WPTF at 8-9.

Tariff.⁴⁵ First, the CAISO cannot identify any aspect of the proposed provisions of Sections 11.20-11.20.3 that contain concepts that are inconsistent with MRTU. Consequently, the CAISO submits that no revisions to these provisions are necessary or appropriate. As for the definition of “NERC/WECC Metered Demand,” the explicit inclusion of “Transmission Losses for metered CAISO Demand” will continue to be appropriate under MRTU. Just as under the current CAISO Tariff, NERC/WECC Charges will be settled under the MRTU Tariff based on an effective or allocation price which is derived from the Western Electricity Coordinating Council’s (“WECC”) invoice to the CAISO and the total NERC/WECC Metered Demand in the CAISO Balancing Authority Area. NERC/WECC Charges will not be settled using Locational Marginal Prices under MRTU. Thus, WPTF is incorrect that the definition of NERC/WECC Metered Demand needs to be modified to delete the reference therein to Transmission Losses.

⁴⁵ *Id.* at 10.

II. CONCLUSION

For the reasons explained above, the Commission should accept the December 21 Filing without substantial modification and with only those clarifications discussed above.

Respectfully submitted,

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Dated: February 19, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists 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 Washington, D.C. this 19th day of February, 2008.

/s/ Bradley R. Miliauskas
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