

# Memorandum

**To:** ISO Board of Governors  
**From:** Andrew Ulmer, Senior Counsel  
Nancy Saracino, Vice President, General Counsel and Corporate Secretary  
**Date:** October 20, 2008  
**Re:** **Decision on Tariff References to Reliability Coordinator and Applicable Reliability Criteria**

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*This memorandum requires Board action.*

## EXECUTIVE SUMMARY

This memorandum seeks authorization from the Board of Governors to request modifications to the tariff of the California Independent System Operator Corporation (“the ISO”) that is currently in effect and the market redesign and technology upgrade (MRTU) tariff that will take effect upon MRTU implementation (collectively, the tariff). The tariff modifications would accomplish the following:

- (1) delete references to the ISO as reliability coordinator; and
- (2) adopt more generalized references to reliability criteria applicable to ancillary services procurement to reflect anticipated and possible future changes to reliability criteria for these services.

## MOTION

*Moved, that the ISO Board of Governors approves the proposed tariff changes regarding the references to the ISO as reliability coordinator and reliability criteria for procurement of ancillary services, as detailed in the memorandum, dated October 20, 2008, and*

*Moved, that the ISO Board of Governors authorizes management to make all of the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff changes.*

## **ISSUE STATEMENT**

Effective January 1, 2009, the Western Electricity Coordinating Council (WECC) intends to assume the role of reliability coordinator for the western interconnection. The ISO has been providing this service on behalf of WECC under an agreement where the ISO's costs are reimbursed by WECC. With WECC's decision to assume the responsibilities directly, the ISO has been transitioning the role to WECC staff. In addition to transitioning the function and staffing needed to perform the role of reliability coordinator, the ISO needs to modify its tariff to remove references of the ISO serving as reliability coordinator in order to remove any ambiguity as to responsibilities for this important function. The majority of the proposed tariff modifications simply delete references to the ISO as reliability coordinator.

For the second and unrelated proposed modification, management requests modifications to various sections of the tariff related to procurement of ancillary services, where those sections contain references to WECC and the Northern Electric Reliability Corporation (NERC) reliability criteria. The purpose of this modification is to ensure the references remain accurate as WECC and NERC criteria and standards are modified. For example, Section 8.2.3.2 of the tariff describes the specific minimum contingency operating reserve for spinning and non-spinning reserves to be maintained by the ISO consistent with WECC criteria. WECC has proposed to modify these criteria, subject to review and approval by FERC. To avoid the need for future tariff amendments as standards change, Section 8.2.3.2 and other sections of the tariff will be amended to remove references to the specific current WECC and NERC criteria and standards, and refer more generally to applicable reliability criteria.

## **POSITIONS OF THE PARTIES**

Management conducted a brief stakeholder process on these proposed amendments and received constructive comments from stakeholders. We have incorporated those comments into the proposed tariff amendments where appropriate to address stakeholder concerns.

## **MANAGEMENT RECOMMENDATION**

Management recommends that the Board of Governors authorize the ISO to revise the tariff to remove the references to the ISO as reliability coordinator and adopt a more generalized reference to reliability criteria for procurement of ancillary services.