

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

202-756-3300
Fax: 202-756-3333

January 4, 2013

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER13-219-001**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”)¹ submits this filing in compliance with the Commission’s “Order on Proposed Tariff Revisions,” issued in the captioned proceeding on December 20, 2012.²

I. Compliance with the December 20 Order

On October 29, 2012, the ISO filed an amendment to its tariff to include greenhouse gas compliance costs in the calculations set forth in the tariff for determining resource commitment costs, default energy bids, and generated bids (“October 29 tariff amendment”). The ISO requested that the tariff changes be made effective as of January 1, 2013. In the December 20 order, the Commission accepted the ISO’s proposed effective date and most of the tariff changes, with the two exceptions discussed below.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff. References to numbered sections are references to sections of the ISO tariff unless otherwise indicated.

² *California Independent System Operator Corp.*, 141 FERC ¶ 61,237 (“December 20 order”).

First, in the December 20 order, the Commission rejected the ISO's proposal to include in a Business Practice Manual an alternative methodology for calculating greenhouse gas allowance costs if a greenhouse gas price index is unavailable, without prejudice to the ISO submitting a separate tariff amendment to include such an alternative methodology in its tariff.³ Accordingly, the ISO has removed from its tariff the proposed tariff language that references an alternative methodology for calculating greenhouse gas allowance costs. Specifically, the ISO has removed the last sentence that it proposed to add to section 39.6.1.6.2 and the third sentence that it proposed to add to section 39.7.1.1.1.4.

Second, the December 20 order directed the ISO to submit a compliance filing that incorporates into the tariff the names of the specific price indices to be used in calculating the natural gas price and the greenhouse gas allowance price under the variable cost option.⁴ To comply with this directive, the ISO proposes to revise tariff section 39.7.1.1.1.3 to restore the previously listed names of the specific price indices to be used in calculating the natural gas price, and to revise tariff section 39.7.1.1.1.4 to include the names of the specific price indices to be used in calculating the greenhouse gas allowance price.

³ *Id.* at PP 34-37.

⁴ *Id.* at PP 38-39.

II. Materials Submitted

In addition to this transmittal letter, this compliance filing includes Attachments A and B. Attachment A contains clean ISO tariff sheets reflecting the tariff modifications described above. Attachment B shows these modifications in black-line format.

If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
California Independent
System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (202) 608-7296
E-mail: nsaracino@caiso.com
sdavies@caiso.com

/s/ Bradley R. Miliauskas
Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 239-3333
E-mail: michael.kunselman@alston.com
bradley.miliauskas@alston.com

Counsel for the California Independent System Operator Corporation

Attachment A – Clean Tariff

Filing to Comply with December 20, 2012 Commission Order in

Docket No. ER13-219-000

California Independent System Operator

Fifth Replacement FERC Electric Tariff

January 4, 2013

39.6.1.6.2 Projected Greenhouse Gas Allowance Price

For resources that are registered with the California Air Resources Board as having a greenhouse gas compliance obligation, the CAISO will calculate a projected Greenhouse Gas Allowance Price component to be used in establishing maximum Start-Up Costs and Minimum Load Costs after the twenty-first day of each month and will post it on the CAISO Website by the end of that month. The projected Greenhouse Gas Allowance Price component will be applicable for Scheduling Coordinators electing the Registered Cost option until a new projected Greenhouse Gas Allowance Price component is calculated and posted on the CAISO Website. The projected Greenhouse Gas Allowance Price component will be calculated by averaging the applicable daily Greenhouse Gas Allowance Prices calculated over the first twenty (20) days of the month using the methodology set forth in Section 39.7.1.1.1.4.

* * *

39.7.1.1.1.3 Calculation of Natural Gas Price

To calculate the natural gas price, the CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market and each gas price index will be calculated using at least two prices from two or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange. If a gas price index is unavailable for any reason, the CAISO will use the most recent available gas price index. For the Day-Ahead Market, the CAISO will update the gas price index between 19:00 and 22:00 Pacific Time using natural gas prices published on the day that is two (2) days prior to the applicable 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. For the Real-Time Market, the CAISO will update gas price indices between the hours of 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the applicable 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.

39.7.1.1.1.4 Calculation of Greenhouse Gas Allowance Price

To calculate the Greenhouse Gas Allowance Price, the CAISO will use different greenhouse gas price indices for the Day-Ahead Market and the Real-Time Market and each greenhouse gas price index will be calculated on a daily basis using at least two prices from two or more of the following publications: the Intercontinental Exchange, Platt's Daily, and ARGUS. If a greenhouse gas price index is unavailable for any reason, the CAISO will use the most recent available greenhouse gas price index. For the Day-Ahead Market, the CAISO will update the greenhouse gas price index between 19:00 and 22:00 Pacific Time using prices for greenhouse gas allowances published on the day that is two (2) days prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available. For the Real-Time Market, the CAISO will update greenhouse gas price indices between the hours of 19:00 and 22:00 Pacific Time using prices for greenhouse gas allowances published one (1) day prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available. The CAISO will calculate each Greenhouse Gas Allowance Price during a year using prices for greenhouse gas allowances from that same year.

* * *

Attachment B – Marked Tariff

Filing to Comply with December 20, 2012 Commission Order in

Docket No. ER13-219-000

California Independent System Operator

Fifth Replacement FERC Electric Tariff

January 4, 2013

39.6.1.6.2 Projected Greenhouse Gas Allowance Price

For resources that are registered with the California Air Resources Board as having a greenhouse gas compliance obligation, the CAISO will calculate a projected Greenhouse Gas Allowance Price component to be used in establishing maximum Start-Up Costs and Minimum Load Costs after the twenty-first day of each month and will post it on the CAISO Website by the end of that month. The projected Greenhouse Gas Allowance Price component will be applicable for Scheduling Coordinators electing the Registered Cost option until a new projected Greenhouse Gas Allowance Price component is calculated and posted on the CAISO Website. The projected Greenhouse Gas Allowance Price component will be calculated by averaging the applicable daily Greenhouse Gas Allowance Prices calculated over the first twenty (20) days of the month using the methodology set forth in Section 39.7.1.1.1.4. ~~If Greenhouse Gas Allowance Prices calculated pursuant to Section 39.7.1.1.4 do not reflect market fundamentals, the CAISO will calculate a projected Greenhouse Gas Allowance Price using the methodology specified in the Business Practice Manual.~~

* * *

39.7.1.1.1.3 Calculation of Natural Gas Price

To calculate the natural gas price, the CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market and each gas price index will be calculated using at least two prices from two or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange ~~identified in the Business Practice Manual~~. If a gas price index is unavailable for any reason, the CAISO will use the most recent available gas price index. For the Day-Ahead Market, the CAISO will update the gas price index between 19:00 and 22:00 Pacific Time using natural gas prices published on the day that is two (2) days prior to the applicable 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. For the Real-Time Market, the CAISO will update gas price indices between the hours of 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the

applicable 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.

39.7.1.1.1.4 Calculation of Greenhouse Gas Allowance Price

To calculate the Greenhouse Gas Allowance Price, the CAISO will use different greenhouse gas price indices for the Day-Ahead Market and the Real-Time Market and each greenhouse gas price index will be calculated on a daily basis using at least two prices from two or more of the following publications: ~~the Intercontinental Exchange, Platt's Daily, and ARGUS identified in the Business Practice Manual that set forth indices of prices for greenhouse gas allowances.~~ If a greenhouse gas price index is unavailable for any reason, the CAISO will use the most recent available greenhouse gas price index. ~~If one or more published prices are determined by the CAISO not to reflect market fundamentals or if published prices are not available for an extended period, the CAISO will establish the Greenhouse Gas Allowance Price using the methodology specified in the Business Practice Manual.~~ For the Day-Ahead Market, the CAISO will update the greenhouse gas price index between 19:00 and 22:00 Pacific Time using prices for greenhouse gas allowances published on the day that is two (2) days prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available. For the Real-Time Market, the CAISO will update greenhouse gas price indices between the hours of 19:00 and 22:00 Pacific Time using prices for greenhouse gas allowances published one (1) day prior to the applicable Trading Day, unless prices for greenhouse gas allowances are not published on that day, in which case the CAISO will use the most recently published prices for greenhouse gas allowances that are available. The CAISO will calculate each Greenhouse Gas Allowance Price during a year using prices for greenhouse gas allowances from that same year.

* * *