

April 21, 2014

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

**Re: California Independent System Operator Corporation
Compliance Filing**

Docket No. ER14-480-_____

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO) respectfully submits this compliance filing in response to the Commission's March 20, 2014, order conditionally accepting the ISO's November 26, 2013, amendment to the ISO open access transmission tariff (tariff) in which the ISO proposed amendments to the tariff needed to align its market structure with certain reforms mandated in the Commission's Order No. 764 and implement additional complementary market enhancements.¹ Specifically, the ISO submits revised tariff sheets to: (1) further define a process for refunding protective measure payments made to resources that ultimately are found to be ineligible for protective measures; (2) remove the ISO's authority to rescind a variable energy resource's ability to use its own forecast if the resource's forecast is significantly less accurate than the ISO forecast over time; and (3) clarify terminology regarding the use of the term instructed imbalance energy.

The ISO respectfully requests that the Commission accept this compliance filing as filed.

I. Background

On November 26, 2013, the ISO proposed revisions to its tariff to align its market structure with reforms mandated in Order No. 764 and create various

¹ *California Indep. Sys. Operator Corp.* 146 FERC ¶ 61,204 (2014) (March 20 Order).

other complementary market enhancements. Through the March 20 order, the Commission conditionally accepted the ISO's filing subject to three compliance obligations, discussed below.

The key feature of the ISO's November 26 filing was changing intertie scheduling and settlement from an hourly to a 15-minute basis (while retaining hourly scheduling options on the interties to prevent seams issues in the region) and establishing a 15-minute settlement for internal resources and convergence bids. The purpose of this change was to facilitate the scheduling of variable energy resources over the interties and integrate such resources into the ISO markets, while also allowing all resources (internal and external) to be scheduled more effectively through more granular schedules with shortened forecast lead times. This change also had the benefit of aligning the settlement of internal and intertie transactions at the same time and at the same prices. To provide a smoother transition to this new market design for participating intermittent resources that have a limited ability to curtail output in response to an ISO dispatch instruction, either due to physical or contractual limitations, the ISO also proposed transitional protective measures for participating intermittent resources. Finally, the proposed market rule changes needed to implement the new 15-minute market enabled the ISO to propose the phased reinstatement of convergence bidding at the interties twelve months after the implementation of the new market rules.

II. Discussion

A. Refunding Protective Measures Payments to Ineligible Resources

Prior to the November 26 filing, variable energy resources in the ISO markets had the option of netting their real-time energy imbalances over a month if qualified as a participating intermittent resource. The implementation of a fifteen-minute market largely obviates the need for such a monthly netting option. To address certain stakeholder concerns, however, the ISO proposed transitional protective measures for participating intermittent resources that have a limited ability to curtail output in response to an ISO dispatch instruction, either due to physical or contractual limitations. The ISO anticipated the possibility that the resource owner and the contractual counterparty would disagree as to whether the resource meets the eligibility requirements. Therefore, the ISO proposed to include language Section 4.8.3.1.2.2, which states that while the dispute is ongoing "the resource will be subject to PIRP Protective Measures" and that upon resolution of the dispute, the ISO would "not undo any prior Settlement of the PIRP Protective Measures" unless the parties both requested that the ISO "reverse any previously applied PIRP Protective Measures."

In response to the ISO's proposed tariff amendments Southern California Edison requested that the ISO's tariff be modified to include a process for

providing refunds of Protective Measure payments made to resources that are ultimately found through dispute resolution to be ineligible for such Protective Measures. The Commission found that Section 4.8.3.1.1.2 “does not adequately address[] Edison’s concern regarding a refund process for [variable energy resources] found to be ineligible for the Protective Measures” and therefore directed the ISO to submit in a compliance revised tariff language setting forth a process for distribution of refunds if a variable energy resource subject to the Protective Measures, were found ineligible following the dispute resolution process. The Commission noted that “the process should account for how eligibility for refunds will be determined, who would be eligible to receive a refund, and how and when refunds would be distributed.”

In compliance, the ISO is submitting the following proposed revisions to section 4.8.3.1.2.2 providing the required amendments.

4.8.3.1.2.2 Contractual Limitations

A Participating Intermittent Resource or Qualifying Facility requesting PIRP Protective Measures because of contractual limitations as specified in Section 4.8.3.2.2.2, must submit a sworn affidavit by a representative of the Participating Intermittent Resource or Qualifying Facility, who that is authorized to bind the resource legally and financially. The affidavit must state that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The Participating Intermittent Resource or Qualifying Facility must serve their affidavit electronically to the counterparty to the applicable contract on the same day the affidavit is submitted to the CAISO. A representative of the counterparty to the applicable existing bilateral agreement that is authorized to legally and financially bind the counterparty may also submit a sworn affidavit stating that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The counterparty must serve the affidavit electronically on the Participating Intermittent Resource or Qualifying Facility on the same day the affidavit is submitted to the CAISO. Each party’s respective affidavit must state that during the term of the three-year transition period, the party will engage in a good faith effort with the counterparty to address the existing contractual limitation specified in Section 4.8.3.2.2.2. In the event that the counterparty submits no affidavits within the thirty days, the CAISO deems the counterparty to have acquiesced to the request by the representative of the Participating Intermittent Resource, except if the Participating Intermittent Resource fails to serve the counterparty with the required documents within the prescribed time. If the counterparty later successfully demonstrates through a formal complaint filed at the Federal Energy Regulatory Commission that the Participating

Intermittent Resource failed to serve the counterparty with the relevant materials as described in this Section, the CAISO will deny, and if appropriate reverse, any PIRP Protective Measures afforded to the requesting party. To the extent that the counterparty instead submits an affidavit by a representative of the company that is fully authorized to legally and financially bind the company stating that the resource's contract does not meet the criteria in Sections 4.8.3.2.1 and 4.8.3.2.2, the affidavit must also state that the Participating Intermittent Resource shall not suffer any economic or other repercussions under the contract and because of the terms of the contract were the resource to participate fully in the CAISO Market, including through the submission of Economic Bid for economic curtailment. The representative of the Participating Intermittent Resource may choose to withdraw its request in light of the counterparty's affidavit or pursue resolution of a contractual dispute through a dispute resolution process specified in the relevant contract, or if none is available, through the process specified in Section 13 of the CAISO Tariff, or through any dispute resolution process available through the Federal Energy Regulatory Commission. During the term that the contract is in dispute, the resource will be subject to PIRP Protective Measures provided it meets all the other criteria specified in this Section 4.8.3. Upon resolution of the dispute, if the dispute resolution process yields a conclusion that the contract is not eligible for PIRP Protective Measures, the resource will resume its status as a Participating Intermittent Resource not subject to PIRP Protective Measures. ~~Unless, the parties together request the CAISO to reverse any previously applied PIRP Protective Measures, the CAISO will not~~ undo any prior Settlement of the PIRP Protective Measures unless the parties submit a joint statement in writing indicating that the parties agree that the PIRP Protective Measures settlement received during the term that the matter was in dispute should be unwound and resettled as if the PIRP Protective Measures were not received. In the event that the parties submit such a joint statement, the CAISO will unwind the Protective Measures provided to the affected Scheduling Coordinator and will process such resettlement charges or payments through the existing resettlement procedures specified in Section 11.29.7. Provided the joint statement is provided in a timely manner, the CAISO will take all reasonable and necessary steps to include the resettlement on the next Recalculation Statement. In unwinding the Protective Measures received, any Scheduling Coordinator that received a payment for the PIRP Protective Measures under the contract in dispute will receive a charge in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2. Similarly, any Scheduling Coordinator that received a charge due to the provision of the PIRP Protective Measures under the

contract in dispute will receive a payment in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2.

B. Removing ISO Authority to Rescind Ability of Variable Energy Resource to Use its Own Forecast

In creating the new market rules, the ISO was concerned that variable energy resources would qualify to submit their own forecast and then submit strategic forecasts designed to exploit differences between 15-minute and five-minute prices. To address this concern, the ISO proposed in section 4.8.2.1.1 that it could “terminate the resource’s certification [to provide its own forecast] if the CAISO determines that: (1) the Eligible Intermittent Resource’s forecast is materially less accurate than the forecast provided by the CAISO on a regular basis; or (2) if the CAISO has a reasonable basis to believe that the resource is engaged in strategic forecasting for purposes other than accuracy.”

The Commission expressed concern that this provision would provide the ISO “with too much discretion for both deciding whether a VER’s forecasts have been ‘significantly’ less accurate than CAISO’s, and for CAISO unilaterally determining the motives behind inaccurate forecasts.” The Commission ordered the ISO to delete this provision, but offered that the ISO could submit a substitute provision “with an objective threshold to determine whether a resource’s forecasts are significantly less accurate than CAISO’s.”

In compliance, the ISO proposes to modify the relevant parts of section 4.8.2.1.1 as follows:

[...]An Eligible Intermittent Resource that has elected to use its own forecast of its output must also submit the meteorological and outage data specified in Appendix Q. ~~After the CAISO has certified an Eligible Intermittent Resource as eligible to provide its own output forecast, the CAISO may terminate the resource’s certification if the CAISO determines that: (1) the Eligible Intermittent Resource’s forecast is materially less accurate than the forecast provided by the CAISO on a regular basis; or (2) if the CAISO has a reasonable basis to believe that the resource is engaged in strategic forecasting for purposes other than accuracy. If the CAISO revokes the certification of an Eligible Intermittent Resource to use its own forecast, the Eligible Intermittent Resource must again complete the certification requirements specified in the Business Practice Manuals before it can again qualify to use its own forecast. [...]~~

Although the ISO remains concerned about the possibility of a variable energy resource submitting strategic forecasts, it will not propose a substitute

provision at this time. Based on observations of conduct under the new market design, the ISO may consider proposing a substitute at a later time. Additionally, the ISO believes that even in the absence of a specific tariff provision, forecasts submitted by variable energy resources would still be subject to the Commission's market conduct rules.

C. Clarifying Terminology Regarding Instructed Imbalance Energy

In its comments on the November 25 filing, the Northern California Power Agency (NCPA) noted a potential terminology error in section 11.5.4.2. It noted that the ISO used the term "Instructed Imbalance Energy" in this section, while also proposing to delete that defined term from Appendix A of the tariff. NCPA suggested that the ISO may have meant to use the newly-defined terms "FMM IIE" and "RTD IIE." In its answer, filed on January 2, 2014, the ISO agreed with NCPA and noted that it would make such a correction if so ordered on compliance. In its March 20 order, the Commission mandated that the ISO make such a correction. In compliance, the ISO proposes to modify the relevant parts of Section 11.5.4.2 as follows:

11.5.4.2 Allocations of Non-Zero Amounts of the Sum of FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion Revenues and Real-Time Virtual Awards Settlements

[...]For Scheduling Coordinators for MSS Operators regardless of whether the MSS Operator has elected gross or net Settlement, the CAISO will allocate the Real-Time Congestion Offset based on the MSS Aggregation Net Non-ETC/TOR Measured Demand. To the extent that the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset, and less the Real-Time Marginal Cost of Losses Offset, does not equal zero, the CAISO will assess charges or make payments for the resulting differences to all Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that are not Load following MSSs and have elected gross Settlement, based on a pro rata share of their Measured Demand for the relevant Settlement Interval. For Scheduling Coordinators for MSS Operators that have elected net Settlement, the CAISO will assess charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with

Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset, based on their MSS Aggregation Net Measured Demand. For Scheduling Coordinators for MSS Operators that have elected Load following, the CAISO will not assess any charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset.

Upon further review of the tariff language as filed on November 26, the ISO identified additional tariff sections that make use of the previously defined terms Instructed Imbalance Energy and Imbalance Energy.² Such terms are to be replaced with FMM Instructed Imbalance Energy, RTD Instructed Imbalance Energy or RTD Imbalance Energy, as appropriate. Because these clarifications were not previously order by the Commission to be filed on compliance, the ISO is proposing to clean these terms up in his compliance filing. However, while these clarifications do not materially alter the requirements as specified in the tariff, conforming the terminology to the newly defined terms would provide clarity and consistency. Therefore, the ISO is preparing to file these clarifications separately in a clean-up tariff amendment, unless the Commission orders the ISO to make all necessary tariff changes to clarify use of defined terms and new terminology.

² For example, Section 11.5, which is mainly an introductory paragraph, makes use of the terms “Imbalance Energy” and “Instructed Imbalance Energy.” The term Imbalance Energy is no longer applicable and would be no longer a defined term. The term “Instructed Imbalance Energy” will now consist of FMM or RTD Instructed Imbalance Energy.

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III. Communications

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IV. Contents of this Filing

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A	Clean ISO tariff sheets incorporating this tariff amendment
Attachment B	Red-lined document showing the revisions contained in this tariff amendment

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V. Conclusion

For the reasons set forth in this filing, the ISO respectfully requests that the Commission accept this compliance filing as filed, effective May 1, 2014.

Respectfully submitted,

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Attachment A – Clean Tariff

Compliance Filing in Docket No. ER14-480

California Independent System Operator Corporation

April 21, 2014

4.8.2 Forecasting

All Scheduling Coordinators for Eligible Intermittent Resources are subject to the forecasting requirements and the Forecast Fee as described below. All Eligible Intermittent Resources must provide the CAISO meteorological and outage data as specified in Appendix Q. Scheduling Coordinators for Variable Energy Resources not located in the CAISO Balancing Authority Area that elect to use the forecast provided by the CAISO are also subject to the Forecast Fee.

4.8.2.1 Forecast Requirements

4.8.2.1.1 Use of Own Forecast

For purposes of participating in the CAISO Markets, Eligible Intermittent Resource may opt to use their own forecast of their resource's output, and not use the forecast of their output provided by the CAISO, only to the extent the CAISO has certified that the Eligible Intermittent Resource has completed the certification requirements specified in the Business Practice Manuals. If the Eligible Intermittent Resources is certified to provide their own forecast, they must provide at a minimum a three-hour rolling forecast with fifteen- (15) minute granularity, updated every fifteen minutes, and may provide in the alternative a three-hour rolling forecast at five- (5) minute granularity, updated every five minutes. If an Eligible Intermittent Resource opts to provide the forecast of their output at a five-minute granularity, the CAISO will use the average of the projected Energy output for the relevant three five (5)-minute forecasts to determine the Variable Energy Resource Self-Schedule for the Fifteen Minute Market as specified in Section 34. An Eligible Intermittent Resource that has elected to use its own forecast of its output must also submit the meteorological and outage data specified in Appendix Q. For purposes of participating in the CAISO Markets, Participating Intermittent Resources may opt to use their own output forecast if they are certified to do so by the CAISO pursuant to the rules specified in the Business Practice Manuals, in which case: (1) the resource will retain its status as a Participating Intermittent Resource; (2) the CAISO will not submit the updated output forecast for that resource through the Real-Time Market; and (3) the resource will be subject to the same requirements that apply to Eligible Intermittent Resource that use their own output forecast as specified in the CAISO Tariff. Participating Intermittent Resources that are subject to PIRP Protective Measures are not eligible to opt to use a forecast of their output for purposes of participating in the CAISO Markets other than the forecast of their output provided by the CAISO.

4.8.2.1.2 Use of Forecast from Independent Forecast Provider

For purposes of participating in the CAISO Markets, Eligible Intermittent Resources have the option to use a forecast of their output provided by CAISO. Variable Energy Resources that are located outside the CAISO Balancing Authority Area may also elect to use the output forecast provided by the CAISO, provided that: (1) they agree to provide the CAISO with the meteorological data specified in Appendix Q; and (2) they are certified to do so by the CAISO pursuant to the rules specified in the Business Practice Manuals. Once the election to use the output forecast provided by the CAISO is complete, the CAISO will specify the election status for the Eligible Intermittent Resource or the external Variable Energy Resource in the Master File. The Eligible Intermittent Resource and any Variable Energy Resource located outside of the CAISO Balancing Authority Area opting to use the forecast of their output provided by the CAISO, must provide the meteorological and outage data as specified in Appendix Q. Any changes to this election will be subject to the timeline and rule changes that apply to the Master File as specified in Section 30.7.3.2.

4.8.2.2 Application of the Forecast Fee

All Eligible Intermittent Resources are subject to the forecast fee specified in Section 2.4.1 of Appendix Q, regardless of whether the resource elects to use the CAISO-created forecast or relies on its own forecast. Variable Energy Resources located outside the CAISO Balancing Authority Area that elect to use the forecast of their output provided by the CAISO are also subject to the Forecast Fee specified in Section 2.4.1 of Appendix Q.

* * * *

4.8.3.1.2.2 Contractual Limitations

A Participating Intermittent Resource or Qualifying Facility requesting PIRP Protective Measures because of contractual limitations as specified in Section 4.8.3.2.2.2, must submit a sworn affidavit by a representative of the Participating Intermittent Resource or Qualifying Facility, who that is authorized to bind the resource legally and financially. The affidavit must state that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The Participating Intermittent Resource or Qualifying Facility must serve their affidavit electronically to the counterparty to the applicable contract on the same day the affidavit is submitted to the CAISO. A representative of the counterparty to the applicable existing bilateral agreement that is authorized to legally and financially bind the counterparty may also submit a sworn affidavit stating that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The counterparty must serve the affidavit electronically on the Participating Intermittent Resource or Qualifying Facility on the same day the affidavit is submitted to the CAISO. Each party's respective affidavit must state that during the term of the three-year transition period, the party will engage in a good faith effort with the counterparty to address the existing contractual limitation specified in Section 4.8.3.2.2.2. In the event that the counterparty submits no affidavits within the thirty days, the CAISO deems the counterparty to have acquiesced to the request by the representative of the Participating Intermittent Resource, except if the Participating Intermittent Resource fails to serve the counterparty with the required documents within the prescribed time. If the counterparty later successfully demonstrates through a formal complaint filed at the Federal Energy Regulatory Commission that the Participating Intermittent Resource failed to serve the counterparty with the relevant materials as described in this Section, the CAISO will deny, and if appropriate reverse, any PIRP Protective Measures afforded to the requesting party. To the extent that the counterparty instead submits an affidavit by a representative of the company that is fully authorized to legally and financially bind the company stating that the resource's contract does not meet the criteria in Sections 4.8.3.2.1 and 4.8.3.2.2.2, the affidavit must also state that the Participating Intermittent Resource shall not suffer any economic or other repercussions under the contract and because of the terms of the contract were the resource to participate fully in the CAISO Market, including through the submission of Economic Bid for economic curtailment. The representative of the Participating Intermittent

Resource may choose to withdraw its request in light of the counterparty's affidavit or pursue resolution of a contractual dispute through a dispute resolution process specified in the relevant contract, or if none is available, through the process specified in Section 13 of the CAISO Tariff, or through any dispute resolution process available through the Federal Energy Regulatory Commission. During the term that the contract is in dispute, the resource will be subject to PIRP Protective Measures provided it meets all the other criteria specified in this Section 4.8.3. Upon resolution of the dispute, if the dispute resolution process yields a conclusion that the contract is not eligible for PIRP Protective Measures, the resource will resume its status as a Participating Intermittent Resource not subject to PIRP Protective Measures. The CAISO will not undo any prior Settlement of the PIRP Protective Measures unless the parties submit a joint statement in writing indicating that the parties agree that the PIRP Protective Measures settlement received during the term that the matter was in dispute should be unwound and resettled as if the PIRP Protective Measures were not received. In the event that the parties submit such a joint statement, the CAISO will unwind the Protective Measures provided to the affected Scheduling Coordinator and will process such resettlement charges or payments through the existing resettlement procedures specified in Section 11.29.7. Provided the joint statement is provided in a timely manner, the CAISO will take all reasonable and necessary steps to include the resettlement on the next Recalculation Statement. In unwinding the Protective Measures received, any Scheduling Coordinator that received a payment for the PIRP Protective Measures under the contract in dispute will receive a charge in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2. Similarly, any Scheduling Coordinator that received a charge due to the provision of the PIRP Protective Measures under the contract in dispute will receive a payment in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2.

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11.5.4.2 Allocations of Non-Zero Amounts of the Sum of FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion Revenues and Real-Time Virtual Awards Settlements

The CAISO will first compute (1) the Real-Time Congestion Offset and allocate it to all Scheduling Coordinators, based on Measured Demand, excluding Demand associated with ETC or TOR Self-Schedules for which a RTM Congestion Credit was provided as specified in Section 11.5.7, and excluding Demand associated with ETC, Converted Right, or TOR Self-Schedules for which an IFM Congestion Credit was provided as specified in Section 11.2.1.5; and (2) the Real-Time Marginal Cost of Losses Offset and allocate it to all Scheduling Coordinators based on Measured Demand, excluding Demand associated with TOR Self-Schedules for which a RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.5.7.2, and excluding Demand associated with TOR Self-Schedules for which an IFM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.2.1.7. For Scheduling Coordinators for MSS operators that have elected to Load follow or net settlement, or both, the Real-Time Marginal Cost of Losses Offset will be allocated based on their MSS Aggregation Net Measured Demand excluding Demand associated with TOR Self-Schedules for which a RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.5.7.2, and excluding Demand associated with TOR Self-Schedules for which an IFM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.2.1.7. For Scheduling Coordinators for MSS Operators regardless of whether the MSS Operator has elected gross or net Settlement, the CAISO will allocate the Real-Time Congestion Offset based on the MSS Aggregation Net Non-ETC/TOR Measured Demand. To the extent that the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset, and less the Real-Time Marginal Cost of Losses Offset, does not equal zero, the CAISO will assess charges or make payments for the resulting differences to all Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that are not Load following MSSs and have elected gross Settlement, based on a pro rata share of their Measured Demand for the relevant Settlement Interval. For Scheduling Coordinators for MSS Operators that have

elected net Settlement, the CAISO will assess charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset, based on their MSS Aggregation Net Measured Demand. For Scheduling Coordinators for MSS Operators that have elected Load following, the CAISO will not assess any charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset.

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Attachment B – Marked Tariff

Compliance Filing in Docket No. ER14-480

California Independent System Operator Corporation

April 21, 2014

4.8.2 Forecasting

All Scheduling Coordinators for Eligible Intermittent Resources are subject to the forecasting requirements and the Forecast Fee as described below. All Eligible Intermittent Resources must provide the CAISO meteorological and outage data as specified in Appendix Q. Scheduling Coordinators for Variable Energy Resources not located in the CAISO Balancing Authority Area that elect to use the forecast provided by the CAISO are also subject to the Forecast Fee.

4.8.2.1 Forecast Requirements

4.8.2.1.1 Use of Own Forecast

For purposes of participating in the CAISO Markets, Eligible Intermittent Resource may opt to use their own forecast of their resource's output, and not use the forecast of their output provided by the CAISO, only to the extent the CAISO has certified that the Eligible Intermittent Resource has completed the certification requirements specified in the Business Practice Manuals. If the Eligible Intermittent Resources is certified to provide their own forecast, they must provide at a minimum a three-hour rolling forecast with fifteen- (15) minute granularity, updated every fifteen minutes, and may provide in the alternative a three-hour rolling forecast at five- (5) minute granularity, updated every five minutes. If an Eligible Intermittent Resource opts to provide the forecast of their output at a five-minute granularity, the CAISO will use the average of the projected Energy output for the relevant three five (5)-minute forecasts to determine the Variable Energy Resource Self-Schedule for the Fifteen Minute Market as specified in Section 34. An Eligible Intermittent Resource that has elected to use its own forecast of its output must also submit the meteorological and outage data specified in Appendix Q. ~~After the CAISO has certified an Eligible Intermittent Resource as eligible to provide its own output forecast, the CAISO may terminate the resource's certification if the CAISO determines that: (1) the Eligible Intermittent Resource's forecast is materially less accurate than the forecast provided by the CAISO on a regular basis; or (2) if the CAISO has a reasonable basis to believe that the resource is engaged in strategic forecasting for purposes other than accuracy. If the CAISO revokes the certification of an Eligible Intermittent Resource to use its own forecast, the Eligible Intermittent Resource must again complete the certification requirements specified in the Business Practice Manuals before it can again qualify to use its own forecast.~~ For purposes of participating in the CAISO Markets, Participating Intermittent Resources may opt to use their own output

forecast if they are certified to do so by the CAISO pursuant to the rules specified in the Business Practice Manuals, in which case: (1) the resource will retain its status as a Participating Intermittent Resource; (2) the CAISO will not submit the updated output forecast for that resource through the Real-Time Market; and (3) the resource will be subject to the same requirements that apply to Eligible Intermittent Resource that use their own output forecast as specified in the CAISO Tariff. Participating Intermittent Resources that are subject to PIRP Protective Measures are not eligible to opt to use a forecast of their output for purposes of participating in the CAISO Markets other than the forecast of their output provided by the CAISO.

4.8.2.1.2 Use of Forecast from Independent Forecast Provider

For purposes of participating in the CAISO Markets, Eligible Intermittent Resources have the option to use a forecast of their output provided by CAISO. Variable Energy Resources that are located outside the CAISO Balancing Authority Area may also elect to use the output forecast provided by the CAISO, provided that: (1) they agree to provide the CAISO with the meteorological data specified in Appendix Q; and (2) they are certified to do so by the CAISO pursuant to the rules specified in the Business Practice Manuals. Once the election to use the output forecast provided by the CAISO is complete, the CAISO will specify the election status for the Eligible Intermittent Resource or the external Variable Energy Resource in the Master File. The Eligible Intermittent Resource and any Variable Energy Resource located outside of the CAISO Balancing Authority Area opting to use the forecast of their output provided by the CAISO, must provide the meteorological and outage data as specified in Appendix Q. Any changes to this election will be subject to the timeline and rule changes that apply to the Master File as specified in Section 30.7.3.2.

4.8.2.2 Application of the Forecast Fee

All Eligible Intermittent Resources are subject to the forecast fee specified in Section 2.4.1 of Appendix Q, regardless of whether the resource elects to use the CAISO-created forecast or relies on its own forecast. Variable Energy Resources located outside the CAISO Balancing Authority Area that elect to use the forecast of their output provided by the CAISO are also subject to the Forecast Fee specified in Section 2.4.1 of Appendix Q.

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4.8.3.1.2.2 Contractual Limitations

A Participating Intermittent Resource or Qualifying Facility requesting PIRP Protective Measures because of contractual limitations as specified in Section 4.8.3.2.2.2, must submit a sworn affidavit by a representative of the Participating Intermittent Resource or Qualifying Facility, who that is authorized to bind the resource legally and financially. The affidavit must state that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The Participating Intermittent Resource or Qualifying Facility must serve their affidavit electronically to the counterparty to the applicable contract on the same day the affidavit is submitted to the CAISO. A representative of the counterparty to the applicable existing bilateral agreement that is authorized to legally and financially bind the counterparty may also submit a sworn affidavit stating that the resource is subject to a contract that meets the criteria specified in Sections 4.8.3.2.1 and 4.8.3.2.2.2. The counterparty must serve the affidavit electronically on the Participating Intermittent Resource or Qualifying Facility on the same day the affidavit is submitted to the CAISO. Each party's respective affidavit must state that during the term of the three-year transition period, the party will engage in a good faith effort with the counterparty to address the existing contractual limitation specified in Section 4.8.3.2.2.2. In the event that the counterparty submits no affidavits within the thirty days, the CAISO deems the counterparty to have acquiesced to the request by the representative of the Participating Intermittent Resource, except if the Participating Intermittent Resource fails to serve the counterparty with the required documents within the prescribed time. If the counterparty later successfully demonstrates through a formal complaint filed at the Federal Energy Regulatory Commission that the Participating Intermittent Resource failed to serve the counterparty with the relevant materials as described in this Section, the CAISO will deny, and if appropriate reverse, any PIRP Protective Measures afforded to the requesting party. To the extent that the counterparty instead submits an affidavit by a representative of the company that is fully authorized to legally and financially bind the company stating that the resource's contract does not meet the criteria in Sections 4.8.3.2.1 and 4.8.3.2.2.2, the affidavit must also state that the Participating Intermittent Resource shall not suffer any economic or other repercussions under the contract and because of the terms of the contract were the resource to participate fully in the CAISO Market, including through the submission of Economic Bid for economic curtailment. The representative of the Participating Intermittent

Resource may choose to withdraw its request in light of the counterparty's affidavit or pursue resolution of a contractual dispute through a dispute resolution process specified in the relevant contract, or if none is available, through the process specified in Section 13 of the CAISO Tariff, or through any dispute resolution process available through the Federal Energy Regulatory Commission. During the term that the contract is in dispute, the resource will be subject to PIRP Protective Measures provided it meets all the other criteria specified in this Section 4.8.3. Upon resolution of the dispute, if the dispute resolution process yields a conclusion that the contract is not eligible for PIRP Protective Measures, the resource will resume its status as a Participating Intermittent Resource not subject to PIRP Protective Measures.

~~Unless, the parties together request the CAISO to reverse any previously applied PIRP Protective Measures, t~~The CAISO will not undo any prior Settlement of the PIRP Protective Measures unless the parties submit a joint statement in writing indicating that the parties agree that the PIRP Protective Measures settlement received during the term that the matter was in dispute should be unwound and resettled as if the PIRP Protective Measures were not received. In the event that the parties submit such a joint statement, the CAISO will unwind the Protective Measures provided to the affected Scheduling Coordinator and will process such resettlement charges or payments through the existing resettlement procedures specified in Section 11.29.7. Provided the joint statement is provided in a timely manner, the CAISO will take all reasonable and necessary steps to include the resettlement on the next Recalculation Statement. In unwinding the Protective Measures received, any Scheduling Coordinator that received a payment for the PIRP Protective Measures under the contract in dispute will receive a charge in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2. Similarly, any Scheduling Coordinator that received a charge due to the provision of the PIRP Protective Measures under the contract in dispute will receive a payment in the amount of the payment previously received plus any interest that may apply under Section 11.29.10.2.

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11.5.4.2 Allocations of Non-Zero Amounts of the Sum of FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion Revenues and Real-Time Virtual Awards Settlements

The CAISO will first compute (1) the Real-Time Congestion Offset and allocate it to all Scheduling Coordinators, based on Measured Demand, excluding Demand associated with ETC or TOR Self-Schedules for which a RTM Congestion Credit was provided as specified in Section 11.5.7, and excluding Demand associated with ETC, Converted Right, or TOR Self-Schedules for which an IFM Congestion Credit was provided as specified in Section 11.2.1.5; and (2) the Real-Time Marginal Cost of Losses Offset and allocate it to all Scheduling Coordinators based on Measured Demand, excluding Demand associated with TOR Self-Schedules for which a RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.5.7.2, and excluding Demand associated with TOR Self-Schedules for which an IFM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.2.1.7. For Scheduling Coordinators for MSS operators that have elected to Load follow or net settlement, or both, the Real-Time Marginal Cost of Losses Offset will be allocated based on their MSS Aggregation Net Measured Demand excluding Demand associated with TOR Self-Schedules for which a RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.5.7.2, and excluding Demand associated with TOR Self-Schedules for which an IFM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules was provided as specified in Section 11.2.1.7. For Scheduling Coordinators for MSS Operators regardless of whether the MSS Operator has elected gross or net Settlement, the CAISO will allocate the Real-Time Congestion Offset based on the MSS Aggregation Net Non-ETC/TOR Measured Demand. To the extent that the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, UFE, the Real-Time Ancillary Services Congestion revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset, and less the Real-Time Marginal Cost of Losses Offset, does not equal zero, the CAISO will assess charges or make payments for the resulting differences to all Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that are not Load following MSSs and have elected gross Settlement, based on a pro rata share of their Measured Demand for the relevant Settlement Interval. For Scheduling Coordinators for MSS Operators that have

elected net Settlement, the CAISO will assess charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset, based on their MSS Aggregation Net Measured Demand. For Scheduling Coordinators for MSS Operators that have elected Load following, the CAISO will not assess any charges or make payments for the resulting non-zero differences of the sum of the Settlement amounts for FMM IIE, RTD IIE, RTD Imbalance Energy, UIE, and UFE, the Real-Time Ancillary Services Congestion Revenues and Virtual Awards settlements in the Real-Time Market in accordance with Section 11.3, less Real-Time Congestion Offset and less the Real-Time Marginal Cost of Losses Offset.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each party listed on the official service list for this proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010 (2013)).

Dated at Washington, DC on this 21st day of April, 2014.

/s/ Daniel Klein
Daniel Klein