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June 27, 2007

The Honorable Kimberly Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER07-127-000
Updated Tariff Sheets Relating to Outage Reporting Amendment**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Section 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 35.13, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and five copies of updated tariff sheets in compliance with the order issued in this docket by the Commission on December 28, 2006. *California Independent System Operator Corp.*, 117 FERC ¶ 61,353 (2006) ("December 28 Order").¹ Therein, the Commission approved amendments that the CAISO proposed to its tariff in order to modify its generator Outage reporting requirements (the "Outage Reporting Amendment").

I. DISCUSSION

As approved by the Commission, the Outage Reporting Amendment revises the CAISO Tariff by modifying the generator Outage reporting requirements to include appropriate thresholds for reporting resource availability

¹ See also Letter Order issued June 22, 2007 in Docket ER07-127-002 (approving the CAISO's January 29, 2007 compliance filing).

and Outage reporting in a manner that appropriately balances the CAISO's need to maintain grid reliability with stakeholder concerns regarding reporting burdens and unreasonable exposure to penalties

The revised tariff language did not become effective in the normal 60-day timeframe, however, because the December 28 Order conditioned the effectiveness of the changes on improvements to the CAISO's SLIC software – the system through which market participants report outages. See December 28 Order at ¶¶ 22, 26. Specifically, the Commission stated that the revised reporting requirements would become effective “24-hours after the submission of a market notice by the CAISO informing the Commission that all necessary changes to SLIC are completed.” *Id.* ¶ 22. Such a market notice is being issued contemporaneously with this filing, at approximately noon Pacific, 3:00 p.m. Eastern today. A copy of that notice is attached as Attachment A. Accordingly, the CAISO expects that revised Outage reporting tariff language will become effective on June 28, 2007 at noon.

In the December 28 Order, the Commission also stated that “[i]n the event that the necessary revisions to SLIC take longer than 120 days” – and that has been the case – “we grant waiver of the 120-days advance notice requirement and allow the proposed tariff sheets to become effective upon future notice by the CAISO. At that time, the CAISO is required to resubmit the revised tariff sheets, identifying the appropriate effective date, in conformance with Order No. 614.” *Id.* ¶ 22. In compliance with this directive, the CAISO is including with this filing as Attachment B the tariff sheets containing the modifications approved by the Commission in the December 28 Order (as well as the June 22, 2007 letter order), with an indicated effective date of June 28, 2007.

II. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

- | | |
|--------------|--|
| Attachment A | Market Notice Informing Market Participants and the Commission that SLIC Modifications Necessary to Implement the Outage Reporting Amendment Have Been Completed |
| Attachment B | Clean ISO Tariff Sheets |

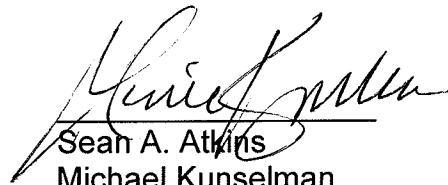
III. CONCLUSION

The CAISO respectfully requests that the Commission accept for filing the enclosed tariff sheets, submitted in compliance with the December 28 Order.

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Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger. Please feel free to contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,



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ATTACHMENT A

CALIFORNIA ISO MARKET NOTICE**Requested Client Action:** Information Only**Date of Distribution:** June 27, 2007**Categories:** Grid Operation, Legal/ Regulatory, Market Rules and Market Design**Subject:** Generating Unit Forced Outage Reporting Requirements

Summary: Revised tariff language for Generating Unit Forced Outage reporting requirements will become effective tomorrow, Thursday, June 28.

Main Text: On December 28, 2006, the Federal Energy Regulatory Commission (FERC) approved certain changes to the reporting requirements for Forced Outages of Generating Units. The Order is *California Independent System Operator Corp.*, 117 FERC ¶ 61,353 (2006) (available at <http://www1.aiso.com/1b70/1b70ee5c41690.pdf>).

The tariff changes generally substitute certain thresholds for availability reports and Forced Outage reports in place of previous requirements that were more general. The December 28 order states that the revised reporting requirements will become effective "24 hours after the submission of a market notice by the CAISO informing the Commission that all necessary changes to SLIC are completed." *Id.* ¶ 22. This notice is being filed today at FERC at approximately noon Pacific Time; therefore, the new tariff language will become effective on June 28, 2007 at noon.

Please remember that the effective date of the new tariff language is distinct from the enforcement of sanctions. As discussed in a market notice issued Friday, June 22 (available at <http://www.aiso.com/1c05/1c05c0ab120f2.html>), the Department of Market Monitoring will begin to enforce sanctions on July 1, 2007.

For More Information Contact: Dan Shonkwiler, CAISO Legal Affairs, dshonkwiler@caiso.com, or Brad Cooper, Department of Market Monitoring, bcooper@caiso.com

The California ISO strives to be a world-class electric transmission organization built around a globally recognized and inspired team providing cost-effective and reliable service, well-balanced energy market mechanisms, and high-quality information for the benefit of our customers.

EA/ComPR/IPS/ds

ATTACHMENT B

9.3.8.5 Delay. The ISO Outage Coordination Office may delay its approval of an Approved Maintenance Outage schedule if sufficient or complete information is not received by the ISO Outage Coordination Office within the time frames provided in Sections 9.3.8.2 and 9.3.8.3.

9.3.9 Final Approval, Delay and Withholding.

On the day on which an Approved Maintenance Outage is scheduled to commence, the Operator shall contact the ISO Control Center for final approval of the Maintenance Outage. No Maintenance Outage shall commence without such final approval (including the time of release, in hours and minutes) being obtained from the ISO Control Center whose decision shall be final. The ISO Outage Coordination Office may delay its approval of a scheduled Maintenance Outage for a Participating Generator if sufficient or complete information is not received by the ISO Outage Coordination Office within the time frames set forth in Section 9.3.8.1. The ISO Control Center shall have the authority to withhold a Final Approval for an Approved Maintenance Outage for reasons of System Reliability, security or system status of the ISO Controlled Grid or market impact. The ISO Control Center shall immediately notify the relevant Operator of its intention to withhold the Final Approval. The Generator Maintenance Outage or ISO Controlled Grid facility Maintenance Outage will then be rescheduled pursuant to this ISO Tariff.

9.3.10 Forced Outages.

9.3.10.1 Coordination of all Forced Outages (consistent with Sections 9.3.4 and 9.3.5.2A) will be through the single point of contact between the Operator and the ISO Control Center.

9.3.10.1A Each Participating TO shall report any change or potential change in equipment status of the Participating TO's transmission assets turned over to the control of the ISO or in equipment that affects transmission assets turned over to the control of the ISO immediately upon discovery to the ISO (this will include line and station equipment, line protection, Remedial Action Schemes and communication problems, etc.). Each Participating TO shall also keep the ISO immediately informed upon discovery as to any change or potential change in the Participating TO's transmission system that could affect the reliability of the ISO Controlled Grid. This would include, but is not limited to, adverse weather conditions, fires, bomb threats, system failures, etc.

9.3.10.2 Any Operator, upon identification of a situation likely to result in a Forced Outage within the next twenty-four (24) hours unless immediate corrective action is taken, where such action requires the removing from service or reducing the maximum output capability of a Generating Unit by 10 MW or more from the value most recently recorded in SLIC, or removing a transmission facility from service, shall communicate directly with the ISO Control Center. All such notifications of Forced Outages shall be communicated to the ISO Control Center with as much notice as possible in order that the necessary security analysis and ISO Controlled Grid assessments may be performed. Any Operator, upon identification of a situation likely to result in a Forced Outage but of a nature not requiring a removal from service until some time more than twenty-four (24) hours in the future will be subject to the provisions of Section 9 of this ISO Tariff with respect to any necessary Outage except the requirements imposing time limits for notification will be waived and the request will be expedited by the ISO provided notice is given as soon as possible.

9.3.10.2.1 If prior notice of a Forced Outage cannot be given, the Operator of a Generating Unit is required to notify the ISO within 30 minutes after discovering any change in the maximum output capability of at least 10 MW or 5% of the value registered in the Master File, whichever is greater, from the value registered in SLIC that lasts for 15 minutes or longer.

9.3.10.3 The ISO Control Center shall coordinate any operational changes necessary to accommodate a Forced Outage and Market Participants shall comply with the ISO's instructions given for that purpose.

9.3.10.4 All Forced Outages shall be communicated by the ISO Control Center to Operators likely to be affected by the Outage using the same procedures adopted for Maintenance Outage coordination procedures.

9.3.10.5 With Respect to Forced Outages of Generating Units that result in a reduction in maximum output capability that lasts 15 minutes or longer of 40 MW or more below the value registered in the Master File and 10% of the value registered in the Master File, or which result in the unit being separated from the ISO Controlled grid, the Operator shall provide to the ISO an explanation of the Forced Outage, including a description of the equipment failure or other cause and a description of all remedial actions taken by the Operator, and the estimated return time, within two (2) Business Days from discovery of the Forced Outage. Upon request of the ISO, Operators, and where applicable, Eligible Customers, Scheduling Coordinators, UDCs and MSSs promptly shall provide information requested by the ISO to enable the ISO to review the changes made to the maximum output capability or to provide further information relative to the explanation of the Forced Outages submitted by the Operator and to prepare reports on Forced Outages. If the ISO determines that any Forced Outage may have been the result of gaming or other questionable behavior by the Operator, the ISO shall submit a report describing the basis for its determination to the FERC. The ISO shall consider the following factors when evaluating the Forced Outage to determine if the Forced Outage

was the result of gaming or other questionable behavior by the Operator: 1) if the Forced Outage coincided with certain market conditions such that the Forced Outage may have influenced market prices or the cost of payments associated with out-of-sequence dispatches, out-of-market dispatches, or Real Time Market dispatches above the Marginal Proxy Clearing Price or Non-Emergency Clearing Price Limit, as applicable; 2) if the Forced Outage coincided with a change in the bids submitted for any units or resources controlled by the Operator or the Operator's Scheduling Coordinator; 3) if the ISO had recently rejected a request for an Outage for, or to shut down, the Generating Unit experiencing the Forced Outage; 4) if the timing or content of the notice of the Forced Outage provided to the ISO was inconsistent with subsequent reports of or the actual cause of the Outage; 5) if the Forced Outage or the duration of the Forced Outage was inconsistent with the history or past performance of that Generating Unit or similar Generating Units; 6) if the Forced Outage created or exacerbated Congestion; 7) if the Forced Outage was extended with little or no notice; 8) if the Operator had other alternatives to resolve the problems leading to the Forced Outage; 9) if the Operator took reasonable action to minimize the duration of the Forced Outage; or 10) if the Operator failed to provide the ISO an explanation of the Forced Outage within two (2) Business Days or failed to provide any additional information or access to the generating facility requested by the ISO within a reasonable time.

9.3.10.6 Other Control Areas.

The ISO Outage Coordination Office shall make all reasonable efforts to coordinate Outages involving other Control Areas or affecting an intertie, import or export capability not under the Operational Control of the ISO to the extent that they may affect the reliability of the ISO Controlled Grid.

9.4 Outage Coordination For New Facilities.

9.4.1 Coordination by ISO. The procedure to energize and place in service any new or relocated piece of equipment, connected to the ISO Controlled Grid, must be set out by the Operator or Connected Entity in a written procedure and coordinated by the ISO Outage Coordination Office.

37.4.1.1 Expected Conduct.

A Market Participant shall notify the ISO Control Center of any Outage reportable pursuant to Section 9.3.10.2.1 of the ISO Tariff of a Generating Unit subject to Section 4.6 of the ISO Tariff within thirty (30) minutes after the Outage is discovered.

37.4.1.2 Sanctions.

The Sanctions for a violation of Section 37.4.1 shall be as follows: for the first violation in a rolling twelve (12) month period, a warning letter; for the second violation in a rolling twelve (12) month period, \$1,000; for the third violation in a rolling twelve (12) month period, \$2,000; for the fourth and subsequent violations in a rolling twelve (12) month period, \$5,000. A Market Participant shall not be subject to more than one Sanction per Generating Unit per calendar day for violating Section 37.4.1. A "violation" shall mean each failure to report an Outage for a specific Generating Unit as required by Section 9.3.10.2.1 of the ISO Tariff.

37.4.2 Scheduling and Final Approval of Outages.

37.4.2.1 Expected Conduct.

A Market Participant shall not undertake an Outage except as approved by the ISO Outage Coordination Office in accordance with Section 9.3.2, Section 9.3.9, and Section 9.3.6.6 of the ISO Tariff. A Market Participant shall not commence any Outage without obtaining final approval from the ISO Control Center in accordance with Sections 9.3.9 and 9.3.10 of the ISO Tariff.

37.4.2.2 Sanctions.

The Sanctions for a violation of Section 37.4.2 shall be as follows: for the first violation within a rolling twelve (12) month period, \$5,000; for subsequent violations within a rolling twelve (12) month period, \$10,000. A "violation" shall mean each Outage undertaken for which all required approvals were not obtained.

37.4.3 Explanation of Forced Outages.

37.4.3.1 Expected Conduct.

A Market Participant must provide a detailed explanation of a Forced Outage within two (2) Business Days after the discovery of a Forced Outage as specified in Section 9.3.10.5 of the ISO Tariff. An Operator must promptly provide information requested by the ISO to enable

specific intertie of the import Resource Adequacy Capacity to provide Ancillary Services to the ISO either through the ISO's Ancillary Services market or through self-provision by a Scheduling Coordinator. The Available Generation of the System Resource shall never be less than zero.

40.6A.3 Reporting Requirements for Non-Participating Generators.

So that the ISO may determine the Available Generation of Resource Adequacy Resources, Resource Adequacy Resources, other than non-resource specific System Resources and Qualifying Facilities ("QFs") with effective contracts under the Public Utilities Regulatory Policies Act, that are not Participating Generators shall be required to file with the ISO: (i) the Generating Unit's minimum operating level; (ii) the Generating Unit's maximum operating level; and (iii) the Generating Unit's ramp rates at all operating levels; and (iv) such other information the ISO determines is necessary to determine available generation and to dispatch Resource Adequacy Resources. In addition, Resource Adequacy Resources that are not Participating Generators must, consistent with the notification obligations of Participating Generators and in order to comply with the intent of this Section 40.6A, notify the ISO, as soon as practicable, of any Planned Maintenance Outages, Forced Outages (per the requirements set forth in Section 9.3.10.2), Uncontrollable Force event Outages or any other reductions in their maximum operating levels or Resource Adequacy Capacity during the relevant month.

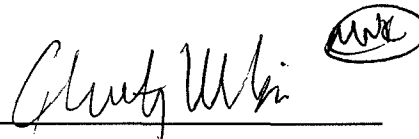
40.6A.4 Obligation to Offer Available Capacity.

Except as set forth in Sections 40.6A.5 and 40.6A.6, all Resource Adequacy Resources shall offer to sell in the ISO's Real Time Market for Imbalance Energy, in all hours, all their Available Generation as defined in Section 40.6A.2 and any other Available Generation beyond its Resource Adequacy Capacity shall be subject to the FERC must-offer obligation as set forth in Section 40.7. The Resource Adequacy Resource shall make available to the ISO Real Time Market all Resource Adequacy Capacity that is not subject to an outage or is otherwise participating in the ISO Market or included on a self-schedule. Notwithstanding the foregoing, a Resource Adequacy Resource that is a Participating Intermittent Resource satisfies its obligation to offer Available Generation under this Section by scheduling in accordance with Appendix Q of the ISO Tariff.

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 27th day of June, 2007.

A handwritten signature in cursive script, appearing to read "Charity Wilson". To the right of the signature is a small, hand-drawn oval containing the initials "CW".

Charity Wilson