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October 20, 2005

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

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

**Non-Conforming Service Agreement No. 629**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("ISO")<sup>1</sup> submits for Commission filing and acceptance the enclosed letter agreement between the ISO and Bonneville Power Administration Transmission Business Line ("BPAT") ("Letter Agreement") concerning BPAT's role as an intermediary Control Area for dynamic scheduling to the ISO Control Area. The enclosed Letter Agreement is a "non-conforming" service agreement and has been designated as Service Agreement No. 629. The ISO requests a waiver of the 60-day prior notice requirement to allow the Letter Agreement be made effective on December 1, 2005.

The purpose of this Letter Agreement is to document the operating procedures to be used by the ISO and BPAT for the delivery of dynamic schedules to the ISO Control Area through the BPAT Control Area from the

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

Portland General Electric Company ("PGE") Control Area. The Letter Agreement is being filed in conjunction with, though in a separate docket from, a Dynamic Scheduling Host Control Area Operating Agreement between the ISO and PGE. The ISO notes that these two filings, although submitted separately, must both be effective in order for the ISO to support schedules for dynamic imports of Energy and Ancillary Services from PGE.<sup>2</sup>

## **I. Description of the Letter Agreement**

The Letter Agreement is applicable to BPAT as the operator of an intermediary Control Area through which the dynamic signal from resources outside the ISO Control Area that wish to schedule dynamic imports of Energy, Supplemental Energy, and Energy associated with non-Regulation Ancillary Services (Spinning Reserve and Non-Spinning Reserve) into the ISO Control Area must pass. The Letter Agreement establishes the framework of operating procedures for BPAT's role as an intermediary Control Area in facilitating the dynamic scheduling functionality and requires BPAT to comply with the ISO Dynamic Scheduling Protocol ("DSP"). The DSP covers several important operating and scheduling provisions that are derived primarily from applicable North American Electric Reliability Council ("NERC") policies and Western Electricity Coordinating Council ("WECC") requirements.

The Letter Agreement satisfies the provisions of Section 2.2.7.6 of the ISO Tariff. Section 2.2.7.6 requires an affected intermediary Control Area to execute a special supporting agreement with the ISO related to the operation of any dynamic functionality that it supports.

The Letter Agreement provides that the ISO and BPAT will operate in accordance with their respective protocols and practices with regard to the dynamic scheduling functionality to be facilitated between the PGE Control Area and the ISO Control Area. In the event of a conflict, the parties agree to work in good faith to resolve the conflict. The parties additionally agree to share information necessary to facilitate dynamic scheduling under the Letter Agreement and agree to a provision that makes clear that either party may curtail a dynamic schedule for various reliability-related reasons. The Letter Agreement terminates on April 1, 2006, in anticipation that the ISO and BPAT will negotiate a more comprehensive agreement covering dynamic scheduling prior to that date.

The ISO notes that the present filing contains many of the same provisions as non-conforming Service Agreement No. 600. That service

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<sup>2</sup> The ISO and PGE have also executed a Dynamic Scheduling Agreement for Scheduling Coordinators ("DSASC"), to become effective on December 1, 2005, but because that agreement does not differ in any respect from the ISO's *pro forma* DSASC it will not be filed.

agreement was submitted on April 6, 2005 in Docket No. ER05-785-000, and was approved by a Commission letter order issued on June 3, 2005 in Docket Nos. ER05-784-000, *et al.* Service Agreement No. 600 was amended by the ISO in a filing submitted on September 30, 2005 in Docket No. ER05-1521-000, upon which the Commission has not yet acted.

## **II. Request for Waiver**

The ISO respectfully requests a waiver of the Commission's 60-day prior notice requirement, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, to allow the enclosed materials to become effective as of December 1, 2005. Granting the waiver will permit the ISO to implement the dynamic scheduling functionality and allow participation in the ISO markets under the new arrangement in a timely manner, and on the same date that a number of ISO systems changes are scheduled to be implemented.<sup>3</sup> Granting the requested waiver, therefore, is appropriate.

Further, the information submitted with this filing substantially complies with the requirements of Part 35 of the Commission's regulations applicable to filings of this type. The ISO therefore requests waiver of any applicable requirement of Part 35 for which waiver is not specifically requested, if necessary, in order to permit this filing to become effective as proposed.

## **III. Expenses**

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

## **IV. Service**

Copies of this filing have been served upon BPAT, PGE, the California Public Utilities Commission, and the California Electricity Oversight Board. In addition, the filing has been posted on the ISO's website.

Enclosed for filing are six copies of each of the following:

- (1) this letter of transmittal; and

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<sup>3</sup> The ISO systems changes are to accommodate planned modifications to the ISO Control Area footprint that are described in the ISO's September 30, 2005 filing in Docket No. ER05-1522-000, at page 2.

- (2) Letter Agreement, provided in a format that complies with Order No. 614, *Designation of Electric Rate Schedule Sheets*, FERC Stats. and Regs. ¶ 31,096 (2000) (Attachment A).

Also enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

**V. Correspondence**

The ISO requests that all correspondence, pleadings and other communications concerning this filing be served upon the following:

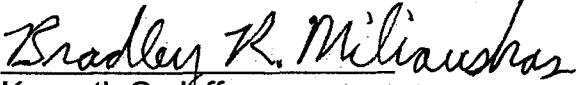
John Anders\*  
Corporate Counsel  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
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\* Individuals designated for service pursuant to Rule 203(b)(3),  
18 C.F.R. § 203(b)(3).

Respectfully submitted,

Charles F. Robinson  
General Counsel  
John Anders  
Corporate Counsel  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630

  
Kenneth G. Jaffe  
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Attorneys for the California Independent  
System Operator Corporation

**ATTACHMENT A**

**LETTER AGREEMENT (DYNAMIC SCHEDULING)  
BETWEEN THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
AND BONNEVILLE POWER ADMINISTRATION TRANSMISSION BUSINESS LINE**

Issued by: Charles F. Robinson, Vice President and General Counsel  
Issued on: October 20, 2005

Effective: December 1, 2005



## Department of Energy

Bonneville Power Administration  
P.O. Box 61409  
Vancouver, WA 98666-1409

TRANSMISSION BUSINESS LINE

October 13, 2005

In reply refer to: TM/OPP-2

Contract No. 06TX-12123  
**LETTER AGREEMENT**  
(Dynamic Scheduling)

Mr. Jim Detmers, Vice President, Operations  
California Independent System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630

Dear Mr. Detmers:

The Bonneville Power Administration (BPA) Transmission Business Line (BPAT) is a control area operator in the northwestern United States that provides transmission service across the Federal Columbia River Transmission System (FCRTS). The California Independent System Operator Corporation (CAISO), the control area operator for its area, wishes to engage in the receipt of dynamic schedules from external control area(s) that requires the participation of BPAT as an intermediary control area.

BPAT's Dynamic Schedules Business Practice establishes the criteria and requirements for Dynamic Scheduling utilizing the FCRTS, including firm transmission capacity requirements, which must be met to reserve transmission service for a dynamic schedule transaction. Transmission customer rights to use the FCRTS are set forth in Transmission Service Agreements between the customer and BPAT pursuant to BPA's Open Access Transmission Tariff (Tariff). The transmission customer's rights are not affected by this agreement. CAISO is not an entity requesting transmission service from BPAT.

The CAISO's "Dynamic Scheduling Protocol" and "Standards for Imports of Regulation" establish standards that must be met for Dynamic Scheduling into the CAISO control area.

This Letter Agreement, Contract No. 06TX-12123 (Agreement), documents the operating procedures to be used between CAISO and BPAT for the delivery of dynamic schedules to the CAISO control area through the BPAT control area from the Portland General Electric Company Transmission Services Department's (PGET) control area.

Therefore BPAT and CAISO (jointly referred to as the "Parties" and individually as "Party") agree:

**1. TERM OF AGREEMENT**

This Agreement shall be effective on the later of December 1, 2005, or the date made effective by the Federal Energy Regulatory Commission (FERC). Unless otherwise extended by mutual agreement, this Agreement shall terminate on 0000 hours April 1, 2006. Prior to April 1, 2006 this Agreement shall continue in effect until such time at which CAISO's ability to use BPAT as an intermediary control area for the receipt of dynamic schedules is terminated in writing by either party with 30 days' notice or until such time that this Agreement is superseded by the terms of a comprehensive agreement between the Parties covering dynamic scheduling and such agreement is made effective by FERC. Nothing in this Agreement shall prevent a Party from selectively discontinuing its support for a particular dynamic scheduling functionality or transaction, should the Party determine that the particular functionality or transaction is not compliant with the Party's technical standards identified in section 2 of this Agreement.

Performance by the Parties under this Agreement is contingent on the effectiveness of: a control area service agreement for dynamic scheduling between BPAT and PGET; an operating agreement for dynamic scheduling between and BPAT and Portland General Electric on behalf of its merchant function (PGEM); a dynamic scheduling agreement between CAISO and PGEM; and a host control area agreement between CAISO and PGET.

**2. DYNAMIC SCHEDULING PROCEDURES**

BPAT's existing Dynamic Schedules Business Practice, and as it may be replaced or revised from time to time, is incorporated by reference into this Agreement, and only to the extent its provisions are applicable to CAISO as the control area operator, and sets forth the criteria and requirements for CAISO as a control area to facilitate dynamic scheduling with BPAT.

The Dynamic Schedules Business Practice is posted on the BPA transmission business line website under Business Practices. Additional terms necessary to address equipment limitations or to facilitate scheduling may be agreed to in writing by BPA and CAISO.

The CAISO's "Dynamic Scheduling Protocol" as it may be replaced or revised from time to time, is incorporated by reference into this Agreement, and only to the extent such provisions are applicable to BPAT as the intermediary control area operator, and set forth the criteria and requirements for BPAT as an intermediary control area to facilitate dynamic scheduling with CAISO.

The CAISO's "Dynamic Scheduling Protocol" is posted on the CAISO internet web site at: <http://www.caiso.com/docs/09003a6080/33/5b/09003a6080335b3f.pdf>.

In the event of conflicts or inconsistencies between BPAT's Dynamic Schedules Business Practice and CAISO's Dynamic Scheduling Protocol (together referred to as



“Standards”), the Parties agree to work in good faith to resolve them in a manner consistent with the Standards and consistent with the intent of this Agreement to facilitate dynamic scheduling between their respective control areas.

**3. EXCHANGE OF INFORMATION**

The Parties agree to share, both between the Parties and with other control areas, whatever information is necessary to facilitate dynamic scheduling under this Agreement. The Parties also agree to exchange information related to control signals issued and telemetry received with respect to the delivery of regulation service: (1) at the request of the other Party for purposes of after-the-fact interchange accounting; or (2) on demand for any other purpose.

**4. LIABILITY**

**a. Uncontrollable Forces**

An Uncontrollable Force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond the reasonable control of a control area operator which could not be avoided through the exercise of Good Utility Practice as that term is defined by FERC in its “Supplement to Policy Statement on Matters Related to Bulk Power System Reliability” issued February 9, 2005, in Docket No. PL04-5-001.

Neither Party will be considered in default of any obligation under this Agreement or liable to the other for direct, indirect and consequential damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force requiring the Party to suspend performance of its obligations. Each Party shall each use its best efforts to mitigate the effects of an Uncontrollable Force, remedy its inability to perform and resume full performance of its obligations hereunder in a timely manner.

**b. Liability To Third Parties**

Except as otherwise expressly provided herein, nothing in this Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of either Party.

**c. Liability Between the Parties**

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge or expense, whether direct, indirect or consequential, arising from the Party's performance or nonperformance under this Agreement, except for a Party's gross negligence or willful misconduct subject to applicable law.

**d. Liability For Electric Disturbance and Interruptions**

The Parties shall plan, operate and maintain their respective systems, consistent with Good Utility Practice, to minimize or avoid electric disturbances that may interfere with the system of the other Party. The limits of responsibility for the Parties shall each be for protecting its respective system from possible damage by reason of electric disturbance or faults caused by the operation, faulty operation or non-operation of its facilities.

Neither Party shall be liable to the other Party for any claim, demand, liability, loss or damage, whether direct, indirect or consequential, incurred by the Parties or their respective customers, which results from the separation of the systems in an emergency or interruption.

**5. SPECIAL PROVISIONS**

Either Party may (as provided in BPA's and the CAISO's tariffs, applicable service agreements, BPAT's Dynamic Scheduling Business practice, the CAISO's Dynamic Scheduling Protocol and Good Utility Practice) curtail, reduce or cut dynamic schedules if such Party determines such action is necessary or desirable in case of system emergencies or operational constraints to preserve system reliability or protect against death, injury, loss or damage to property.

**6. WAIVERS**

Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Agreement, shall not constitute or be deemed a waiver of such right.

**7. GOVERNING LAW**

Subject to Section 8 of this Agreement, this Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with federal law. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement shall be brought in any of the following forums, as appropriate: any federal court of the United States of America located in the States of Oregon or California or, where subject to its jurisdiction, before the FERC. No provision of this Agreement shall be deemed to waive the right of any Party to protest, or challenge

in any manner, whether this Agreement, or any action or proceeding arising under or relating to this Agreement, is subject to the jurisdiction of the FERC.

**8. CONSISTENCY WITH FEDERAL LAWS AND REGULATIONS**

Nothing in this Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations or orders lawfully promulgated there under. If any provision of this Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with any provision of this Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with this Agreement to the extent that applicable federal laws, regulations and orders lawfully promulgated there under permit it to do so.

**9. SEVERABILITY**

If any term, covenant or condition of this Agreement or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

**10. WECC/NERC POLICIES AND STANDARDS**

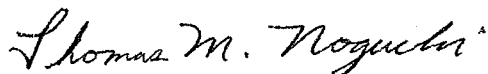
The Parties shall plan, operate and maintain or cause to be maintained, their respective systems, consistent with Good Utility Practice. Each Party agrees that it will comply with all WECC and NERC standards and policies applicable to dynamic scheduling while this Agreement is in effect, except as otherwise agreed to by the Parties in writing, or unless the Party determines in good faith that compliance with such standards and policies would cause it to violate or improperly implement an applicable law, regulation, rule, tariff, FERC license provisions or other legal obligation, or would conflict with any non-power requirement applicable to the Party (including without limitation any obligation under environmental laws, regulations, court and administrative decisions or biological opinions).

If the foregoing terms and conditions are acceptable to CAISO, please sign and return one original of this Agreement to me at the address above. The remaining two executed originals are for CAISO's files.

If you choose to return the executed original by overnight delivery service, please address it to my attention at: Bonneville Power Administration, Mail Stop: TM/OPP-2, 8100 NE Parkway Drive – Suite 50, Vancouver, WA 98662.

If you have any questions, please call me at (360) 619-6009.

Sincerely,



Thomas M. Noguchi  
Senior Transmission Account Executive  
Transmission Marketing and Sales

**ACCEPTED:**

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: \_\_\_\_\_

Name: Jim Detmers  
(Print/Type) ~~Vice President, Grid Operations~~  
~~Acting Chief Operations Officer~~  
Date: \_\_\_\_\_


Title: \_\_\_\_\_

Date: 10/19/05

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing documents as described in those documents, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Folsom, California, on this 20<sup>th</sup> day of October, 2005.

  
\_\_\_\_\_  
John Anders