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FEDERAL ENERGY
REGULATORY COMMISSION

January 21, 2009

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

**Re: California Independent System Operator Corporation
Docket No. ER08-585-000**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO")¹ hereby submits this filing to comply with the Commission's December 19, 2008, Order Conditionally Accepting Tariff Revisions ("December 19 Order")² in this docket.² The CAISO is submitting two revisions to its Market Redesign and Technology Upgrade version of the CAISO's open access transmission tariff ("MRTU tariff") relating to the CAISO's Grid Management Charge ("GMC") as directed by the Commission in the December 19 Order.

I. Background

On February 20, 2008, the CAISO submitted proposed revisions to the MRTU tariff to reflect modifications to its GMC that will become effective upon MRTU implementation. The GMC is the charge through which the CAISO recovers its operating, administrative and other associated costs. It is based on a formula rate design that allocates costs to charge types reflecting the services provided by the CAISO.

The CAISO proposed modifications to the GMC formula rate design necessitated by changes to its market operations under MRTU. Additionally, the CAISO revised the rate structure affecting the distribution of charges, including updating the underlying cost of service basis reflecting changes in CAISO activities since the previous cost of service

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff, and in the instant compliance filing.

² *California Independent System Operator*, 125 FERC ¶ 61,338 (2008).

study was conducted in 2003 and modifications to the billing determinants for certain charge types.

The December 19 Order accepted all of the CAISO's proposed changes, with two exceptions related to the Market Usage Charge component of the GMC. The Commission directed the CAISO to make a compliance filing within 30 days of the December 19 Order making the two changes described below. Accordingly, the CAISO has made the additional revisions to the MRTU tariff required by the December 19 Order as described below and set forth in Attachments A and B.

II. Compliance Tariff Revisions

A. Load-Following Metered Subsystems

In its filing, the CAISO proposed to remove a sentence from §11.22.2.5.7 that had been previously added by the CAISO in compliance with the Commission's April 20, 2007 order determining that Load-following Metered Sub-systems ("MSS") should not be subject to Market Usage Charges for Instructed Imbalance Energy.³ In response to a protest from NCPA, the Commission directed the CAISO to restore the following sentence in §11.22.2.5.7:⁴

For a Scheduling Coordinator of a Load following MSS, Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.

After reviewing its original filing, the CAISO discovered that the removal of this sentence was inadvertent. This language has now been restored to §11.22.2.5.7 as reflected in the attached tariff sheets.

B. Inter-Scheduling Coordinator Trade Transactions

At paragraph 46 of the December 19 Order, in response to a comment from NCPA, the Commission found that the proposed tariff language regarding the allocation of the Market Usage-Forward Energy charge does not specify how inter-scheduling coordinator trades will be accounted for when determining the annual forecasted total purchases and sales. Specifically, NCPA asked whether the Market Usage-Forward Energy charge will apply only to physical (rather than financial) inter-scheduling coordinator trades. The Commission found that such details need to be included in the tariff to allow scheduling coordinators to understand which services will be subject to the Market Usage charges. Therefore, the Commission directed the CAISO to propose tariff

³ December 19 Order at ¶ 38.

⁴ *Id.*, at ¶ 40.

language addressing how inter-scheduling coordinator trades will be treated with regard to the calculation of Market Usage-Forward Energy charges.

The attached tariff revisions clarify that the CAISO has designed the Market Usage-Forward Energy charge to apply to energy in the Day-Ahead Market as offset by physical, but not financial, inter-scheduling coordinator trades.⁵

III. Attachments

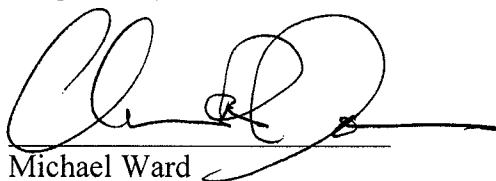
Attachment A - Clean Tariff Sheets

Attachment B - Blackline Tariff Sheets

IV. Conclusion

The CAISO respectfully asks the Commission to find this filing satisfies the outstanding obligations from the December 19 Order. Please feel free to contact the undersigned with any questions concerning the instant filing.

Respectfully submitted,



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Attorneys for the California ISO

⁵ As a result of its review of the treatment of Physical Trades and other Inter-SC Trades in the calculation of the Market Usage Charge in conjunction with this compliance filing, the CAISO will give further consideration to whether there may be alternative ways in which to treat Inter-SC Trades for purposes of the Market Usage Charge. However, the CAISO believes that any changes in this regard would require a new stakeholder process. The CAISO will consider initiating a stakeholder process on this matter at some point in the future. However, the CAISO does not have the time or resources to do so before MRTU *go live*.

Attachment A – Clean Sheets
Grid Management Charge Compliance Filing
4th Replacement CAISO Tariff (MRTU)

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according to the formula in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F.

11.22.2.5.7 Market Usage Charge.

The Market Usage Charge for each Scheduling Coordinator is calculated according to the formula in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F. For a Scheduling Coordinator for a Load following MSS, Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge for Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.

11.22.2.5.8 Settlements, Metering, and Client Relations Charge.

The Settlements, Metering, and Client Relations Charge for each Scheduling Coordinator is fixed at \$1000.00 per month, per Scheduling Coordinator ID with an invoice value other than \$0.00 in the current Trading Month, as indicated in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F. Excess GMC costs related to the provision of these services that are not recovered through this charge are allocated to the other GMC service categories as specified in Appendix F, Schedule 1, Part E.

5. The rate in \$/MWh for the Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total annual forecasted Metered Balancing Authority Area Load associated with Transmission Ownership Rights.
6. The rate in \$ per Schedule or \$ per Inter-SC Trade for the Forward Scheduling Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted number of non-zero MW Day-Ahead and HASP Schedules, as may be modified in accordance with Part F of this Schedule 1, including all awarded Ancillary Service and Residual Unit Commitment Bids and all Inter-SC Trades, including Inter-SC Trades of IFM Load Uplift Obligations. This charge will be assessed separately with respect to Schedules and Inter-SC Trades.
7. The rate in \$/MWh for the Market Usage Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted total purchases and sales (including out-of-market transactions) of Ancillary Services, Energy, Instructed Imbalance Energy, and net Uninstructed Imbalance Energy (with Uninstructed Imbalance Energy for Participating Intermittent Resources netted over the Trading Month and all other Uninstructed Imbalance Energy being netted within a Settlement Interval) in MWh. A Market Usage Charge rate will be calculated separately for two sets of CAISO Markets: (i) the Ancillary Services and RTM rate will be based on MWh of purchases and sales of Ancillary Services in the DAM, the HASP, and the RTM, MWh of Instructed Imbalance Energy, and MWh of Uninstructed Imbalance Energy netted over the Settlement Interval; and (ii) the rate for the Day-Ahead Market for Energy will be based on MWh of net Energy purchases or sales in the DAM, offset by MWh of net Energy associated with Physical Trades in the DAM.
8. The rate for the Settlements, Metering, and Client Relations Charge will be fixed at \$1000.00 per month, per Scheduling Coordinator ID Code (SCID) with an invoice value other than \$0.00 in the current Trading Month.

For a Scheduling Coordinator for a Load following MSS, the GMC service charges set forth in above shall be applied as set forth in Section 11.22.3 of the CAISO Tariff.

The rates for the foregoing charges shall be adjusted automatically each year, effective January 1 for the following twelve months, in the manner set forth in Part D of this Schedule.

Part B – Quarterly Adjustment, If Required

Each component rate of the Grid Management Charge will be adjusted automatically on a quarterly basis, up or down, so that rates reflect the annual revenue requirement as stated in the CAISO's filing or posting on the CAISO Website, as applicable, if the estimated revenue collections for that component, on an annual basis, change by more than five percent (5%) or \$1 million, whichever is greater, during the year. Such adjustment may be implemented not more than once per calendar quarter, and will be effective the first day of the next calendar month.

The rates will be adjusted according to the formulae listed in Appendix F, Schedule 1, Part A with the billing determinant(s) readjusted on a going-forward basis to reflect the change of more than five percent (5%) or \$1 million, whichever is greater, from the estimated revenue collections provided in the annual informational filing.

Attachment B - Blacklines

Grid Management Charge Compliance Filing

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11.22.2.5.7 Market Usage Charge.

The Market Usage Charge for each Scheduling Coordinator is calculated according to the formula in Appendix F, Schedule 1, Part A, subject to the requirements set out in Appendix F, Schedule 1, Part F.

For a Scheduling Coordinator for a Load following MSS, Instructed Imbalance Energy associated with Load following instructions will not be assessed the Market Usage Charge for Instructed Imbalance Energy and will be netted with Uninstructed Imbalance Energy for determining the Market Usage Charge for net Uninstructed Imbalance Energy.

CAISO TARIFF APPENDIX F Schedule 1

Grid Management Charge

Part A – Monthly Calculation of Grid Management Charge (GMC)

The Grid Management Charge consists of the following separate service charges: (1) the Core Reliability Services – Demand Charge, (2) the Core Reliability Services – Energy Exports Charge; (3) Energy Transmission Services – Net Energy Charge, (4) the Energy Transmission Services – Uninstructed Deviations Charge, (5) the Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge, (6) the Forward Scheduling Charge, (7) the Market Usage Charge, and (8) the Settlements, Metering, and Client Relations Charge.

1. The rate in \$/MW for the Core Reliability Services – Demand Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total of the forecasted Scheduling Coordinators' metered non-coincident peak hourly demand in MW for all months during the year (excluding the portion of such Demand associated with Energy Exports, if any, as may be modified in accordance with Part F of this Schedule 1), reduced by thirty-four percent (34%) of the sum of all Scheduling Coordinators' metered non-coincident peak Demands occurring during the hours ending 0100 through 0600, or during the hours ending 2300 through 2400, every day, including Sundays and holidays; provided that if a Scheduling Coordinator's metered non-coincident peak Demand hour during the month occurs during the hours ending 0100 through 0600, or during the hours ending 2300 through 2400, every day, the rate shall be sixty-six percent (66%) of the standard Core Reliability Services – Demand Charge rate.
2. The rate in \$/MWh for the Core Reliability Services – Energy Exports Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total of the forecasted Scheduling Coordinators' metered volume of Energy Exports in MWh, excluding each Scheduling Coordinator's Energy Exports associated with Transmission Ownership Rights.
3. The rate in \$/MWh for the Energy Transmission Services – Net Energy Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total annual forecasted Metered Balancing Authority Area Load, excluding each

Scheduling Coordinator's Metered Balancing Authority Area Load associated with Transmission Ownership Rights.

4. The rate in \$/MWh for the Energy Transmission Services – Uninstructed Deviations Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the absolute value of total annual forecasted net Uninstructed Imbalance Energy (netted within a Settlement Interval summed over the calendar month) in MWh; provided that the rate for each Scheduling Coordinator's Participating Intermittent Resources will be assessed against the Uninstructed Imbalance Energy of such Participating Intermittent Resources netted over the Trading Month.
5. The rate in \$/MWh for the Core Reliability Services/Energy Transmission Services – Transmission Ownership Rights Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the total annual forecasted Metered Balancing Authority Area Load associated with Transmission Ownership Rights.
6. The rate in \$ per Schedule or \$ per Inter-SC Trade for the Forward Scheduling Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted number of non-zero MW Day-Ahead and HASP Schedules, as may be modified in accordance with Part F of this Schedule 1, including all awarded Ancillary Service and Residual Unit Commitment Bids and all Inter-SC Trades, including Inter-SC Trades of IFM Load Uplift Obligations. This charge will be assessed separately with respect to Schedules and Inter-SC Trades.
7. The rate in \$/MWh for the Market Usage Charge will be calculated by dividing the GMC costs, as determined in accordance with Part C of this Schedule 1, allocated to this service category in accordance with Part E of this Schedule 1, by the annual forecasted total purchases and sales (including out-of-market transactions) of Ancillary Services, Energy, Instructed Imbalance Energy, and net Uninstructed Imbalance Energy (with Uninstructed Imbalance Energy for Participating Intermittent Resources netted over the Trading Month and all other Uninstructed Imbalance Energy being netted within a Settlement Interval) in MWh. A Market Usage Charge rate will be calculated separately for two sets of CAISO Markets: (i) the Ancillary Services and RTM rate will be based on MWh of purchases and sales of Ancillary Services in the DAM, the HASP, and the RTM, MWh of Instructed Imbalance Energy, and MWh of Uninstructed Imbalance Energy netted over the Settlement Interval; and (ii) the rate for the Day-Ahead Market for Energy will be based on MWh of net Energy purchases or sales in the DAM, offset by MWh of net Energy associated with Physical Trades in the DAM.
8. The rate for the Settlements, Metering, and Client Relations Charge will be fixed at \$1000.00 per month, per Scheduling Coordinator ID Code (SCID) with an invoice value other than \$0.00 in the current Trading Month.

For a Scheduling Coordinator for a Load following MSS, the GMC service charges set forth in above shall be applied as set forth in Section 11.22.3 of the CAISO Tariff.

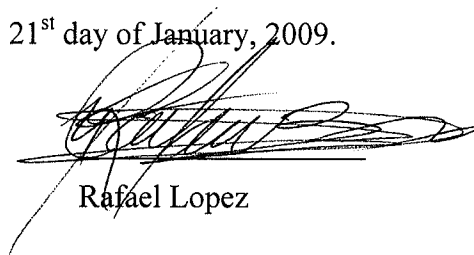
The rates for the foregoing charges shall be adjusted automatically each year, effective January 1 for the following twelve months, in the manner set forth in Part D of this Schedule.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced 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, D.C. this 21st day of January, 2009.

A handwritten signature in black ink, appearing to read 'Rafael Lopez', is written over a horizontal line. The signature is stylized and somewhat cursive.

Rafael Lopez