



July 20, 2006

**VIA FEDERAL EXPRESS**

The Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

**Re: California Independent System Operator Corporation,  
Docket No. ER06-\_\_\_\_-000**

Dear Secretary Salas:

The California Independent System Operator Corporation ("CAISO") hereby submits an original and fourteen copies of an informational filing relating to the CAISO's March 22, 2006 conformed Simplified and Reorganized Tariff ("S&R Tariff"). As represented in the transmittal letter for its March 22, 2006 filing of the "conformed" version of the S&R Tariff, the CAISO intended to incorporate into this "conformed" version of the S&R Tariff, among other things, all revisions to the CAISO Tariff previously accepted by the Commission as of March 6, 2006. However, in the course of preparing the final tariff sheets for this "conformed" version of the S&R Tariff, the CAISO inadvertently omitted one set of revisions to the CAISO Tariff that had been directed by the Commission to be effective prior to March 6, 2006. This informational filing provides the corrected tariff sheet for the "conformed" version of the S&R Tariff incorporating these revisions.

**BACKGROUND**

In its order issued February 13, 2006 in Docket Nos. ER06-354-003 and EL06-44-003 regarding Amendment No. 73 to the CAISO Tariff, 114 FERC ¶ 61,135 ("February 13 Order"), the Commission directed the CAISO to raise the "soft" cap for bids in the CAISO's Ancillary Service capacity markets from \$250/MWh to \$400/MWh, effective upon issuance of the February 13 Order. February 13 Order at Ordering Paragraph (B).<sup>1</sup> The CAISO filed the subject revisions to Section 39.2 of the CAISO Tariff with the Commission in a compliance filing on March 6, 2006, establishing an effective date of February 13,

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<sup>1</sup> Capitalized terms that are not defined in this letter have the same meaning set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

2006 for the revisions. Consequently, these revisions were effective prior to the March 6, 2006 cut-off date that the CAISO intended to use for establishing the text of the "conformed" version of the S&R Tariff.

The subject revisions to the CAISO Tariff were inadvertently omitted from the CAISO's March 22, 2006 filing of the "conformed" version of the S&R Tariff, contrary to the representations in the CAISO's transmittal letter for that filing. To correct that error, the CAISO hereby submits this informational filing of the revised correct tariff sheet to the "conformed" version of the S&R Tariff to show the change ordered by the Commission to Section 39.2 of the CAISO Tariff to raise the "soft" cap for bids in the CAISO's Ancillary Service capacity markets from \$250/MWh to \$400/MWh.

The CAISO will include the correct tariff sheet in the next version of the "conformed" CAISO Tariff posted on the CAISO's website. Consistent with the March 22, 2006 "conformed" version of the S&R Tariff, the corrected tariff sheet will reflect the same effective date of March 1, 2006.

## **CONTENTS OF FILING**

The following documents are included in this filing:

- (1) Transmittal Letter;
- (2) Attachment A – revisions to Section 39.2 of the "conformed" version of the S&R Tariff in "blackline" format; and
- (3) Attachment B – the substitute S&R Tariff sheet incorporating the revisions to Section 39.2.

## COMMUNICATIONS

Correspondence regarding this filing should be directed to:

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

## SERVICE

A copy of this filing is being served on all parties to the Commission's dockets for the S&R Tariff, ER05-1501, and for Amendment No. 73 to the CAISO Tariff, ER06-354 and EL06-44, and on all Scheduling Coordinators and the California Public Utilities Commission. In addition, this filing has been posted on the CAISO's website.

Two additional copies of this filing are enclosed. Please date-stamp them and return them in the self-addressed prepaid Federal Express envelope.

Respectfully submitted,

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**ATTACHMENT A**

**BLACKLINED CONFORMED S&R TARIFF SECTION 39.2**

## BLACKLINED CONFORMED S&R TARIFF SECTION 39.2

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### 39.2 Maximum Bid Level.

The maximum bid level in the ISO's Energy markets shall be \$400/MWh. Market Participants may submit bids in the ISO's Energy markets above \$400/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

The maximum bid level applicable to Adjustment Bids used in the ISO's Congestion Management markets shall be \$400/MWh, and the ISO shall not accept Adjustment Bids in excess of that bid level.

The maximum bid level in the ISO's Ancillary Service capacity markets shall be ~~\$250~~400/MWh. Market Participants may submit bids in the ISO's Ancillary Service capacity markets above ~~\$250~~400/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

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**ATTACHMENT B**

**CLEAN CONFORMED S&R TARIFF SECTION 39.2**

**38.4.3.1** the use of direct bid caps as a mechanism to prevent or mitigate artificially high Market Clearing Prices caused by abuses of market power;

**38.4.3.2** the use of contracts for differences for eliminating the incentive for Generators to bid ISO prices to artificially high levels enabled by the presence of market power;

**38.4.3.3** calling upon Reliability Must-Run Units to operate; and to modify Reliability Must-Run Contracts;

**38.4.3.4** bid floors to prevent or mitigate the possible exercise of below-cost bidding or predatory pricing.

In the event that the ISO Governing Board adopts, and where necessary obtains regulatory approval for, any measure proposed pursuant to Section 38.4.3, the Department of Market Analysis shall monitor the implementation and effect of such measure on the state of the ISO Markets and shall periodically report on them to the CEO and the ISO Governing Board.

## **39 RULES LIMITING CERTAIN ENERGY AND ANCILLARY SERVICE BIDS.**

### **39.1 Damage Control Bid Cap.**

Notwithstanding any other provision of this ISO Tariff, Damage Control Bid Cap provisions of Sections 39.2 and 39.3 shall apply to the ISO's Energy and Ancillary Service capacity markets.

### **39.2 Maximum Bid Level.**

The maximum bid level in the ISO's Energy markets shall be \$400/MWh. Market Participants may submit bids in the ISO's Energy markets above \$400/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

The maximum bid level applicable to Adjustment Bids used in the ISO's Congestion Management markets shall be \$400/MWh, and the ISO shall not accept Adjustment Bids in excess of that bid level.

The maximum bid level in the ISO's Ancillary Service capacity markets shall be \$400/MWh. Market Participants may submit bids in the ISO's Ancillary Service capacity markets above \$400/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-

