



October 1, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket Nos. ER12-1856**

Dear Secretary Bose:

The California Independent System Operator (ISO) submits this filing in compliance with the Commission's August 31, 2012 order in this proceeding, *California Independent System Operator Corp.*, 140 FERC ¶ 61,169 (2012) (August 31 Order).

The August 31 Order conditionally accepted tariff amendments that the ISO filed on May 25, 2012, to comply with Order No. 741 by becoming a central counterparty to market transactions. In response to the ISO's filing, several parties submitted comments and protests, including the "Six Cities" of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California. Among other things, the Six Cities asked for clarification that the central counterparty rules are not intended to affect the tax-exempt status of transmission facilities that were financed with tax-exempt bonds. August 31 Order P 17. In its answer, the ISO agreed to revise Section 11.29(a)(iii) of its tariff to state that its status as the central counterparty is not intended to affect the tax-exempt status of transmission facilities or entitlements subject to its control. *Id.* P 20.

The Commission accepted the ISO's compliance filing on the condition that it fulfill its commitment to revise Section 11.29(a)(iii) as described by the ISO. *Id.* P 35. The specified tariff changes are attached, as follows:

Attachment A	Clean ISO tariff sheets reflecting the revisions described
Attachment B	Proposed tariff revisions in black-line format

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The ISO requests that the Commission approve these proposed tariff revisions as compliant with the August 31 Order.

Respectfully submitted,

/s/ Daniel J. Shonkwiler

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Counsel for the California Independent System Operator Corporation

Attachment A – Clean Tariff
Order 741 Compliance Filing – Central Counterparty Issue
California Independent System Operator
Fifth Replacement FERC Electric Tariff
October 1, 2012

11.29 CAISO as Counterparty; Billing and Payment;

- (a) The CAISO shall be the contracting counterparty, in its own name and right, to each Scheduling Coordinator, CRR Holder, Black Start Generator, or Participating TO for any purchase or sale of any product or service, or for any other transaction, that is financially settled by the CAISO under the CAISO Tariff, except under the following circumstances:
- (i) The CAISO shall not be the contracting counterparty for transactions that procure Station Power for a Generating Unit located in Mexico or for transactions that procure Energy or Ancillary Services within Mexico; for such transactions, the CAISO will not act as principal but instead as agent for and on behalf of the relevant Scheduling Coordinators.
 - (ii) The provisions of this Section 11.29 will not apply to the billing and payment of transactions associated with Trading Days that occurred prior to September 1, 2012. Billing and payment of such transactions shall be governed by the terms of the tariff effective on the Trading Days.
 - (iii) The CAISO's status as contracting counterparty is not intended to affect the tax-exempt status of transmission facilities or entitlements subject to the CAISO's operational control.
- (b) The purchase or sale of any products or service, or any other transaction, that is financially settled by CAISO under this CAISO Tariff shall be deemed to occur within the State of California. To the extent permitted by applicable law, any warranties provided by the sellers to the CAISO of such products or services, whether express, implied or statutory, are hereby passed to the Business Associates who purchase such products or services from the CAISO on a "pass through basis" and to the extent not passed through, any such warranties are hereby assigned by the CAISO to the purchasing Business Associates. Sellers to the CAISO and Business Customers acknowledge that warranties on such products are limited to that offered by the seller to CAISO and will exist, if at all, solely between the seller to the CAISO and the purchasing Business Associate. AS BETWEEN THE PURCHASING BUSINESS ASSOCIATE AND THE CAISO AS

COUNTERPARTY, NO EXPRESS OR IMPLIED WARRANTIES ARE MADE BY THE CAISO REGARDING THE PRODUCTS AND SERVICES SOLD BY THE CAISO AS COUNTERPARTY, AND ANY SUCH PRODUCTS AND SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS. THE CAISO MAKES NO WARRANTY OR REPRESENTATION THAT THE PRODUCTS OR SERVICES WILL BE UNINTERRUPTED OR ERROR FREE. PURCHASING BUSINESS ASSOCIATES HEREBY WAIVE, AND THE CAISO HEREBY DISCLAIMS, ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT. THE CAISO DOES NOT WARRANT THAT THE PRODUCTS AND SERVICES OFFERED WILL MEET CUSTOMER'S REQUIREMENTS. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY THE CAISO OR ANY AUTHORIZED REPRESENTATIVE OF THE CAISO SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF ANY PASS THROUGH OR ASSIGNED WARRANTY. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTIES IN CERTAIN CIRCUMSTANCES, SO THE ABOVE EXCLUSION APPLIES ONLY TO THE EXTENT PERMITTED BY APPLICABLE LAW.

- (c) The CAISO will calculate for each charge the amounts payable by the relevant Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO for each Settlement Period of the Trading Day, and the amounts payable to that Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO for each charge for each Settlement Period of that Trading Day and shall arrive at a net amount payable for each charge by or to that Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO for each charge for that Trading Day. Each of these net amounts will appear in the Settlement Statements that the CAISO will provide to the relevant Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO.
- (d) The components of the Grid Management Charge will be included in an Initial Settlement Statement T+3B, and any Recalculation Settlement Statement with the other types of charges referred to in Section 11.

Attachment B – Marked Tariff

Order 741 Compliance Filing – Central Counterparty Issue

California Independent System Operator

Fifth Replacement FERC Electric Tariff

October 1, 2012

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- (d) The components of the Grid Management Charge will be included in an Initial Settlement Statement T+3B, and any Recalculation Settlement Statement with the other types of charges referred to in Section 11.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties listed on the official service list in the captioned 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 at Washington, DC, this 1st day of October, 2012.

/s/ Daniel Klein
Daniel Klein