UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator)	Docket No. ER08	000
Corporation)		

PETITION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION FOR APPROVAL OF DISPOSITION OF PROCEEDS OF PENALTY ASSESSMENTS

Pursuant to Rule 207 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207 (2008) and section 37.9.4 of the California Independent System Operator Corporation ("CAISO") Tariff, the CAISO by this filing seeks Commission approval of the distribution of the proceeds of penalties collected pursuant to section 37.9 of the CAISO Tariff in accordance with the allocation set forth in Attachment 1 to this filing. The CAISO requests confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

I. DISCUSSION

Section 37.9.4 requires the CAISO to place all proceeds of penalties collected under section 37.9 into a trust account. Following the end of the year, the CAISO must allocate those proceeds, together with interest, to Scheduling Coordinators for eligible Market Participants. Eligible Market Participants are those that were not assessed a financial penalty under section 37 during the relevant calendar year. Payment must be the product of (a) the amount in the trust account, including interest, and (b) the ratio of GMC payments by the Schedule Coordinator on behalf of eligible Market Participants to the total of such amounts paid by all Scheduling Coordinators, but the payment cannot be more than the amount of Grid Management Charge ("GMC") paid by the Scheduling

Coordinator on behalf of all eligible Market Participants that it represents. Subsequent to the disposition, the Scheduling Coordinator is responsible for distributing the amounts to the eligible Market Participants in proportion to their share of the GMC paid by the Scheduling Coordinator on their behalf.

The CAISO is seeking approval of the distribution of the proceeds of \$7,496 (\$7,000 in principal and \$496 in interest) from penalties assessed for calendar year 2006 and \$2,977,362 (\$2,951,443 in principal and \$25,919 in interest) from penalties assessed for calendar year 2007. Because section 37.4.9 uses the term "assessed . . . during the calendar year," the CAISO used the applicable Trading Day of the Settlement Statement on which the penalty was invoiced to determine the relevant calendar year. It should be noted that the magnitude of the proceeds in 2007 is due to penalties for self-reported meter reading errors, which, under section 37.11, result in a charge equal to 30% of the estimated value of the Energy. The breakdown of penalties is as follows:

2006 Calendar Year Penalties

Tariff Section	Violations	Amount
37.6 Provide Information Required by ISO Tariff		
37.6.1 Required Information Generally	2	\$1,000
37.6.3 Audit Materials	1	\$6,000
		\$7,000
2007 Calendar Year Penalties		
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Tariff Section 27.6 Provide Information Required by ISO Tariff	Violations	Amount
37.6 Provide Information Required by ISO Tariff	15	የ0.000
37.6.1 Required Information Generally	15	\$9,000
37.6.3 Audit Materials	1	\$1,000
37.5 Provide Factually Accurate Information		
37.5.2 Inaccurate Meter Data	3	\$2,941,446

Number of

\$2,951,446

As contemplated by section 37.9.4, the CAISO has contacted each Scheduling Coordinator that was assessed a penalty during calendar years 2006 and 2007 to determine each Market Participant served under the Scheduling Coordinator ID and the amount of GMC paid by each such Market Participant. During that process, no Scheduling Coordinator challenged the determination of eligible Market Participants. Using the data, the CAISO calculated the allocation of penalty proceeds under the methodology set forth in section 3.9.4. The results of that calculation are included in Attachment 1.

The CAISO is requesting that Attachment 1 be afforded confidential treatment under 18 C.F.R. § 388.112. Public disclosure of the information would allow parties to determine which Market Participants were assessed penalties. Under section 3.9.3.1 of the CAISO Tariff, the CAISO has discretion whether to publicly identify Market Participants that are assessed penalties. In this instance, the CAISO has decided not to disclose the identities because of the violations were either minor (late submission of required information) or without malicious intent and self-reported to the CAISO (errors in meter data). Disclosing the identities of the sanctioned Market Participants could potentially cause harm to those Market Participants that is in excess of the severity of the violations. In a similar situation, the Commission declined to require ISO-New England to disclose the identities of those assessed monetary sanctions and permitted confidential treatment of the information by directing its inclusion in quarterly reports filed under 18 C.F.R. § 388.112. The CAISO originally included the requirement in 39.9.4 that FERC approve the allocations in case there was a dispute regarding "eligible Market Participants" because CAISO does not necessarily have a contractual arrangement with

New England Power Pool, 85 FERC ¶61,379 at 62,471 (1998).

"Market Participants," only Scheduling Coordinators. There is no such dispute in the allocation of these year's amounts.

II. CORRESPONDENCE AND MARKET NOTICE

The CAISO requests that all correspondence, pleadings and other communications concerning this filing be served upon the following:

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Because this matter may be of interest to all Scheduling Coordinators, the CAISO will issue a market notice of this filing.

III. CONCLUSION

Accordingly, the CAISO requests that the Commission approve the disposition of proceeds described in Attachment 1 and provide confidential treatment of Attachment 1 under 18 C.F.R. § 388.112.

^{*}Individuals designated for service pursuant to 18 C.F.R. § 203(b)(3).

Respectfully submitted,

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ATTORNEYS FOR THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Attachment 1

[ATTACHMENT CONSISTS OF PRIVILEGED MATERIAL REDACTED PURSUANT TO 18 C.F.R. 388.112]