

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

**California Independent System            )       Docket No. ER10-\_\_\_\_-000  
Operator Corporation                    )**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF  
PENALTY ASSESSMENTS**

Pursuant to Rule 207 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2008), and Section 37.9.4 of the California Independent System Operator Corporation (“ISO”) Tariff, the ISO hereby seeks Commission approval of the distribution of the proceeds of penalties collected pursuant to Section 37.9 of the ISO Tariff in accordance with the allocation set forth in Attachment 1 to this filing. The ISO requests confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

**I.       DISCUSSION**

Section 37.9.4 requires the ISO to place all proceeds of penalties collected under Section 37.9 into a trust account. Following the end of the year, the ISO must allocate those proceeds, together with interest, to Scheduling Coordinators for eligible Market Participants. Eligible Market Participants are those that were not assessed a financial penalty under Section 37 during the relevant calendar year. Payment must be the product of: (a) the amount in the trust account, including interest; and (b) the ratio of GMC payments by the Scheduling Coordinator on behalf of eligible Market Participants to the total of such amounts paid by all Scheduling Coordinators, but the payment cannot be

more than the amount of Grid Management Charge (“GMC”) paid by the Scheduling Coordinator on behalf of all eligible Market Participants that it represents. Subsequent to the disposition, the Scheduling Coordinator is responsible for distributing the amounts to the eligible Market Participants in proportion to their share of the GMC paid by the Scheduling Coordinator on their behalf.

Section 37.9.4 requires the ISO to “obtain FERC’s approval of its determination of eligible Market Participants and their respective shares of the trust account proceeds” before distributing the penalty proceeds. Through the instant filing, the ISO hereby seeks approval to distribute the proceeds from penalties assessed in calendar year 2008.<sup>1</sup> In 2008, the ISO assessed \$291,354 in penalties. As of March 31, 2010, these funds will have accrued \$19,142 in interest. Once the ISO receives Commission approval to distribute the penalty proceeds, the final interest amount will be recalculated to correspond to the actual day on which the distribution will occur. As noted in the ISO’s petition for the 2006 and 2007 calendar years, the ISO used the applicable Trading Day of the Settlement Statement on which the penalty was invoiced to determine the calendar year in which the penalty was assessed.<sup>2</sup> The breakdown of penalties is as follows:

---

<sup>1</sup> Historically, the ISO has sought Commission approval of its proposed distribution of penalty proceeds by filing a petition pursuant to Rule 207.

<sup>2</sup> Petition of the California Independent System Operator Corporation for Approval of Disposition of Proceeds of Penalty Assessments 2, FERC Docket No. ER08-1565-000 (Sept. 22, 2008).

## 2008 Calendar Year Penalties

Tariff Section	Number of Violations	Amount
<b>37.4 Comply with Availability Reporting Requirements</b>		
37.4.1 (Reporting Availability)	17	\$29,000
37.4.3 (Explanation of Forced Outages)	33	\$59,000
<b>37.5 Provide Factually Accurate Information</b>		
37.5.2 (Inaccurate Meter Data)	2	\$195,354
<b>37.6 Provide Information Required by ISO Tariff</b>		
37.6.1 (Demand Forecast Submittal)	3	\$1,500
37.6.1 (Late Meter Data)	8	\$6,500
		<u>\$291,354</u>

As contemplated by Section 37.9.4, the ISO has contacted each Scheduling Coordinator that was assessed a penalty during the 2008 calendar year to determine each Market Participant served under the Scheduling Coordinator ID and the amount of GMC paid by each such Market Participant. During that process, no Scheduling Coordinator challenged the determination of eligible Market Participants. Using the data, the ISO calculated the allocation of penalty proceeds under the methodology set forth in Section 37.9.4. The results of that calculation are included in Attachment 1.

The ISO is requesting that Attachment 1 be afforded confidential treatment under 18 C.F.R. § 388.112. Public disclosure of the information would allow parties to determine which Market Participants were assessed penalties. Under Section 37.9.3.1 of the ISO Tariff, the ISO has discretion whether to publicly identify Market Participants that are assessed penalties. In this instance, the ISO has decided not to disclose the identities because the violations were either minor (late submission of required information) or without malicious intent and

self-reported to the ISO (errors in meter data). Disclosing the identities of the sanctioned Market Participants could potentially cause harm to those Market Participants that is in excess of the severity of the violations.

## **II. CORRESPONDENCE AND MARKET NOTICE**

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

\*David S. Zlotlow, Counsel  
The California Independent System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 608-7007  
Fax: (916) 608-7222  
[dzlotlow@caiso.com](mailto:dzlotlow@caiso.com)

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

Because this matter may be of interest to all Scheduling Coordinators, the ISO will issue a market notice of this filing.

## **III. CONCLUSION**

Accordingly, the ISO requests that the Commission approve the disposition of proceeds described in Attachment 1 and provide confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

Respectfully submitted,

***/s/ David S. Zlotlow***

---

David S. Zlotlow  
Counsel  
California Independent System Operator  
Corporation  
151 Blue Ravine Road  
Folsom, CA 95630

**ATTORNEY FOR THE CALIFORNIA  
INDEPENDENT SYSTEM  
OPERATOR CORPORATION**

March 16, 2010

**Attachment 1**

**[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED  
PURSUANT TO 18 C.F.R. 388.112]**

**PRIVILEGED MATERIAL VOLUME**

**Re: California Independent System Operator Corporation  
Docket No. ER10-\_\_\_\_-000**

**PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF  
PENALTY ASSESSMENTS**

**Filed March 16, 2010**

**Filed with Request for Privileged Treatment  
Contains Privileged Information  
Do Not Release**