

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

**California Independent System) Docket No. ER11-2760-000
Operator Corporation)**

**MOTION TO CLARIFY EFFECTIVE DATE OF TARIFF AMENDMENT, OR IN
THE ALTERNATIVE, REQUEST FOR AUTHORIZATION TO MODIFY
EFFECTIVE DATE**

Pursuant to Rules 212 and 2008 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§ 385.212, 385.2008, the California Independent System Operator Corporation (“ISO”)¹ respectfully submits this motion to clarify the timing for implementing revisions to its tariff that it filed with the Commission in the above-captioned docket on January 26, 2011 with a proposed effective date of April 1, 2011. The Commission accepted these revisions in an order issued earlier today, March 31, 2011.²

In this proceeding, the ISO proposed, and the Commission accepted, several modifications to the rules for compensating certain resources for their start-up and minimum load costs. One of these revisions is to permit scheduling coordinators that have elected the proxy cost option pursuant to ISO tariff section 30.4, to bid in, on a daily basis, individual values for their start-up and minimum load costs in the ISO’s day-ahead and real-time markets.

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² *California Independent System Operator Corp.*, 134 FERC ¶ 61,257 (2011) (“March 31 Order”).

With the issuance of the March 31 Order, the ISO will now begin the process necessary to implement these revisions. This process consists of revising certain files and rules in the ISO's automated systems, and must be accomplished before the ISO can accept bids for start-up and minimum load costs in its day-ahead and real-time markets over a two-day period.³

As explained below, as a result of the need to wait for a Commission order before beginning the implementation process, the ISO will not be able to accept individual bids for start-up and minimum load costs until April 2.⁴ The ISO requests that the Commission issue an order clarifying that the ISO's proposed implementation schedule is consistent with the April 1 effective date requested in the January 26 filing and approved by the Commission in the March 31 Order. In the alternative, the ISO requests that the Commission authorize the ISO to modify the effective date of the January 26 tariff revisions consistent with this proposed implementation schedule.

I. BACKGROUND

Under the ISO tariff, generators may elect to obtain compensation for their start-up and minimum load costs in one of two manners: the proxy cost option or the registered cost option pursuant to ISO tariff section 30.4. These elections are

³ The 60th day from the day of filing fell on March 27. In its transmittal letter, the ISO neglected to explain that implementation of these enhancements must occur over a two-day period. The ISO will in the future take care in its transmittal letters to explain the implementation time-line and request that the Commission issue an order consistent with that time line while ensuring that the Commission and market participants have at least 60-days notice unless factual circumstances justify waiver of the notice period or expedited consideration.

⁴ On March 30, the ISO issued a market notice explaining this implementation schedule to market participants.

made on a 30-day basis. Under the proxy cost option, start-up and minimum load costs are determined using formulas based on the resource's actual unit-specific performance characteristics, which are stored in the ISO's master file⁵ and, for natural gas-fired resources, adjusted on a daily basis to account for variations in fuel costs. Under the registered cost option, generators may register values of their choosing for start-up and minimum load costs, so long as those values do not exceed 200% of a projected proxy cost calculated for each resource.

In the January 26 filing, the ISO proposed to modify its tariff provisions relating to start-up and minimum load cost compensation in two respects. First, the ISO proposed to allow generators to elect the proxy cost or registered cost option for start-up and minimum load costs independently during each 30 day period, rather than having to select one option for both types of costs. In addition, the ISO proposed to permit scheduling coordinators that have elected the proxy cost option to submit individual bids for start-up and minimum load costs in the ISO's day-ahead and real-time markets, so long as those bids are less than or equal to the calculated proxy cost. The ISO requested that these revisions become effective as of April 1, 2011. In the March 31 Order, the Commission accepted the ISO's proposed modifications to its start-up and minimum load compensation provisions as well as the proposed April 1 effective date.

⁵ The master file is the file in the ISO's market software that contains information regarding the characteristics of generating units, loads and other resources.

II. REQUEST FOR CLARIFICATION, OR IN THE ALTERNATIVE, AUTHORIZATION TO MODIFY EFFECTIVE DATE

In order for the ISO to implement the ability for scheduling coordinators to submit individual bids for start-up and minimum load costs, it must implement two changes to its systems. First, the ISO must install updates to its master file in order to allow bids for start-up and minimum load costs to be submitted on behalf of resources subject to the proxy cost options. This process requires approximately seven hours: five hours to install the necessary changes and an additional two hours to make the new data available to other ISO systems. After the master file changes are made, the ISO must update its scheduling infrastructure and business rule system (“SIBR”), which validates and processes bids and acts as the interface between the ISO and its market participants.

In order to ensure successful implementation, this process must be properly synchronized over a two-day period. For instance, the revisions to the master file must be made before changes are made to SIBR. This is the case because SIBR rules are effective as soon as they are installed, but the correct data will not be available to SIBR until after the master file changes are put into place. Also, the ISO will not put the SIBR updates into operation until after the close of the last real-time market (9:45 p.m.) the day after the master file changes are made. The reason for placing the SIBR updates into operation on this timeline, which the ISO has used for all new master file and SIBR releases since the adoption of its current market structure, is to ensure that modifications to ISO systems are working properly before they “go live,” so as to avoid outages and other system instabilities that might be caused by unforeseen glitches. Also,

because the SIBR application must be brought off-line while it is updated, performing these updates after the close of the last real-time market for the day minimizes the chance of any market disruptions. In light of these considerations, this implementation timeline reflects prudent business practice.

Moreover, it was prudent for the ISO to wait to receive a Commission order accepting the ISO's proposed revisions before initiating the implementation process because it would have required an equal amount of time to undo the implementation changes if the Commission had rejected or modified the ISO's proposal to allow generators to submit individual bids for start-up and minimum load costs.

Based on the implementation process detailed above, the ISO will not be able to accept bids for its day-ahead and real-time markets until the second day after the issuance of the March 31 Order, *i.e.*, April 2, 2011. The ISO will make the necessary revisions to its master file during the remainder of today, March 31, followed by updates to SIBR on April 1 after the close of the last real-time market at 9:45 p.m. Beginning with the first hour on April 2, generators will be able to submit bids for start-up and minimum load costs in both the day-ahead and real-time markets.

In order to ensure consistency between the ISO tariff and ISO operations, the ISO requests that the Commission issue an order stating that the timeline for implementing the ability for generators to submit individual bids for start-up and minimum load costs is consistent with the approved effective date of April 1. Even though generators will not be able to submit bids until April 2, the

implementation process to change over the ISO's systems to the new tariff rules will commence today, March 31, and continue through April 1, the effective date of the tariff revisions. As described above, this process is a necessary prerequisite to providing start-up and minimum load cost bidding functionality, and it was reasonable for the ISO to wait for the Commission to issue an order approving the ISO's proposal before it began this process. Therefore, the fact that actual bids will not be accepted until April 2 does not render the April 1 effective date invalid.

However, in the event that the Commission disagrees with this assessment, the ISO requests that the Commission issue an order specifying that the ISO's tariff revisions will become effective as of the date that the ISO can begin to accept bids for start-up and minimum load costs, which will be April 2. Such a delay will not result in prejudice or harm to any market participant.

III. CONCLUSION

Wherefore, for the above-stated reasons, the ISO respectfully requests that the Commission clarify that the ISO's proposed schedule for implementing modifications to its start-up and minimum load compensation provisions are consistent with the April 1 effective date requested in the January 26 filing. In the alternative, the ISO requests that the Commission modify the effective date of the January 26 tariff revisions consistent with the ISO's proposed implementation schedule.

Respectfully submitted,

/s/ Michael Kunselman

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Dated: March 31, 2011

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 Washington, D.C. this 31st day of March, 2011.

/s/ Michael Kunselman

Michael Kunselman
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