

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

California Independent System Operator)
Corporation)

Docket No. ER11-2574-000

**ANSWER TO MOTIONS TO INTERVENE AND COMMENTS, AND MOTION TO FILE
ANSWER AND ANSWER TO PROTESTS, OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I. INTRODUCTION

The California Independent System Operator Corporation (ISO)¹ hereby files its answer to the motions to intervene, comments, and protests submitted in response to the ISO's December 30, 2010 filing to make clarifying changes to its tariff.² The purpose of this tariff amendment is to clarify existing tariff language and correct inadvertent errors and inconsistencies in the ISO tariff; the ISO did not intend to and has not proposed any material changes to the ISO tariff that would affect the rights and obligations of market participants.³

Several parties filed motions to intervene in response to the ISO's filing.⁴ Of these parties, AReM and the Six Cities filed protests. Powerex, CDWR, Santa Clara

¹ The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff.

² The ISO submits this answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2010). The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the protest filed in this proceeding. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

³ ISO December 30, 2010 filing at 2.

and TANC filed comments. The protests and comments raise various concerns with specific proposed clarifications and, in some instances, offer additional recommended tariff changes. The ISO addresses each issue raised in the parties' protests and comments below and proposes to make specific changes on compliance as discussed below. The ISO acknowledges that its tariff filing included several typographical errors and omissions in the conversion of draft final tariff language posted as part of the tariff stakeholder process into the e-tariff system for filing with the Commission. The ISO appreciates parties' efforts to identify these mistakes.

Finally, with respect to the meter penalty issues raised in AReM's protest, the ISO asks that the Commission reject AReM's protest because it seeks relief beyond the scope of the changes the ISO has proposed in this tariff amendment. The ISO requests that the Commission accept the tariff changes as proposed by the ISO in its December 30, 2010 filing, subject to the agreed upon clarifications discussed in this answer.

II. ANSWER

A. Tariff clarifications regarding generated bidding rules.

In its comments, Powerex states that it supports the ISO's proposed tariff changes to tariff sections 30.7.3.1, 30.7.6.1, and 40.6.8 related to the use of generated bids. Powerex also asks that the ISO identify when it will be able to fully implement the

⁴ The following entities filed motions to intervene: Powerex Corp. (Powerex) the Alliance for Retail Energy Markets (AReM); Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (Six Cities); the City of Santa Clara (Santa Clara); the Transmission Agency of Northern California (TANC); the California Department of Water Resources (CDWR); the Northern California Power Agency; the City of Redding, California and the M-S-R Public Power Agency; Modesto Irrigation District; the Cogeneration Association of California & the Energy Producers & Users Coalition; and Pacific Gas and Electric Company.

functionality that would generate bids for system resources eligible to provide resource adequacy capacity at the interties.⁵

Sections 30.7.3.1 and 30.7.6.1 set forth generally applicable bid validation rules. Sections 30.7.3.1 and 30.7.6.1, apply to all energy bids and ancillary services bids, respectively. These rules have been in place since April 1, 2009. In this regard, if a use-limited resource *voluntarily* submits a bid, the generally applicable bidding rules in sections 30.7.3.1, 30.7.6.1 of the tariff apply to the bid. The proposed revision to section 40.6.8 simply clarifies that the exemptions that use-limited resources have from generated *resource adequacy* bids, do not exempt such resources from the generally applicable bid validation rules that apply to all bids.

With respect to the automation of the resource adequacy bidding obligations, the ISO has taken one step to automate functionality, namely to generate residual unit commitment (RUC) availability bids for eligible resource adequacy capacity, including eligible system resources. As described in the ISO's tariff amendment, under the current ISO tariff, scheduling coordinators have an affirmative duty to bid resource adequacy capacity into the RUC process, subject to certain exceptions as discussed below. The ISO proposed several revisions to its tariff, including sections 30.5.2.7, 30.5.3, 31.5.1.2 and 43.6.3⁶, to reflect the fact that the ISO scheduling infrastructure and business rules (SIBR) system is now capable of generating RUC availability bids for resource adequacy capacity as well as interim capacity procurement mechanism

⁵ Comments of Powerex at 2-3.

⁶ The ISO's December 30, 2010 transmittal letter incorrectly referenced a change to section 40.7.3. There is not section 40.7.3 in the ISO tariff. The reference should have been to section 43.6.3.

capacity, that has a RUC obligation. Accordingly, the ISO's proposed tariff changes remove the affirmative obligation for scheduling coordinators to submit such bids into the residual unit commitment process.

In its comments, Powerex notes that the ISO has not started to generate RUC availability bids for its system resources with resource adequacy capacity. Powerex is correct that the functionality implemented on November 4, 2010 was not generating RUC availability bids for system resources. This problem has been fixed, effective as of February 1, 2011.

Powerex's comments, as well as comments submitted by CDWR concerning the RUC obligation for exempt use limited resources, has caused the ISO to conclude that the following additional clarifying changes to section 30.5.2.7 are necessary and consistent with existing resource adequacy tariff policies :

- For non-use limited resources with resource adequacy capacity (or interim capacity procurement mechanism capacity), the ISO will generate RUC availability bids for internal resources and system resources;
- For use-limited resources with a RUC obligation, the ISO will generate RUC availability bids but only to the extent the scheduling coordinator submits bids in the ISO's day-ahead market up to the resource adequacy capacity level but capped by the quantity specified by the scheduling coordinator in the applicable bid;
- The ISO will not generate any RUC availability bids for use-limited resources that do not have a RUC obligation; and

- Resources that are eligible to provide resource adequacy capacity (or interim capacity procurement mechanism capacity), may offer their capacity through RUC availability bids.

The ISO offers the following proposed changes to sections 30.5.2.7 with underscored language in grey shading to reflect incremental proposed additions and strikethrough in grey shading to reflect incremental proposed deletions as compared to the black line version of section 30.5.2.7 filed on December 30, 2010.

30.5.2.7 RUC Availability Bids

Scheduling Coordinators may submit RUC Availability Bids for capacity of specific Generating Units ~~capacity that is not Resource Adequacy Capacity or ICPM Capacity of~~ in the DAM; ~~however,~~ Scheduling Coordinators for Resource Adequacy Capacity or ICPM Capacity from resources that are not Use-Limited Resources must participate in RUC to the extent that such capacity is not reflected in an IFM Schedule but need not submit RUC Availability Bids. ~~for that capacity to the extent that the capacity has not been submitted in~~ Resource Adequacy Capacity or ICPM Capacity participating in RUC will be optimized using a Self-Schedule or already been committed to provide Energy or capacity in the IFM zero dollar (\$0/MW-hour) RUC Availability Bid. For Use Limited Resources that are not exempt from the obligation to participate in RUC pursuant to Section 40.6.4.3.2, any Resource Adequacy Capacity or ICPM Capacity made available to the CAISO through the submission of Bids in the Day-Ahead Market will also be optimized using a zero (\$/MW-hour) RUC Availability Bid. For Multi-Stage Generating Resources the RUC Availability Bids shall be submitted at the MSG Configuration. Capacity that does not have Bids for Supply of Energy in the IFM will not be eligible to participate in the RUC process. The RUC Availability Bid component is MW-quantity of non-Resource Adequacy Capacity in \$/MW per hour, ~~and \$0/MW for Resource Adequacy Capacity or ICPM Capacity.~~

Because these additional changes provide additional clarification consistent with the purpose of the December 30 filing, the ISO proposes to make these changes on compliance in response to a further Commission directive.

With respect to Powerex's general request for additional information as to the timing of software enhancements and related tariff language that would generate bids for eligible system resources with resource adequacy capacity for energy and ancillary services in the same way that it generates such bids for internal resources, the ISO anticipates filing the tariff amendment in the first half of 2011 with a target effective date of January 1, 2012.

B. The ISO's proposed tariff changes do not alter resource adequacy bidding obligations of use limited resources.

As part of the ISO's markets, the ISO co-optimizes between the use of energy and ancillary services bids.⁷ In some instances, the ISO will generate and extend bids for resources to allow for the co-optimization in various market intervals.⁸ Six Cities recognizes that this rule is consistent with co-optimization principles established by the Commission.⁹ In its protest, Six Cities argues that the ISO's proposed changes to sections 30.7.3.1, 30.7.6.1 and 40.6.8 imply that the ISO is seeking to expand its ability to submit bids for use limited resources in the day-ahead and real-time markets.¹⁰ The purpose of these tariff changes, however, is simply to clarify the fact that the ISO's generally applicable rules governing bid validation apply to use-limited resources when

⁷ See generally, ISO tariff section 31.3.1.2.

⁸ See *generally*, ISO tariff section 30.7.

⁹ *Id.* at 3-4.

¹⁰ Protest of Six Cities at pp. 2-4.

those resources voluntarily submit energy or ancillary services bids into the ISO's market. The ISO is not proposing any change to any resource adequacy bidding obligations for use-limited resources.

Specifically, Six Cities opposes changes to sections 30.7.3.1 and 30.7.6.1 that state that the ISO "will not insert or extend any Bid for Regulation Up or Regulation Down in the Real-Time Market for a Use-Limited Resource except as provided in Section 40.6.8." Six Cities argues that section 40.6.8 is not limited to regulation up or regulation down bids or to the real-time market but instead specifies that the ISO will not insert any bid for a resource adequacy resource that is use-limited. Six Cities proposes that the Commission direct the ISO to eliminate the phrase "for Regulation Up or Regulation Down in the Real-Time Market" from the proposed changes to sections 30.7.3.1 and 30.7.6.1.

Based on these comments, the ISO agrees that clarifications are warranted, but not those proposed by Six Cities. As discussed above, there is an important distinction between the generally applicable bid validation rules that apply to *all* bids, on the one hand, and the bidding obligations for resource adequacy resources that only apply to resource adequacy resources, on the other hand. The generally applicable bid validation rules at issue are set forth in section 30.7.3.1 and 30.7.6.1 and the resource adequacy bidding obligations are set forth in section 40.6. Although both tariff provisions can result in ISO-generated bids, the ISO does not generate *resource adequacy* energy or ancillary services bids under section 40.6 on behalf of resource adequacy use-limited resources. The main purpose of the ISO's proposed tariff clarifications is to clarify that *if* a use limited resource voluntarily submits a bid, the

generally applicable bid validation rules in section 30 will then apply and SIBR may insert energy or ancillary services bids if bid components are missing as part of the bid validation process.

The ISO proposes to delete the following sentence from sections 30.7.3.1 and 30.7.6.1 as submitted in its December 30, 2011 filing:

~~The CAISO will not insert or extend any Bid for Regulation Up or Regulation Down in the Real-Time Market for a Use-Limited Resource except as provided in Section 40.6.8.~~

The ISO proposes to make this further clarification in a further compliance filing.

Six Cities also argues that the ISO's proposed changes to section 40.6.8 that state the ISO will not submit bids for use-limited resources in the real time market imply that the ISO may submit bids for such resources in the day-ahead market.¹¹ Six Cities recommends that the Commission reject the ISO's proposal to add the phrase "in the Real time Market under this Section 40" to last sentence of section 40.6.8. The ISO's changes to section 40.6.8 are not intended to expand its authority to submit bids for use limited resources in the day-ahead market. As an alternative to Six Cities' recommendation, the ISO proposes to make the following changes to the last sentence of section 40.6.8 with underscored language to reflect proposed additions and strikethrough to reflect proposed deletions as compared to the clean language submitted on December 30, 2010.

~~Notwithstanding any of the provisions of Section 40.6.8 set forth above, the CAISO will not insert any Bid in the Real-Time Market required under this Section 40 for a Resource Adequacy Resource that is a Use-Limited Resource unless the resource submits an Energy Bid and fails to submit an~~

¹¹ Protest of Six Cities at 4.

Ancillary Service Bid. The ISO will not insert Generated Bids under Section 40.6.8 on behalf of Use-Limited Resources. If a Scheduling Coordinator submits Bids on behalf of Use-Limited Resources, then the Bid validation rules in Section 30 will apply.

Because these additional changes provide additional clarification consistent with the purpose of the December 30 amendments, the ISO proposes to make these changes on compliance with a further Commission directive.

CDWR's comments also express a misunderstanding of the ISO's proposed clarifications to tariff sections 30.7.3.1, 30.7.6.1, and 40.6.8. CDWR argues that the ISO is proposing to reverse prior Commission orders by eliminating exemptions for hydroelectric and other non-dispatchable use limited resources from the ancillary services must offer requirement.¹² The ISO believes that the clarifications discussed above—*i.e.*, that the ISO will not generate resource adequacy bids for use-limited resource adequacy resources and will not in any case generate RUC availability bids for use limited resources that are exempt from the this obligation, should alleviate CDWR's concerns, particularly in light of the fact that the ISO is not proposing any change to section 40.6.4.3.2. This section of the tariff specifies in part that use-limited resources such as "Hydroelectric Generating Units, Pumping Load, and Non-Dispatchable Use-Limited Resources will not be subject to commitment in the RUC process."

C. The ISO agrees to modify its tariff amendment on compliance to resolve several comments and protests raised by the parties.

In their protests and comments, parties raise a number of concerns with the ISO's proposed tariff revisions and also identify additional corrections to specific tariff sections that the ISO should make. The ISO has also reviewed its filing and identified

¹² Comments of CDWR at 2-5.

several variances from its final draft language presented to stakeholders and the tariff language submitted to the Commission. The ISO addresses these tariff sections sequentially below and is willing to make conforming changes on compliance to address these matters, if the Commission so authorizes.

Sections 4.6 and 4.6.5

In its protest, Six Cities identifies that the ISO's submitted tariff language contains the word *Version* in the headings for sections 4.6 and 4.6.5 and proposes that the ISO delete this word.¹³ The ISO agrees that this word should not appear in these section headings and agrees to delete it as part of any compliance filing in this matter.

Section 8.9.3.1

In its protest, Six Cities identifies that the title of section 8.9.3.1 should use the singular of the word "resource" as opposed to the plural.¹⁴ Six Cities and CDWR also identify a typographical error in the first sentence of this section in the phrase "resource that is no Curtailable Demand."¹⁵ This phrase should read "resource that is *not* Curtailable Demand." CDWR also raises a concern that the ISO's explanation for changes to this section only specifies that the ISO is capitalizing the word *Interchange Schedules* to reflect the use of a defined term. Santa Clara also points out that the revisions to section 8.9.3.1 appear to exceed those described in the ISO's filing.¹⁶ Indeed, as part of this filing, the ISO is only proposing to modify section 8.9.3.1 to

¹³ Protest of Six Cities at 6.

¹⁴ Protest of Six Cities at 6.

¹⁵ Protest of Six Cities at 6; comments of CDWR at 6-7, *citing* ISO's transmittal letter at A-4.

¹⁶ Comments of Santa Clara at 10.

capitalize the defined term *Interchange Schedules*. During the process of preparing language to submit to the Commission's electronic tariff system, the ISO used a version of section 8.9.3.1 that contained blackline changes which the Commission had already conditionally accepted.¹⁷ The ISO restates below its proposed changes to the currently effective version of section 8.9.3.1, including correcting the typographical errors identified by Six Cities and CDWR, with strikethrough language to reflect proposed deletions and underscore language to reflect proposed additions.

8.9.3.1 Compliance Testing of a Resources

The CAISO may test the Non-Spinning Reserve capability of a resource that is not Curtailable Demand by issuing unannounced Dispatch Instructions requiring the resource to come on line and ramp up or, in the case of a Proxy Demand Resource, to reduce Demand, or, in the case of a System Resource, to affirmatively respond to Real-Time ~~i~~nterchange ~~s~~Schedule adjustment; all in accordance with the Scheduling Coordinator's Bid. Such tests may not necessarily occur on the hour. The CAISO shall measure the response of the resource to determine compliance with its stated capabilities. For a Multi-Stage Generating Resource the full range of Non-Spinning capacity is evaluated at the applicable MSG Configuration.

The ISO will ensure it uses the currently effective language of section 8.9.3.1 in connection with any compliance filing in this matter.

Section 8.10.8.1

In its December 30, 2010 filing, the ISO's blackline tariff sheets reflect that the ISO proposes to add *Proxy Demand Resource* to the list of resources to which section 8.10.8.1 applies.¹⁸ The ISO did not intend to propose this change to section 8.10.8.1 as part of this filing and the reference to Proxy Demand Resource should not appear as a

¹⁷ *California Independent System Operator Corp.*, 132 FERC ¶ 61,045 (2010).

¹⁸ ISO December 30, 2010 filing, Attachment C.

blackline addition to this tariff section. At the time of filing, the Commission had already conditionally accepted the ISO's proposal to add Proxy Demand Resource to the list of resources to which section 8.10.8.1 applies.¹⁹ Since that time, the Commission has accepted the ISO's proposed tariff language associated with Proxy Demand Resources.²⁰ The ISO will ensure that this reference does not appear as a blackline addition as part of any compliance filing in this matter.

Section 11.10.1.4

In its protest, Six Cities identifies that the ISO uses the word *Sections* at the end of the fourth sentence of section 11.10.1.4 and should instead use the singular form of this word and modify it to read *Section*.²¹ The ISO agrees with Six Cities and is willing to make this change as part of any compliance filing in this matter.

Section 11.19.1.2

In its protest, Six Cities recommends that that the ISO change the word *Payment* in the fourth and fifth sentences of section 11.19.1.2 to reflect the plural of this word: *Payments*. The ISO agrees that this change aligns with the use of the defined term *CAISO Payments Calendar*. Six Cities also recommends that the ISO insert a comma after the word *Further* in the sixth sentence of section 11.19.1.2. The ISO is willing to make these changes as part of any compliance filing in this matter.

Section 11.19.3.4

¹⁹ *California Independent System Operator Corp.*, 132 FERC ¶ 61,045 (2010).

²⁰ *California Independent System Operator Corp.*, 134 FERC ¶ 61,004 (2011).

²¹ Protest of Six Cities at 6.

In its December 30, 2010 filing, the ISO's blackline tariff sheets reflect changes to section 11.19.3.4 to address the allocation of any surcharge or payment related to the recovery of FERC annual charges.²² The ISO, however, omitted a grammatical addition in the fourth sentence of this section to reflect the possessive case of the noun *active scheduling coordinators* in the phrase "active Scheduling Coordinators' metered Demand and exports."²³ The ISO proposes to correct this grammatical error as part of any compliance filing in this matter, if the Commission so authorizes.

Section 11.21.1

In its protest, Santa Clara identifies a variance between revisions proposed to tariff section 11.21.1 during the stakeholder process and revision submitted to the Commission as part of the ISO's instant filing. The ISO proposed to revise section 11.21.1 in part to address how it manages shortfalls for calculated locational marginal prices in its market validation and price correction process, including how the ISO manages revenue collected from the integrated forward markets that do not net to zero. In its proposed changes to 11.21.1, the ISO inadvertently omitted the term "IFM" in front of the words "Congestion Charge." Santa Clara correctly states that the defined term *Congestion Charge* on its own has a different meaning than the defined term *IFM Congestion Charge*. The ISO proposes to correct this omission in a compliance filing, if so authorized by the Commission.

²² ISO December 30, 2010 filing, Attachment A at A-6.

²³ ISO December 30, 2010 filing, Attachment C.

Section 11.29.7.3.4

In its protest, Six Cities identifies a spelling error in section 11.29.7.3.4 and recommends that ISO correct the spelling of the word *separately*.²⁴ The ISO proposes to correct this spelling error as part of any compliance filing in this matter.

Section 11.29.11

In its protest, Six Cities recommends that the ISO include additional punctuation in section 11.29.11 by adding a period to the end of section.²⁵ The ISO proposes to make this change as part of any compliance filing in this matter.

Section 25.1.2

In its December 30, 2010 filing, the ISO described a change to section 25.1.2 to clarify that the owner of a generating unit must describe through supporting information any change to the total capability *or* electrical characteristics of the generating unit in order to allow the participating transmission owner and ISO to assess whether the owner must become an interconnection customer under the ISO's tariff. The ISO, however, omitted to make a conforming change in the second sentence of section 25.1.2 in the tariff sheets submitted to the Commission. The ISO restates below its proposed changes to the second sentence of section 25.1.2 with strikethrough language to reflect proposed deletions and underscore language to reflect proposed additions. The ISO reflects incremental changes to address the omission described above with additional underscored and strikethrough language in grey shading.

If there is any change to the total capability ~~and/or~~ electrical characteristics of the ~~Qualifying Facility~~ Generating Unit,

²⁴ Protest of Six Cities at 6.

²⁵ Protest of Six Cities at 6.

however, the affidavit shall include supporting information describing any such changes.

If authorized by the Commission, the ISO proposes to make this change as part of any compliance filing in this matter.

Sections 27.5.1.1 and 27.5.3

Santa Clara and TANC both submitted comments addressing the ISO's use of the defined term *Transmission Constraints* in sections 27.5.1.1 and 27.5.3, which address the base market model used by the ISO markets as well as provisions related to the integrated balancing authority area.²⁶ In their comments, Santa Clara and TANC ask that the Commission direct the ISO to honor its commitment made during the stakeholder process that through these proposed tariff changes will not alter the substantive requirements of these tariff provision. The proposed amendments to sections 27.5.1.1 and 27.5.3 on their face do not alter the substantive requirements of these sections. The amendment to section 27.5.1.1 changes the words *transmission Constraints* and *network Constraints* to the new defined term *Transmission Constraints*. As explained in this answer, the definition of the new term *Transmission Constraints* is the same as the defined term *Constraints* in the ISO's existing tariff. The Commission's acceptance of the proposed changes and the ISO's continued compliance with the provisions of these sections will ensure that the ISO honors its commitment made during the stakeholder process that the proposed changes do not alter the substantive requirements of these sections.

²⁶ Comments of Santa Clara at 6-10; comments of TANC at 5-11.

Section 30.5.2.7

In its protest, Six Cities recommends that the ISO make grammatical and punctuation changes to section 30.5.2.7 by deleting the word *of* after the words *ICPM Capacity* in the first sentence and changing a comma to a semi-colon in the second sentence.²⁷ The ISO proposes to make these changes to section 30.5.2.7 in addition to the changes identified in II.A of this answer as part of any compliance filing in this matter.

Section 30.7.6.1

During the ISO's stakeholder process leading up to the ISO's December 30, 2010 tariff filing, a stakeholder proposed a grammatical change to the tenth sentence of section 30.7.6.1, which the ISO intended to make. The ISO, however, omitted to include this change in its tariff sheets submitted to the Commission. The ISO identifies the grammatical change to the tenth sentence of section 30.7.6.1 with underscore language to reflect proposed additions in grey shading.

For Generating Units with certified Regulation capacity, if there is no Bid for Regulation in the Real-Time Market, but there is a Day-Ahead award for Regulation Up or Regulation Down or a submission to self-provide Regulation Up or Regulation Down, respectively, the CAISO will generate a Regulation Up or Regulation Down Bid at the default Ancillary Service Bid price of \$0 up to the certified Regulation capacity for the Generating Unit minus any Regulation awarded or self-provided in the Day-Ahead.

If authorized by the Commission, the ISO will include this change in addition to the changes to section 30.7.6.1 identified in II.B of this answer as part of any compliance filing in this matter.

²⁷ Protest of Six Cities at 7.

Section 34

In its December 30, 2010 filing, the ISO's blackline tariff sheets reflect that the ISO proposes to add *Proxy Demand Resources* to the list of resources identified in tariff section 34 that the ISO will dispatch pursuant to bids or exceptional dispatch.²⁸ The ISO did not intend to propose this change to section 34 as part of this filing and the reference to *Proxy Demand Resource* should not appear as a blackline addition. At the time of filing, the Commission had already conditionally accepted the ISO's proposal to add Proxy Demand Resource to the list of resources identified in section 34.²⁹ The ISO will ensure that this reference does not appear as a blackline addition as part of any compliance filing in this matter.

Section 34.4

In its protest, Six Cities recommends that the ISO correct the spelling of the hyphenated words *look-ahead* in the fifth line from the end of section 34.4.³⁰ The ISO proposes to make this change as part of any compliance filing in this matter.

Section 34.5(7)

In its December 30, 2010 filing, the ISO's blackline tariff sheets reflect that the ISO proposes to add *Proxy Demand Resources* to the list of resources identified in tariff section 34 .5(7) that the ISO may instruct to reduce load.³¹ The ISO did not intend to propose this change to section 34.5(7) as part of this filing and the reference to *Proxy Demand Resource* should not appear as a blackline addition. At the time of filing, the

²⁸ ISO December 30, 2010 filing, Attachment C.

²⁹ *California Independent System Operator Corp.*, 132 FERC ¶ 61,045 (2010).

³⁰ Protest of Six Cities at 7.

³¹ ISO December 30, 2010 filing, Attachment C.

Commission had already conditionally accepted the ISO's proposal to add Proxy Demand Resource to the list of resources identified in section 34.5(7).³² The ISO will ensure that this reference does not appear as a blackline addition as part of any compliance filing in this matter.

Section 34.15.1

In its protest, Six Cities identifies that the ISO's submitted tariff language contains the word *Version* in the heading for section 34.15.1 and proposes that the ISO delete this word.³³ The ISO agrees that the word *Version* should not appear in this section heading and agrees to delete it as part of any compliance filing in this matter.

Section 34.16.3.4(b)

In its protest, Six Cities recommends that the ISO make a grammatical change to section 34.16.3.4(b) by deleting the word *of* in the second line of this section.³⁴ The ISO is willing to make this change as part of any compliance filing in this matter.

Section 37.2.1.1

In its protest, Six Cities recommends that the ISO change the punctuation of section 37.2.1.1 by deleting the comma in the third line of this section after the word *undertake*.³⁵ The ISO is willing to make this change as part of any compliance filing in this matter.

³² *California Independent System Operator Corp.*, 132 FERC ¶ 61,045 (2010).

³³ Protest of Six Cities at 7.

³⁴ Protest of Six Cities at 7.

³⁵ Protest of Six Cities at 6.

Section 40.5.1(1)

As part of its tariff amendment, the ISO proposed to modify section 40.5.1(1) to make a conforming typographical change to reflect the ISO's convention in identifying percentages in its tariff. The ISO proposed to change this section so that in two instances the words "one hundred and fifteen percent (115%)" read as follows: "one hundred and fifteen (115) percent." Unfortunately, in the tariff sheets submitted to Commission, the ISO changed only the first instance of these words.³⁶ The ISO proposes to make the conforming change to the second instance in which these words appear as part to any compliance filing in this matter.

Section 40.6.2

In its protest, Six Cities recommends that the ISO make a typographical correction in the seventeenth line of section 40.6.2 by changing the word *Vapacity* to *Capacity*.³⁷ In their comments, CDWR and Powerex also make this recommendation.³⁸ The ISO proposes to make this change as part of any compliance filing in this matter.

Section 43.1.2.1

As part of its tariff amendment, the ISO proposed to modify tariff provisions relating to notice and cure periods for addressing local capacity area resource adequacy deficiencies. The ISO's proposed tariff language would eliminate the requirement for the ISO to issue a notice of deficiency in a specific local capacity area 60 days before the end of a resource adequacy compliance year and instead provide

³⁶ ISO December 30, 2010 filing, Attachment C.

³⁷ Protest of Six Cities at 6.

³⁸ Comments of CDWR at 6; Comment of Powerex at 4.

the ISO with flexibility to issue such a notice at a different time. Unfortunately, as part of the submission of this proposed revision, the ISO inadvertently omitted a companion change that it had presented to stakeholders that would allow a scheduling coordinator to submit a revised annual resource adequacy plan within 30 days of the notice demonstrating procurement of additional local capacity area resources.

In its protest, Six Cities raises a concern that while the ISO has proposed tariff language to provide itself with flexibility to provide notice of a local capacity deficiency throughout the year but still require scheduling coordinators to cure the deficiency within 30 days of the beginning of the resource adequacy compliance year.³⁹ As described above, the ISO recognizes Six Cities concern and proposes to modify its changes to tariff section 43.1.2.1 on compliance consistent with the changes the ISO proposed in the tariff stakeholder process. Six Cities also argues that the ISO's current tariff allows load serving entities up to 90 days to procure resource adequacy capacity to cure a deficiency noticed by the ISO. Six Cities' interpretation is incorrect. In fact, the tariff imposes an obligation on load serving entities to cure a deficiency "within 30 days of the beginning of the Resource Adequacy Compliance Year." The tariff as currently in effect, contemplates the ISO would issue a market notice by approximately November 1 and that the affected load serving entity would have a 30-day cure period, *i.e.* by December 1, to address the deficiency (30 days from the beginning of the compliance year.)⁴⁰ The purpose of the changes was to eliminate any timing requirement linked to the beginning of the resource adequacy contract year without affecting the cure period. Accordingly,

³⁹ Protest of Six Cities at 4-6.

⁴⁰ See *e.g.*, Evaluation Report of Load Serving Entities' Compliance with 2011 Local Resource Adequacy Requirements at 5. <http://www.caiso.com/2841/2841746a5b600.pdf>

the ISO is not proposing a material change to this section. The ISO restates below its proposed changes to section 43.1.2.1 with strikethrough language to reflect proposed deletions. No stakeholder opposed these changes in the stakeholder process. The ISO reflects incremental changes to address Six Cities' concerns with additional underscored and strikethrough language in grey shading.

Where the CAISO determines that a need for ICPM Capacity exists under Section 43.1.2, but prior to any designation of ICPM Capacity, the CAISO shall issue a Market Notice, ~~no later than sixty (60) days before the beginning of the Resource Adequacy Compliance Year,~~ identifying the deficient Local Capacity Area and the quantity of capacity that would permit the deficient Local Capacity Area to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1 and, where only specific resources are effective to resolve the Reliability Criteria deficiency, the CAISO shall provide the identity of such resources. Any Scheduling Coordinator may submit a revised annual Resource Adequacy Plan within thirty (30) days of the beginning of the Resource Adequacy Compliance Year ~~date of the Market Notice~~ demonstrating procurement of additional Local Capacity Area Resources consistent with the Market Notice issued under this Section.

If authorized by the Commission, the ISO proposes to make this conforming change to section 41.1.2.1 as part of any compliance filing in this matter.

Section 43.6.3

In its protest, Six Cities recommends that the ISO change the punctuation of section 43.6.3 by adding a comma in the third line of this section after the word *process* and by adding a comma in the fourth line of this section after the word *Bid*.⁴¹ The ISO is willing to make this change as part of any compliance filing in this matter.

⁴¹ Protest of Six Cities at 6.

Six Cities also identifies that Attachment A to the ISO's tariff filing, which provided a key to the proposed tariff changes, does not reference changes to section 43.6.3. Six Cities is correct. The ISO inadvertently referenced section 43.7.3 in its Attachment A as the section associated with changes described in section 43.6.3.⁴² CDWR also raises a concern that the ISO identifies changes to tariff section 40.7.3 in the body of its transmittal letter but that the ISO did not submit proposed changes to this section.⁴³ This reference should also have been to section 43.6.3. The ISO thanks Six Cities and CDWR for raising these discrepancies and providing the ISO an opportunity to clarify these mistakes.

Appendix A, Participating Transmission Owner

As part of its tariff amendment, the ISO proposed to add the acronym (*PTO*) after the words *Participating TO* in the defined term *Participating TO Service Territory* in Appendix A to the ISO tariff. The ISO described this change in its tariff submission⁴⁴ but the tariff sheets submitted to the Commission do not reflect this blackline change.⁴⁵ The ISO will ensure that this change appears in its blackline tariff sheets submitted with any compliance filing in this matter.

⁴² See ISO transmittal letter, Attachment A thereto at A-16.

⁴³ Comments of CDWR at 6, *referring to* ISO transmittal letter at 16.

⁴⁴ See, ISO transmittal letter, Attachment A at A-19.

⁴⁵ See, ISO transmittal letter, Attachment C.

Appendix A, Transmission Constraints

In their comments, Santa Clara and TANC recommend that the ISO revise the definition of the term *Transmission Constraints* to use the word *limitations* and not the word *limits*.⁴⁶ Santa Clara and TANC's recommendation is consistent with the ISO's intent and the defined term *Transmission Constraints* should read as follows: "Physical and operational limitations on the transfer of electric power through transmission facilities." The ISO inadvertently entered the word *limits* instead of the word *limitations* in this definition as part of its blackline and clean tariff sheets submitted to the Commission. The ISO is willing to make this change as part of any compliance filing in this matter.

Appendix F, Schedule 3, Section 5.2

As part of its tariff amendment, the ISO proposed to change script for the acronym *HVTRR PTO* that appears in the second sentence of Appendix F, Schedule 3, section 5.2 so that it reads *HVTRR_{PTO}*.⁴⁷ The ISO, however, omitted this change in the tariff sheets submitted to the Commission. If authorized by the Commission, the ISO proposes to make this conforming typographical change to this section as part of any compliance filing in this matter.

⁴⁶ Comments of Santa Clara at 5-6; comments of TANC at 5-7.

⁴⁷ See, ISO transmittal letter, Attachment A at A-23.

Appendix L, Section L.1.7

In their comments, Santa Clara and TANC recommend that the ISO capitalize the word *transmission* in section L.1.7 of Appendix L to reflect the new proposed defined term *Transmission Constraints*.⁴⁸ The ISO inadvertently omitted this change from its blackline and clean tariff sheets submitted to the Commission. The ISO is willing to make this change as part of any compliance filing in this matter.

Appendix L, Section L.4

In its protest, Six Cities recommends that the ISO change the word *Constraints* in the fifth line of section L.4 of Appendix L to the new defined term *Transmission Constraints*.⁴⁹ The ISO inadvertently omitted this change from its blackline and clean tariff sheets submitted to the Commission. The ISO is willing to make this change as part of any compliance filing in this matter.

D. The Commission should reject AReM's protest because it exceeds the scope of the ISO's tariff amendment.

In its protest, AReM raises a concern that the ISO's currently-approved tariff section 37.5.2.1 implies that Market Participants violate the ISO's Rules of Conduct when they submit amended meter data more than forty-three calendar days after the Trade Date to which the meter data relates (T+43C).⁵⁰ AReM asserts that revising submitted meter data is standard utility practice and also argues that the ISO's tariff provisions have no materiality threshold for assessing penalties that may result from

⁴⁸ Comments of Santa Clara at 11; comments of TANC at 11-12.

⁴⁹ Protest of Six Cities at 6.

⁵⁰ Protest of AReM at 4.

revisions to submitted meter data.⁵¹ AReM expresses concern that this fact may lead to unjust outcomes in which a Scheduling Coordinator could face a penalty for violating the ISO's Rules of Conduct by virtue of providing more accurate settlement quality meter data beyond a specific timeframe. The ISO recognizes that AReM raised this issue in the ISO's tariff clarification stakeholder process and offers the following answer.

Sections 37.5.2.1 and 37.11 of the tariff delineate sanctions for violating Section 37.5.2.1. Section 37.11 states in part that sanctions "will not be imposed unless such Sanction is more than \$1,000 for at least one Trading Day during the period for which there was incomplete or inaccurate Meter Data." For this reason, AReM's argument that a penalty may apply to any violation of Section 37.5.2.1 is not correct. The existing language of Section 37.11 reflects a materiality threshold for imposing sanctions. Even if AReM believes this threshold is too low, this issue far exceeds the scope of the instant filing and the Commission should accordingly reject AReM's protest. The Commission should also reject AReM's request that the Commission order the ISO to initiate a stakeholder process to address this issue because this request also exceeds the scope of the issues the Commission must consider in ruling on the instant filing.

The ISO's proposed revisions to tariff section 37.5.2.1 help clarify that penalties will apply to inaccurate submitted meter data starting at T+43C. This language is consistent with the ISO's payment acceleration calendar. The ISO, however, believes that some scheduling coordinators may not have understood exactly how penalties would apply after the ISO completed its payment acceleration initiative.⁵² To address

⁵¹ Protest of AReM at 5-6.

⁵² *California Independent System Operator Corp.*, 128 FERC ¶ 61,265 (2009).

this matter, the ISO filed a petition on February 1, 2011 to eliminate sanctions that would apply to violations of Section 37.5.2.1 for the November 1, 2009 Trade Date (when the ISO implemented payment acceleration) through the February 1, 2011 Trade Date.⁵³ To the degree that Scheduling Coordinators did not understand how the penalties in section 37.5.2.1 and 37.11.1 apply and to the degree that current utility practices do not reflect the current tariff requirements, the relief requested in the February 1, 2011 waiver filing will provide Scheduling Coordinators the opportunity to bring their practices in line with the obligations imposed by the ISO's tariff without having penalties imposed.

⁵³ See *California Independent System Operator Corp.*, Petition of the California Independent System Operator to Waive Sanctions for Multiple Scheduling Coordinators' Violations of Section 37.5.2.1 of its Tariff, FERC Docket No. ER11-2819-000 (Feb. 1, 2011).

III. CONCLUSION

The ISO's proposed tariff amendment clarifies a number of tariff provisions and corrects inadvertent errors that do not materially affect the right and obligations of the ISO or market participants. The Commission should approve the ISO's tariff amendment with the changes the ISO agrees to make in this answer.

Respectfully submitted,

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Dated: February 4, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for 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 Folsom, California this 4th day of February 2011.

/s/ Charity N. Wilson
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