

January 21, 2009

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

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COMMISSION
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FEDERAL ENERGY
REGULATORY COMMISSION

**Re: California Independent System Operator Corporation
Compliance Filing
Docket Nos. ER06-615-027, ER06-615-028**

Dear Secretary Bose:

The California Independent System Operator (CAISO)¹ hereby submits an original and five copies of the instant filing in compliance with the Federal Energy Regulatory Commission's (Commission) "Order Denying in Part and Granting in Part Rehearing and Conditionally Accepting Compliance Filing," 125 FERC ¶ 61,339, issued on December 19, 2008 (December 19 Order). Enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

I. Background

On February 9, 2006, the CAISO filed a proposed Market Redesign and Technology Upgrade (MRTU) Tariff that included modifications to the then-current ISO Tariff reflecting the numerous changes to the CAISO's market structure included in the MRTU proposal. On September 21, 2006, the Commission issued an order conditionally accepting the MRTU Tariff for filing, subject to modifications.²

In the September 2006 MRTU Order, the Commission directed the CAISO to implement convergence bidding within 12 months of the effective date of MRTU, rather than postpone MRTU until the development and approval of a convergence bidding plan. The Commission also directed the CAISO to develop and file interim measures to mitigate the potential economic incentives for Load Serving Entities (LSEs) to underschedule in the Day-Ahead Market. Such measures are further required to remain

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). Except where otherwise noted herein, references to sections are references to sections of the MRTU Tariff.

² *California Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274 (2006) (September 21 Order).

in effect until they are superseded by the implementation of an approved convergence bidding proposal.

On September 28, 2007, the CAISO submitted a compliance filing that consisted of the following features: (1) a bright line test to define persistent underscheduling; (2) an interim scheduling charge for LSEs that persistently underschedule; and (3) confidential weekly reports to disclose scheduling performances.

On July 17, 2008, the Commission issued its Order Conditionally Accepting, Subject to Modification, MRTU Compliance Filings requiring further compliance filings. In the July 2008 Order, the Commission conditionally accepted the September 28 compliance filing, subject to further compliance. On August 18, 2008, submitted proposed revisions to Section 11.24.2 that eliminate the five percent “free pass” provision that was originally proposed. On December 19, 2008, the Commission issued its order “Order Denying in Part and Granting in Part Rehearing and Conditionally Accepting Compliance Filing” as further discussed herein.

II. Tariff Revisions Directed in the December 19 Order

A. Exemption to the Interim Scheduling Charge

Pursuant to the Commission’s directive, the CAISO proposes changes to Section 11.24 of the MRTU Tariff to implement the exemption to the Interim Scheduling Charge for under-scheduled load to the extent the under-scheduled quantity is due to a curtailment of load schedules by the CAISO.

In response to the CAISO August 18 compliance filing, Southern California Edison (SoCal Edison) argued that there is no guarantee that self-scheduled load will clear the integrated forward market because self-schedules can be curtailed by the CAISO if the CAISO experiences: “(1) insufficient ancillary services, (2) insufficient supply bid into the market, (3) the inability to resolve certain transmission constraints, (4) certain reliability issues, or (5) a need to make adjustments in order to honor existing transmission contracts and transmission ownership rights, the CAISO’s tariff allows it to cut self-scheduled load in the integrated forward market.”³ SoCal Edison requested that if the Commission does not restore the five percent free pass, then the Commission should require that the CAISO “exempt hours in which the CAISO was forced to curtail self-scheduled load in the integrated forward market.”

In response to the SoCal Edison request, the Commission found that “in such circumstances, it would be unfair to penalize the scheduling coordinator because penalties are meant to deter conduct, and these self-scheduled entities have no control over whether they are curtailed.” The Commission directed the CAISO to submit within 30 days of the issuance of the December 19 Order proposed tariff provisions that exempts from the underscheduling penalty any load that is administratively curtailed by the

³ December 19 Order at P 21.

CAISO due to reasons beyond the scheduling coordinator's control. The Commission also noted that this "exemption should apply not only to self-scheduled load but also to any day-ahead scheduled load that is administratively curtailed by the CAISO under circumstances in which that load would otherwise have cleared the day-ahead market."

The CAISO is proposing to specify in section 11.24.2 that the Interim Scheduling Charge will be calculated based on the Scheduling Coordinator's Net Negative CAISO Demand Deviation in each applicable LAP minus any corresponding CAISO Curtailed IFM Quantity for the same LAP. The new defined term "CAISO Curtailed IFM Quantity" is included to remove from the penalty calculation the portion of a Scheduling Coordinator's submitted load self-schedule in an applicable LAP that was curtailed by the CAISO. For this purpose the CAISO Curtailed IFM Quantity is defined as the maximum of zero or the submitted Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP. Thus if the Scheduling Coordinator's cleared day-ahead load schedule for a particular LAP is less than its submitted load self-schedule for the same LAP, the difference between these two quantities is removed from the penalty calculations and exempted from any resulting penalty for the Trading Hour, otherwise no adjustment is needed or made. Incorporating this additional calculation implements the Commission's directive not to apply the under-scheduling penalty to the extent the under-scheduled load is due to a CAISO curtailment of the load scheduled by the Scheduling Coordinator. The CAISO then proposes additional changes to Section 11.24.2 to incorporate the new defined term and the exemption into the actual calculation of the Interim Scheduling Charge itself, and to clarify that the under-scheduling penalty still applies as originally approved to the portion of under-scheduled load that was not affected by a CAISO curtailment.

In the December 19 Order the Commission noted specifically that this exemption "should apply not only to self-scheduled load but also to any day-ahead scheduled load that is administratively curtailed by the CAISO under circumstances in which that load would otherwise have cleared the day-ahead market." This creates the impression that there exists a type of load other than self-scheduled load that may be subject to administrative curtailment by the CAISO and that would increase a Scheduling Coordinator's exposure to the under-scheduling penalty. However, the CAISO notes that under the current MRTU tariff rules other than IFM self-scheduled demand there is no other load that is subject to administrative curtailment by CAISO in the Day-Ahead Market.

Under the current MRTU tariff rules, Scheduling Coordinators schedule load in the day-ahead market by submitting either economic bids or self-schedules (or a combination of the two), and that load submitted in economic bids is cleared through the market-clearing process of the integrated forward market and is not subject to administrative curtailment by the CAISO. Rather, the bid prices associated with load quantities in an economic bid are specified by the Scheduling Coordinator to reflect that Scheduling Coordinator's willingness to pay to schedule different quantities of load in the day-ahead market, and these economic bids are cleared by the market to the extent that

the relevant locational market prices do not exceed the Scheduling Coordinator's willingness to pay. Thus the only day-ahead scheduled load that may be subject to administrative curtailment by the CAISO and could affect a Scheduling Coordinator's exposure to the under-scheduling penalty is load that is submitted in a Self-Schedule.⁴ Therefore, by introducing the CAISO Curtailed IFM Quantity to account for any CAISO curtailment of self-scheduled load, and incorporating this term into the calculation of the under-scheduling charge as specified in the attached tariff revisions, the CAISO is able to capture in the exemption of any under-scheduled load that results from administrative curtailment of load by the CAISO in the day-ahead market.

The CAISO also notes that the above clarification is consistent with SoCal Edison's request, noted above, which requested the exemption from the under-scheduling charge if the under-scheduling is due to curtailments of self-scheduled load, which the prompted the Commission's directive.

The CAISO respectfully requests that the Commission accept as filed the proposed tariff language in section 11.24 without further modification.

B. Proposed Clarifying Language to Penalty Language

In the December 19 Order the Commission also found acceptable the proposed clarification by the CAISO to Section 11.24.2 of the MRTU Tariff, as proposed in its Answer to protests and comments to the August 18 compliance filing as it clarifies the provision and better carries out the intent of the July 2008 Order. The CAISO hereby submits the revised tariff sheets and redlines to reflect this proposed change.

III. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes Attachments A and B. Attachment A contains clean MRTU Tariff sheets reflecting the tariff modifications described in Section II, above. Attachment B shows these modifications in red-line format.

IV. Effective Date

The CAISO requests that the Commission approve this compliance filing as submitted to be effective upon implementation of MRTU, March 31, 2009.

⁴ Curtailment of submitted self-schedules in the day-ahead market is covered by the provisions for adjustment of non-priced quantities as filed by the CAISO with the Commission on November 4, 2009, in Docket No. ER09-240-000. See Sections 27.4.3, 31.3.1 and 31.4.

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V. Conclusion

The CAISO respectfully requests that the Commission accept the instant filing as complying with the directives of the December 19, 2008 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,



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Attachment A – Clean Sheets
Interim Measures for Underscheduling in the Day-Ahead Market Compliance Filing
Docket No. ER06-615-___
4th Replacement MRTU Tariff
January 21, 2009

11.24 Interim Scheduling Report, Charge and Allocation.

11.24.1 Interim Scheduling Report.

The CAISO will provide to each Scheduling Coordinator on a weekly basis a report of the difference between a Scheduling Coordinator's metered CAISO Demand and the total CAISO Demand scheduled by the Scheduling Coordinator in its Day-Ahead Schedule, based on available Meter Data. The CAISO shall treat such reports as confidential in accordance with Section 20. Such reports shall be prepared as provided in the applicable Business Practice Manual.

11.24.2 Interim Scheduling Charge.

The monthly Interim Scheduling Charge will be calculated and charged to Scheduling Coordinators based on each Scheduling Coordinator's Net Negative CAISO Demand Deviation in each applicable LAP minus the CAISO Curtailed IFM Quantity. The monthly Interim Scheduling Charge will be calculated and charged as follows:

- (a) For any given Trading Hour in which the Scheduling Coordinator's Net Negative CAISO Demand Deviation in its applicable LAP minus the CAISO Curtailed IFM Quantity is greater than fifteen percent (15%) and less than twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule in its applicable LAP or its submitted Self-Schedule for that LAP, the Scheduling Coordinator shall pay \$150/MWh for its Net Negative CAISO Demand Deviation minus the CAISO Curtailed IFM Quantity minus fifteen percent (15%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP.

- (b) For any given Trading Hour in which the Scheduling Coordinator's Net Negative CAISO Demand Deviation in its applicable LAP minus the CAISO Curtailed IFM Quantity is greater than or equal to twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule in its applicable LAP or its submitted Self-Schedule for that LAP, the Scheduling Coordinator shall pay \$250/MWh for its Net Negative CAISO Demand Deviation minus the CAISO Curtailed IFM Quantity minus twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP, plus \$150/MWh for five percent (5%) of the maximum of its cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP.

11.24.3 Exemptions from the Interim Scheduling Charge.

The Interim Scheduling Charge shall not apply to the following circumstances:

- (a) For any given Trading Day for Scheduling Coordinators in each applicable LAP in which the CAISO's daily Day-Ahead peak CAISO Forecast of CAISO Demand is ninety-five percent (95%) or less than daily actual metered CAISO Demand in the respective northern and southern regions of the CAISO Balancing Authority Area as further described in the Business Practice Manuals.
- (b) For any given Trading Hour when a Scheduling Coordinator's metered CAISO Demand is less than or equal to 500 MW in a particular LAP, that Scheduling Coordinator shall not be subject to the Interim Scheduling Charge.
- (c) For metered CAISO Demand by Participating Loads.
- (d) For metered CAISO Demand that is MSS Load following Demand.
- (e) For any given Trading Hour when the Hourly Real-Time LAP Price is less than the Day-Ahead LAP Price for the same Trading Hour in the applicable LAP.
- (f) For metered CAISO Demand of Station Power Loads.

CAISO IFM Commitment Period	The portion of a Commitment Period in the IFM that is not a Self-Commitment Period.
CAISO IFM Curtailed Quantity	In each Trading Hour for each Scheduling Coordinator the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP.
CAISO Invoice	The invoices issued by the CAISO to the Responsible Utilities or RMR Owners based on the Revised Estimated RMR Invoice and the Revised Adjusted RMR Invoice.
CAISO Markets	Any of the markets administered by the CAISO under the CAISO Tariff, including, without limitation, the DAM, HASP, RTM, transmission, and Congestion Revenue Rights.
CAISO Markets Processes	The MPM-RRD, IFM, RUC, STUC, RTUC, and RTD. HASP is an hourly run of the RTUC.
CAISO Memorandum Account	The memorandum account established by each California IOU pursuant to California Public Utilities Commission Order D. 96-08-038 date August 2, 1996 which records all CAISO start up and development costs incurred by that California IOU.
CAISO Metered Entity	(a) any one of the following entities that is directly connected to the CAISO Controlled Grid: <ul style="list-style-type: none">i. a Generator other than a Generator that sells all of its Energy (excluding any Station Power that is netted pursuant to Section 10.1.3) and Ancillary Services to the Utility Distribution Company or Small Utility Distribution Company in whose Service Area it is located;ii. an MSS Operator; oriii. a Utility Distribution Company or Small Utility Distribution Company; and (b) any one of the following entities: <ul style="list-style-type: none">i. a Participating Generator;ii. a Participating TO in relation to its Tie Point Meters with other TOs or Balancing Authority Areas;iii. a Participating Load;iv. a Participating Intermittent Resource; orv. a utility that requests that Unaccounted for Energy for its Service Area be calculated separately, in relation to its meters at points of connection of its Service Area with the systems of other utilities.

Attachment B – Blacklines
Interim Measures for Underscheduling in the Day-Ahead Market Compliance Filing
Docket No. ER06-615-___
4th Replacement MRTU Tariff
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11.24.2 Interim Scheduling Charge.

~~In the event that a Scheduling Coordinator's Net Negative CAISO Demand Deviation in its applicable LAP exceeds fifteen percent (15%) of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day Ahead Schedule in its applicable LAP for any given month, the Scheduling Coordinator shall pay through the end of the applicable calendar month~~ The monthly Interim Scheduling Charge will be calculated and charged to Scheduling Coordinators based on each Scheduling Coordinator's Net Negative CAISO Demand Deviation in each applicable LAP minus the CAISO Curtailed IFM Quantity. The monthly Interim Scheduling Charge will be calculated and charged as follows:

- (a) For any given Trading Hour in which the Scheduling Coordinator's Net Negative CAISO Demand Deviation in its applicable LAP minus the CAISO Curtailed IFM Quantity is greater than fifteen percent (15%) and less than twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule in its applicable LAP or its submitted Self-Schedule for that LAP, the Scheduling Coordinator shall pay \$150/MWh for its Net Negative CAISO Demand Deviation minus the CAISO Curtailed IFM Quantity minus fifteen percent (15%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP ~~that is greater than fifteen percent (15%) and less than twenty percent (20%) of its cleared total CAISO Demand as represented in its Day-Ahead Schedule in the applicable LAP in that Trading Hour.~~
- (b) For any given Trading Hour in which the Scheduling Coordinator's Net Negative CAISO Demand Deviation in its applicable LAP minus the CAISO Curtailed IFM Quantity is greater than or equal to twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule in its applicable LAP or its submitted Self-Schedule for that LAP, the Scheduling Coordinator shall pay \$250/MWh for its Net Negative

CAISO Demand Deviation minus the CAISO Curtailed IFM Quantity minus twenty percent (20%) of the maximum of the Scheduling Coordinator's cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP, plus \$150/MWh for five percent (5%) of the maximum of its cleared total CAISO Demand as represented in its Day-Ahead Schedule or its submitted Self-Schedule for that LAP greater than or equal to twenty percent (20%) of its cleared total CAISO Demand as represented in its Day-Ahead Schedule in the applicable LAP in that Trading Hour.

* * *

CAISO IFM Curtailed Quantity


In each Trading Hour for each Scheduling Coordinator the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, 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, DC this 21st day of January, 2009.



Michael Kuhselman