



California Independent System
Operator Corporation

May 17, 2010

VIA MESSENGER

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20246

Re: *California Independent System Operator Corporation*
Docket No. ER10-765-_____

**Response to the April 16, 2010 Letter Requesting Additional
Information Regarding Proxy Demand Resource Tariff Amendment**

Dear Secretary Bose:

On February 16, 2010, the California Independent System Operator Corporation (ISO)¹ filed proposed tariff revisions to implement its Proxy Demand Resource (PDR) proposal.² As explained in that filing, the Proxy Demand Resource proposal is intended to increase the participation of demand response in the ISO market and to address stakeholder requests for a demand response product that will facilitate the participation of retail demand response programs in the ISO market. Further, the Proxy Demand Resource proposal complies with the Commission's directives in Order No. 719,³ directing independent system operators and regional transmission organizations to allow aggregated retail customers to bid demand

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

² Tariff Amendment to Implement Proxy Demand Resource Product, Docket No. ER10-765-000 (Feb. 16, 2010) (Proxy Demand Resource Filing).

³ *Wholesale Competition in Regions with Organized Electric Markets*, FERC Stats. & Regs. ¶ 31,281 (2008) (Order No. 719), *order on reh'g*, Order No. 719-A, FERC Stats. & Regs. ¶ 31,292, *order on reh'g and clarification*, Order No. 719-B, 129 FERC ¶ 61,252 (2009).

response directly into the wholesale energy market to the extent permitted by applicable state laws and regulations.

The ISO submitted the Proxy Demand Resource Filing following an extensive stakeholder process⁴ and in the belief that the filing sufficiently demonstrates the justness and reasonableness of the ISO's PDR design to permit the Commission to issue an order accepting it. However, on April 16, 2010, the Commission Staff issued a letter indicating that the ISO's submittal was deficient and requesting additional information in order to process the filing.

With those points as background, the ISO submits this response to the Commission's request for additional information. Pursuant to Section 205 of the Federal Power Act,⁵ the ISO respectfully requests that the Commission accept the tariff amendment based on the information included in the original filing, the ISO's March 24, 2010 answer in this proceeding, and the supplemental information provided in this letter. Also, as discussed below, the ISO modifies its requested effective date for the tariff revisions and urges the Commission to take action in time to allow the Proxy Demand Resource amendment to be implemented during the 2010 summer season.

The ISO hereby submits six copies of this filing and provides a seventh copy of this filing to the Commission Staff, consistent with the directives in the April 16, 2010 letter. An additional copy of this filing is provided with the request that it be date-stamped and returned to our messenger.

I. Responses to Questions in the April 16 Letter

The following are the ISO's responses to the questions contained in the April 16, 2010 letter.

1. *Question. Please explain and justify why the Proxy Demand Resource Energy Measurement – and, therefore, a portion of the associated cost of the Proxy Demand Resource's participation – is directly assigned to only the load-serving entity with which the Proxy Demand Resource is associated. This explanation should include information that extends beyond the rationale provided by the CAISO in its February 16 filing, i.e., the avoidance of double payments or double counting of Proxy Demand Resource capacity. [FN 3 omitted] This explanation should also explain and justify any differences between the proposal's method for assigning a portion of the cost associated with the participation of Proxy Demand Resources directly to the associated load serving entity and the currently-effective tariff method for spreading costs*

⁴ See Proxy Demand Resource Filing at Attachment E.

⁵ 16 U.S.C. § 824d.

of other resources (e.g., generation, participating load) across the CAISO control area.

Response.

The PDR design includes as a fundamental market design feature – one which Question #1 characterizes as directly assigning a cost of participation to the load serving entity – the segregation of responsibilities between the demand response provider and the load serving entity. The PDR design includes this segregation feature in order to resolve a “double payment” problem which would otherwise result. The ISO respectfully submits that this feature of the PDR design fully satisfies the Commission’s directive in Order No. 719 to enable “direct participation,” *i.e.*, the ability of a third-party demand response provider to schedule and bid demand response resources in the ISO market independent of the load serving entity serving the underlying load.⁶ In this regard, the ISO notes that, in Order No. 719, the Commission specifically declined to set a criterion to mandate an outcome for the “double payment” problem, leaving it to each organized market to do so:

[The stakeholder process in each Regional Transmission Organization and Independent System Operator] would provide the forum necessary to discuss and resolve concerns raised by the commenters in this proceeding, including [various issues listed]. Further, in response to those who ask us to require in this rule . . . (3) that so-called “double payment” should be either required or prohibited, we decline to do so here. Such issues are more appropriately addressed by each region in its compliance filing if it chooses to do so.⁷

The double payment is a unique settlement consequence of the PDR product that applies only to demand response resources operating in the wholesale market in the instance where the demand response provider and the load serving entity can be different entities; double payment has no analogy or applicability to the settlement of other supply-side resources or with the ISO’s Participating Load product.⁸ In fact, the ISO’s Participating Load mechanism

⁶ The California Public Utilities Commission (CPUC) refers to this market participation by the terms “direct bidding” or “direct participation.” The CPUC uses the terms interchangeably in the proceeding which is evaluating the extent to which state rules and regulations permit the activity (R07-01-041, Phase 4 [Direct Participation]).

⁷ Order No. 719 at P 159.

⁸ The double payment problem arises on a day-to-day basis whenever the load serving entity and demand response provider are not one and the same entity. When the demand response provider schedules and bids, the load serving entity will not have advance notice concerning the scheduling and bidding actions the demand response provider is taking (and vice versa). Thus, not only are the responsibilities of the load serving entity and demand response provider independent of each other, but,

does not permit the load serving entity and the entity providing demand response services to be separate entities; therefore, the double payment settlement discrepancy is non-existent. On the other hand, unlike other resources operating in the ISO market, in the PDR context, not resolving the double payment settlement discrepancy would place an undue burden on market participants, who would have to pay twice for the same action – once for the energy procured from the demand response provider in the form of a load curtailment and again as uninstructed imbalance energy from the load serving entity for energy scheduled but not consumed due to actions taken by the demand response provider.⁹

In the stakeholder process which resulted in the PDR product design, neither the ISO nor its stakeholders could overlook this fundamental issue, which, if left unmitigated, would create a clear and undesirable inefficiency in the market, impose a cost burden on market participants, and deviate from the Commission’s principle of comparable treatment between supply-side and demand-side resources in the wholesale market.¹⁰

Accordingly, to resolve the issue, the product design includes what is informally called the *Default Load Adjustment (DLA)* mechanism. This settlement mechanism adds back the actual performance of the PDR, *i.e.*, the PDR Energy Measurement value, to the meter quantity of the respective load serving entity in the ISO’s uninstructed imbalance energy pre-calculation, resulting in an “adjusted” metered demand value.¹¹ In this way, the load

appropriately, the actions they will take in the market are independent and unknown to one another at the time of scheduling and bidding.

⁹ The PDR design does not address the “missing money” concern, *i.e.* that the load serving entity procured energy was subsequently sold, but not compensated for, as demand response by the demand response provider. The ISO and its stakeholders view this as a retail concern and, therefore, compensatory measures or methodologies, such as subtraction of the retail rate, or a portion thereof, are appropriate for consideration and resolution, as necessary, by the relevant electric retail regulatory authority.

¹⁰ See Order No. 719 at P 16 (“Commission policy does not favor granting preference for demand response; rather, our goal is to eliminate barriers to the participation of demand response in the organized power markets by ensuring comparable treatment of resources. . . . Thus, enabling demand-side resources, as well as supply-side resources, improves the economic operation of electric power markets by aligning prices more closely with the value customers place on electric power. A well-functioning competitive wholesale electric energy market should reflect current supply and demand conditions.”).

¹¹ Proposed ISO Tariff Section 11.5.2.4 (entitled Adjustment to Metered Load to Settle UIE) states:

For the purpose of settling Uninstructed Imbalance Energy of a Scheduling Coordinator representing a Load Serving Entity, the amount of PDR Energy Measurement delivered by a Proxy Demand Resource that is also served by that Load Serving Entity will be added to the metered load quantity of the Load Serving Entity’s Scheduling Coordinator’s Load Resource ID with which the Proxy Demand

serving entity neither benefits from, nor is harmed by, the load curtailment actions of the demand response provider that is providing demand response services to that load serving entity's customers.

To illustrate how the ISO's PDR design resolves the double payment problem, and maintains revenue neutrality, the ISO provides the following two examples:

Scenario 1: No Elimination of the Double Payment

Assume:

- Perfect compliance with all applicable requirements
- Locational Marginal Price (LMP) is \$50/MWh for loads and resources

Conclusions:

- ISO pays out \$600 but only receives \$500 in payments; thus the ISO is short \$100, *i.e.*, the ISO is not revenue neutral
- The double payment results from paying the demand response (DR) resource \$100 for day-ahead energy and Demand \$100 for uninstructed energy for what appears to be over-scheduled load, *i.e.*, the +2 MW deviation (comparing scheduled demand to metered demand)
- ISO's PDR design eliminates the double payment by applying the PDR Energy Measurement value to the load serving entity's metered demand. The ISO informally calls this adjustment the Default Load Adjustment.

Table 1

Day-Ahead				Actual				
Demand				Demand				
(MW)	LMP	Settlement ⁺		Metered Demand (MW)	Deviation (Sch-Act)	LMP	Settlement ⁺ (Dev x LMP)	
10	\$50	\$500		8*	+2	\$50	-\$100	
Supply				Supply				
Type	(MW)	LMP	Settlement ⁺	Type	(MW)	Deviation (Sch-Act)	LMP	Settlement ⁺ (Dev x LMP)
DR	2	\$50	-\$100	DR	2	0	\$50	\$0
Gen	8	\$50	-\$400	Gen	8	0	\$50	\$0
Revenue Neutral- Yes		(500+(-100-400))= \$0		Revenue Neutral- No			(-100+0)= -\$100	

* Red /negative value means a payment made by the ISO

*Actual Demand is 8 MW because 2 MW of demand cleared as a demand response resource on the supply-side. The demand response provider and load serving entity are separate entities that bid independently into the ISO market.

Scenario #2: Eliminate the Double Payment and Maintain Revenue Neutrality

Assume:

- Perfect compliance with all applicable requirements
- LMP is \$50/MWh for loads and resources

Conclusions:

- ISO pays out \$500 and receives \$500 in payments; thus no revenue shortfall
- The double payment is eliminated and revenue neutrality is maintained by applying the Default Load Adjustment, *i.e.*, adding the PDR Energy Measurement to the load serving entity's Metered Demand, creating an "Adjusted" demand value for the load serving entity

Table 2

Day-Ahead				Actual				
Demand				Demand				
(MW)	LMP	Settlement [†]		Metered Demand (MW)	Adjusted Demand (MW)	Deviation (Sch-Adj)	LMP	Settlement [†] (Dev x LMP)
10	\$50	\$500		8*	10	0	\$50	\$0
Supply				Supply				
Type	(MW)	LMP	Settlement [†]	Type	(MW)	Deviation (Sch-Act)	LMP	Settlement [†] (Dev x LMP)
DR	2	\$50	-\$100	DR	2	0	\$50	\$0
Gen	8	\$50	-\$400	Gen	8	0	\$50	\$0
Revenue Neutral- Yes			\$0	Revenue Neutral- Yes			\$0	\$0

[†] Red /negative value means a payment made by the ISO

*Actual Demand is 8 MW because 2 MW of demand cleared as a DR resource on the supply-side. The demand response provider and load serving entity are separate entities that bid independently into the ISO market.

These two scenarios demonstrate why the ISO must eliminate the double payment discrepancy to maintain revenue neutrality and to ensure that the load serving entity and the demand response provider are financially responsible for the respective actions each takes in the market.

Question #1 also could be read to imply that there is cost-shifting under the ISO's proposal: "Please explain and justify why the Proxy Demand Resource Energy Measurement – and, therefore, a portion of the associated cost of the Proxy Demand Resource's participation – *is directly assigned* to only the load serving entity with which the Proxy Demand Resource is associated" (emphasis added). The ISO respectfully submits that this would be an inaccurate characterization. The DLA is not a "cost" that is unjustly being shifted to the load serving entity nor is it being spread to other market participants. Rather, the DLA is a straightforward solution for resolving the double payment concern. It enables the ISO to satisfy the Commission's directive for demand response to participate in the ISO market independent of the load serving entity serving the load, without adding inappropriate costs to the system. The DLA is an important feature of the PDR design, and it directly addresses the Commission's cost concerns by helping to ensure revenue neutrality.

Other than resolving the double payment problem, the PDR design does not expressly add, subtract, or spread costs any differently than a supply-side resource does.¹² Indeed, a resource under PDR is modeled as a *generator* in the ISO's systems. In this regard, a PDR is scheduled by the Scheduling Coordinator of the demand response provider, and, like a supply-side resource, it is paid the full LMP at its Pricing Node;¹³ this is the same payment that is afforded Participating Loads in the ISO market. The underlying load of the PDR is scheduled independent of the PDR by the Scheduling Coordinator of the load serving entity. That underlying load is settled at the Default LAP like all other Demand.¹⁴ As such, the PDR design does not alter the respective settlement granularity of loads and resources in the ISO market.¹⁵ With this

¹² The PDR Default Load Adjustment mechanism creates an "adjusted" meter quantity value for calculating uninstructed imbalance energy by adding back in the actual PDR performance. Deviation-based settlement charge types that apply to load serving entities use this adjusted meter quantity value.

¹³ For a PDR that is made up of aggregated loads, the PDR is paid the weighted average of the LMPs of each Pricing Node where the underlying aggregate loads reside. See "Draft Final Proposal for the Design of Proxy Demand Resource (PDR) (Aug. 28, 2009)" at 27-28. As explained in footnote 34 of the transmittal letter for the Proxy Demand Resource Filing, this document is available on the ISO's website at <http://www.caiso.com/241d/241da56c5950.pdf>.

¹⁴ ISO tariff Appendix A defines a Load Aggregation Point (LAP) as a set of Pricing Nodes as specified in Section 27.2 of the ISO tariff that are used for the submission of Bids and Settlement of Demand. A Pricing Node is defined in ISO tariff Appendix A as a single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Marginal Price is calculated and used for financial settlements. The Default LAP is defined in ISO tariff Appendix A as the LAP defined for the TAC Area [IOU service territories] at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 (Metered Subsystems) and 30.5.3.2.

¹⁵ The ISO's Commission-approved market design allows demand in the CAISO Control Area to settle

additional clarification, the Commission should accept the ISO's PDR design as just and reasonable and not unduly discriminatory.

2. Question. *Please explain and justify how any potential market revenue shortfalls related to the participation of Proxy Demand Resources in the CAISO markets will be allocated. Please include in the explanation how the CAISO will remain revenue-neutral in the event that the amount paid to the scheduling coordinator of a Proxy Demand Resource is greater than the amount collected from the scheduling coordinator of the load serving entity with which the Proxy Demand Resource is associated. This explanation should also explain and justify any differences between the proposal's method for recovering any market revenue shortfalls associated with the participation of Proxy Demand Resources and the currently-effective tariff method for recovering market revenue shortfalls associated with other resources (e.g., generation, participating load).*

Response.

In the PDR design, each resource is modeled as a generator and, as such, is assigned a Resource ID which is scheduled and bid by the Scheduling Coordinator that represents the demand response provider, the same as a supply-side resource. And like a supply-side resource, each PDR is paid the full LMP at its pricing point.¹⁶ This is the same settlement treatment that is afforded Participating Loads in the ISO market.

The underlying load of the PDR is scheduled independently from the PDR by the Scheduling Coordinator of the load serving entity. The underlying load is settled at the Default LAP, just like all other demand.¹⁷ As such, the PDR design does not alter, but in fact *maintains*, the respective settlement granularity of loads and resources in the ISO market.

at three LAP zones which correspond to the service territories of the three major California IOUs. In this regard, the Commission has explained that:

We find that the CAISO's approach to calculating and settling energy charges for load based upon three LAP zones provides a reasonable and simplified approach for introducing LMP pricing, while minimizing its impact on load. We appreciate that some areas could experience higher prices under a nodal model and, thus, understand the CAISO's interest in softening the distributional impacts of LMP. We also recognize that LMP could create an economic hardship on entities located in load pockets. Accordingly, we find that the instant proposal is an acceptable starting point.

California Independent System Operator Corp., 116 FERC 61,274, at P 611 (footnotes omitted).

¹⁶ A pricing point could be a Pricing Node, an Aggregate Pricing Node, or a Point of Delivery. See ISO tariff Appendix A for specific definitions for each of these terms.

¹⁷ See footnote 14 above, and accompanying text.

As explained in response to Question #1, the PDR design incorporates the PDR Energy Measurement, *i.e.*, the actual performance measurement of the PDR, which is the megawatt quantity of load curtailment, calculated by comparing the customer baseline of a PDR against the actual underlying load for a demand response event. The PDR Energy Measurement is the equivalent of the meter data for a generator. For the purpose of settling a load serving entity's deviation-based charges, the PDR Energy Measurement amount is added to the load serving entity's metered load quantity with which the PDR is associated. This adjustment is the Default Load Adjustment described in response to Question #1. To prevent the double payment (by appropriately allocating deviation costs to the load serving entity in order to avoid revenue neutrality concerns), the DLA results in an "adjusted" metered demand value that applies to the load serving entity whose load has been curtailed by a PDR. This adjusted metered demand value reflects the load serving entity's actual deviations and appropriately carries through to all deviation-based ISO settlement charges that apply to that load serving entity.

Table 3 below highlights how deviations apply to the load serving entity and demand response provider under different settlement scenarios demonstrating the cost-causation principle, *i.e.*, the load serving entity is neither harmed by, nor benefits from, the actions of the demand response provider; each entity is responsible for its own deviations.¹⁸ The majority of the deviation-based settlement charges apply when a load or resource has a negative deviation. This situation occurs when a load or resource "leans" on the ISO for imbalance energy in real time to help fulfill its forward commitments. Thus a resource is charged for negative deviations and is paid for positive deviations.¹⁹

¹⁸ For loads, a negative deviation occurs when the load is under-scheduled, *i.e.*, the scheduling coordinator scheduled less load than was actually consumed in real-time. For supply resources, including PDR, a negative deviation results when the resource over scheduled, *i.e.*, it delivers less energy in real-time than it committed to deliver or to sell to the ISO.

¹⁹ Assuming non-negative LMPs.

Table 3: Settlement Deviations under Different Scenarios

Scenario	Day-Ahead Schedule/Bid (A)		Actual		LSE Adj. Metered Demand (D)=(B+C)	Deviation Qty		LSE/DRP Paid or Charged by ISO for Deviation
			Metered Demand (B)	PDR Energy Measurement (C)		LSE: (A-D)	DRP: (C-A)	
	LSE	DRP	LSE	DRP	LSE	LSE	DRP	LSE/DRP
Perfect Compliance	100	10	90	10	100	0	0	None
LSE Under-Schedules (A>D)	90	10	90	10	100	-10	0	LSE Charged
LSE Over-Schedules (D>A)	110	10	90	10	100	+10	0	LSE Paid
DRP Under Performs (C>A)	100	10	95	5	100	0	-5	DRP Charged
DRP Over Performs (C>A)	100	10	85	15	100	0	+5	DRP Paid

Separate from the deviation-based settlement charges, the ISO calculates other settlement charges that have load-based measured demand components in their calculation. Settlement charge types that have a measured demand component will continue to be calculated based on measured demand, not on an “adjusted” metered demand value resulting from the application of the DLA.

The ISO believes that measured demand is the appropriate value that should be applied in these various ISO settlement charge types, since it is the measured demand that is the megawatt quantity of demand that was actually consumed (and not what would have been consumed but for demand response). Thus, the ISO’s policy determination *not to revise* other settlement charge types for PDR, other than uninstructed imbalance energy and related deviation-based settlement charges, was appropriate, since measured demand reflects what was actually transmitted, managed, and consumed by end-use customers on the CAISO Controlled Grid. The ISO developed this policy determination through the PDR stakeholder process, with input and concurrence from the stakeholders.

The PDR design makes no other special adjustments or uplifts to the ISO’s settlement system to accommodate PDRs, apart from the DLA used in the

ISO's uninstructed imbalance energy calculation. (As explained above, the function of the DLA is to derive the adjusted metered demand value, in order to offset the double payment and to ensure the proper cost allocation of all deviation-based settlement charges.) The PDR design upholds cost causation principles and ensures that neither the load serving entity nor the demand response provider is harmed by, nor does it benefit from, the actions of the other. Accordingly, the PDR design is a just and reasonable approach to allocating costs to the parties involved in a "direct participation" demand response transaction in the wholesale market.

3. Question. *Please explain and justify why the proposed tariff sheets included in the proposal did not include any revisions or additional provisions to address the recovery of any market revenue shortfall associated with the participation of Proxy Demand Resources in the CAISO markets.*

Response.

As explained in response to Question #1 and Question #2, the ISO does not agree with the premise that the PDR product design contains a potential for revenue shortfall. Accordingly, the ISO believes that no tariff revisions or additional provisions to address market revenue shortfalls associated with the PDR design are required. Each resource under the PDR design is modeled as a generator and is settled as a generator. The market and settlement rules are already established and approved in the ISO market for generators. The only significant distinction between a PDR and a generator is that a PDR relies on the PDR Energy Measurement (a baseline derived value) to determine its performance, whereas a generator relies on actual meter data to determine its performance.

On the load serving entity side, the ISO and its stakeholders derived the concept of the DLA (as explained in response to Question #2) to ensure cost causation, that the load serving entity and demand response provider are held harmless from each other's actions in the ISO market. In proposed ISO Tariff Section 11.5.2.4,²⁰ the ISO detailed the steps it will take to adjust a load serving entity's metered load for the purposes of settling uninstructed imbalance energy, including other deviation-based settlement charges that are derived from the adjusted metered demand value pre-calculated in the determination of a resource's uninstructed imbalance energy.

²⁰ **11.5.2.4 Adjustment to Metered Load to Settle UIE**

For the purpose of settling Uninstructed Imbalance Energy of a Scheduling Coordinator representing a Load Serving Entity, the amount of PDR Energy Measurement delivered by a Proxy Demand Resource that is also served by that Load Serving Entity will be added to the metered load quantity of the Load Serving Entity's Scheduling Coordinator's Load Resource ID with which the Proxy Demand Resource is associated.

The tariff revisions to accommodate the PDR proposal are relatively limited and straightforward, given the relative simplicity of the design. As such, the ISO respectfully requests that the Commission approve the ISO's PDR design proposal and the accompanying tariff revisions, affirming that the ISO's proposal is just and reasonable and not unduly discriminatory.

II. Request for Modified Effective Date

In its February 16 tariff filing transmittal letter, the ISO requested an earlier effective date for the proposed *pro forma* Proxy Demand Resource Agreement (requesting April 19, 2010), so that (1) the ISO could begin entering into contracts with demand response providers that seek to take advantage of the new Proxy Demand Resource product, (2) demand response providers could begin to seek approval from the load serving entities for retail customers to participate in Proxy Demand Resources and (3) demand response providers could begin to register Proxy Demand Resources with the ISO. The February 16 transmittal letter requested that the rest of the tariff changes contained in the filing be made effective on May 1, 2010, the scheduled date for the ISO's Proxy Demand Resource market systems to become operational and able to accept bids from Scheduling Coordinators for Proxy Demand Resources in the ISO market. Although the February 16 transmittal letter requested two different effective dates, the ISO requested that the Commission address all aspects of the tariff amendment filing in a single order.²¹

In light of the Commission's April 16 letter request for additional information, the ISO hereby modifies the its requested effective dates for its tariff filing as follows: The ISO now requests an effective date for the proposed *pro forma* Proxy Demand Resource Agreement by no later than July 19, 2010, and an effective date of August 10 for the remaining tariff provisions. These dates will allow the ISO and its stakeholders an opportunity to deliver Proxy Demand Resources during the 2010 summer season. Again the ISO requests that the Commission address all aspects of the tariff in a single order. If the Commission directs modifications to the ISO's Proxy Demand Resource product, the ISO may need to request additional time to implement the design to accommodate software changes and additional testing. The ISO will endeavor to inform the Commission and all affected parties of any impacts of a Commission order on the effective date of the tariff revisions as soon as practicable.

²¹ Transmittal Letter for Proxy Demand Resource Filing at 30.

III. Communications

Communications regarding this filing should be addressed to the same individuals that were designated to receive service in the Proxy Demand Resource Filing, namely:

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
Baldassaro "Bill" Di Capo
Senior Counsel

California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7296
E-mail: sdavies@caiso.com
bdicapo@caiso.com

IV. Service

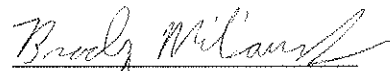
The ISO has served copies of the instant filing upon all parties in the above-referenced proceeding. The ISO has also served copies of the instant filing on the California Public Utilities Commission, the California Energy Commission, and all parties with effective Scheduling Coordinator Service Agreements. In addition, the ISO is posting this filing on its website.

V. Conclusion

The ISO respectfully requests that the Commission accept this filing as fully providing the additional information requested in the Commission's April 16, 2010 letter. The Commission should approve this tariff amendment as just and reasonable and complying with Order No. 719 and the Commission's directive to permit aggregated retail customers to bid demand response directly into the wholesale energy market to the extent permitted by applicable state laws and regulations.

If you have any further questions or comments, please feel free to contact the undersigned.

Respectfully submitted,



Baldassaro "Bill" Di Capo
Senior Counsel
Sidney M. Davies
Assistant General Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7296
E-mail: bdicapo@caiso.com
sdavies@caiso.com

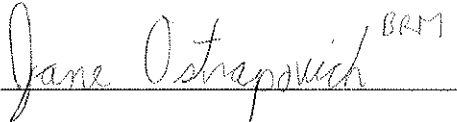
Sean A. Atkins
Bradley R. Miliauskas
Alston & Bird LLP
950 F Street, NW
Tel: (202) 756-3300
Fax: (202) 654-4875
E-mail: sean.atkins@alston.com
bradley.miliauskas@alston.com

Attorneys for the California Independent System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties indicated in the document, 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 17th day of May, 2010.



Jane Ostapovich