



California Independent
System Operator Corporation

June 22, 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
Compliance Filing**

Docket Nos. ER09-241-001

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO or ISO)¹ hereby submits an original and five copies of the instant filing in compliance with the Federal Energy Regulatory Commission's (Commission or FERC) May 21, 2009, Order, 127 FERC ¶ 61,156, (*Order on Compliance Filing*).

Two additional copies of this filing are enclosed. Please date-stamp and returned to the messenger delivering this filing.

I. Background

On February 9, 2006, the ISO 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 ISO'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. A series of compliance filings, additional tariff amendments and additional orders have since ensued, which the ISO does not summarize here but are all captured in the original FERC Docket No. ER06-615.

On November 10, 2008, the ISO proposed to adopt a price cap of \$2,500/MWh and a price floor of negative \$2,500/MWh on the locational marginal prices (LMPs),

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff. Except as otherwise specified herein, references to sections are references to sections of the ISO Tariff.

Residual Unit Commitment (RUC) Prices, and Ancillary Services Marginal Prices in all of the ISO markets. The ISO proposed these amendments to prevent severe settlement impacts of extreme prices that could result from unanticipated and unusual circumstances as the ISO transitions into the MRTU market.

On January 30, 2009, the Commission approved the ISO proposed tariff amendments subject to certain additional compliance requirements to be filed within 30 days of the issuance of the January 30 Order. On March 2, 2009, the ISO submitted revised tariff sheets to comply with the January 30 Order. In that filing the ISO indicated that: (1) the ISO will delay the posting of certain prices when there is an indication that they may not be correct; (2) the ISO will include all prices that exceed the price cap and floor in its weekly price correction reports; and (3) the price cap and floor provisions will terminate on March 31, 2010.

In its *Order on Compliance Filing* the Commission conditionally accepted the revised tariff sheets subject to further compliance filing. The ISO submits the instant filing to comply with the directives in the *Order on Compliance Filing*.

II. Discussion

A. Compliance with Further Requirements in Paragraph 9 of the *Order on Compliance Filing*.

In compliance with Paragraph 9 of the *Order on Compliance Filing*, the ISO proposes additional changes to Section 27.1.3 and 35.1 that will enable the ISO to implement a delay in posting certain prices resulting from the clearing of any of the MRTU markets only if those prices exceed the price cap and floors specified in Section 27.1.3.

Specifically, the ISO proposes the following changes:

27.1.3 Maximum and Minimum CAISO Markets Prices

For Settlements purposes, all LMPs, ASMPs and RUC Availability Prices for the IFM, RUC, HASP and Real-Time Market, as applicable, shall not exceed \$2500 per MWh and shall not be less than negative \$2500 per MWh. All prices produced by the CAISO Markets will be posted in accordance with the posting of market results as further provided in Section 6.5, and subject to the price validation and correction procedures provided in Section 35; provided that the only prices that will be initially withheld from publication are those prices that exceed the above specified maximum and minimum CAISO Market prices. Prices exceeding \$2500 or less than negative \$2500 will be modified for Settlements purposes pursuant to price correction process in Section 35 and the CAISO will post the results. In addition to the analysis provided in the CAISO quarterly market performance reports on the maximum and minimum prices and

price trends, the CAISO shall include in the weekly price correction report specified in Section 35.6 all prices at a non-aggregated level that exceed the minimum and maximum settlement prices specified in this Section 27.1.3. This Section 27.1.3 will no longer be in effect twelve months after the effective date of this section 27.1.3.

35.1 Market Validation.

The CAISO shall monitor the Market Clearing software solutions for the Day-Ahead Market, the RUC process, the Hour-Ahead Scheduling Process, and the Real-Time Market for all market intervals to determine whether prices are calculated accurately, consistent with the provisions of the CAISO Tariff. To the extent reasonably practicable, the CAISO shall correct erroneous prices identified through such monitoring, and may also withhold temporarily the posting of potentially erroneous prices as otherwise required by Section 6 if such prices exceed the maximum and minimum CAISO Market prices provided in Section 27.1.3, and re-run the relevant CAISO Markets prior to publication of prices on its Open Access Same-Time Information System (OASIS) or provision of prices directly to Market Participants, if applicable.

The ISO notes that the Commission also directed modifications to Section 35.2 to reflect this same requirement. However, upon further review of Section 35.2, the ISO believes that by making the requisite change to Section 35.1 and because Section 35.2 references the screening requirements in Section 35.1 there is no need to modify 35.2. Specifically, Section 35.2 reads as follows:

The ISO will publish any price withheld for publication pursuant to Section 35.1 as soon as practicable, but no later than 48 hours after the price is initially withheld. All prices for each Trading Day, including prices initially withheld pursuant to Section 35.1, shall become subject to the CAISO's price correction process once the CAISO publishes them on its OASIS or provides them directly to Market Participants, if applicable. For all prices, the price correction process for each Trading Day shall end no later than 1700 hours of the eighth calendar day following that Trading Day. The CAISO may establish an earlier end-time for the price correction process in the applicable Business Practice Manual and may complete the price correction process for any Trading Day earlier than the end-time established in this Section 35 or in the Business Practice Manual. The CAISO shall provide notification on the CAISO Website when it has completed the price correction process for each Trading Day. If the CAISO does not provide such notification, the price correction process will be deemed complete at 1700 hours of the eighth calendar day following that Trading Day, unless an earlier time is established by the applicable Business Practice Manual.
[emphasis added]

B. Compliance with Further Requirements in Paragraph 9 of the *Order on Compliance Filing*.

In Paragraph 9 of the *Order on Compliance Filing*, the Commission agreed with certain comments filed that the Hour-Ahead Scheduling Process (HASP) prices posted on OASIS, like other prices released by the ISO to OASIS, should be updated when the ISO revises prices. Accordingly, the Commission directed the ISO to explain whether and to what extent prices are being updated on its OASIS. Alternatively, the Commission directed the ISO to implement a mechanism for updating HASP prices posted on OASIS and file its proposal within 30 days of the date of this order, or explain why the implementation of such a mechanism is impractical. The ISO provides the following explanation regarding how it has already taken steps to implement the posting of updated HASP prices on OASIS.

The ISO posted updated HASP prices to the public going back to April 1, 2009 in both *extensible markup language* (XML) and *comma separated values* (CSV) files on its website but on a location outside of the OASIS application. These updated values were provided on a Trading Day plus 3 days (T+3) and Trading Day plus 8 days (T+8) basis. This information is also provided in the daily HASP Price Correction Report on the ISO public website for participants to download.²

On June 19, 2009, the ISO deployed a mechanism that will allow the ISO to update HASP prices directly on OASIS using the same XML and CSV format. The ISO issued a Market Notice on June 19, 2009, regarding this process.³ This process will allow OASIS users to download the HASP Price Correction data using the defined OASIS API.

Over the course of the next few weeks, the ISO will transfer the back-posted data into OASIS for Trading Days April 1, 2009 through June 16, 2009. The mechanism deployment on June 19, 2009, will allow the updating of HASP prices updates in the same XML and CSV files and on the T+3 and T+8 intervals until, as discussed further below, the ISO is able to deploy the full mechanism for updating HASP prices on OASIS.

The ISO has also requested a software fix from its vendor that will enable the corrected prices to be automatically updated directly on OASIS as the ISO currently does for all other prices. These updates will follow the actual correction of prices more closely and will not be restricted to the T+3 and T+8 interval updates. The ISO expects this mechanism will be deployed after the summer time frame.

² See (<http://www.caiso.com/2385/2385bb36469a0.html>).

³ See (<http://www.caiso.com/23d2/23d2c5233c4b0.html>).

III. Materials Provided in the Instant Compliance Filing

The following documents, in addition to this transmittal letter, support the instant filing:

- Attachment A Clean MRTU Tariff sheets incorporating the red-lined changes contained in Attachment B
- Attachment B Red-lined changes to the MRTU Tariff to implement the revisions contained in this filing

IV. Effective Date.

The ISO requests that the Commission approve this compliance filing as submitted to be effective March 31, 2009.

V. Conclusion

The ISO respectfully requests that the Commission accept the instant filing as complying with the directives of the *Order on Compliance Filing*. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,

/s/ Anthony Ivancovich
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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 Folsom, California this 22nd day of June, 2009.

/s/ Jane Ostapovich
Jane Ostapovich

Attachment A – Clean Sheets
Fourth Replacement CAISO Tariff
Price Cap Compliance Filing
June 22, 2009
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27.1.2.3 Ancillary Services Pricing in the Event of a Supply Insufficiency.

In the event that there is not sufficient supply to meet an Ancillary Services procurement requirement in a particular Ancillary Services Region in the IFM or RTM as required by Section 8.3, the applicable market will relax the relevant Ancillary Service procurement requirement and will use the maximum Ancillary Service Bid price permitted under Section 39.6.1.3 as the pricing parameter for determining the price of the deficient Ancillary Service.

27.1.3 Maximum and Minimum CAISO Markets Prices

For Settlements purposes, all LMPs, ASMPs and RUC Availability Prices for the IFM, RUC, HASP and Real-Time Market, as applicable, shall not exceed \$2500 per MWh and shall not be less than negative \$2500 per MWh. All prices produced by the CAISO Markets will be posted in accordance with the posting of market results as further provided in Section 6.5, and subject to the price validation and correction procedures provided in Section 35; provided that the only prices that will be initially withheld from publication are those prices that exceed the above specified maximum and minimum CAISO Market prices. Prices exceeding \$2500 or less than negative \$2500 will be modified for Settlements purposes pursuant to price correction process in Section 35 and the CAISO will post the results. In addition to the analysis provided in the CAISO quarterly market performance reports on the maximum and minimum prices and price trends, the CAISO shall include in the weekly price correction report specified in Section 35.6 all prices at a non-aggregated level that exceed the minimum and maximum settlement prices specified in this Section 27.1.3. This Section 27.1.3 will no longer be in effect twelve months after the effective date of this section 27.1.3.

35 Market Validation and Price Correction.

35.1 Market Validation.

The CAISO shall monitor the Market Clearing software solutions for the Day-Ahead Market, the RUC process, the Hour-Ahead Scheduling Process, and the Real-Time Market for all market intervals to determine whether prices are calculated accurately, consistent with the provisions of the CAISO Tariff. To the extent reasonably practicable, the CAISO shall correct erroneous prices identified through such monitoring, and may also withhold temporarily the posting of prices as otherwise required by Section 6 if such prices exceed the maximum and minimum CAISO Market prices provided in Section 27.1.3, and re-run the relevant CAISO Markets prior to publication of prices on its Open Access Same-Time Information System (OASIS) or provision of prices directly to Market Participants, if applicable.

35.2 Timing of the Price Correction Process.

The ISO will publish any price withheld for publication pursuant to Section 35.1 as soon as practicable, but no later than 48 hours after the price is initially withheld. All prices for each Trading Day, including prices initially withheld pursuant to Section 35.1, shall become subject to the CAISO's price correction process once the CAISO publishes them on its OASIS or provides them directly to Market Participants, if applicable. For all prices, the price correction process for each Trading Day shall end no later than 1700 hours of the eighth calendar day following that Trading Day. The CAISO may establish an earlier end-time for the price correction process in the applicable Business Practice Manual and may complete the price correction process for any Trading Day earlier than the end-time established in this Section 35 or in the Business Practice Manual. The CAISO shall provide notification on the CAISO Website when it has completed the price correction process for each Trading Day. If the CAISO does not provide such notification, the price correction process will be deemed complete at 1700 hours of the eighth calendar day following that Trading Day, unless an earlier time is established by the applicable Business Practice Manual.

Attachment B – Blacklines
Fourth Replacement CAISO Tariff
Price Cap Compliance Filing
June 22, 2009
ER09-241-001

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27.1.3 Maximum and Minimum CAISO Markets Prices

For Settlements purposes, all LMPs, ASMPs and RUC Availability Prices for the IFM, RUC, HASP and Real-Time Market, as applicable, shall not exceed \$2500 per MWh and shall not be less than negative \$2500 per MWh. All prices produced by the CAISO Markets will be posted in accordance with the posting of market results as further provided in Section 6.5, and subject to the price validation and correction procedures provided in Section 35: provided that the only prices that will be initially withheld from publication are those prices that exceed the above specified maximum and minimum CAISO Market prices. Prices exceeding \$2500 or less than negative \$2500 will be modified for Settlements purposes pursuant to price correction process in Section 35 and the CAISO will post the results. In addition to the analysis provided in the CAISO quarterly market performance reports on the maximum and minimum prices and price trends, the CAISO shall include in the weekly price correction report specified in Section 35.6 all prices at a non-aggregated level that exceed the minimum and maximum settlement prices specified in this Section 27.1.3. This Section 27.1.3 will no longer be in effect twelve months after the effective date of this section 27.1.3.

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35.1 Market Validation.

The CAISO shall monitor the Market Clearing software solutions for the Day-Ahead Market, the RUC process, the Hour-Ahead Scheduling Process, and the Real-Time Market for all market intervals to determine whether prices are calculated accurately, consistent with the provisions of the CAISO Tariff. To the extent reasonably practicable, the CAISO shall correct erroneous prices identified through such monitoring, and may also withhold temporarily the posting of ~~potentially erroneous~~ prices as otherwise required by Section 6 if such prices exceed the maximum and minimum CAISO Market prices provided in Section 27.1.3, and re-run the relevant CAISO Markets prior to publication of prices on its Open Access Same-Time Information System (OASIS) or provision of prices directly to Market Participants, if applicable.

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