

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

**California Independent System            )       Docket No. ER11-2128-\_\_\_\_  
Operator Corporation                        )**

**INFORMATIONAL FILING OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation submits this informational filing pursuant to the Commission’s July 25, 2011 order in this proceeding.<sup>1</sup> The July 2011 order called for the ISO to prepare an informational study of the virtual award charge based of the first 18 months of convergence bidding experience to document the accuracy of the assumptions justifying the charge. That is, market experience could generate data that would either validate the charge or demonstrate that the charge was either too high or too low. Convergence bidding was implemented on February 1, 2011. Accordingly, the Commission’s order anticipated an informational report by August 1, 2012.

The purpose of this study has been rendered moot by more recent events – specifically, by the Commission’s subsequent acceptance in a separate proceeding of tariff revisions that eliminated the ISO’s virtual award charge, effective as of January 1, 2012. Elimination of the virtual award charge means that performing the 18-month convergence bidding study would serve no useful

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<sup>1</sup> *California Independent System Operator Corp.*, 136 FERC ¶ 61,056 (2011) (July 2011 order).

purpose. The ISO requests that the Commission accept the instant filing as satisfying the informational requirements of the July 2011 order.

## **I. Background**

When the ISO filed tariff language to implement convergence bidding, the ISO proposed a component of the ISO's Grid Management Charge – the virtual award charge – to collect certain costs incurred by the ISO associated with convergence bidding. In the July 2011 order, the Commission accepted the justification provided by the ISO for the level of its virtual award charge, which the Commission had conditionally permitted to go into effect upon implementation of convergence bidding in the ISO market on February 1, 2011.<sup>2</sup> The Commission noted the ISO's explanation that the level of the virtual award charge was based on the expected level of convergence bidding activity that would occur in the ISO market in light of the volume of bidding that other Independent System Operators and Regional Transmission Organizations (ISOs/RTOs) have experienced with respect to convergence bidding.<sup>3</sup>

In connection with the approval of the virtual award charge, the July 2011 order provided for the ISO to file, for informational purposes only, a study after 18 months of convergence bidding market experience that included data demonstrating whether the estimated level of bidding that resulted from

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<sup>2</sup> *Id.* at PP 7, 28. The level of the virtual award charge proposed by the ISO was implemented subject to refund and further order by the Commission. The Commission did not require any refunds due to its acceptance of the ISO's justification for the level of the virtual award charge. *Id.*

<sup>3</sup> *Id.* at P 28.

convergence bidding is an accurate representation of actual activity in the ISO market.<sup>4</sup>

Subsequent to the issuance of the July 2011 order, the Commission issued an order in a separate proceeding that accepted a tariff amendment to revise the ISO's Grid Management Charge, effective January 1, 2012.<sup>5</sup> The tariff amendment simplified the ISO's rate design in a number of respects, including elimination of the virtual award charge and all tariff provisions relating to that charge. Starting on January 1, costs that formerly would have been included by themselves in the virtual award charge "bucket" for purposes of calculating the monthly Grid Management Charge have been and are included with other costs in the new, more comprehensive Market Services Charge "bucket" for purposes of calculating the monthly Grid Management Charge.<sup>6</sup>

Consistent with the cost of service study and rate design analysis conducted as part of the Grid Management Charge stakeholder effort, the ISO did not design a specific virtual award charge that would recover the costs that convergence bidding participants place on market systems. Rather, the ISO designed a Market Services Charge intended to recover the costs of processing both physical and virtual bids, based on historic awarded bids (physical and

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<sup>4</sup> *Id.* The Commission stated that it would not issue a notice regarding the ISO's informational filing, nor accept comment on it, and the filing would not require Commission action. *Id.* at P 28 n.31.

<sup>5</sup> *California Independent System Operator Corp.*, 136 FERC ¶ 61,236 (2011).

<sup>6</sup> See ISO Revised Grid Management Charge Proposal, Docket No. ER11-4100-000, transmittal letter at 32-33, Attachment B at black-lined revisions to Sections 11.22.2.5, 11.22.2.5.1, and 11.22.2.5.9 of the ISO tariff, Appendix A definitions of the terms Market Services Charge and Virtual Award Charge, and Appendix F, Schedule 1, Part A, Sections 1 and 9, Part C, and Part E (July 5, 2011).

virtual) as the billing determinant. Thus, although the basis of the development of the annual Market Services Charge will include historic levels of awarded virtual bids as part of the budget process, there are no specific costs allocated to convergence bidding participants under the revised Grid Management Charge design.

## **II. Informational Filing**

Pursuant to the Commission's approval of the revised Grid Management Charge, the virtual award charge was in effect only from February 1 through December 31 of 2011. As of January 1, 2012, the virtual award charge no longer remains in effect and has been replaced by the more comprehensive Market Services Charge.

Elimination of the virtual award charge means that the informational 18-month convergence bidding study would serve no useful function. The July 2011 order provided for the ISO to perform such an informational study in order to compare the expected level of convergence bidding activity in the ISO market, which was the basis for the level of the virtual award charge, with the actual activity in the ISO market during the 18-month period. Because the virtual award charge was eliminated as of the start of 2012, such a study would be of no use to stakeholders or the Commission.

Given the information provided in the instant filing and the elimination of the virtual award charge that was to be the focus of the informational study, the ISO requests that the Commission accept the instant filing as satisfying the informational requirements of the July 2011 order.

Respectfully submitted,

Nancy Saracino  
General Counsel  
Sidney M. Davies  
Assistant General Counsel  
The California Independent  
System Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7296

/s/ Bradley R. Miliauskas

Sean A. Atkins  
Bradley R. Miliauskas  
Alston & Bird LLP  
The Atlantic Building  
950 F Street, NW  
Washington, DC 20004  
Tel: (202) 756-3300  
Fax: (202) 654-4875

Attorneys for the California Independent System Operator Corporation

Dated: August 1, 2012

## CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 1<sup>st</sup> day of August, 2012.

/s/ Bradley R. Miliauskas  
Bradley R. Miliauskas