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March 15, 2007

## **VIA MESSENGER**

The Honorable Philis J. Posey  
Acting Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: California Independent System Operator Corporation  
Compliance Filing  
Docket No. ER07-326-\_\_\_\_

Dear Secretary Posey:

The California Independent System Operator ("CAISO")<sup>1</sup> hereby submits an original and five copies of the instant filing in compliance with the Federal Energy Regulatory Commission's ("Commission") "Order on Amendments and Tariff Revisions," 118 FERC ¶ 61,097, issued in the captioned proceeding on February 13, 2007 ("February 13 Order"). This filing reflects the modification directed by the Commission in the February 13 Order and also corrects an inadvertent, non-substantive error in the tariff language submitted in the CAISO's December 15, 2006, ISO Tariff amendment filing.

## **Background**

On December 15, 2006, the CAISO submitted an amendment to the ISO Tariff. The ISO Tariff amendment filing included, *inter alia*, the so-called "December 2006 Local RCST Designation Amendments," which were submitted to modify the ISO Tariff with regard to the allocation of costs of Eligible Capacity designated in 2007 to provide services under the Reliability Capacity Services

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

Tariff ("RCST") to meet local reliability needs and to respond to Significant Events.<sup>2</sup> The CAISO requested that the December 2006 Local RCST Designation Amendments be made effective January 1, 2007.

On January 5, 2007, a number of entities submitted motions to intervene, comments, and protests concerning the December 2006 Local RCST Designation Amendments. As relevant here, the Alliance for Retail Energy Markets ("AReM") and Southern California Edison Company ("SoCal Edison") both filed motions to intervene and comments in the proceeding. They argued that LSEs should not be required to re-submit information regarding their local resource adequacy requirements to the CAISO after the Commission approves the CAISO's tariff language if the requisite information has been previously provided to the CAISO. They stated that the CAISO's proposed revisions to Section 43.2.1 of the ISO Tariff could cause unnecessary confusion in that regard. AReM and SoCal Edison noted that information regarding local resource adequacy requirements established for LSEs subject to the requirements of the California Public Utilities Commission has already been provided to the CAISO. Accordingly, AReM and SoCal Edison requested that the CAISO modify Section 43.2.1 to state that if information regarding local resource adequacy requirements established by a Local Regulatory Authority has already been provided to the CAISO, such information need not be provided again.

In its answer filed on January 22, 2007, the CAISO stated that it did not object to modifying Section 43.2.1 of the ISO Tariff as requested by AReM and SoCal Edison.

### **Compliance with the February 13 Order**

In the February 13 Order, the Commission approved the December 2006 Local RCST Designation Amendments effective January 1, 2007, subject to one modification. Specifically, in Paragraph 28 of the February 13 Order, the Commission accepted the CAISO's answer to AReM and SoCal Edison regarding modifications to Section 43.2.1 and directed the CAISO to make a compliance filing within 60 days of the February 13 Order reflecting the proposed modification agreed to by the CAISO. The CAISO has modified Section 43.2.1 accordingly in the instant filing.

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<sup>2</sup> The Amendment to the ISO Tariff also included the "Order No. 676 Waiver Amendments," which were submitted to modify the ISO Tariff with regard to Commission-approved waiver of the requirements of the Commission's Order No. 676 and certain related revisions to the ISO Tariff directed by the Commission. No intervenor in this proceeding commented on the Order No. 676 Waiver Amendments and they were approved in the February 13 Order as filed.

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**Non-Substantive Correction to Previously Filed ISO Tariff Sheets**

In preparing this compliance filing, the CAISO became aware of an inadvertent, non-substantive error in the revisions to Section 43.2.1 of the ISO Tariff that were filed on December 15, 2006. Specifically, one sentence in Section 43.2.1 erroneously referred to a "Local Reliability Authority" rather than a "Local Regulatory Authority" – which was the intended term and the term used elsewhere in the RCST provisions of the ISO Tariff. In that regard, Section 43.2.1 currently states (with emphasis added):

For 2007, the CPUC and Local Regulatory Authorities may establish Local Resource Adequacy Requirements for the RA Entities subject to their respective jurisdictions. Each Scheduling Coordinator for an RA Entity for which a Local *Reliability* Authority has elected to adopt a Local Resource Adequacy Requirements shall, within five (5) Business Days after FERC has issued...

The word "Reliability" in the quoted language above is an inadvertent error; it should be changed to "Regulatory." That error is corrected in the revised tariff sheets attached hereto.

The CAISO respectfully requests that the Commission waive any requirement that this compliance filing must include only those changes specifically directed in the February 13 Order, as well as any other requirements that might preclude this correction.

The Honorable Philis J. Posey

March 15, 2007

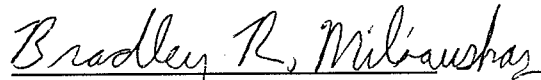
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**Conclusion**

The changes described above are shown in the revised ISO Tariff sheets provided in Attachment A to the instant filing. They are also shown in black-line format in Attachment B to the instant filing.

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

Respectfully submitted,



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**Attachment A – Clean Sheets**

**March 15, 2007 Compliance Filing for**

**2007 Reliability Capacity Services Tariff – Docket ER07-326-000**

**43.2.1            2007 Local RCST Designations**

For 2007, the CPUC and Local Regulatory Authorities may establish Local Resource Adequacy Requirements for the RA Entities subject to their respective jurisdictions. Each Scheduling Coordinator for an RA Entity for which a Local Regulatory Authority has elected to adopt a Local Resource Adequacy Requirement shall, within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, inform the ISO in writing of the adoption of the Local Resource Adequacy Requirement and shall state in writing what the Local Resource Adequacy Requirement is; however if the information has already been provided to the ISO it does not have to be provided again to the ISO. In addition, the State Water Resources Development System, commonly known as the State Water Project of the California Department of Water Resources, shall be required to develop, in conjunction with the ISO, a program that ensures that it will not unduly rely on the local resource procurement practices of other Load Serving Entities. Scheduling Coordinators for RA Entities, in accordance with any requirements of the CPUC or

**Attachment B – Blacklines**

**March 15, 2007 Compliance Filing for**

**2007 Reliability Capacity Services Tariff – Docket ER07-326-000**

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#### 43.2.1 2007 Local RCST Designations

For 2007, the CPUC and Local Regulatory Authorities may establish Local Resource Adequacy Requirements for the RA Entities subject to their respective jurisdictions. Each Scheduling Coordinator for an RA Entity for which a Local Reliability-Regulatory Authority has elected to adopt a Local Resource Adequacy Requirement shall, within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, inform the ISO in writing of the adoption of the Local Resource Adequacy Requirement and shall state in writing what the Local Resource Adequacy Requirement is; however if the information has already been provided to the ISO it does not have to be provided again to the ISO. In addition, the State Water Resources Development System, commonly known as the State Water Project of the California Department of Water Resources, shall be required to develop, in conjunction with the ISO, a program that ensures that it will not unduly rely on the local resource procurement practices of other Load Serving Entities. Scheduling Coordinators for RA Entities, in accordance with any requirements of the CPUC or Local Regulatory Authorities, as applicable, shall submit to the ISO a Local Resource Adequacy Demonstration listing the Qualifying Capacity that they will make available to the ISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007. Such Qualifying Capacity must be made available to the ISO in accordance with Section 40.6A.

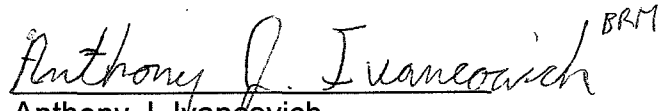
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## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the persons 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 15<sup>th</sup> day of March, 2007.

  
Anthony J. Ivanovich