

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

**California Independent System Operator) Docket No. ER11-4151-000
Corporation) ER11-4151-001**

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

On July 29, 2011, the California Independent System Operator Corporation (“ISO”) submitted a proposed tariff amendment to implement several key changes that will improve the way non-resource-specific system resources with resource adequacy contracts (“NRS-RA resources”) are able to participate in the ISO markets. The proposed improvements are: 1) scheduling coordinators for NRS-RA resources will be given a choice of three calculation methodologies for their generated bids – a price-taker bid, a locational marginal price-based bid, or a negotiated bid; 2) the availability standard applicable to NRS-RA resources will take outages into account; 3) NRS-RA resources will report generation forced outages or transmission forced outages or constraints that prevent them from delivering the resource adequacy capacity identified in their supply plans, and the ISO will use that outage information in determining whether to insert a generated bid for the resource and in calculating the resource’s availability under the standard capacity product; and 4) if a scheduling coordinator for an NRS-RA resource fails to submit a bid for the resource, the ISO will insert a generated bid for the resource only for the hours specified in the resource’s resource

adequacy contractual arrangement.¹ On August 9, 2011, the ISO submitted an errata to its filing to include a tariff record that was inadvertently omitted from the .xml package when it was electronically uploaded and submitted to FERC.

Pursuant to the Commission's Combined Notices of Filing published on August 9 and 16, 2011, eight entities submitted motions to intervene, one of which included comments with respect to the ISO's filing.² The comments by Powerex support the ISO's proposed tariff amendments but request a clarification of Section 9.3.10.6.1.³

The ISO does not object to any of the interventions filed in this proceeding. In this Answer, the ISO will respond to Powerex's comments and explain why they provide no valid basis for the Commission to modify the ISO's proposal.

I. ANSWER

A. Outage Reporting by NRS-RA Resources

The ISO's proposal in this matter would add Section 9.3.10.6.1 to the ISO Tariff to require the scheduling coordinator for a NRS-RA resource to report to the ISO any forced outage of a generating unit or forced outage or constraint of transmission facilities outside the ISO's balancing authority area that directly results in the inability of the resource to deliver all or a portion of the RA capacity identified in the resource's supply plan. The section additionally requires the scheduling coordinator of the NRS-RA resource to submit a detailed explanation of the forced outage or constraint. The

¹ Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff.

² The City of Santa Clara and the M S R Public Power Agency, California Department of Water Resources State Water Project, Modesto Irrigation District, NRG Companies, Northern California Power Agency ("NCPA"), Pacific Gas & Electric Company, Powerex Corporation, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

³ Powerex Comments, p. 5.

ISO may request additional information to enable it to review the forced outage or constraint, and if the ISO determines that any forced outage or constraint may have been the result of gaming or other questionable behavior, the section requires the ISO to submit a report to FERC that describes the basis for its determination.

Although Powerex supports the ISO filing in this matter, it requests clarification of the last sentence in Section 9.3.10.6.1 that provides for the ISO to report to FERC a determination that any forced outage or constraint may have been the result of gaming or questionable behavior. Powerex suggests that Section 9.3.10.6.1 be amended to clarify that the ISO will follow the procedures set forth in Sections 37.8.4 through 37.8.7 before such a report is made.

The ISO submits that Powerex misunderstands this provision. The last sentence in Section 9.3.10.6.1 is intended to be a general recognition that where review of a NRS-RA resource's reporting of a forced outage or constraint creates suspicion that the reporting involves market manipulation, the submission of false information, or any other market violation, then a referral to FERC by the ISO's Department of Market Monitoring ("DMM") is a possible outcome. The sentence is not intended establish a new obligation or authority for the ISO or DMM to make a referral to FERC. The requirements and process for making such referrals already exist in Appendix P to the ISO tariff. Furthermore, Sections 37.8.4 through 37.8.7, which Powerex suggests be referenced, relate to procedures for administering "traffic ticket" penalties, which are administered by the ISO and are distinct from any potential referrals DMM may make to FERC for suspected manipulation or submission of false information. It thus would be unnecessary and inaccurate to revise Section 9.3.10.6.1, or any other section where an

ISO review is mentioned, to include the statement Powerex suggests about how an investigation and referral will be processed. The ISO, therefore, urges the Commission to reject Powerex's suggestion.

In order to avoid a similar misunderstanding of the provision in the future, however, the ISO proposes an alternative change to Section 9.3.10.6.1. If directed by the Commission, the ISO will submit a compliance filing that amends the last sentence of Section 9.3.10.6.1 to provide that where review of an NRS-RA resource's reporting of a forced outage or constraint creates suspicion that the reporting involves market manipulation, the submission of false information, or any other market violation (unless the market violation is solely a traffic ticket violation), then a referral to FERC by the DMM is a possible outcome.

II. CONCLUSION

For the reasons discussed above, the ISO requests that the Commission accept the ISO's proposed NRS-RA tariff amendment consistent with this answer.

Respectfully submitted,
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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document 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. § 385.2011).

Dated at Folsom, California this 6th day of September, 2011.

Is/ Anna Pascuzzo
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