

January 29, 2016

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

REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN CONFIDENTIAL ATTACHMENT

**Re: California Independent System Operator Corporation
Filing of Amendment to Non-Conforming Service Agreement
No. 798
Docket No. ER16-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“CAISO”) submits for Commission filing and acceptance an Amendment No. 3 to the Second Amended and Restated City of Riverside Metered Sub-System (“MSS”) Agreement (“Amendment”) between the CAISO and the City of Riverside.¹ This amendment memorializes the City of Riverside’s right to manage its use limited resources to meet its internal local reliability requirements. The CAISO requests an effective date of May 1, 2016.

I. Background

The CAISO filed the original MSS Agreement (“MSSA”) between the CAISO and City of Riverside on May 18, 2007 in docket number. ER07-923-000. By Letter Order issued July 11, 2007, the Commission accepted it as Original Service Agreement No. 798 under the CAISO Tariff.² As described in the

¹ The CAISO submits the Amendment pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012).

² The effective CAISO Tariff at the time of the Commission’s original acceptance of the MSS Agreement was designated as CAISO FERC Electric Tariff, First Replacement Volume Nos. I and II. The currently effective CAISO Tariff is designated as CAISO FERC Electric Tariff, Fifth Replacement Volume Nos. I and II.

CAISO's filing in that proceeding, the MSSA provides for treatment of the City of Riverside as an MSS Operator as set forth in the CAISO Tariff and the MSSA. The CAISO filed an amended and restated MSSA between the CAISO and City of Riverside on October 31, 2008 in docket number ER09-188-000 to be effective upon implementation of the CAISO's new nodal market, which was accepted by letter order of the Commission issued on January 23, 2009. Subsequently the parties twice amended this MSSA. See Letter Order dated July 19, 2010 in docket number ER10-1289-000; Letter Order dated October 25, 2010 in docket number ER10-525-000.

On December 30, 2011 the CAISO submitted a second amended and restated MSSA in docket number ER12-740-000 which the Commission accepted by Letter Order issued on February 23, 2012. Subsequently the parties twice amended this MSSA. See Letter Order dated June 26, 2014 in docket number ER14-1974-000, and Letter Order dated August 19, 2015 in docket number ER15-2104-000.

II. Purpose of Amendment No. 3 to the Second Amended and Restated City of Riverside MSSA

This Amendment recognizes that as a MSS, City of Riverside must be able to utilize its internal resources, including use limited resources, to manage constraints that are not modeled in the CAISO market software. Thus, use-limited resources within City of Riverside's MSS have a dual responsibility to serve as resource adequacy resources available to the CAISO, on the one hand, and to mitigate system constraints and non-modeled constraints that City of Riverside has the obligation to manage, on the other hand. In particular, the CAISO and City of Riverside agree that City of Riverside may utilize its use-limited resources to resolve constraints within its system during high demand periods as set forth in the Riverside Local Reliability Internal Generating Units Dispatch Procedure and that this procedure is part of City of Riverside's use-limitation plan. When the procedure is in effect, resources utilized in this manner will be deemed in compliance with resource adequacy requirements under the CAISO Tariff.

III. Effective Date

The CAISO requests that the Amendment included in the instant filing be made effective as of May 1, 2016. May 1, 2016, is the target date for implementing the Phase 1A Reliability Services Initiative changes recently approved by the Commission in docket number ER15-1825. Although it does not believe that Phase 1A creates any inconsistency between the CAISO Tariff and the MSSA, the CAISO is launching a series of initiatives in the area of reliability

services (Phase 1B is next) that could result in a future inconsistency with the CAISO Tariff. The parties agree that until the CAISO models internal MSS constraints, or a transmission upgrade eliminates the need for the procedure, City of Riverside can rely on the procedure. This avoids the continuing need for the City of Riverside to invest in resources to monitor CAISO proceedings for potential CAISO Tariff changes in this area that could adversely affect City of Riverside.

IV. Request for Privileged Treatment

Included in a confidential attachment to this letter and under Commission Order Nos. 630 and 630-A³ is a copy of the non-public schedule designated as confidential which includes all of Schedule 14. The CAISO is seeking privileged treatment of these materials under 18 C.F.R. § 388.112 as their public disclosure could impair system operations, unnecessarily reveal sensitive information, and pose significant security problems as to the facilities referenced therein. For these reasons, the CAISO submits that these materials should be exempt from public exposure and should be granted privileged treatment. This request follows past treatment of this information in prior filings. Specifically, the Commission accepted the most recent versions of these schedules as confidential in response to the CAISO's December 30 2011 filing of the Second Amended and Restated City of Riverside Metered Subsystem Agreement and Amendment No. 2 of the Second Amended and Restated City of Riverside Metered Subsystem Agreement, which the Commission accepted by Letter Order issued on February 23, 2012 in docket number ER12-740-000 and Letter Order issued on August 19, 2015 in docket number ER15-2104-000, respectively.

V. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

VI. Service

Copies of this filing have been served upon City of Riverside, the California Public Utilities Commission, and all parties on the official service list for Docket No. ER07-923-000. In addition, the filing has been posted on the CAISO Website.

³ *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. and Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. and Regs. ¶ 31,147 (2003).

This filing includes:

- (1) this letter of transmittal;
- (2) Public version of Amendment No. 3 to the Second Amended and Restated City of Riverside MSSA;
- (3) Privileged portion of Amendment No. 3 to the Second Amended and Restated City of Riverside MSSA;
- (4) Clean version of the public version of the MSSA;
- (5) Marked version of the public version of the MSSA;
- (6) Clean version of the privileged portion of the MSSA; and
- (7) Marked version of the privileged portion of the MSSA.

VII. Correspondence

The CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon:

Sidney L. Mannheim*
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7222
E-mail: smannheim@caiso.com

* Individual designated for service under Rule 203(b)(3),
18 C.F.R. § 203(b)(3).

VIII. Conclusion

The CAISO respectfully requests that the Commission accept this filing and permit the CAISO's submittal of the Amendment to be effective as of the date requested. If there are questions concerning this filing, please contact the undersigned.

Respectfully submitted,

By: /s/ Sidney Mannheim

Roger Collanton

General Counsel

Sidney L. Mannheim

Assistant General Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 608-7144

Fax: (916) 608-7222

smannheim@caiso.com

Attorneys for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties on the official service list in the captioned proceedings, under 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 29th day of January, 2016.

/s/ Martha Sedgley
Martha Sedgley

Attachment A – PUBLIC-Clean Tariff Records

Amendment 3 to Second Amended Riverside MSSA

California Independent System Operator Corporation

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

CITY OF RIVERSIDE

**SECOND AMENDED & RESTATED
METERED SUBSYSTEM AGREEMENT**

5.5 Transmission Losses, Outages, and Congestion. Riverside shall be responsible for transmission losses within Riverside's System and to any Points of MSS Interconnection. In addition, Riverside shall be responsible for transmission line Outages and transmission Congestion within Riverside's System and at the Points of MSS Interconnection as specified in the CAISO Tariff Section 4.9.4.6. Congestion within Riverside's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3. Until a transmission facility upgrade is in service and to the extent there is a non-modeled constraint within Riverside's System or at its boundary that is not accounted for in the CAISO's market, and where use limited resources have resource adequacy obligations with the CAISO but must also be available to Riverside to manage internal Riverside constraints, Riverside may utilize use limited resources within Riverside's System to mitigate a constraint in accordance with the Riverside Local Reliability Internal Generating Units Dispatch Procedure. Such resources shall be agreed upon by the Parties and identified in Schedule 14 of this Agreement.

**SCHEDULE 14 - GENERATING UNITS AND MARKET-PARTICIPATING
LOADS**

[Sections 5.5, 10.1 and 10.5]

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

Attachment B – PUBLIC Marked Tariff Records

Amendment 3 to Second Amended Riverside MSSA

California Independent System Operator Corporation

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

CITY OF RIVERSIDE

**SECOND AMENDED & RESTATED
METERED SUBSYSTEM AGREEMENT**

5.5 Transmission Losses, Outages, and Congestion. ~~Riverside shall be responsible for transmission losses within Riverside's System and to any Points of MSS Interconnection. In addition, Riverside shall be responsible for transmission line Outages and transmission Congestion within Riverside's System and at the Points of MSS Interconnection as specified in the CAISO Tariff Section 4.9.4.6. Congestion within Riverside's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3. Riverside shall be responsible for transmission losses within Riverside's System and to any Points of MSS Interconnection. In addition, Riverside shall be responsible for transmission line Outages and transmission Congestion within Riverside's System and at the Points of MSS Interconnection as specified in the CAISO Tariff Section 4.9.4.6. Congestion within Riverside's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3. Until a transmission facility upgrade is in service and to the extent there is a non-modeled constraint within Riverside's System or at its boundary that is not accounted for in the CAISO's market, and where use limited resources have resource adequacy obligations with the CAISO but must also be available to Riverside to manage internal Riverside constraints, Riverside may utilize use limited resources within Riverside's System to mitigate a constraint in accordance with the Riverside Local Reliability Internal Generating Units Dispatch Procedure. Such resources shall be agreed upon by the Parties and identified in Schedule 14 of this Agreement.~~

SCHEDULE 14 - GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Sections 5.5, 10.1 and 10.5]

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

Attachment C – PUBLIC- Amendment 3

Amendment 3 to Second Amended Riverside MSSA

California Independent System Operator Corporation



**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND**

CITY OF RIVERSIDE

**Amendment No. 3 to the Second Amended and Restated
City of Riverside MSS Agreement**

THIS AMENDMENT NO. 3 is dated this 27th day of January, 2016 and is entered into, by and between:

(1) The **City of Riverside**, a municipal corporation of the State of California, which owns and operates a municipal electric utility system engaged in the Generation, transmission, distribution, purchase and sale of electric power and Energy at wholesale and retail, having its registered and principal place of business located at 3900 Main Street, Riverside, California 92522 (“Riverside”);

and

(2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the CAISO Governing Board may from time to time designate, 250 Outcropping Way, Folsom, California 95630 (the “CAISO”).

Riverside, and the CAISO are hereinafter referred to individually as "Party" or collectively as the “Parties.”

Whereas:

A. The Parties are signatories to the Amendment No. 1 and Amendment No. 2 to the Second Amended and Restated Riverside MSS Agreement, which was effective April 21, 2014 and September 1, 2015, respectively, and the Second Amended and Restated Riverside MSS Agreement, which was effective January 1, 2012, (the “MSSA”). The Second Amended and Restated MSSA replaced the original MSSA, which was effective July 1, 2007, and the First Amended and Restated MSSA, which was effective March 31, 2009.

B. The Parties desire to amend the MSSA (“Amendment No.3”) to recognize that use limited resources within Riverside’s System have a dual responsibility to mitigate system constraints and non-modeled constraints that Riverside has the obligation to manage. In particular, Riverside may utilize these resources to resolve constraints within Riverside’s System during high demand periods as defined by Riverside’s Riverside Local Reliability Internal Generating Units Dispatch Procedure.



- C. In all other respects, the Parties intend that the MSSA remain in full force and effect in accordance with its terms.

NOW THEREFORE, **THE PARTIES AGREE** as follows:

1. **Effective Date.** This Amendment No. 3 shall be effective on the date made effective by FERC.
2. **Termination.** The provisions of this Amendment No. 3 shall remain in full force and effect, unless subsequently amended, until the termination of the Second Amended and Restated MSSA.
3. **Amendment No. 3 to the Agreement.** The Second Amended and Restated MSSA shall be amended as follows:

3.1 Section 5.5: Transmission Losses, Outages, and Congestion is deleted in its entirety and the Section 5.5 below is substituted in its place.

5.5 Transmission Losses, Outages, and Congestion. Riverside shall be responsible for transmission losses within Riverside's System and to any Points of MSS Interconnection. In addition, Riverside shall be responsible for transmission line Outages and transmission Congestion within Riverside's System and at the Points of MSS Interconnection as specified in the CAISO Tariff Section 4.9.4.6. Congestion within Riverside's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3. Until a transmission facility upgrade is in service and to the extent there is a non-modeled constraint within Riverside's System or at its boundary that is not accounted for in the CAISO's market, and where use limited resources have resource adequacy obligations with the CAISO but must also be available to Riverside to manage internal Riverside constraints, Riverside may utilize use limited resources within Riverside's System to mitigate a constraint in accordance with the Riverside Local Reliability Internal Generating Units Dispatch Procedure. Such resources shall be agreed upon by the Parties and identified in Schedule 14 of this Agreement.

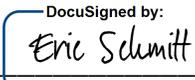
3.2 Schedule 14 – Generating Units and Market-Participating Loads – is deleted in its entirety and the Schedule 14 attached to this Amendment No. 3 is substituted in its place.



Amendment No. 3 to Second Amended & Restated City of Riverside MSSA

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 3 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By:  _____
Name:  _____
Title: VP, Operations _____
Date: 1/25/2016 _____

CITY OF RIVERSIDE

By: _____
Name: _____
Title: _____
Date: _____



California ISO

Amendment No. 3 to Second Amended & Restated City of Riverside MSSA

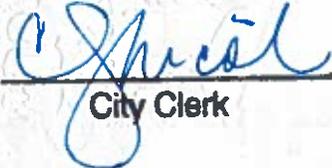
IN WITNESS WHEREOF, the Parties have caused this Amendment No. 3 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: _____
Name: _____
Title: _____
Date: _____

CITY OF RIVERSIDE

By: 
Name: GIRISH BALACHANDRAN
Title: UTILITIES GENERAL MANAGER
Date: 1/27/2016

Attest: 
City Clerk

APPROVED AS TO FORM:
BY: 
ASSISTANT CITY ATTORNEY

SCHEDULE 14 - GENERATING UNITS AND MARKET-PARTICIPATING LOADS**[Sections 5.5, 10.1 and 10.5]****[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**