

April 27, 2010

VIA OVERNIGHT DELIVERY

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER08-1113-07**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO)¹ hereby submits an original and five copies of this filing in compliance with the Federal Energy Regulatory Commission's (FERC or Commission) April 1, 2010 Order on Compliance in the above-referenced proceeding.² Two copies of this filing are enclosed to be date-stamped and returned to our office via the self-addressed, postage prepaid envelope contained herein.

I. Background and Summary of Tariff Modifications

The Commission's *April 2010 Order* accepts subject to modification the ISO's January 20, 2010 compliance filing concerning tariff provisions submitted in connection with the ISO's Integrated Balancing Authority Area (IBAA) structure and entering into Market Efficiency Enhancement Agreements (MEEAs).³ As part of the *April 2010 Order*, the Commission directed the ISO to modify its IBAA tariff provisions within 30 days as follows:

¹ The ISO is sometimes referred to CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the currently effective ISO tariff.

² *California Indep. Sys. Operator Corp.*, 131 FERC ¶ 61,001 (2009) (*April 2010 Order*).

³ The ISO's submitted proposed tariff language on January 19, 2010 in compliance with the Commission's December 17, 2009 Order on Rehearing, Motions for Clarification and Compliance. See, *California Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,241 (2009) (*December 2009 Order*).

1. Remove language that would apply default pricing to a MEEA transaction pending any challenge by the ISO to a MEEA signatory's self-certification that the MEEA signatory dispatched resources identified in the MEEA to support the interchange transaction and permit a MEEA signatory to receive MEEA pricing for the transaction while the ISO challenges the self-certification.⁴
2. Eliminate proposed tariff language that would require a MEEA signatory to demonstrate that a resource supporting an interchange transaction does not originate from the Pacific Northwest to other Balancing Authorities outside of the IBAA.⁵
3. Revise the last sentence of proposed tariff section 27.5.3.2.2 to clarify that default pricing will apply to an interchange transaction for which a MEEA signatory has not self-certified that MEEA resources supported the transaction.⁶
4. Clarify that an entity controlling resources in the IBAA may negotiate a MEEA with an alternative structure to the historical average distribution of MEEA generation resources that more accurately reflects the actual location of resources used to support interchange transactions under a MEEA.⁷
5. Clarify that a MEEA signatory is not required to provide marginal cost information and may support its self-certification with other information, including information identified in the Commission's *December 2009 Order*.⁸

The ISO has amended the IBAA provisions of its tariff in accordance with the Commission directives and respectfully requests the Commission accept these modifications as part of the instant filing.

⁴ *April 2010 Order* at PP 15-17.

⁵ *Id.* at PP 29-30.

⁶ *Id.* at P 33. The ISO has submitted proposed tariff language in section 27.5.3.2.2 that addresses concerns raised by Western and other interests. The ISO has not, however, adopted Western's proposed tariff language verbatim because use of Western's language would suggest that MEEA signatories can self-certify portions of schedules. As specified in the same section 27.5.3.2.2, a MEEA signatory may use a Resource ID to self-certify that MEEA resources supported an interchange transaction and may use another Resource ID for interchange transactions that are not supported by MEEA resources. Accordingly, the ISO has proposed to revise the last sentence of Section 27.5.3.2.2 to provide that if a MEEA signatory does not self-certify that MEEA resources supported an interchange transaction then default IBAA pricing will apply to that interchange transaction.

⁷ *Id.* at P 39.

⁸ *Id.* at P 43.

II. Materials Provided In This Compliance Filing

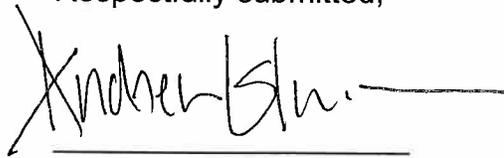
The following documents, in addition to this transmittal letter, support this filing:

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| Attachment A | Clean sheets of the currently effective tariff showing revisions described in this filing |
| Attachment B | Sheets showing, in black-line format, the changes to the currently effective tariff described in this filing |

III. Conclusion

The ISO respectfully requests that the Commission accept this filing as complying with the directives of the Commission's *April 2010 Order*. Please do not hesitate to contact the undersigned if you have any questions.

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 captioned 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 Folsom, California this 27th day of April, 2010.


Jane Ostapovich

Attachment A – Clean sheets
IBAA Compliance
Fourth Replacement CAISO Tariff
April 28, 2010

Subject to the requirements in Section 27.5.3.2.2, the CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets. This MEEA-specific LMP for MEEA transactions shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located. The CAISO will develop generation distribution factors that apply to the relevant MEEA transactions as provided in Section 27.5.3.2.1. The CAISO and an MEEA signatory may negotiate an alternative to the historical average distribution generation factors of MEEA resources, if an MEEA signatory establishes that a different structure more accurately identifies the actual location of resources within the IBAA that support interchange transactions with the CAISO.

27.5.3.2.1 Information Required to Develop a Market Efficiency Enhancement Agreement.

An entity seeking to enter into an MEEA with the CAISO will provide the CAISO with historical hourly metered generation data for the supply resources to be identified in the MEEA and the historical hourly metered load data within the IBAA for the load served by the MEEA signatory, if any. The data shall be provided in a format that the WECC accepts or other commonly used format. MEEA pricing will typically be based on historical average distribution of generation among a portfolio of resources identified in an MEEA, using negotiated generation distribution factors, subject to revision to reflect changes in usage. The CAISO and an MEEA signatory may, therefore, agree on a set of weighted distribution factors for a specified set of resource locations, which will be used to calculate the MEEA price that will apply to Bids, including Self-Schedules, cleared and processed as further provided in the CAISO Tariff, submitted for resources identified in an MEEA. By applying a set of weighted distribution factors to a set of generator locations, an MEEA signatory is not required to associate a specific generator within a MEEA portfolio of resources with a specific customer of the MEEA signatory. The CAISO will negotiate any generation distribution factors as provided below. For portfolios of resources, the CAISO and a potential MEEA signatory will develop a weighted average price methodology based upon an agreed set of weights for the resources that comprise the MEEA portfolio. Such weights will be based on historical data of operation of the resources comprising the portfolio.

In connection with any such audit, the MEEA signatory shall support its certification with information demonstrating that an MEEA signatory resource was dispatched to support the interchange transaction. This information may include, but is not limited to, NERC tags, OASIS transmission service data, day-ahead load and resource plans, power purchase agreements or contracts demonstrating use of the California Oregon Transmission Project as well as marginal cost information. An MEEA signatory, however, is not required to provide marginal cost information to the CAISO to support its self-certification and may support its self-certification with other information, including information identified in the preceding sentence. The MEEA signatory shall provide data in a format that the WECC accepts or other commonly used format. For any Settlement Interval or Period for which the CAISO challenges the use of Resource IDs under an MEEA, the CAISO shall apply MEEA pricing to the Settlement Interval or Period pending resolution of the challenge.

In addition, in the event that there is a Dynamic Resource-Specific System Resource in the IBAA, the MEEA may further provide that the MEEA signatory in control of such resource may also obtain pricing under the MEEA for imports to the CAISO Balancing Authority Area from the Dynamic Resource-Specific System Resource. If the MEEA signatory does not self-certify that resources identified in the MEEA were used to support the interchange transaction, the default IBAA price specified in Appendix C, Section G.1.1 will apply to the interchange transaction.

Attachment B – Blacklines
IBAA Compliance
Fourth Replacement CAISO Tariff
April 28, 2010

27.5.3.2 Information Required to Develop and Obtain Pricing under a Market Efficiency Enhancement Agreement.

The CAISO shall enter into an MEEA with an entity controlling supply resources within an IBAA to provide modeling and pricing for imports or exports between the IBAA and the CAISO Balancing Authority Area if the entity agrees to provide the information as specified herein. These information requirements apply to all entities seeking to enter into and having entered into an MEEA, including external Balancing Authorities within the IBAA or sub-entities therein such as Scheduling Coordinators or sub-Balancing Authority Areas in control of specific resources or a portfolio of resources. For these purposes, the term resource includes sources or sinks within the IBAA. An MEEA signatory may use generation as a resource to support an import to the CAISO and may use load or reduce generation to support an export from the CAISO. Control includes ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource. Entities controlling a portfolio of resources within the IBAA are eligible to enter into MEEAs for interchange transactions using portfolios of resources. For the purposes of this provision, Western Area Power Administration base resource customers have sufficient control over Western Area Power Administration base resource portfolio of resources within the IBAA to be eligible to enter into MEEAs for interchange transactions utilizing these resources. In order to obtain non-default, location-specific pricing for interchange transactions with the CAISO Balancing Authority Area, an MEEA signatory must provide the information described in this section 27.5.3.2. The information is necessary to: (i) establish the location of the resources that will be used to calculate location-specific prices under the MEEA, (ii) verify that the resources operating to implement an interchange transaction are the same as the resources identified in the MEEA, (iii) verify the amount of an interchange transaction that was implemented by the dispatch of resources identified in the MEEA, and (iv) settle all charges and payments for interchange transactions under the MEEA.

Subject to the requirements in Section 27.5.3.2.2, the CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets. This MEEA-specific LMP for MEEA transactions shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located. The CAISO will develop generation distribution factors that apply to the relevant MEEA transactions as

provided in Section 27.5.3.2.1. The CAISO and an MEEA signatory may negotiate other-an alternative structures to the historical average distribution generation factors of MEEA resources, if an MEEA signatory establishes that a different structure more accurately identifies the actual location of resources within the IBAA that support interchange transactions with the CAISO.

* * *

27.5.3.2.2 Information Needed to Determine Application of MEEA-Specific Pricing in any Settlement Interval or Settlement Period.

If an MEEA signatory submits a Bid in the CAISO Market and seeks to obtain an MEEA-specific LMP for an interchange transaction, the CAISO must be capable of verifying what portion (output in megawatt hours) of the resources identified in the MEEA, if any, were dispatched to implement the interchange transaction. To the extent that the resources identified in the MEEA, or portion thereof, were dispatched and operated for purposes other than the interchange transaction submitted in the CAISO Market, the Schedule or Imbalance Energy associated with the Bid submitted and cleared in the CAISO Market will not receive an MEEA-specific LMP, and will instead receive the default IBAA price specified in Appendix C, Section G.1.1. The CAISO will establish Resource IDs that are to be used only to submit Bids, including Self-Schedules, for the purpose of obtaining MEEA-specific pricing. MEEA signatories may obtain and use other Resource IDs to submit Bids, including Self-Schedules, that are not covered by an MEEA. Prior to obtaining and settling -Resource IDs under the terms of the MEEA, the relevant Scheduling Coordinator shall attest that use of the Resource ID shall mean that the MEEA signatory dispatched a resource identified in an MEEA to support the MEEA interchange transaction. This attestation shall be executed under oath by an officer of the MEEA with knowledge of the MEEA signatory's operations. By actually using such Resource IDs, the Scheduling Coordinator represents that MEEA resources are dispatched to support such Bids, including Self-Schedules. The CAISO may challenge the use of these Resource IDs and conduct an audit under Section 27.5.3.7. In connection with any such audit, the MEEA signatory shall support its certification with information demonstrating that an MEEA signatory resource was dispatched to support the interchange transaction. This information may include, but is not limited to, NERC tags, OASIS transmission service data, day-ahead load and resource plans, power purchase agreements or contracts demonstrating use of the California Oregon Transmission PathProject as well as marginal cost information. An MEEA signatory, however, is not required to provide

~~marginal cost information to the CAISO to support its self-certification and may support its self-certification with other information, including information identified in the preceding sentence. The MEEA signatory must also demonstrate that the resource supporting the MEEA interchange transaction is not originating from the Pacific Northwest or other Balancing Authority Areas outside of the IBAA.~~ The MEEA signatory shall provide data in a format that the WECC accepts or other commonly used format. For any Settlement Interval or Period for which the CAISO challenges the use of Resource IDs under an MEEA, ~~the CAISO shall apply MEEA pricing the IBAA default price specified in Appendix C, Section G.1.1 shall apply~~ to the Settlement Interval or Period pending resolution of the challenge. In addition, in the event that there is a Dynamic Resource-Specific System Resource in the IBAA, the MEEA may further provide that the MEEA signatory in control of such resource may also obtain pricing under the MEEA for imports to the CAISO Balancing Authority Area from the Dynamic Resource-Specific System Resource. ~~For any portion of an interchange transaction~~ ~~If the MEEA signatory does not self-certify that resources identified in the MEEA were used to support the interchange transaction, for which the CAISO cannot verify that the resources that were dispatched and operated to implement the interchange transaction are the resources identified in the MEEA,~~ the default IBAA price specified in Appendix C, Section G.1.1 will apply to the interchange transaction ~~for the corresponding volume and time period.~~