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May 17, 2004

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER03-683-____
Compliance Filing**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits this filing to comply with the "Order on Compliance Filing" issued in the above-referenced proceeding on April 16, 2004, 107 FERC ¶ 61,042 ("Amendment No. 50 Compliance Order") and the "Order on Rehearing" issued in the above-referenced proceeding on April 16, 2004, 107 FERC ¶ 61,028 ("Amendment No. 50 Rehearing Order").² The Commission directed the ISO to comply with its above orders as follows.

Reference to Nodal Pricing

In the Amendment No. 50 Compliance Order, the Commission directed the ISO to remove the reference to nodal pricing from ISO Tariff Section 7.2.6.1.1(a)(4). Amendment No. 50 Compliance Order at P 20. To comply with this directive, the ISO has removed the reference to nodal pricing.

¹ Capitalized terms not otherwise defined herein have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The ISO notes that, concurrently with the present filing, it is also submitting a motion for clarification or, in the alternative, rehearing in the above-referenced proceeding.

Settlement for Out-of-Sequence Dispatch

In the Amendment No. 50 Compliance Order, the Commission directed the ISO to submit revised tariff sheets that implement certain changes the ISO committed to making that concern settlement for out-of-sequence dispatch. These changes provide that the ISO will use market decremental bids in sequence when the ISO has a requirement for decremental Energy and that Generating Units dispatched for Intra-Zonal Congestion will be settled at the lower of the decremental bid reference price or the Zonal Market Clearing Price. Amendment No. 50 Compliance Order at PP 24-25. To comply with the Commission directive, the ISO proposes to modify ISO Tariff Section 7.2.6 to provide for the "lesser of" settlement for decremental out-of-sequence dispatch and "greater of" settlement for incremental out-of-sequence dispatch.

Responsibility Concerning Decremental Bid Reference Levels

In the Amendment No. 50 Compliance Order, the Commission directed the ISO to remove any reference to itself in conjunction with the determination and application of decremental bid reference levels in ISO Tariff Section 7.2.6.1.1 and insert references to the independent entity with regard to the decremental bid reference levels. Amendment No. 50 Order at P 46. To comply with the Commission's directive, the ISO proposes to replace references to the ISO in determination and application of decremental bid reference levels with references to the independent entity responsible for determining reference prices.

Sharing of Generating Unit Outage Information

In the Amendment No. 50 Rehearing Order, the Commission directed the ISO "to amend section 20.3.4 to clarify that it may share generating unit outage information with other Transmission Operators who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data in order to allow the CAISO to properly share relevant information with municipal and governmental transmission operators." Amendment No. 50 Rehearing Order at P 20. To comply with this directive, the ISO proposes to modify ISO Tariff Section 20.3.4 by adding language to allow sharing of Generating Unit outage information with other Transmission Operators who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data.

Test Governing When an Offer Is Deemed to Have Been Accepted in Competitive Periods

In the Amendment No. 50 Compliance Order, the Commission directed the ISO to incorporate into ISO Tariff Section 7.2.6.1.1 a "new test [that] would establish an additional criterion, in the context of decremental reference bid calculations, governing when an offer would be deemed to have been accepted

in competitive periods and therefore should be explicitly outlined in the CAISO's tariff." Amendment No. 50 Compliance Order at P 62. To comply with this directive, the ISO proposes to modify Section 7.2.6.1.1 by adding language to establish an additional criterion governing when an offer would be deemed to have been accepted in competitive periods. This criterion was set forth in a January 16, 2004 memorandum from David Patton to the ISO's Market Monitoring Unit. This memorandum, which was distributed to Market Participants in a market notice issued January 20, 2004, is included in Attachment A to the present filing.

Operating Procedure M-401

In the Amendment No. 50 Compliance Order, the Commission stated that "although the CAISO has provided further explanation of its proposal with regard to the effectiveness factors it plans on utilizing in determining dispatch, more explanation is needed. Therefore, we direct the CAISO to explain, in further detail, what the effectiveness factors are and how they are calculated." Amendment No. 50 Order at P 29. The effectiveness factors are described in ISO Operating Procedure M-401, which can be viewed on the ISO website.³ To comply with this directive, the ISO now describes what effectiveness factors are. Effectiveness factors, as the name implies, set forth how effective a particular Generating Unit is in changing flows on a particular transmission line. If Unit A has an effectiveness factor of 0.75 relative to transmission line X, it means that a 1 MW change in Unit A's output produces a 0.75 MW change in the flow on line X. Effectiveness factors are determined from off-line power flow studies and change as the affected network changes (i.e., different lines in service).

The Commission also directed the ISO to restore the provision concerning Adjustment Bids to Section 2.1 of Operating Procedure M-401. Amendment No. 50 Order at P 49. As described in the motion for clarification or, in the alternative, rehearing that the ISO is submitting concurrently with and in the same docket as the instant filing, the ISO has not revised Operating Procedure M-401, pending clarification from the Commission. Thus, the ISO respectfully requests that it not be directed to restore Section 2.1 of Operating Procedure M-401.

Start-Up Costs

In the Amendment No. 50 Compliance Order, the Commission acknowledged intervenor Border Generation Group's concern about paying start-up costs to those Generating Units that are shut down due to Intra-Zonal Congestion. The Commission further acknowledged the ISO's willingness to modify its Tariff to include such costs. However, the Commission did not appear to direct the ISO expressly to modify its Tariff in this manner. See Amendment

³ <www.caiso.com/thegrid/operations/opsdoc>.

No. 50 Compliance Order at PP 38, 41. While the ISO is seeking clarification of this issue in the motion being filed concurrently with the instant compliance filing, the ISO believes the Commission intended the ISO to include such costs. The ISO has amended ISO Tariff Section 7.2.6.1 accordingly. The ISO proposes to allocate such start-up costs according to the mechanism previously established by the Commission for recovery of start-up costs, namely, to allow the Generating Unit owner to invoice the ISO for such costs and to allocate those costs to metered Demand within the ISO Control Area and to in-state exports.⁴

Re-Dispatching Metered Subsystem Resources to Manage Intra-Zonal Congestion

In the Amendment No. 50 Rehearing Order, the Commission granted rehearing regarding the assertion of intervenor City of Santa Clara, California ("Santa Clara") that Amendment No. 50 may violate or contradict the terms of Santa Clara's Metered Subsystem ("MSS") Agreement and directed the ISO to explain why Amendment No. 50 does not contradict or violate its MSS Agreement with Santa Clara. Amendment No. 50 Rehearing Order at P 14. The ISO did not intend for Amendment No. 50 to conflict with the MSS Agreement. The intent of the MSS Agreement is for the MSS to manage Congestion within the MSS using its own resources and for the ISO to manage Intra-Zonal Congestion on the ISO Controlled Grid without using any MSS resources. Per Section 7 of the MSS Agreement, the ISO may call upon MSS resources to manage a System Emergency. However, it is expected that the ISO will manage Intra-Zonal Congestion on the ISO Controlled Grid (again, without using MSS resources) so that such Congestion does not become a System Emergency. Consequently, the ISO proposes to exempt MSS resources expressly from the re-dispatch provisions of Section 7.2.6, except as provided for in the MSS Agreement.

The changes described above are contained in the revised Tariff sheets provided in Attachment B to the present filing, and these changes are shown in black-line format in Attachment C to the present filing. The present filing also includes, in Attachment D, a form notice of filing suitable for publication in the Federal Register, as well as a computer diskette containing the notice.

⁴ In proposed Amendment No. 60 to the ISO Tariff, filed on May 11, 2004 in Docket No. ER04-835-000, the ISO proposed to continue to allocate start-up costs to metered Demand and in-state exports even though the ISO was proposing to allocate Minimum Load Costs differently depending on why a resource was committed under the must-offer obligation. Because start-up costs are a small fraction of total must-offer costs, creating a new cost allocation methodology would impose unnecessary complication.

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are questions concerning this filing, please contact the undersigned.

Respectfully submitted,

Anthony Ivancovich^{BRM}

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Date: May 17, 2004

ATTACHMENT A

From: CRCommunications [CRCommunications@caiso.com]
Sent: Tuesday, January 20, 2004 3:19 PM
To: ISO Market Participants
Subject: CAISO Notice: Re: Decremental Reference Levels



Dec Ref Level
Memo.doc (72 KB)...

MARKET NOTICE

January 20, 2004

Re: Decremental Reference Levels

Market Participants:

On January 20, 2004, Potomac Economics revised the methodology it uses to determine the decremental reference price. As described in the attached memo, Potomac will apply a test (the ratio of energy decremented out-of-sequence to energy decremented in sequence) to determine what constitutes "competitive conditions".

The decremental reference price is used in managing intra-zonal congestion as set forth by the May 30, 2003 order of the Federal Energy Regulatory Commission in Docket No. ER03-683, 103 FERC ¶ 61, 265.

If you have any questions, please contact Mr. David Patton at Potomac Economics. He can be reached at 703-383-0720. Potomac Economics' web site is located at <http://www.potomaceconomics.com>.

<<Dec Ref Level Memo.doc>>
Client Relations Communications.0725
CRCommunications@caiso.com

MEMORANDUM

TO: CAISO Market Monitoring Unit

FROM: David B. Patton

DATE: January 16, 2004

RE: Decremental Reference Level Test

This memorandum identifies a concern with criterion used to determine when the offer-based methodology should be used to calculate decremental reference levels.¹ To address this concern, we describe in this memo a new test we will be implementing to determine when this methodology is appropriate.

Reference levels are used to evaluate participant conduct to determine when mitigation is warranted. Section 7.2.6.1.1 of the ISO Market Monitoring & Information Protocol specifies how reference levels are to be computed. The preferred method of calculating reference levels is to compute “. . . the lower of the mean or the median of a resource’s accepted offers if such a resource has more than one accepted offer in competitive periods over the previous 90 days for peak and off-peak periods, . . .”. The new test described in this memo would establish an additional criterion governing when an offer would be deemed to have been accepted in competitive periods.

Normally, competitive periods are defined as those in which the offers are accepted in sequence. In the case of some of the units in the CAISO market, however, this hourly test alone is inappropriate. Certain units in the CAISO market are frequently decremented. In the vast majority of these cases, the decremental offers accepted are out of sequence. For these units, it is rational for the suppliers to incur some lost profit by offering artificially low decremental offers in the minority of hours that they are decremented in-sequence in order to decrease their reference levels and, thereby, increase their profit when mitigated in the majority of the hours.

In fact, given the profits and losses under these two situations, one can show that this incentive would exist when the ratio of MWh of energy decremented out of sequence to total MWh of energy decremented is well below 50 percent. This occurs because the risk of losses per hour associated with bidding artificially low in hours that the unit would be economic to decrement in

¹ The calculation and use of reference levels for market power mitigation is governed by the ISO Market Monitoring & Information Protocol.

sequence are necessarily less than the profit of having the low reference price in hours when the decremental offer is accepted out of sequence.

To address this concern, we will apply a test to the prior 90-day period using an overall ratio for the period to determine whether any of the decremental offers during the period should be deemed to have been submitted during competitive periods. The test will require that ratio of out of sequence decremental MWh to its total decremental MWh during the prior 90 days be less than a threshold level before the offer-based approach for calculating the unit's decremental reference levels would be used.

Given the incentives described above, we believe a conservative threshold for this test would be 50 percent, which we will apply initially. This ratio would be applied each day on a rolling 90-day basis as an integrated component of the reference level software. One ratio would be calculated for each unit with no differentiation for various output segments on the unit since it is intended to be an overall evaluation of the period that is not specific to any particular output range.

We believe this new test will address the legitimate concern that certain generators in narrow export-constrained areas are in a position to extract excess rents from the California market by depressing the reference levels that are used for mitigation. Please contact me if you have any questions or comments regarding this memo.

DBP

ATTACHMENT B

7.2.5.2.7 If inadequate Adjustment Bids have been submitted to schedule Inter-Zonal Interface capacity on an economic basis and to the extent that scheduling decisions cannot be made on the basis of economic value, the ISO will allocate the available Inter-Zonal Interface capacity to Scheduling Coordinators in proportion to their respective proposed use of that capacity as indicated in their Schedules and shall curtail scheduled Generation and Demand to the extent necessary to ensure that each Scheduling Coordinator's Schedule remains balanced.

7.2.5.2.8 The ISO will publish information prior to the Day-Ahead Market, between the iterations of the Day-Ahead Market, and prior to the Hour-Ahead Market, to assist the Scheduling Coordinators to construct their Adjustment Bids so as to actively participate in the management of Congestion and the valuation of Inter-Zonal Interfaces. This information may include the ISO's most-current information regarding: potentially Congested paths, projected transmission uses, projected hourly Loop Flows across Inter-Zonal Interfaces, scheduled line Outages, forecasts of expected system-wide Load, the ISO's Ancillary Services requirements, Generation Meter Multipliers, and power flow outputs.

7.2.5.2.8 The ISO will also publish information, once it is available, regarding tentative prices for the use of Inter-Zonal Interfaces, and Generation shift factors for the use of Inter-Zonal Interfaces, which indicate the relative effectiveness of Generation shifts in alleviating Congestion.

7.2.6 Intra-Zonal Congestion Management.

Any Generating Unit dispatched to manage Intra-Zonal Congestion shall: (1) if dispatched to increase its output, be paid the greater of its bid price (or mitigated bid if applicable) or the relevant Market Clearing Price; (2) if dispatched to increase its output, be charged the lesser of its decremental reference price of the relevant Market Clearing Price. The ISO shall not re-dispatch MSS resources to manage Intra-Zonal congestion as set forth in this section 7.2.6, as provided for in the MSS Agreement.

7.2.6.1 Decremental Bids. With regard to decremental bids, if Final Hour-Ahead Schedules cause Congestion on the Intra-Zonal interface, the ISO shall, after Dispatching available and effective Reliability Must-Run Units to manage the Congestion, apply the decremental reference prices determined by the independent entity that determines the reference prices for the Automatic Mitigation Procedure (AMP) as described in Appendix A to the Market Monitoring and Information Protocol. The ISO shall Dispatch Generating Units according to the decremental reference prices thus established, the resource's effectiveness on the Congestion, and other relevant factors such as Energy limitations, existing contractual restrictions, and Regulatory Must-Run or Regulatory Must-Take status, to alleviate the Congestion after Final Hour-Ahead Schedules are issued. Where the ISO must reduce a Generating Unit's output, the ISO shall Dispatch Generating Units according to the decremental reference prices and not according to Adjustment Bids or Supplemental Energy Bids to alleviate Intra-Zonal Congestion. No Generating Unit shall be Dispatched below its minimum operating level or above its maximum operating level. No Reliability Must-Run Unit shall be Dispatched below the operating level determined by the ISO as necessary to maintain reliability. If Congestion still exists after all Generating Units are Dispatched to their minimum operating levels, the ISO shall instruct Generating Units to shut off in merit order based on their decremental reference prices at minimum load, beginning with the most expensive unit. The ISO shall apply the decremental reference prices to thermal Generating Units and to non-thermal Generating Units. If a Generating Unit is instructed by the ISO to shut down to manage Intra-Zonal Congestion, and is subsequently re-started, the Owner of that Generating Unit may invoice the ISO for the Start-Up Costs incurred as set forth in Section 2.5.23.3.7.6. If the ISO Dispatches System Resources or Dispatchable Loads to alleviate Intra-Zonal Congestion, the ISO shall Dispatch those resources in merit order according to the resource's Day-Ahead or Hour-Ahead Adjustment Bid or Imbalance Energy bid. The ISO shall only redispach Regulatory Must-Take or Regulatory Must-Run Generation,

Intermittent Resources, or Qualifying Facilities to manage Intra-Zonal Congestion after redispatching all other available and effective generating resources, including Reliability Must-Run Units.

7.2.6.1.1 Decremental Bid Reference Levels. Decremental bid reference levels shall be determined for use in managing Intra-Zonal Congestion as set forth above in Section 7.2.6.1.

(a) Determination. Decremental bid reference levels shall be determined by applying the following steps in order as needed:

1. Excluding proxy bids, mitigated bids, and bids used out of merit order for managing Intra-Zonal Congestion, the accepted decremental bid, or the lower of the mean or the median of a resource's accepted decremental bids if such a resource has more than one accepted decremental bid in competitive periods over the previous 90 days for peak and off-peak periods, adjusted for monthly changes in fuel prices using the proxy figure for natural gas prices posted on the ISO Home Page. For the purposes of this Section 7.2.6.1.1, to determine whether accepted decremental bids over the previous 90 days were accepted during competitive periods, the independent entity responsible for determining reference prices will apply a test to the prior 90-day period. The test will require that the ratio of a unit's accepted out-of-sequence decremental bids (MWh) for the prior 90 days to its total accepted decremental bids (MWh) for the prior 90 days be less than 50 percent. If this ratio is greater or equal to 50%, accepted decremental bids will be deemed to have been accepted in non-competitive periods and cannot be used to determine the decremental reference price. This test would be applied each day on a rolling 90-day basis. One ratio would be calculated for each unit with no differentiation for various output segments on the unit. Accepted and justified decremental bids below the applicable

- soft cap, as set forth in Section 28.1.3 of this Tariff, will be included in the calculation of reference prices;
2. A level determined in consultation with the Market Participant submitting the bid or bids at issue, provided such consultation has occurred prior to the occurrence of the conduct being examined, and provided the Market Participant has provided sufficient data in accordance with specifications provided by the independent entity responsible for determining reference prices;
 3. 90 percent of the unit's default Energy Bid determined monthly as set forth in Section 5.11.5 (based on the incremental heat rate submitted to the independent entity responsible for determining reference prices, adjusted for gas prices, and the variable O&M cost on file with the independent entity responsible for determining reference prices, or the default O&M cost of \$6/MWh);
 4. 90 percent of the mean of the economic Market Clearing Prices for the units' relevant location during the lowest-priced 25 percent of the hours that the unit was dispatched or scheduled over the previous 90 days for peak and off-peak periods, adjusted for changes in fuel prices; or
 5. If sufficient data do not exist to calculate a reference level on the basis of the first, second, or fourth methods and the third method is not applicable or an attempt to determine a reference level in consultation with a Market Participant has not been successful, the independent entity responsible for determining reference prices shall determine a reference level on the basis of:
 - i. the independent entity's estimated costs of an electric facility, taking into account available operating costs data, opportunity

cost, and appropriate input from the Market Participant, and the best information available to the independent entity; or

- ii. an appropriate average of competitive bids of one or more similar electric Facilities.

(b) Monotonicity.

The decremental bid reference levels (\$/MWh bid price) for the different bid segments of each resource shall be made monotonically non-decreasing by the independent entity responsible for determining reference prices by proceeding from the highest MW bid segment moving through each lower MW bid segment. The reference level of each succeeding bid segment, moving from right to left in order of decreasing operating level, shall be the lower of the reference level of the preceding bid segment or the reference level determined according to paragraph (a) above.

7.2.6.1.2 [Not Used]

law. The ISO shall cooperate with the affected Market Participant to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure.

- (c) In order to maintain reliable operation of the ISO Control Area, the ISO may share individual Generating Unit Outage information with the operations engineering and/or the outage coordination division(s) of other Control Area operators, Participating TOs, MSS Operators and other transmission system operators engaged in the operation and maintenance of the electric supply system whose system is significantly affected by the Generating Unit and who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data.

20.4 Staffing and Training To Meet Obligations.

The ISO shall engage sufficient staff to perform its obligations under this ISO Tariff in a satisfactory manner consistent with Good Utility Practice. The ISO shall make its own arrangements for the engagement of all staff and labor necessary to perform its obligations hereunder and for their payment. The ISO shall employ (or cause to be employed) only persons who are appropriately qualified, skilled and experienced in their respective trades or occupations. ISO employees and contractors shall abide by the ISO Code of Conduct for employees contained in the ISO bylaws and approved by FERC.

20.5 Accounts and Reports.

The ISO shall notify Market Participants of any significant change in the accounting treatment or methodology of any costs or any change in the accounting procedures, which is expected to result in a significant cost increase to any Market Participant. Such notice shall be given at the earliest possible time, but no later than, sixty (60) days before implementation of such change.

ATTACHMENT C

7.2.6 Intra-Zonal Congestion Management.

Any Generating Unit dispatched to manage Intra-Zonal Congestion shall: (1) if dispatched to increase its output, be paid the greater of its bid price (or mitigated bid if applicable) or the relevant Market Clearing Price; (2) if dispatched to decrease its output, be charged the lesser of its decremental reference price or the relevant Market Clearing Price. The ISO shall not re-dispatch MSS resources to manage Intra-Zonal congestion as set forth in this section 7.2.6, as provided for in the MSS Agreement.

7.2.6.1 Decremental Bids. With regard to decremental bids, if Final Hour-Ahead Schedules cause Congestion on the Intra-Zonal interface, the ISO shall, after Dispatching available and effective Reliability Must-Run Units to manage the Congestion, apply the decremental reference prices determined by the independent entity that determines the reference prices for the Automatic Mitigation Procedure (AMP) as described in Appendix A to the Market Monitoring and Information Protocol. The ISO shall Dispatch Generating Units according to the decremental reference prices thus established, the resource's effectiveness on the Congestion, and other relevant factors such as Energy limitations, existing contractual restrictions, and Regulatory Must-Run or Regulatory Must-Take status, to alleviate the Congestion after Final Hour-Ahead Schedules are issued. Where the ISO must reduce a Generating Unit's output, the ISO shall Dispatch Generating Units according to the decremental reference prices and not according to Adjustment Bids or Supplemental Energy Bids to alleviate Intra-Zonal Congestion. No Generating Unit shall be Dispatched below its minimum operating level or above its maximum operating level. No Reliability Must-Run Unit shall be Dispatched below the operating level determined by the ISO as necessary to maintain reliability. If Congestion still exists after all Generating Units are Dispatched to their minimum operating levels, the ISO shall instruct Generating Units to shut off in merit order based on their decremental reference prices at minimum load, beginning with the most expensive unit.

The ISO shall apply the decremental reference prices to thermal Generating Units and to non-thermal Generating Units. If a Generating Unit is instructed by the ISO to shut down to manage

Intra-Zonal Congestion, and its subsequently re-started, the Owner of that Generating Unit may invoice the ISO for the Start-Up Costs incurred as set forth in Section 2.5.23.3.7.6.

If the ISO Dispatches System Resources or Dispatchable Loads to alleviate Intra-Zonal Congestion, the ISO shall Dispatch those resources in merit order according to the resource's Day-Ahead or Hour-Ahead Adjustment Bid or Imbalance Energy bid.

The ISO shall only redispatch Regulatory Must-Take or Regulatory Must-Run Generation, Intermittent Resources, or Qualifying Facilities to manage Intra-Zonal Congestion after redispatching all other available and effective generating resources, including Reliability Must-Run Units.

7.2.6.1.1 Decremental Bid Reference Levels. Decremental bid reference levels shall be determined for use in managing Intra-Zonal Congestion as set forth above in Section 7.2.6.1.(a) Determination. Decremental bid reference levels shall be determined by applying the following steps in order as needed:

1. Excluding proxy bids, mitigated bids, and bids used out of merit order for managing Intra-Zonal Congestion, the accepted decremental bid, or the lower of the mean or the median of a resource's accepted decremental bids if such a resource has more than one accepted decremental bid in competitive periods over the previous 90 days for peak and off-peak periods, adjusted for monthly changes in fuel prices using the proxy figure for natural gas prices posted on the ISO Home Page. For the purposes of this Section 7.2.6.1.1, to determine whether accepted decremental bids over the previous 90 days were accepted during competitive periods, the independent entity responsible for determining reference prices will apply a test to the prior 90-day period. The test will require that the ratio of a unit's accepted out-of-sequence decremental bids (MWh) for the prior 90 days to its total accepted decremental bids (MWh) for the prior 90 days be less than 50 percent. If this ratio is greater or equal to 50%, accepted decremental bids will be deemed to have been accepted in non-competitive periods and

cannot be used to determine the decremental reference price. This test would be applied each day on a rolling 90-day basis. One ratio would be calculated for each unit with no differentiation for various output segments on the unit. Accepted and justified decremental bids below the applicable soft cap, as set forth in Section 28.1.3 of this Tariff, will be included in the calculation of reference prices;

2. A level determined in consultation with the Market Participant submitting the bid or bids at issue, provided such consultation has occurred prior to the occurrence of the conduct being examined ~~by the ISO~~, and provided the Market Participant has provided sufficient data in accordance with specifications provided by ~~the ISO or the independent entity~~ responsible for determining reference prices;
3. 90 percent of the unit's default Energy Bid determined monthly as set forth in Section 5.11.5 (based on the incremental heat rate submitted to the independent entity responsible for determining reference prices~~ISO~~, adjusted for gas prices, and the variable O&M cost on file with the independent entity responsible for determining reference prices~~ISO~~, or the default O&M cost of \$6/MWh);
4. 90 percent of the mean of the economic Market Clearing Prices for the units' relevant location (~~zone or node commensurate with the pricing granularity in effect~~) during the lowest-priced 25 percent of the hours that the unit was dispatched or scheduled over the previous 90 days for peak and off-peak periods, adjusted for changes in fuel prices; or
5. If sufficient data do not exist to calculate a reference level on the basis of the first, second, or fourth methods and the third method is not applicable or an attempt to determine a reference level in consultation with a Market Participant has not been successful, the independent entity responsible for

determining reference prices ISO shall determine a reference level on the basis of:

- i. the independent entity ISO's estimated costs of an electric facility, taking into account available operating costs data, opportunity cost, and appropriate input from the Market Participant, and the best information available to the independent entity ISO; or
- ii. an appropriate average of competitive bids of one or more similar electric Facilities.

(b) Monotonicity.

The decremental bid reference levels (\$/MWh bid price) for the different bid segments of each resource shall be made monotonically non-decreasing by the independent entity responsible for determining reference prices ISO by proceeding from the highest MW bid segment moving through each lower MW bid segment. The reference level of each succeeding bid segment, moving from right to left in order of decreasing operating level, shall be the lower of the reference level of the preceding bid segment or the reference level determined according to paragraph (a) above.

7.2.6.1.2 [Not Used]

* * *

20.3.4

* * *

(c) In order to maintain reliable operation of the ISO Control Area, the ISO may share individual Generating Unit Outage information with the operations engineering and/or the outage coordination division(s) of other Control Area operators, Participating TOs, MSS Operators and other transmission system operators engaged in the operation and maintenance of the electric supply system whose system is significantly affected by the Generating Unit and who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data.

ATTACHMENT D

