

# Memorandum

**To:** ISO Board of Governors  
**From:** Nancy Saracino, Vice President, General Counsel and Corporate Secretary  
**Date:** February 3, 2009  
**Re:** **Regulatory Update**

---

**This memorandum does not require Board action.**

**Federal Energy Regulatory Commission (FERC) matters and related decisions of the Court of Appeals**

**Market redesign and technology upgrade (MRTU)**

- **Price cap tariff amendment (ER09-241)**

On January 30, 2009, FERC accepted the ISO's proposal adopting a price cap and price floor of \$2,500/MWh and negative \$2,500/MWh, respectively, on MRTU market clearing prices to be effective at *go-live*. FERC also accepted the ISO's proposal to modify the price validation and correction process to ensure prices are correct prior to posting. In addition, FERC directed the ISO to include a sunset date of 12 months after go live for the price cap and floor.

Responsible Attorney: Anna McKenna

- **Deferred functionality amendments (ER09-213)**

On January 30, 2009, FERC conditionally accept for filing tariff revisions submitted by the ISO proposing to defer the availability of four operational features of MRTU: (1) enforcement of forbidden operating region constraints for generating units in the real-time market; (2) unlimited operational ramp rate changes for generating units; (3) procurement of incremental ancillary services in the hour-ahead scheduling process; and (4) automation of the commitment process for extremely long-start resources. FERC directed the ISO to work with stakeholders to implement these functionalities and provide FERC with progress reports.

Responsible Attorneys: Anna McKenna and Sidney Davies

- **Credit Policy tariff amendment (ER09-589)**

The ISO filed tariff amendments on January 29, 2009 to implement revisions to the ISO credit policies approved by the Board at its December 17, 2008 meeting. Those credit policies include lowering the unsecured credit limit and a reduction in the number of days from five to three for a market participant to post additional security in response to a request by the ISO. As noted in the Board memorandum, Management will file a future tariff amendment to implement penalties for violations of the ISO's credit policies once charge codes can be developed after MRTU implementation.

Responsible Attorney: Sidney Davies

- **Joint Quarterly Seams Report (ER06-615)**

On January 29, 2009, the ISO filed its joint quarterly seams report for the fourth quarter of 2008. The report contains a summary of joint discussions with Bonneville Power Administration, Imperial Irrigation District and the Western Area Power Administration. The ISO also reported on seams discussion of the Seams Issues Subcommittee organized by the Western Electricity Coordinating Council.

Responsible Attorneys: Andrew Ulmer and Anna McKenna

- **Petition for Waiver of OASIS Requirements for MRTU (ER09-572)**

On January 23, 2009, the ISO filed for waiver of certain Open Access Same-Time Information System (OASIS) standards and communication protocols, and related OASIS business practice standards, that will be inapplicable to or incompatible with the ISO's market design and operations under the MRTU structure. The ISO initially received a waiver of the OASIS requirements at start-up, and has since received additional waivers of new and revised OASIS requirements where those provisions, which are based on the type of transmission services described in the Commission's *pro forma* Open Access Transmission Tariff, differ significantly from the ISO's service model and market structure.

Responsible Attorney: Beth Ann Burns

- **MRTU Readiness Certification (ER06-615)**

On January 16, 2009, the ISO filed its certification of readiness to implement MRTU on April 1, 2009.

Responsible Attorneys: Sidney Davies and Anna McKenna

- **Miscellaneous Tariff Clarifications for MRTU ( ER09-556)**

On January 15, 2009, the ISO filed tariff clarifications in a number of areas of the MRTU Tariff. The clarifications derived from internal review and independent expert review to ensure tariff, software and business practices for MRTU are aligned. In addition, the ISO corrected errors and clarified potentially confusing tariff provisions.

Responsible Attorneys: Anna McKenna, Sidney Davis and Mike Dozier

- **Available Transmission Capability Compliance Filing (OA08-12)**

On January 15, 2009, the ISO submitted a compliance filing to revise the MRTU Tariff, Appendix L, Methodology to Assess Available Transfer Capability (ATC), in compliance the requirements of Order No. 890 and the Commission's May 16, 2008 order. Key revisions include a detailed description of the specific algorithm for calculating firm and non-firm ATC for the scheduling, operating, and planning horizons; a process flow diagram that describes the various steps in our ATC calculation; a definition of each ATC component.

Responsible Attorney: Beth Ann Burns

- **Annual Demand Response Report ER06-615)**

The ISO filed its second annual demand response report on January 15, 2009. This report summarizes the demand response activity in the ISO's markets for 2008.

Responsible Attorney: Bill Di Capo

- **Compliance filing re order on December 21, 2007 MRTU Tariff (ER08-367 and ER06-615)**

On January 5, 2009, the ISO submitted a filing in compliance with the December 4, 2008 order accepting the ISO's December 21, 2007 filing of the updated MRTU tariff. This compliance filing included revisions to update terminology in compliance with FERC orders, to restore a formula for Wheeling service, to make minor revisions to the ISO's authority to revert to the pre-MRTU tariff during the first 30 days of MRTU operations, and to add the process for access to confidential operating procedures.

Responsible Attorneys: Mike Dozier and Sidney Davies

- **Grid Management Charge (GMC) for MRTU (ER08-585)**

On January 20, 2009, the ISO filed revisions to the GMC provisions of the MRTU tariff in compliance with the December 19, 2008 FERC order accepting the ISO's GMC rate design and cost allocation for MRTU. This compliance filing restored language concerning the (non) application of GMC Market Usage charge to instructed imbalance energy for metered subsystems and clarified how inter-scheduling coordinator trades will be treated with regard to the calculation of the Market Usage-Forward Energy charge.

Responsible Attorney: Judi Sanders

- **Market power mitigation measures for Exceptional Dispatches (ER08-1178 and EL08-88))**

Following the technical conference on this subject, the ISO filed comments on November 24, 2008, reply comments on December 9, 2008 and an answer to reply comments on January 6, 2009. Through these comments, the ISO continued to refine its proposal to allow resources the option to select supplemental compensation or designation as an Interim Capacity Payment Mechanism resource in response to certain exceptional dispatches.

Responsible attorney: Sidney Davies

- **Metered Subsystem agreement filings (ER09-188, 259, 292, 321, 332)**

On January 23, 2009, FERC issued separate letter orders accepting as filed the ISO's revisions to its Metered Subsystem (MSS) agreements with Riverside, Vernon, and Anaheim effective as of the implementation date of MRTU. On December 4, 2008, Santa Clara (Silicon Valley Power) filed comments proposing revisions to its MSS agreement, and the ISO filed an answer on December 19, 2008. FERC has not yet issued orders on the ISO's filings of the NCPA and Santa Clara agreements.

Responsible attorneys: Mike Dozier and Anna McKenna

- **Big Creek Physical Scheduling Plant agreement filing (ER09-344)**

On January 22, 2009, FERC issued a letter order accepting as filed the ISO's revisions to its Big Creek Physical Scheduling Plant agreement with Southern California Edison Company effective as of the implementation date of MRTU.

Responsible attorney: Mike Dozier

- **Transmission Control Agreement Path 15 facilitator amendment (ER09-462)**

On December 22, 2008, the ISO filed with FERC an amendment to the Transmission Control Agreement to permit Pacific Gas and Electric Company to relinquish its role as the facilitator of the encumbrances on the transmission facilities comprising Path 15 established by existing contracts between PG&E and its transmission customers as of the effective date of the MRTU tariff.

Responsible attorney: Mike Dozier

- **Interim Capacity Procurement Mechanism for MRTU (ER08-556)**

On December 18, 2008, FERC issued an order approving the ISO's filing to comply with FERC's October 16, 2008 order approving the Interim Capacity Procurement Mechanism (ICPM). The compliance filing: (1) modified the reporting requirements for ICPM designations; and (2) clarified that the ISO would not procure capacity under the ICPM for system reasons unless a net system deficiency exists.

Responsible Attorney: Anthony Ivancovich

- **Reliability Must-Run contract for MRTU (ER06-615)**

On November 21, 2008, the ISO submitted a compliance filing regarding the MRTU-adapted version of the Reliability Must-Run contract. FERC had required the ISO conform a pre-existing contract definition to be consistent with the definition in the MRTU tariff. By order dated January 22, 2009, FERC accepted the compliance filing.

Responsible Attorney: Sidney Davies

### **Reliability Coordinator and ancillary services procurement tariff amendment (ER09-169)**

On December 30, 2008, FERC issued an order addressing the ISO's proposed tariff amendments reflecting: (1) that ISO will no longer serve as WECC Reliability Coordinator role for the California-Mexico sub-region; (2) more generalized references to reliability criteria for the procurement to Ancillary Services; and (3) the latest version of business practice standards implemented by the Wholesale Electric Quadrant of the North American Energy Standards Board. The order accepted the majority of the proposed tariff amendments but directed additional tariff changes related to procurement of ancillary services that the ISO agreed to make on further compliance. On January 27, 2009, the ISO submitted these tariff changes in compliance with the order.

Responsible Attorney: Andrew Ulmer

### **Transitional Capacity Procurement Mechanism waiver request (ER08-1124)**

On January 22, 2009, FERC granted the ISO a one time waiver of the requirement that the commitment of a non-Resource Adequacy Resource results in a 30-day designation of the unit's capacity under the Transitional Capacity Procurement Mechanism (TCPM). Specifically, FERC found that the ISO's mistaken commitment of El Segundo Unit No. 3 does not result in a 30-day designation of capacity under the TCPM. However, FERC denied the ISO's broader request for clarification that the requirement to provide a 30-day designation of capacity under the TCPM does not apply where a unit is committed by mistake.

Responsible Attorney: Anthony Ivancovich

### **Station Power netting (ER05-849)**

On December 17, 2008, FERC issued an order accepting the ISO's compliance filing in response to the October 17, 2008 FERC order accepting the ISO's station power provisions and the ISO's clarifications to preserve the historic ability of generators to engage in "permitted netting" of service to on-site station power load with generation produced from the associated generating unit. In addition, on January 16, 2009, FERC issued an order denying a motion for clarification by NRG that it should be entitled to the benefits of the ISO's station power program retroactive to 2005.

Responsible attorneys: Mike Dozier and Sidney Davies

### **Limited waiver of Order No. 676-C OASIS requirements (ER08-1591)**

On December 30, 2008, FERC issued an order granting the ISO's request for a waiver of specific business practices standards relating to the Open Access Same Time Information System (OASIS) requirements adopted in Order 676-C (*i.e.* Standards WEQ-001, -002, -003 and -013), as well as a waiver of the business practice standard pertaining to transmission loading relief (Standard WEQ-008). In addition, FERC granted the ISO a limited waiver of Standard WEQ-012 -- Public Key Infrastructure -- to the extent that it applied to OASIS applications.

Responsible Attorney: Anthony Ivancovich

### **OptiSolar v. FERC (D.C. Circuit 08-1367)**

Optisolar has asked the United States Court of Appeals to review the Commission orders that granted waivers of the ISO tariff to enable transition to the reformed generator interconnection process. In addition, on December 22, 2008, OptiSolar asked the Court to stay the Commission's orders "as to OptiSolar," thereby placing OptiSolar in the "Serial Study" group, which will be studied first, rather than the "Transition Cluster" group pending the court's review. On January 16, 2009, the ISO submitted a brief opposing OptiSolar's motion. Among other things, the ISO's filing explained how moving OptiSolar from the Transition Cluster to the Serial Study group would delay many other projects, and therefore would harm those projects and the public interest in clearing the backlog.

Responsible Attorney: Dan Shonkwiler

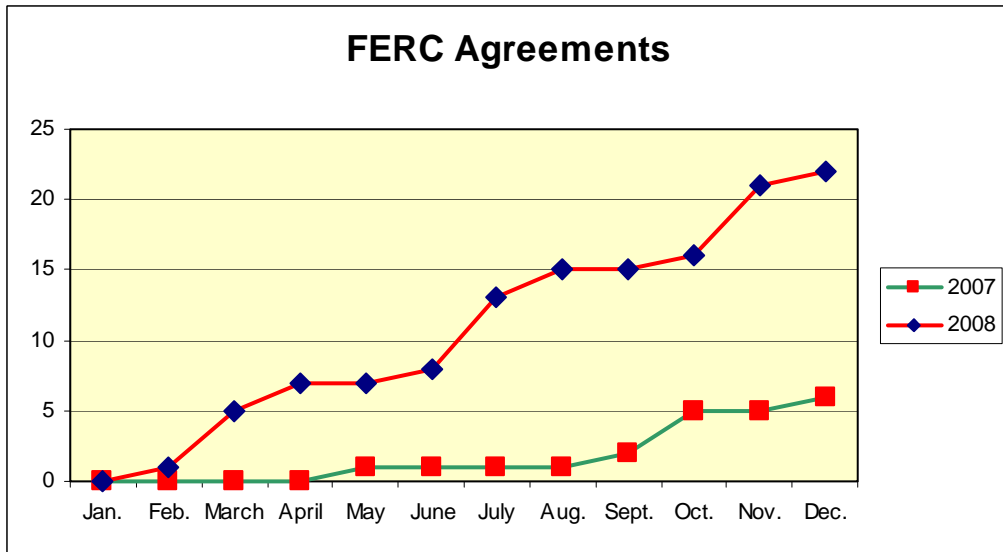
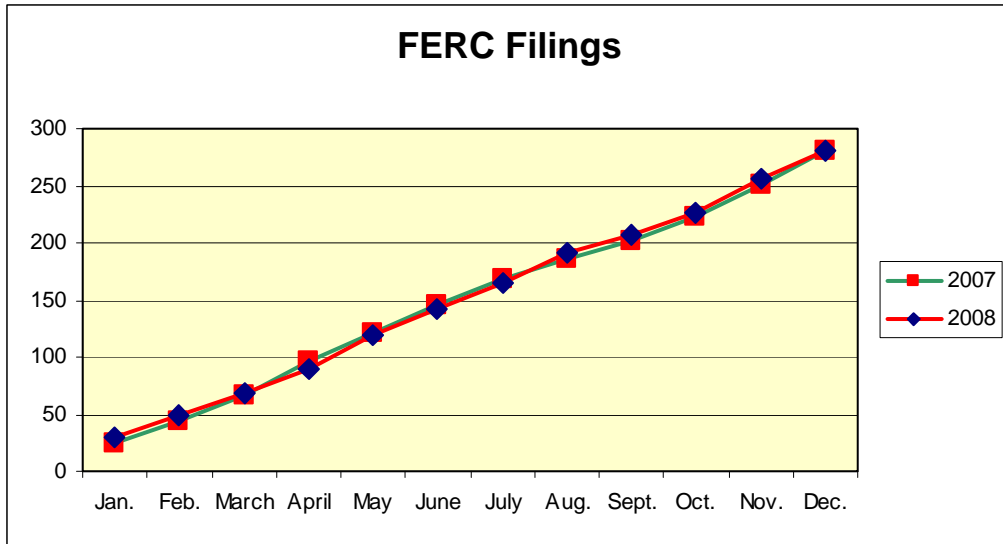
### **CPUC matters**

#### **Applications of utilities for approval and funding of demand response programs for 2009-0211**

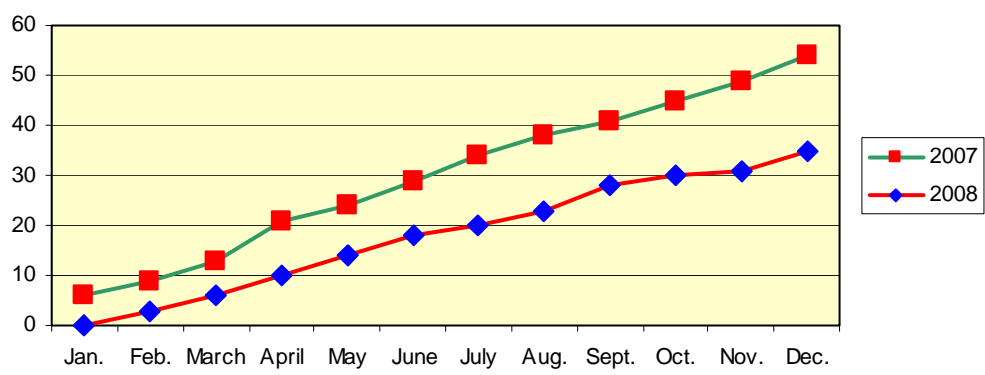
A CPUC decision issued December 19, 2008 authorized the utilities to expend funds to continue certain 2008 demand response programs, as an interim measure, until the Commission adopts a final decision on the utilities' demand response activity and budget applications for the current program cycle, 2009-2011. This decision authorized several pilot programs intended to test the use of demand response to provide participating load to the ISO.

Responsible Attorney: Bill Di Capo

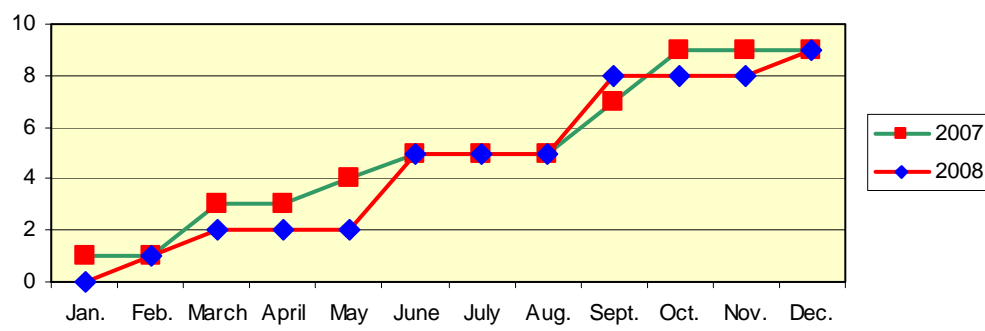
## FILINGS FOR 2008



### CPUC/Other Commission Filings



### Court Filings



### Total Filings

