

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

California Independent System)
Operator Corporation) Docket No. ER06-615-002

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
JOINT QUARTERLY SEAMS REPORTS FOR THE
FOURTH QUARTER OF 2008**

The California Independent System Operator Corporation (“CAISO”) hereby submits joint quarterly reports with Bonneville Power Authority, Imperial Irrigation District and Western Area Power Administration regarding bilateral discussions that took place during the fourth quarter of 2008 between the CAISO and neighboring Balancing Authorities related to seams issues¹ and the Transmission Exchange Agreement between the CAISO and Western.² The CAISO also reports on the meeting of the Western Electricity Coordinating Council (“WECC”) Seams Issues Subcommittee during the fourth quarter of 2008.

I. INTRODUCTION

In an effort to continue to resolve seams issues with adjacent Balancing Authorities, the CAISO had discussions with Bonneville Power Authority and Imperial

¹ *California Independent System Operator Corp.* 116 FERC ¶ 61,274 (September 21, 2006) at P 490 in which the Commission directed “the CAISO and neighboring control areas to meet as needed to resolve seams between them” and to “jointly report on the progress of these efforts in quarterly status reports filed with the Commission within 30 days of the end of each calendar quarter.”

² *California Independent System Operator Corp.* 119 FERC ¶ 61,076 (April 20, 2007) at P. 224 in which the Commission provided that “[w]ith regard to the treatment of Western’s TEA under MRTU, Western states that it is in the process of setting up a meeting with the CAISO to address this issue. Therefore, we will not prejudge the outcome of these discussions at this point and will allow Western and the CAISO to attempt to resolve the issue in the first place. We direct the CAISO and Western to include in their joint quarterly seams report the status of their discussions on this issue.”

Irrigation District during the fourth quarter of 2008 concerning Adjacent Balancing Authority Operating Agreements ("ABAOAs") to address mandatory NERC and WECC Reliability Standards.³ The CAISO also exchanged correspondence with Western concerning issues under the parties' Transmission Exchange Agreement. Western has also raised additional issues and the CAISO has included its responses in the parties' joint report. In the fourth quarter of 2008, representatives of the CAISO attended a meeting with representatives of Balancing Authority Areas and other entities in the Western Interconnection under the auspices of the Seams Issues Subcommittee organized by WECC. The purpose of the Seams Issues Subcommittee is to identify and discuss seams issues that might exist today or might arise, which could affect the operation of interconnected Balancing Authority Areas in the Western Interconnection.

II. JOINT QUARTERLY REPORT PROCESS

The CAISO is approaching the effort to meet and report on seams issues with neighboring Balancing Authority Areas in a two-pronged fashion: (1) one-on-one meetings with neighboring Balancing Authority Areas, and (2) participation in WECC committee activities on regional issues.

In an attempt to fulfill the requirement for a joint reporting process on the meetings with neighboring Balancing Authority Areas, the CAISO has established what it views as an administratively simple process to ensure that the parties agree

³ The Adjacent Balancing Authority Operating Agreement ("ABAOA") is specific to the mandatory NERC Reliability Standard EOP-001-0 which directs Balancing Authorities to have operating agreements in place with adjacent Balancing Authorities that, at a minimum, contain provisions for emergency assistance, including provisions to obtain emergency assistance from remote Balancing Authorities. The Interconnected Balancing Authority Area Operating Agreement ("IBAAOA") outlines operational responsibilities such as switching, operating limits, relays, voltage control, dynamic scheduling, security coordination, scheduling and dispatch, outage coordination and emergency operations.

on the reports filed with the Commission. This process consists of the following steps.

- 1) At the time of a one-on-one meeting between the CAISO and an adjacent Balancing Authority Area, the parties discuss the need for a joint report filing with the Commission and agree which party will prepare the first draft of the joint meeting report.
- 2) Within fourteen (14) calendar days following the end of the calendar quarter, the applicable party prepares the first draft of the meeting report and shares this with the meeting participants.
- 3) Within twenty-one (21) calendar days following the close of the calendar quarter the parties submit responsive comments to the entity that prepared the first draft of the draft meeting summary. Through any required iterations of modifications, the parties reach consensus that the summary may be filed as a joint report.⁴
- 4) At least one (1) day prior to filing the report with the Commission the CAISO provide to each counterparty a copy of the full text of the joint quarterly seams report between the CAISO and that counterparty.
- 5) The CAISO then includes all joint reports in the next quarterly report to the Commission or any supplement to such quarterly report.

⁴ Should the CAISO and the counterparty fail to reach a consensus on the summary, the CAISO shall inform the Commission of this fact in its quarterly report. In such instances, nothing shall limit a party's right to provide additional information, comments or summaries to the Commission regarding seams discussions between the CAISO and neighboring control areas.

With respect to the WECC meetings, the CAISO works with the chairs of the relevant committees to obtain a copy of the draft minutes of WECC meetings to be filed with this quarterly status report.

III. JOINT REPORTS WITH OTHER BALANCING AUTHORITY AREAS AND WESTERN AREA POWER ADMINISTRATION

Attachment A to this filing includes joint reports between the CAISO Bonneville Power Authority, Imperial Irrigation District and Western.

IV. WECC SEAMS ACTIVITY

The CAISO continues to work through and with the established WECC committees to identify and discuss potential seams issues. The WECC Seams Issues Subcommittee of the WECC Market Interface Committee held a meeting on November 18, 2008, in Las Vegas, Nevada. A summary of the CAISO's role in that meeting is provided below. **Attachment B** to this filing provides a link to the WECC website which contains a copy of the draft agenda for the WECC fourth quarter 2008 Seams Issues Subcommittee meeting that occurred on November 18, 2008 as well as agenda documents. The CAISO understands that a copy of the draft minutes for the November 18, 2008 meeting will also be posted to this website in the near future.

At the fourth quarter 2008 Seams Issues Subcommittee meeting, CAISO representatives provided an overview of how the CAISO's Full Network Model functions. The CAISO also summarized the status of MRTU implementation and the Commission's September 18, 2008 Order addressing the Sacramento Utility Municipal District and Turlock Irrigation District Integrated Balancing Authority Area. The CAISO provided these presentations at the request of the WECC Seams Issues

Subcommittee. Copies of the CAISO's presentations may be downloaded from the WECC's website link provided in **Attachment B**. Other topics of discussion included seams coordination procedures used by Midwest ISO and Southwest Power Pool, activities of other WECC subcommittees that are related to congestion management, wind integration issues, implementation of the WECC-BAL-002-1 standard, and goals for 2009.

V. CONCLUSION

Wherefore, the CAISO respectfully requests that the Commission accept this quarterly seams status report.

Respectfully submitted,

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CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

**Joint Report on Control Area Meeting between the California ISO and
Bonneville Power Administration**

January 29, 2008

During the fourth quarter of 2008, representatives of the CAISO and Bonneville had discussions and exchanged written comments about the draft Interconnected Balancing Authority Area Operating Agreement (IBAAOA) concerning various issues that are not covered by the mandatory NERC Reliability Standards and WECC Regional Reliability Standards. As a result of these discussions, the CAISO drafted an Amendment No.1 to the Adjacent Balancing Authority Operating Agreement (ABAOA), which was sent to Bonneville for review in December 2008.

The CAISO and Bonneville did not discuss any seams issues that require resolution before MRTU start-up.

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CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Joint Report on Control Area Meeting between the California ISO and Imperial Irrigation District

January 29, 2008

During the fourth quarter of 2008, representatives of the CAISO and IID discussed an Adjacent Balancing Authority Operating Agreement (ABAOA) to meet the mandatory NERC Reliability Standard EOP-001 (Emergency Assistance). On October 3, 2009, the CAISO provided comments to IID on the draft ABAOA. The CAISO and IID subsequently discussed this draft via conference call. On December 11, 2009, IID provided written comments on the draft ABAOA. On January 6, 2009, the parties held further discussions on the ABAOA. The CAISO and IID will provide a joint report of that meeting as part of the first quarter 2009 seams report.

The CAISO and IID did not discuss any seams issues that require resolution before MRTU start-up.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

**Joint Report on Transmission Exchange Agreement Issues between the
California ISO and Western Area Power Administration**

January 29, 2008

Preliminary Statement of the CAISO

During the fourth quarter of 2008, the CAISO and the Western exchanged written correspondence concerning the Transmission Exchange Agreement between the CAISO, Western and Pacific Gas and Electric Company. These letters addressed how Western may exercise its right under the Transmission Exchange Agreement to self provide losses under MRTU; the terms and conditions under which Western can allow other entities to use its transmission scheduling rights under the Transmission Exchange Agreement, the application of charges and credits on CAISO settlement statements, and how the Transmission Exchange Agreement interfaces with the CAISO's Integrated Balancing Authority Area proposal. The CAISO and Western met in January 2009 to discuss these issues. The CAISO will provide a report of that meeting as part of the first quarter 2009 seams report.

For purposes of this quarterly report, the CAISO provides this preliminary statement because it disagrees with Western regarding the scope of the quarterly seams report. The Commission's quarterly reporting process for seams issues requires the CAISO and neighboring balancing authority areas to meet as needed to resolve seams issues and report on their progress in quarterly reports filed with the Commission.⁵ The quarterly reporting process also requires the CAISO and Western to report on discussions concerning the parties' Transmission Exchange Agreement.⁶ The CAISO and Western did not meet to discuss seams issues during the fourth quarter of 2008. As described above, the CAISO and Western did exchange

⁵ *Order Conditionally Accepting the California Independent system Operator's Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade*, Docket ER-06-615, issued September 21, 2006, 116 FERC ¶ 61,274, at paragraph 490.

⁶ *Order Granting in Part and Denying in Part Requests for Clarification and Rehearing*, Docket ER-06-615, issued April 20, 2007, 119 FERC ¶ 61,076 at paragraph 224.

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correspondence concerning the Transmission Exchange Agreement. The CAISO will make this correspondence available upon request.

As set forth below, Western has raised a number of issues involving MRTU readiness and the CAISO's simulation of its markets under MRTU. These issues do not preclude power transactions across balancing authority area boundaries and are not seams issues. Instead, these issues involve Western's business concerns about participating in the CAISO's markets upon implementation of MRTU. The CAISO intends to work cooperatively with Western to address any unresolved issues. For ease of reference, the CAISO has included a brief statement in response to each of the issues Western raises below. The CAISO remains willing to discuss and resolve any seams issues that Western raises either in an individual meeting or in the course of meetings of the Western Electricity Coordinating Council Committees addressing seams issues. The CAISO looks forward to these dialogs and reporting their outcome to the Commission.

Preliminary Statement of Western

As part of the Federal Energy Regulatory Commission's (FERC) conditional approval of the California Independent System Operator Corporation's (CAISO) Market Redesign Technology Upgrade (MRTU) initiative, FERC directed the CAISO, Western Area Power Administration (Western), as well as other adjacent control areas (now referred to as Balancing Authorities or BAs) to file joint quarterly reports which identify MRTU-related implementation issues and the progress that the parties are making to resolve such issues in a timely and effective manner.

This report updates the June 2008 Joint Report filed by the CAISO and Western and the October 2008 reports which were filed unilaterally by both the CAISO and Western. As will be discussed in more detail below, since the last filing, Western and CAISO staff have exchanged letters and have discussed ongoing issues related in accurately representing and honoring Western's Transmission Exchange Agreement (TEA) rights in both the market simulation and production environments, as well as understanding Western's business requirements with respect to the TEA for settlements purposes. Western continues to work with the CAISO to resolve its MRTU seams and implementation issues, but is concerned with the imminent approach of the April 1, 2009, MRTU "go-live" date, that substantive progress and/or resolution of our issues continues to remain elusive

During the most recent quarter, the CAISO and Western have exchanged numerous e-mails as well as official correspondence, and have had a number of informal staff-to-staff meetings related to the implementation of MRTU including the appropriate representation of Western's TEA scheduling and settlement rights. Most recently, the CAISO and Western met on January 13, 2009, to discuss some of the outstanding issues as discussed below.

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While the CAISO characterizes Western's concerns as business concerns about MRTU readiness, Western believes it is important to provide the Commission with full disclosure of the outstanding MRTU issues between Western and the CAISO. While many of the issues raised in this report may relate to MRTU readiness, if such items are not satisfactorily resolved, Western believes such outstanding issues may lead to seams issues which may impact power transactions between Western and the CAISO.

Western Statement**Integrated Balancing Authority Area Initiative (IBAA)**

FERC conditionally approved the CAISO's IBAA proposal on September 19, 2008. On October 20, 2008, Western filed its Request for Rehearing. Western's position on the IBAA is identified in Western's Protest and the Request for Rehearing and will not be repeated here. In addition to the issues previously raised, Western is concerned about the multiple import and export prices resulting from the CAISO's implementation of its approved IBAA model. Western raised concerns that the CAISO's implementation of its approved IBAA model includes 16 price points for imports to and exports from Western's sub-BA. Western raised this concern with the CAISO at the January 13, 2009 meeting. The CAISO stated the 16 price points were consistent with its IBAA approved filing.

CAISO Statement

The IBAA proposal concerns the modeling and pricing of interchange transactions between the CAISO Balancing Authority Area and the Sacramento Utility District and Turlock Irrigation District Integrated Balancing Authority Area. The proposal does not interfere with the ability to transact capacity and energy across Balancing Authority Area boundaries. Consistent with the Commission's September 19, 2008 Order in Docket ER08-1113, the CAISO intends to implement the IBAA proposal simultaneously with the implementation of MRTU. Market simulation efforts have reflected different locational marginal prices mapped back to the Captain Jack substation for hourly imports from the SMUD-TID IBAA into the CAISO Balancing Authority Area because of scheduling limits at interchange scheduling points between the SMUD-TID IBAA and the CAISO Balancing Authority Area. As a result, the locational marginal prices at these interchange scheduling points vary when mapped back to the Captain Jack substation. The CAISO remains willing to meet with Western to discuss implementation of the IBAA proposal.

Western Statement

MRTU Readiness Issues

The CAISO has committed to an April 1, 2009, "MRTU "go-live" date. Since the October 31, 2008 seams report filing, the results generated from market simulation have improved. However, Western remains concerned that the magnitude of the charges generated during market simulation runs and which are assigned to individual scheduling coordinators continue to remain significantly higher than the current market. Western is especially concerned about the allocation of high neutrality charges. Even the most recent December market simulation show maximum locational marginal prices during certain hours in the day-ahead market around \$500 per megawatt for imports into the CAISO at Malin and around \$1,217 per megawatt for imports into the CAISO at Malin in the hour-ahead market. Maximum prices for exports from the CAISO into the Western sub-balancing area for the day-ahead and hour-ahead for certain hours were \$269 and \$2,089 respectively. Although the CAISO has stated on a number of occasions that there may be a number of market participant input related issues which are causing anomalous results in market simulation, Western remains concerned that sufficient safeguards will not be in place by the time MRTU goes live on April 1, 2009.

Western recommends that consistent with earlier MRTU exit criteria proposed by CAISO market participants and concurred to by the CAISO, that market participants have access to at least 60 days of good settlements quality data on which to independently assess the readiness of MRTU to "go-live". In Western's case, because our issues with the CAISO continue to remain unresolved, Western is unable to even have access to good quality settlements data to determine whether its scheduling rights for not only the TEA, but San Luis and New Melones units of the Central Valley Project as well as providing ancillary services from the Western's Desert Southwest region's are appropriately modeled in the CAISO's new full network model. Western continues to participate in CAISO-sponsored market simulation testing activities to assure that Western's applications and business processes will be ready when MRTU goes live. Western remains concerned about the continued inability to reach consensus on a number of contractually-related issues (e.g., post-MRTU treatment/charges for the TEA, New Melones, and ancillary services from the Boulder Canyon Project). Western remains concerned that because these issues have not been resolved Western has not been able to test its software and may be adversely impacted by an April 1, 2009 MRTU go live.

Although the CAISO has represented to Western that it will address the issues raised by Western through the appropriate MRTU implementation and readiness support forums, to date, Western and the CAISO the resolution of these issues are still a work-in-progress. Western's specific issues are as follows:

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CAISO Statement

Western's concerns explicitly address MRTU readiness issues, which the CAISO is addressing as part of MRTU implementation. These issues do not preclude power transactions across balancing authority area boundaries but instead involve Western's business concerns about participating in the CAISO's markets upon implementation of MRTU. Without endorsing the accuracy of Western's statement, the CAISO intends to work cooperatively with Western to address any unresolved issues.

Western Statement

Ability to self-provide losses as stated in the Transmission Exchange

Agreement (TEA): While both Western and the CAISO agree conceptually on this understanding that Western may self-provide losses and ancillary services, how this conceptual understanding is to be implemented from a technical perspective continues to remain unresolved. This subject was discussed at the most recent CAISO-Western meeting on January 13, 2009, and is still unresolved.

CAISO Statement

Western may, but is not required to, self-provide losses and ancillary services under the Transmission Exchange Agreement. In response to an inquiry from Western, the CAISO provided Western with an illustrative example of how to self-provide losses under the Transmission Exchange Agreement once the CAISO implements MRTU. From the CAISO's perspective, this matter is resolved.

Western's Statement:

Ability to use multiple Contract Reference Numbers as provided for under the

TEA: This is another issue which Western has made repeated requests to the CAISO for resolution since late 2007. While both Western and the CAISO agree Western may have multiple CRNs for the TEA, to date, the CAISO has yet to provide a solution. The CAISO informed Western it is finalizing the details on how to accommodate Western's use of multiple CRNs for the TEA. This subject was discussed at the most recent CAISO-Western meeting on January 13, 2009, and is still unresolved.

CAISO Statement

Western may allow other Scheduling Coordinators to use its Contract Reference Number for purposes of scheduling power under the Transmission Exchange Agreement. Western can identify those Scheduling Coordinators permitted to use its

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Contract Reference number by submitting Transmission Rights Transmission Curtailment instructions to the CAISO. The CAISO believes that the Transmission Rights and Transmission Curtailment Instruction change process provides an adequate means to identify Scheduling Coordinators authorized to use the Transmission Exchange Agreement.

Western's Statement

Confirmation that no charges or credits for certain products will be shown on the settlements statements under the TEA: The only charge under the TEA that may be imposed by either party is for ancillary services or losses and only to the extent they are not self-provided. While both Western and the CAISO agree the TEA provides either party with a limited ability to "charge" the other, there appears to be either confusion or disagreement over the meaning of this term. Western is concerned the CAISO's verbal agreement to net the charges to zero, even though there may be inconsistencies with the billing statements could set the stage for confusion and unnecessary billing disputes. This subject was discussed at the most recent CAISO-Western meeting on January 13, 2009, and is still unresolved.

CAISO Statement

Without endorsing the accuracy of Western's statement, the CAISO will explore Western's concern and attempt to resolve the matter. Under the Transmission Exchange Agreement, some MRTU charges and credits will apply to Western and some will not. The Transmission Exchange Agreement does not contain explicit provisions regarding what MRTU charges and credits apply to Western. Instead, it is necessary to determine which of the many charges and credits under MRTU will apply to Western based on the terms the agreement itself and the nature of each charge and credit.⁷⁷ In some cases a charge or credit will not apply to Western because the language of the Transmission Exchange Agreement explicitly exempts

⁷⁷ The applicable section of the Transmission Exchange Agreement that drives the determination of what charges and payments apply is Section 7.4, which provides:

If Western schedules transactions using the Western Capacity, either directly or on behalf of its customers, then Western shall be responsible for procuring or self-providing (i) all Ancillary Services consistent with the requirements of the applicable Control Area Operator for the Control Area in which the load is served and (ii) all losses consistent with the Control Area in which the Western Capacity exists. The only charges that may be imposed upon Western Capacity by CAISO, either directly or indirectly, whether in existence as of the Effective Date of the Agreement or created in the future, are for Ancillary Services and losses, and only to the extent that such services and losses are not self-provided by Western. The CAISO shall not impose any charge on Western for administration or transmission usage. If a successor to Western schedules transactions using the Western Capacity, then the CAISO agrees that such successor shall have only those charges imposed the same as if they were imposed on Western.

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those types of charges and credits. In other cases, charges and credits may apply. The CAISO has scheduled a meeting with Western to explain its determination concerning which charge codes and credits apply under the Transmission Exchange Agreement. The CAISO intends to discuss these determinations with Western in an effort to reach agreement on which charge types and credits do or do not apply under the Transmission Exchange Agreement. The CAISO hopes to resolve this issue in that meeting or shortly thereafter and will provide a report of the outcome of this issue in its first quarter 2009 seams report.

Western's Statement

Existing transmission rights for New Melones Project (8-07-20-P0004): Western's recent review of settlement statements: Western's recent review of settlement statements for the New Melones pseudo-tie have uncovered a significant variance between the charges assessed by the CAISO and those allowed under the existing contract. Since this is an existing transmission contract, Western should be protected against congestion charges and should not be assigned any energy credits. Under the contract terms, Western should receive charges only for losses. Western has reported this anomaly to the CAISO and awaits a solution. Finally, Western has only recently discovered that the CAISO has begun assessing GMC forward scheduling charges. This is a new charge that has never appeared on Western's statements. Western is not responsible for such charges under the terms of its existing transmission contract. As part of the January 13th meeting, the CAISO and Western have agreed to meet at a future date to discuss and resolve our differences.

CAISO Statement

The issue described by Western involves a pseudo-tie agreement between the CAISO and Western. It is not a seams issue. However, the CAISO is prepared to explore Western's concern and attempt to resolve this contract matter with Western. Without endorsing the accuracy of Western's statement, charges and credits under Western's pseudo-tie arrangement will or will not apply because of how the pseudo-tie resources are configured in relation to the CAISO's Balancing Authority Area. The CAISO will discuss with Western the charges and credits that will apply under MRTU to the New Melones Project at the same meeting it has scheduled to discuss applicable charges and credits under the Transmission Exchange Agreement.

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Western Statement

Status of settlement charge types during market simulation: Western is pleased to report that progress has been made on this item as of the approximately 80 applicable charge codes, Western has been independently verify and confirm the accuracy that 47 are now functioning as designed through our own bid-to-bill processes. However, there are still 33 charge codes that need to be verified and confirmed.

CAISO Statement

The issue raised by Western involves CAISO charge codes under MRTU. It is a not a seams issue. Without endorsing that the accuracy of Western's statement, the CAISO will continue to work collaboratively with Western to assist Western in verifying charge codes as part of MRTU simulation efforts.

Western Statement

Status of settlement statements and invoices during market simulation: Western is pleased to report that the CAISO is starting to be able to provide initial and follow up "recalc" settlement invoices in a timely manner. Western is still in the process of working with the CAISO to make sure that all of its transmission rights transmission curtailment elements are properly represented and modeled by the CAISO in order to have accurate settlement statements to determine whether the CAISO is assessing Western the appropriate number and set of charges.

CAISO Statement

The issue raised by Western involves CAISO settlement invoices under MRTU. It is not a seams issue. The CAISO will continue to work collaboratively with Western to address Western's concerns with its settlement statements and invoices as part of MRTU simulation efforts.

Western Statement

Modeling anomalies: Western encourages the CAISO and other market participants to continue robustly testing its MRTU and IBAA models to ensure that previously reported anomalies have been resolved and that market participants have confidence that MRTU will work as designed. For example:

- i. CAISO awards in fractional megawatts for intertie schedules. These fractional megawatt schedules are not feasible in other CAISO systems and cause constraint violations resulting in artificially high prices. Western understands

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that the CAISO is working on this issue (ISF No. 13337) but until resolution is developed, tested, and implemented, participants can experience excessive charges at the interties due to issues in the MRTU systems of the CAISO.

- ii. During the past several months, the CAISO has undertaken a number of modeling and business process changes as it updated its basic Full Network Model for MRTU and added the IBAA enhancement. Western recommends that CAISO MRTU systems are regression-tested to confirm the validity of the changes and to assure market participants that the Full Network Model with the IBAA generates the expected results.
- iii. During market simulation, Western has found that CAISO modeling have violated Western's superior scheduling rights on the California Oregon Intertie (COI). At this time Western's testing of the rights protection is continuing to identify problems in the MRTU systems of CAISO.

Western continues to work towards a seamless migration to the CAISO's new MRTU/IBAA market platform and supports the continued robust testing of all new business applications, systems, and processes to ensure stakeholders have the confidence they need about the accuracy and functionality of the new MRTU/IBAA market when it goes live. Western believes the above issues must be resolved before the CAISO goes live on April 1, 2009.

CAISO Statement

The issues raised by Western involve MRTU modeling efforts. They are not seams issues. Without endorsing that the accuracy of Western's statement, the CAISO will continue to work collaboratively with Western to implement MRTU.

Western Statement

Update from the October Report

In reviewing past joint reports, Western has identified several other outstanding issues which remain unresolved:

MRTU Curtailment of Firm Exports from the CAISO Control Area. In the October 2007 and April 30, 2008, Joint Reports, the CAISO stated that firm exports would have the same priority as its own firm load. As a result, firm exports would only be cut as a last resort consistent with Western Electricity Coordinating Council policies and procedures. Based on these assurances Western believed its concern regarding the potential curtailment of firm exports during real-time was resolved. As was identified in the January 2008, report, Western now understands that under certain constrained transmission conditions, the CAISO will establish and enforce export priorities.

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Under the CAISO's proposed new rules, the following export priorities will be enforced:

1. Transmission Ownership/Existing Transmission rights
2. Price Taker
3. Lower Price Taker
4. Economic

Although Western believes that the CAISO has explained how the proposed new rules would work, in light of the changing MRTU processes, Western will continue to evaluate whether this business rule will change Western's previous understanding of how the CAISO proposes to address Western's concern as it relates to the potential curtailment of firm exports from the CAISO BA.

CAISO Statement

From the CAISO's perspective, this matter is resolved. The CAISO understands that the issues identified by Western relate to self-scheduling priorities. Under certain conditions, the CAISO will curtail self-schedules and will do so by enforcing certain priorities as described in its MRTU Tariff sections 31.4 and 34.10. Western's concerns raised above are not a seams issue associated with MRTU. The CAISO has not altered its practices to treat firm exports as it does internal load.

Western Statement

Self-Providing Ancillary Services (AS) from Boulder Canyon Project. Western continues to wait for positive progress on this issue from both the CAISO and Southern California Edison (SCE). Western understands that the CAISO and SCE were to have resolved the outstanding issues related to scheduling AS from the Boulder Canyon Project (BCP) but to date, satisfactory resolution of this issue has yet to occur. Given the Federal prohibition on third party re-sales of Federal power, Western seeks an effective resolution of this issue.

CAISO Statement

From the CAISO's perspective, this matter is resolved. To the degree Western has the authority to use power from Boulder Canyon to self-provide Ancillary Services for its Ancillary Service obligations to the CAISO, it is the CAISO's understanding that Southern California Edison may schedule self-provided Ancillary Services on behalf of Western from the Boulder Canyon Project using Existing Transmission Contract rights. Western should ensure that it has secured any necessary statements or agreements from Edison to effect this self-provision of Ancillary Services. For purposes of the CAISO's involvement in this matter, the CAISO confirms that self-provision of Ancillary Services at the interties is possible under Existing Transmission contract rights or Transmission Ownership Rights.

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Western Statement

Development of a data sharing agreement governing the terms and conditions under which Western would provide real-time information to CAISO. Western believes the data sharing issues are now intertwined with the IBAA proceeding. Western was disappointed that the CAISO chose to disengage from the original approach where CAISO and Western were sharing internal real-time information under an approach which emphasized bilateral relationships, reciprocity, and safeguarding the data from being used for market purposes. While Western will continue to work with the CAISO to share data that is necessary for the reliable operation of the transmission system, for the reasons identified in Western's Protest and Request for Rehearing in the IBAA docket, Western has no intentions of executing a Market Efficiency Enhancement Agreement.

CAISO Statement

The CAISO remains willing to discuss data sharing arrangements with Western as well as the development of a Market Efficiency Enhancement Agreement. However, as the Commission determined, data exchange is not a seams issue that requires resolution before MRTU go live.⁸

Western Statement

Timely Progress and Success on Market Simulation Activities: Western reiterates that many of the anticipated software and application modifications promised by the CAISO must be made available to market participants so that the changes may be tested and verified before MRTU goes live. All new MRTU-related business processes and systems must be robustly tested by both the CAISO and market participants before going live.

CAISO Statement

Western's concerns explicitly address MRTU readiness issues, which the CAISO is addressing as part of MRTU implementation. These issues do not preclude power transactions across balancing authority area boundaries but instead involve Western's business concerns about participating in the CAISO's markets upon implementation of MRTU. The CAISO intends to work cooperatively with Western to assist Western participate in the CAISO's markets under MRTU.

Western Statement

Western remains concerned that the issues identified above as open issues have yet to be satisfactorily resolved. Western is committed to working with the CAISO to try and resolve our differences so that any business process changes and any associated programming/coding changes, if any, may be designed, implemented,

⁸Order Granting in Part and Denying in Part Requests for Clarification and Rehearing, Docket ER-06-615, issued April 20, 2007, 119 FERC ¶ 61,076 at paragraph 208.

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and tested prior to the start of MRTU so that any adverse impacts to Western's and its customers' transmission systems are avoided. Although the CAISO indicates in many of its statements that it considers many of the issues raised by Western to be resolved. Western does not agree with those characterizations. Furthermore, Western believes that should these issues raised herein continue to remain outstanding, the CAISO cannot state unequivocally that there will be no impacts related to the flow of power between our respective balancing authorities. Because Western and the CAISO are still working in good faith to address Western's concerns with the implementation of MRTU, Western has not taken other substantive actions to protect its statutory and contractual rights. However, if these issues are not resolved, regardless of the impacts on the CAISO, Western must take any and all appropriate actions necessary to fulfill its statutory and contractual obligations and to protect its statutory and contractual rights. Unless the above issues are satisfactorily resolved, Western will oppose an April 1, 2009 launch date and Western will take appropriate actions to protect its ability to meet its statutory and contractual obligations and rights.

CAISO Statement

The CAISO intends to work cooperatively with Western to assist Western participate in the CAISO's markets under MRTU. The CAISO hopes Western will support implementation of MRTU.

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CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

NOVEMBER 2008 SEAMS ISSUES SUBCOMMITTEE (SIS) Draft Agenda and Agenda Materials

January 30, 2009

A draft agenda and meeting agenda materials from the November 18, 2008 WECC Seams Issues Subcommittee meeting can be found on the following WECC website link:

<http://www.wecc.biz/index.php?module=pagesetter&func=viewpub&tid=22&pid=122>

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-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 this 29th day of January, 2009 at Folsom in the State of California.

/s/ Susan L. Montana
Susan L. Montana