ALSTON&BIRD LLP

March 2, 2011

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

> **Re:** **California Independent System Operator Corporation**
> **Compliance Filing**
> **Docket No. ER11-2128-___**

Dear Secretary Bose:

The California Independent System Operator Corporation ("ISO")[1] submits this filing in compliance with the January 31, 2011, order of the Federal Energy Regulatory Commission (the "Commission") in this proceeding.[2] In the January 31 Order, the Commission conditionally accepted the compliance filing submitted by the ISO in this proceeding on November 15, 2010 ("November 15 Compliance Filing"), subject to the ISO's submittal of a further compliance filing within 30 days.[3]

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[1] The ISO is sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO tariff. In this filing, the terms convergence bidding and virtual bidding are used interchangeably.

[2] *California Independent System Operator Corp.*, 134 FERC ¶ 61,070 (2011) ("January 31 Order").

[3] The January 31 Order also established an investigation under Section 206 of the Federal Power Act to evaluate the percentage value proposed by the ISO for calculating the Virtual Award Charge rate, and directed the ISO to submit a filing within 30 days that provides justification for the proposed percentage value. *Id.* at P 78. The ISO is submitting that filing at the same time as this compliance filing.

I. Background

On November 20, 2009, the ISO submitted in Docket No. ER10-300-000 a filing that set forth the design policy for implementing convergence bidding in the ISO's markets ("Convergence Bidding Design Filing"). The Commission, in an order issued February 18, 2010, approved the Convergence Bidding Design Filing in principle, with certain modifications.[4]

On June 25, 2010, the ISO filed revisions to the ISO tariff in Docket No. ER10-1559-000 to implement convergence bidding effective February 1, 2011, consistent with the directives in the February 18 Order ("Convergence Bidding Tariff Amendment"). In an order issued October 15, 2010, the Commission conditionally accepted the tariff revisions, subject to the ISO's submittal of a compliance filing in accordance with the Commission's directives.[5]

The ISO submitted tariff revisions in the November 15 Compliance Filing to comply with the October 15 Order. A number of parties filed comments and protests regarding the tariff revisions, which the ISO addressed in an answer filed on December 21, 2010 ("December 21 Answer"). As noted above, the Commission conditionally accepted the November 15 Compliance Filing in the January 31 Order.

II. Proposed Tariff Revisions on Compliance

A. OASIS-Posted Information

In the January 31 Order, the Commission accepted most of the proposed tariff revisions in the November 15 Compliance Filing regarding the ISO's proposed policy for the release of convergence bidding information on its Open Access Same-Time Information System ("OASIS"). However, the Commission found that proposed Section 6.5.3.2.3 of the ISO tariff is not sufficiently detailed to ensure that commercially sensitive information is withheld and does not specify that the identity of individual market participants will not be exposed. The Commission directed the ISO to submit a compliance filing that specifies in more detail the information that will be released in the daily market report described in Section 6.5.3.2.3.[6]

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[4] *California Independent System Operator Corp.*, 130 FERC ¶ 61,122 (2010) ("February 18 Order").

[5] *California Independent System Operator Corp.*, 133 FERC ¶ 61,039 (2010) ("October 15 Order"). As requested by the ISO, the Commission accepted the tariff revisions to implement convergence bidding effective February 1, 2011, and accepted the proposed *pro forma* convergence bidding entity agreement included in the Convergence Bidding Tariff Amendment effective October 18, 2010. *Id.* at PP 19-21.

[6] January 31 Order at PP 88-89.

To comply with the Commission's directives, the ISO proposes to revise Section 6.5.3.2.3 to include the following underlined language:

> After the results of the Day-Ahead Market are published pursuant to Section 6.5.3.2.2, the CAISO will publish on OASIS a daily market report that includes a summary of <u>aggregate</u> information regarding <u>MWh and dollar amounts of</u> submitted and cleared physical quantities and Virtual Awards.

The addition of language to Section 6.5.3.2.3 stating that the daily market report will include a summary of aggregate information makes it clear that the identity of individual market participants will not be exposed.[7] The underlined language shown above also provides further detail consistent with the provisions regarding the daily market report contained in the current Business Practice Manual ("BPM") for Market Instruments.[8]

In the January 31 Order, the Commission also noted the ISO's commitment in the December 21 Answer to add further detail to the BPM for Market Instruments regarding the daily market report described in Section 6.5.3.2.3, to become effective before the start of convergence bidding on February 1, 2011.[9] Consistent with the December 21 Answer, the BPM for Market Instruments has been revised to include that further detail on information release.[10] As noted in the January 31 Order,[11] all stakeholders had an opportunity to comment on the revisions to the BPM for Market Instruments regarding the daily market report before those revisions were made in the current version of the BPM.

B. Allocation of Net Real-Time Market Bid Cost Uplift

In the January 31 Order, the Commission conditionally accepted the ISO's proposed revisions to Section 11.8.6.6 of the ISO tariff, subject to the ISO's

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[7] On February 4, 2011, the ISO temporarily suspended the OASIS reports due to the fact that the reports contained inaccurate information. The ISO anticipates that it will be able to resume publishing daily reports on or about May 3, 2011 and will then also republish reports going back to February 1, 2011.

[8] BPM for Market Instruments, at provisions in Section 12.4 regarding the "Day Ahead Market Summary Report" (Jan. 28, 2011), available on the ISO's website at https://bpm.caiso.com/bpm/bpm/version/000000000000124.

[9] January 31 Order at P 91. *See also* December 21 Answer at 12-13.

[10] See BPM for Market Instruments at Section 12.4.

[11] January 31 Order at P 91.

submittal of a compliance filing that clarifies Section 11.8.6.6 consistent with the explanation the ISO provided in the December 21 Answer.[12] Section 11.8.6.6 sets forth the methodology for allocating hourly Net Real-Time Market Bid Cost Uplift to Scheduling Coordinators, which includes allocation to certain Hour-Ahead Scheduling Process ("HASP") reductions reflected as differences between the Day-Ahead Schedules and HASP Intertie Schedules. Consistent with the ISO's explanation in its December 21 Answer, that additional costs will not be allocated as a result of ISO or other balancing authority area directed reductions to HASP Intertie Schedules following the publication of HASP Intertie Schedules. Accordingly, the ISO proposes to add to Section 11.8.6.6 the following clarification:

> Any real-time reductions after HASP results are published to HASP Intertie Schedules in response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid Cost Uplift.

C.   Definition of Flow Impact

In the January 31 Order, the Commission accepted the ISO's commitment in the December 21 Answer to modify the definition of a Flow Impact to state that the shift factor used by the ISO in calculating a Flow Impact will be subject to the effectiveness threshold set forth in Section 27.4.3.6 of the ISO tariff.[13] Accordingly, the ISO proposes to revise the definition of a Flow Impact to include the following underlined language:

Flow Impact

The combined impact of the CRR Holder's portfolio of Virtual Awards from the IFM on the power flows of a Constraint. The Flow Impact is calculated by multiplying the CRR Holder's Virtual Awards at a Node by the shift factor of that Node relative to the Constraint. This product is computed for each Node for which the Convergence Bidding Entity had Virtual Awards, and the Flow Impact is the sum of those products. In this definition, shift factor means the factor to be applied to a resource's expected change in output to determine the amount of flow contribution that change in output will impose on an identified transmission facility or flowgate. The shift factor used in calculating a Flow Impact will be subject to the effectiveness threshold set forth in Section 27.4.3.6.

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[12]   *Id.* at P 94. *See also* December 21 Answer at 13-14.

[13]   January 31 Order at PP 104, 106. *See also* December 21 Answer at 16.

III.   Materials Provided in this Compliance Filing

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

Attachment A	Clean ISO tariff sheets reflecting the revisions described in Section II of this transmittal letter
Attachment B	Proposed tariff revisions in black-line format

IV.   Conclusion

The ISO requests that the Commission accept this filing as complying with the directives to revise the ISO tariff in the Commission's January 31 Order. Please contact the undersigned with any questions regarding this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents upon all of the parties listed on the official service list for the above-referenced 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 2nd day of March, 2011.

/s/ Cayden Jenness
Cayden Jenness

Attachment A – Clean Tariff

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Convergence Bidding Compliance Filing

March 2, 2011

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6.5.3.2.3 After the results of the Day-Ahead Market are published pursuant to Section 6.5.3.2.2, the CAISO will publish on OASIS a daily market report that includes a summary of aggregate information regarding MWh and dollar amounts of submitted and cleared physical quantities and Virtual Awards.

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11.8.6.6 Allocation of Net RTM Bid Cost Uplift

The hourly Net RTM Bid Cost Uplift is computed for the Trading Hour as the product of the uplift ratio in Section 11.8.6.3 and the sum over all Settlement Intervals of the Trading Hour of any positive Net RTM Bid Cost Uplift after the sequential netting in Section 11.8.6.2. The hourly RTM Bid Cost Uplift is allocated to Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and(b) gross Settlement, in proportion to their Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market for the Trading Hour. For Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and (b) net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to their MSS Aggregation Net Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. For Scheduling Coordinators of MSS Operators that have elected to follow their Load, the RTM Bid Cost Uplift shall be allocated in proportion to their MSS Net Negative Uninstructed Deviation plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. Accordingly, each Scheduling Coordinator shall be charged an amount equal to its Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market times the RTM Bid Cost Uplift rate, where the RTM Bid Cost Uplift rate is computed as the Net RTM Bid Cost Uplift amount divided by the sum of Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market across all Scheduling Coordinators for the Trading Hour. Any real-time reductions after HASP results are published to HASP Intertie Schedules in

response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid

Cost Uplift.

<p style="text-align:center">* * *</p>

- Flow Impact
The combined impact of the CRR Holder's portfolio of Virtual Awards from the IFM on the power flows of a Constraint. The Flow Impact is calculated by multiplying the CRR Holder's Virtual Awards at a Node by the shift factor of that Node relative to the Constraint. This product is computed for each Node for which the Convergence Bidding Entity had Virtual Awards, and the Flow Impact is the sum of those products. In this definition, shift factor means the factor to be applied to a resource's expected change in output to determine the amount of flow contribution that change in output will impose on an identified transmission facility or flowgate. The shift factor used in calculating a Flow Impact will be subject to the effectiveness threshold set forth in Section 27.4.3.6.

<p style="text-align:center">* * *</p>

Attachment B – Marked Tariff

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Convergence Bidding Compliance Filing

March 2, 2011

6.5.3.2.3 After the results of the Day-Ahead Market are published pursuant to Section 6.5.3.2.2, the CAISO will publish on OASIS a daily market report that includes a summary of <u>aggregate</u> information regarding <u>MWh and dollar amounts of</u> submitted and cleared physical quantities and Virtual Awards.

* * *

11.8.6.6 Allocation of Net RTM Bid Cost Uplift

The hourly Net RTM Bid Cost Uplift is computed for the Trading Hour as the product of the uplift ratio in Section 11.8.6.3 and the sum over all Settlement Intervals of the Trading Hour of any positive Net RTM Bid Cost Uplift after the sequential netting in Section 11.8.6.2. The hourly RTM Bid Cost Uplift is allocated to Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and(b) gross Settlement, in proportion to their Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market for the Trading Hour. For Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and (b) net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to their MSS Aggregation Net Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. For Scheduling Coordinators of MSS Operators that have elected to follow their Load, the RTM Bid Cost Uplift shall be allocated in proportion to their MSS Net Negative Uninstructed Deviation plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. Accordingly, each Scheduling Coordinator shall be charged an amount equal to its Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market times the RTM Bid Cost Uplift rate, where the RTM Bid Cost Uplift rate is computed as the Net RTM Bid Cost Uplift amount divided by the sum of Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market across all Scheduling Coordinators for the Trading Hour. <u>Any real-time reductions after HASP results are published to HASP Intertie Schedules in</u>

response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid Cost Uplift.

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- Flow Impact
The combined impact of the CRR Holder's portfolio of Virtual Awards from the IFM on the power flows of a Constraint. The Flow Impact is calculated by multiplying the CRR Holder's Virtual Awards at a Node by the shift factor of that Node relative to the Constraint. This product is computed for each Node for which the Convergence Bidding Entity had Virtual Awards, and the Flow Impact is the sum of those products. In this definition, shift factor means the factor to be applied to a resource's expected change in output to determine the amount of flow contribution that change in output will impose on an identified transmission facility or flowgate. The shift factor used in calculating a Flow Impact will be subject to the effectiveness threshold set forth in Section 27.4.3.6.

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