



California Independent
System Operator Corporation

June 21, 2010

VIA ELECTRONIC FILING

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 Nos. ER09-1064-003 and ER09-1064-004
Informational Report**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO) hereby electronically submits this informational report in compliance with Paragraph 21 of the Order on Compliance Filing issued by the Federal Energy Regulatory Commission (Commission or FERC) on May 20, 2010.¹

I. Background

On April 28, 2009, the ISO filed proposed modifications to the ISO Tariff to adopt a Resource Adequacy (RA) Standard Capacity Product (SCP) and an ancillary services must-offer obligation for RA resources.²

By Order dated June 26, 2009,³ the Commission conditionally accepted in part and rejected in part the ISO's proposed tariff modifications. Overall, the Commission approved the proposals, subject to requiring certain revisions to the SCP provisions, and other clarifications to the SCP tariff language that the ISO agreed to make. The Commission directed the ISO to make the tariff modifications consistent with the directives of the June 26 Order in a compliance filing to be submitted within 45 days of the date of that order.

On August 10, 2009, the ISO submitted its compliance filing to comply with the

¹ *California Indep. Sys. Operator Corp.*, 131 FERC ¶ 61,148 (2010) ("May 20 Order").

² Capitalized terms not otherwise defined herein have the same meaning as set forth in the ISO Tariff, Appendix A, Master Definitions Supplement.

³ *California Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,298 (2009) ("June 26 Order").

requirements of the June 26 Order.

In the May 20 Order, the Commission accepted the ISO's August 10 compliance filing and directed the ISO to submit an informational reporting on the status of its planned software upgrade to automatically reject bids over interties that are out of service. The Commission directed the ISO to submit the required informational report within 30 days of the date of the order.

II. Informational Report

In FERC Docket No. ER03-1102-000, the ISO submitted a filing that, among other things, proposed tariff modifications to prohibit certain bidding and scheduling behavior. The modifications included adding Section 2.2.9 to the tariff. The ISO proposed adding that section to prevent scheduling coordinators from submitting schedules or adjustment bids across a transmission path that is on outage and has an operating transfer capability of zero MW. The ISO explained that the prohibition was necessary because a software limitation prevented the ISO from automatically rejecting bids across an out-of-service transmission path, which created an opportunity for a scheduling coordinator to manipulate the market by submitting a schedule on a path known to be out of service and then potentially receiving counter-flow revenues to relieve the artificial congestion. The Commission approved Section 2.2.9 as proposed, to become effective on the date the ISO implements the necessary system upgrade to reject schedules on zero-rated paths.⁴

As noted in the May 20 Order, the prohibition is now contained in ISO Tariff Section 30.8, which became effective on March 31, 2009, although the ISO had not yet implemented the planned software upgrade.⁵ In the May 20 Order, the Commission directed the ISO to submit an informational report on the status of its planned software upgrade that will automatically reject bids over out-of-service interties.

A. ISO Current Processes to Comply with Section 30.8

When system conditions lead to the identification of either (a) a bidirectional Operating Transfer Capacity (OTC) of zero MW on an ISO transmission path, or (b) a non-zero OTC where the transfer capacity remaining on the path exists solely to support ISO demand or supply resources that would otherwise be stranded, the ISO currently has no feature in the Scheduling Infrastructure Business Rules ("SIBR") system that will automatically reject bids. These conditions are referred to generally as "open tie" conditions, although in the cases of stranded load or stranded generation, the intertie scheduling point (or branch group, or market scheduling limit) may not be electrically "open".

As a temporary measure, until the SIBR system is enhanced to reject such bids, the ISO has developed a market process to effectively "zero-out" bids in the market

⁴ *California Indep. Sys. Operator Corp.*, 106 FERC ¶ 61,179, at P. 121 (2004).

⁵ May 20 Order at P. 21.

software when known “open tie” conditions exist. This measure functionally accomplishes the same result as rejecting the bids at the SIBR interface, except that Market Participants whose bids are affected do not have immediate transparency as to why their bids were not cleared.

In addition to the temporary market process to zero-out affected bids, as a back stop measure, the ISO Scheduling Department has procedures to reject tags on schedules if/when the market-side measures were ineffective at zeroing the affected bids, primarily for open tie conditions that materialize quickly due to outages where the market procedures are not completed in time for the first affected trade date/hours.

In the rare event that bids clear the market on open tie paths, ISO price corrections procedures are performed to correct any invalid pricing implications on final market prices.

B. SIBR System Upgrade

The ISO has planned enhancements to the SIBR system to reject affected bids under open tie conditions, and for the market systems to have built in back-stop bid elimination capabilities for the scenarios where the open tie conditions materialize after the SIBR system has processed the bids for the immediately preceding markets. This will be accomplished by the following high level project elements:

- Creating the required resource-to-transmission path mapping information.
- Creating new software integration features required for SIBR to receive “open tie” condition identification information determined by the ISO’s Outage Management and Scheduling Departments.
- Enhancements to the SIBR system to reject affected bids on open ties, and to report to scheduling coordinators when such occurs
- Enhancements to the day-ahead and real-time market applications to receive the same open tie identification data and the resource-to-transmission path mapping information in order to zero-out the bids, particularly in the scenario when the open tie conditions materialize after the SIBR system has processed the bids for the immediately preceding markets.

The ISO has developed business requirements for these enhancements, and has begun working with its vendors to develop technical design and implementation details. The ISO estimates the testing, monitoring, and other internal validation of the upgrade will occur in September 2010, followed by deployment in October 2010.

III. Communications

Correspondence and other communications regarding this filing should be directed to:

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IV. Conclusion

The ISO respectfully requests that the Commission accept this informational report as complying with the directives of the May 20 Order.

Respectfully submitted,

//s// Beth Ann Burns

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all of the parties listed on the official service lists for the above referenced proceedings, 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 21st day of June, 2010 at Folsom, California.

/s/ Anna Pascuzzo
Anna Pascuzzo