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December 15, 2006

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER07-____ - 000
December 2006 Local RCST Designation Amendments and
Amendments To Reflect Order No. 676 Waivers of the
California Independent System Operator Corporation**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Sections 35.11 and 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 35.11, 35.13, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and five copies of an amendment to the ISO Tariff.¹ The amendment includes the "December 2006 Local RCST Designation Amendments," which modify the ISO Tariff with regard to the designation of Eligible Capacity to provide services under the Reliability Capacity Services Tariff ("RCST") to meet local reliability needs and to respond to Significant Events in 2007. The CAISO respectfully requests that the Commission make the December 2006 Local RCST Designation Amendments effective January 1, 2007. The instant filing also includes the "Order No. 676 Waiver Amendments", which modify the ISO Tariff with regard to Commission-approved waiver of the

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff, and in the filings submitted on March 31, 2006, and October 20, 2006, in Docket No. EL05-146 (described in Section I.B, below).

requirements of the Commission's Order No. 676² and certain related revisions to the ISO Tariff directed by the Commission. The CAISO requests that the Commission make the Order No. 676 Waiver Amendments effective July 1, 2006, *i.e.*, the effective date specified in Order No. 676.

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

I. BACKGROUND CONCERNING THE DECEMBER 2006 LOCAL RCST DESIGNATION AMENDMENTS

A. Proceedings in Docket No. ER04-835

On June 19, 2001, in response to the California electricity crisis, the Commission adopted a series of mitigation measures, including the must-offer obligation ("MOO").³ On May 11, 2004, the CAISO filed, in Docket No. ER04-835, Amendment No. 60 to the ISO Tariff ("Amendment No. 60") to implement modifications to the existing MOO provisions of the ISO Tariff. In the intervention and protest it submitted concerning Amendment No. 60, the Independent Energy Producers Association ("IEP") requested that the Commission eliminate the MOO. In its July 8, 2004, order in that proceeding, the Commission addressed the issue of the continued application of the MOO.⁴ The Commission approved continuation of the MOO, but opined that the MOO should not be permanent.⁵ In addition, the Commission reasoned that if IEP, or any other Market Participant, believed that the MOO requirement is unjust or unreasonable, it could initiate a proceeding under Section 206 of the FPA to challenge the existing method and to propose an alternative.⁶

B. Proceedings in Docket No. EL05-146

On August 26, 2005, IEP filed a complaint at the Commission in Docket No. EL05-146 to replace the existing MOO with a tariff-based procurement mechanism entitled the Reliability Capacity Services Tariff or RCST. On March 31, 2006, several parties to the proceeding ("Settling Parties") filed an Offer of

² *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676, 71 Fed. Reg. 26199, FERC Stats. & Regs., Regs. Preambles ¶ 31,216 ("Order No. 676"), *reh'g denied*, Order No. 676-A, 116 FERC ¶ 61,255 (2006).

³ *San Diego Gas & Electric Co., et al.*, 95 FERC ¶ 61,418 (2001).

⁴ *California Independent System Operator Corp.*, 108 FERC ¶ 61,022 (2004).

⁵ *Id.* at P 115.

⁶ *Id.* at PP 115-16.

Settlement and Explanatory Statement (“Offer of Settlement”) in order to resolve all issues in the proceeding. The Offer of Settlement included, for illustrative purposes, tariff sheets reflecting the amendments to the ISO Tariff that would be necessary to implement the terms of the Offer of Settlement. In the Offer of Settlement, the Settling Parties stated that, following Commission approval of the Offer of Settlement, the CAISO would make a compliance filing to incorporate the tariff provisions into the ISO Tariff.⁷

On July 20, 2006, the Commission issued its “Order on Complaint and Offer of Settlement” in the proceeding.⁸ In the July 20 Order, the Commission, *inter alia*, made the following determinations: (i) it found that, pursuant to Section 206 of the FPA, compensation to generators under the MOO is no longer just and reasonable; (ii) the Commission instituted paper hearing procedures in the proceeding under Section 206 of the FPA to review evidence on whether the rates and cost allocation mechanism under the Offer of Settlement or some other rates and cost allocation are just and reasonable with respect to the MOO; (iii) the Commission permitted each seller of Eligible Capacity as defined under the terms of the Offer of Settlement, at its election, to collect the Offer of Settlement rates from the date of the July 20 Order, so long as such seller agrees that all of these revenues will be subject to refund, even if they are collected after the statutory refund period ends; and (iv) the Commission established a refund effective date, pursuant to Section 206(b) of the FPA, of August 26, 2005 (the date the complaint that initiated this proceeding was filed).⁹

Several parties filed requests for clarification and/or rehearing of the July 20 Order. On September 27, 2006, the Commission issued its “Order on Clarification” to address the requests for clarification and/or rehearing.¹⁰ As relevant here, the September 27 Order recognized that the Offer of Settlement did not propose an allocation of certain RCST costs incurred in 2007 and that the CAISO, following a stakeholder process, would make a Section 205 tariff filing addressing such matters. Accordingly, the Commission clarified that the paper hearing would not address the 2007 allocation of such costs.¹¹ The instant filing sets forth the proposed 2007 allocation of costs for RCST designations to meet local reliability needs and to respond to Significant Events.

⁷ Transmittal Letter for Offer of Settlement at 1.

⁸ *Independent Energy Producers Association v. California Independent System Operator Corp.*, 116 FERC ¶ 61,069 (“July 20 Order”).

⁹ *Id.* at PP 38, 40, Ordering Paragraphs (A), (B), (E).

¹⁰ *Independent Energy Producers Association v. California Independent System Operator Corp.*, 116 FERC ¶ 61,297 (“September 27 Order”).

¹¹ *Id.* at PP 21-22, 27.

On October 20, 2006, the CAISO submitted a filing to comply with the directives in the September 27 Order and to incorporate into the ISO Tariff the tariff changes that the Commission had approved in the July 20 Order and the September 27 Order. The Commission has not yet issued an order concerning the CAISO's compliance filing.

C. Development of the December 2006 Local RCST Designation Amendments

As explained in Section I.B, above, in the September 27 Order the Commission stated that it would not address issues relating to the allocation of costs associated with 2007 local RCST designations until a proposal concerning such designations has been filed. Subsequently, the CAISO prepared draft changes to the ISO Tariff regarding the allocation of costs associated with any 2007 local and Significant Event RCST designations. The CAISO posted the draft changes on the ISO Home Page for stakeholder review on November 2, 2006, and requested that stakeholders submit preliminary written comments and any alternative proposals by November 10. On November 13, the CAISO posted the stakeholder comments it had received, and on November 14 the CAISO held a stakeholder meeting to discuss the draft changes.

On November 21, the CAISO posted a revised version of the draft changes to the ISO Tariff, in response to the stakeholder comments and discussion concerning the initial draft of the changes. Stakeholders provided written comments on the revised draft changes by November 27. The CAISO posted those comments on the ISO Home Page on November 28, conducted a conference call with stakeholders concerning the revised draft changes on November 30, and explained to stakeholders that the CAISO would be filing the tariff changes with the Commission in mid-December. In response to additional comments provided by stakeholders, the CAISO posted a further revised draft of the changes on the ISO Home Page on December 11.

II. CHANGES PROPOSED IN THE DECEMBER 2006 LOCAL RCST DESIGNATION AMENDMENTS

As noted in Section I.B, above, the Offer of Settlement provides that the CAISO is to make a filing under Section 205 of the FPA to implement the allocation of costs for 2007 local and Significant Event RCST designations. As previously filed with the Commission, Section 43.2.1 of the ISO Tariff permits the CAISO to make local RCST designations in 2007 to address any Local Resource Adequacy Requirement Deficiencies. The CAISO cannot determine whether any Local Resource Adequacy Deficiencies exist, however, unless it has information regarding both Local Resource Adequacy Requirements established by the

CPUC and Local Regulatory Authorities, if any,¹² and the resources committed to meet those requirements. The CAISO also needs a timetable by which it will receive the information. The proposed tariff provisions will allow the CAISO to obtain the information it needs to determine whether it can make any forward local RCST designations for 2007.

Therefore, in the instant filing, Section 43.2.1 of the ISO Tariff, which concerns 2007 local RCST designations, has been modified to permit the CAISO to obtain information regarding the adoption of Local Resource Adequacy Requirements. Further, three new subsections have been added to Section 43.2.1: Section 43.2.1.1, which is entitled "2007 Local Resource Adequacy Demonstrations"; Section 43.2.1.2, which is entitled "2007 Local Resource Adequacy Demonstration Evaluations"; and Section 43.2.1.3, which incorporates some of the existing language of Section 43.2.1, adds new language, and is entitled "2007 Local RCST Designations for Deficiencies".

Section 43.2.1 has been modified to state that each Scheduling Coordinator for an RA Entity for which a Local Reliability Authority has elected to adopt a Local Resource Adequacy Requirement shall, within five (5) Business Days after the Commission has issued an order approving the instant ISO Tariff amendment, inform the CAISO in writing of the adoption of the Local Resource Adequacy Requirement and shall state in writing what the Local Resource Adequacy Requirement is. Section 43.2.1 has also been modified to provide some minor clarifications.

Section 43.2.1.1 provides that all Scheduling Coordinators for RA Entities that are subject to a Local Resource Adequacy Requirement shall submit their Local Resource Adequacy Demonstrations to the CAISO pursuant to Section 43.2.1 within five (5) Business Days after the Commission has issued an order approving the instant ISO Tariff amendment, unless the RA Entity, through its Scheduling Coordinator or its Local Regulatory Authority, has previously identified the Qualifying Capacity that the RA Entity will make available to the CAISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007 in an Annual Resource Adequacy Plan submitted pursuant to Section 43.2.1.

Section 43.2.1.2 states that the CAISO shall compare the submitted Local Resource Adequacy Demonstrations and any Annual Resource Adequacy Plans submitted pursuant to Section 40.2.1 with any applicable Local Resource Adequacy Requirement to determine whether there is any Local Resource Adequacy Requirement Deficiency in any 2007 Local Reliability Area. Within fifteen (15) Business Days after the Commission has issued an order approving

¹² There is no requirement that the CPUC or Local Regulatory Authorities establish Local Resource Adequacy Requirements for 2007; it is entirely voluntary.

the instant ISO Tariff amendment, or sooner to the extent that the CAISO has already received the information it requires with regard to a particular 2007 Local Reliability Area, and to the extent that a particular 2007 Local Reliability Area requirement has not been met, the CAISO will issue to the Scheduling Coordinator for each RA Entity that the CAISO identifies as deficient in meeting its Local Resource Adequacy Requirements, and to the applicable regulatory authority for such deficient RA Entity, the CAISO's evaluation of the Local Resource Adequacy Demonstrations of such deficient RA Entity. The CAISO's evaluation shall detail (1) the reasons why the CAISO does not believe that the Local Resource Adequacy Demonstration and/or Annual Resource Adequacy Plan of such RA Entity satisfies a Local Resource Adequacy Requirement in any 2007 Local Reliability Area for such RA Entity and (2) the amount of any aggregate Local Resource Adequacy Requirement Deficiency in a Local 2007 Local Reliability Area in which the deficient RA Entity has a Local Resource Adequacy Requirement. Within five (5) Business Days of the issuance of the CAISO's evaluation, a Scheduling Coordinator shall notify the CAISO whether it wishes to discuss with the CAISO the CAISO's assessment that a particular RA Entity for which it is the Scheduling Coordinator is deficient in meeting its Local Resource Adequacy Requirements. If the Scheduling Coordinator provides such notification, within five (5) Business Days of the notification, the Scheduling Coordinator shall meet with the CAISO and the RA Entity's applicable regulatory authority, if the regulatory authority so desires, to discuss the issue of whether a deficiency exists. Following such meeting, the CAISO shall indicate whether or not there is a Local Resource Adequacy Requirement Deficiency for the RA Entity. Each Scheduling Coordinator for an RA Entity who has been notified of a deficiency by the CAISO shall inform the CAISO in writing within five (5) Business Days of the issuance of the CAISO's evaluation, or within five (5) Business Days after the meeting to discuss the CAISO's evaluation, whichever is applicable, whether the RA Entity intends to take steps to make up such deficiency, pursuant to any CPUC-established or Local Regulatory Authority-established opportunity to make up the deficiency, and the timing and nature of those steps. To the extent an RA Entity makes up such deficiency within the time allowed by the CPUC or Local Regulatory Authority, as appropriate, the Scheduling Coordinator for the RA Entity shall provide to the CAISO information demonstrating that the deficiency has been made up.

Section 43.2.1.3 modifies the existing language of Section 43.2.1 to provide that, following the CAISO's identification of any Local Resource Adequacy Requirement Deficiency, and after the time for any consultation with the CAISO and the CPUC-established or Local Regulatory Authority-established opportunity to make up such deficiency, the CAISO may designate Eligible Capacity to provide services under the RCST consistent with the criteria set forth in Section 43.2.2 of the ISO Tariff. Section 43.2.1.3 also incorporates the existing language of Section 43.2.1 concerning the circumstances in which the CAISO may designate Eligible Capacity, and adds the further requirement that

the CAISO may designate Eligible Capacity only after the CAISO has taken into account the effects of the resources identified in all Resource Adequacy Plans for 2007 (whether or not any of those resources are located in a 2007 Local Reliability Area). Section 43.2.1.3 also incorporates the existing language of Section 43.2.1 concerning the effective date and expiration date for designations of Eligible Capacity.

The addition of Sections 43.2.1.1, 43.2.1.2, and 43.2.1.3 will help to ensure a timely process for Scheduling Coordinators for RA Entities to submit Local Resource Adequacy Demonstrations to the CAISO to the extent Local Resource Adequacy Requirements have been established for them. It will permit the CAISO to issue a detailed evaluation of the Local Resource Adequacy Demonstrations it receives and meet with Scheduling Coordinators for RA Entities that the CAISO has determined are deficient in satisfying their Local Resource Adequacy Requirements. Also, the steps will allow Scheduling Coordinators for RA Entities that are deficient in satisfying their Local Resource Adequacy Requirements to inform the CAISO of the timing and nature of any steps to be taken to correct such deficiencies, and for the CAISO to designate Eligible Capacity to provide services under the RCST.

Section 43.8 of the ISO Tariff, which concerns the allocation of RCST Capacity Payment costs, has been modified to address the allocation of such costs incurred in 2007. Section 43.8(3) has been modified to state that, if the CAISO makes local RCST designations for 2007 under Section 43.2.1, then the ISO will allocate the total costs of RCST Capacity Payments for such RCST designations (for the full term of those RCST designations) pro rata to each Scheduling Coordinator for an RA Entity based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in the 2007 Local Reliability Area. To the extent there is a Local Resource Adequacy Requirement Deficiency in two or more 2007 Local Reliability Areas that can be satisfied by designating a single unit under the RCST, the CAISO shall allocate the total costs of RCST Capacity Payments for such RCST designation (for the full term of the designation) pro rata to each Scheduling Coordinator for an RA Entity that has a Local Resource Adequacy Requirement Deficiency in such 2007 Local Reliability Areas based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in those 2007 Local Reliability Areas.

These modifications will permit the CAISO to allocate RCST Capacity Payment costs in an equitable manner, because such costs will be allocated to each Scheduling Coordinator for an RA Entity in proportion to the Local Resource Adequacy Requirement Deficiency for which it is responsible. In other words, the costs of local RCST designations will be borne by the deficient entities that caused such costs to be incurred.

Section 43.8(5) has been modified to state that if the CAISO makes any Significant Event RCST designations under Section 43.4 during 2007, the ISO will allocate the costs of such designations to all Scheduling Coordinators for RA Entities in the TAC Area(s) in which the Significant Event caused or threatened to cause a failure to meet Applicable Reliability Criteria based on Scheduling Coordinators' 2007 RA Entity Load Share Percentage(s) in such TAC Area(s). These modifications will permit the CAISO to allocate the costs of Significant Event RCST Designations for 2007 in an equitable manner, because such costs will be allocated based on load share percentages to the TAC Area(s) in which the Significant Events caused or threatened to cause failures to meet Applicable Reliability Criteria. The proposed methodology for the allocation of 2007 Significant Event designation costs is the same as the methodology that was proposed in the Offer of Settlement for the allocation of 2006 Significant Event designation costs, except that, as discussed below, the costs of Significant Event RCST Designations for 2007 will be allocated based on Scheduling Coordinators' 2007 RA Entity Load Share Percentage(s) rather than Scheduling Coordinators' RA Entity Load Share Percentage(s) as the CAISO had proposed for 2006. The CAISO notes that the issue of the appropriate allocation of 2006 Significant Event designation costs is being addressed in the paper hearing established by the Commission in Docket No. EL05-146.

In order to explain the meanings of the new defined terms the CAISO has included in the modifications to Section 43.2.1 and 43.8 described above, three new defined terms has been added to the Master Definitions Supplement, Appendix A to the ISO Tariff. First, the term Local Resource Adequacy Demonstration has been defined to mean the demonstration made to the CAISO pursuant to Section 43.2 by the Scheduling Coordinator for an RA Entity of the resources that the RA Entity will make available to the CAISO to satisfy any applicable Local Resource Adequacy Requirement. This same term and definition were included in the tariff sheets the CAISO provided for illustrative purposes in the Offer of Settlement. Second, the term Local Resource Adequacy Requirement Deficiency has been defined in the instant filing to mean the difference in megawatts between any applicable Local Resource Adequacy Requirements for an RA Entity as established by the CPUC or appropriate Local Regulatory Authority in a given 2007 Local Reliability Area and the quantity of megawatts shown in the RA Entity's Local Resource Adequacy Demonstration pursuant to Section 43.2 for that 2007 Local Reliability Area. This same term was included in the tariff sheets the CAISO provided for illustrative purposes in the Offer of Settlement, though the CAISO has clarified the definition somewhat in the instant filing. Third, the term 2007 RA Entity Load Share Percentage has been defined to mean an RA Entity's proportionate share of load in a TAC Area for purposes of 2007 Significant Event RCST designations. The definition specifies that 2007 RA Entity Load Share Percentage shall be calculated for each RA Entity by dividing the RA Entity's actual coincident peak Load in each TAC Area for 2006 by the total coincident peak Load of all RA Entities in the TAC

Area in 2006. This definition is virtually the same as the definition of RA Entity Load Share Percentage, which was included in the tariff sheets the CAISO provided for illustrative purposes in the Offer of Settlement, except that, under the definition of 2007 RA Entity Load Share Percentage, the numbers used in the specified calculation are the actual and total coincident peak Loads for 2006, whereas under the definition of RA Entity Load Share Percentage, the numbers used in the specified calculation are the actual and total coincident peak Loads for 2005. The CAISO made this change in response to stakeholder comments so that the calculation is based on the more recent coincident peak Loads. The use of the more recent 2006 load shares in the calculation ensures more accurate results and is more equitable than using the less recent 2005 load shares.

III. EFFECTIVE DATE OF THE DECEMBER 2006 LOCAL RCST DESIGNATION AMENDMENTS

The CAISO respectfully requests, pursuant to Section 35.11 of the Commission's regulations, that the changes to the ISO Tariff contained in the December 2006 Local RCST Designation Amendments be made effective January 1, 2007. The CAISO submits that good cause for the requested effective date exists because the CAISO needs to determine the local RCST designations for 2007 and allocate costs relating thereto effective as of the beginning of that year in accordance with the Offer of Settlement and previously filed tariff provisions.

IV. BACKGROUND CONCERNING THE ORDER NO. 676 WAIVER AMENDMENTS

In Order No. 676, the Commission directed public utilities to adopt specified standards promulgated by the Wholesale Electric Quadrant ("WEQ") of the North American Energy Standards Board ("NAESB"). The Commission specified that a public utility could comply with Order No. 676 by adding a provision to its Open Access Transmission Tariff ("OATT") incorporating these standards by reference and setting forth the language that must be used for this purpose.¹³ As an alternative to complying with the standards, the Commission gave public utilities the option of applying for a waiver, in whole or in part, of the standards by June 1, 2006.¹⁴ Where a public utility has requested or obtained a waiver of one or more standards, the Commission specified that the public utility should not include a listing of the affected standard as incorporated in its OATT but should instead specify in its OATT those standards for which it has pending a

¹³ Order No. 676 at P 101.

¹⁴ *Id.* at PP 79, 100.

request for waiver or has obtained a waiver.¹⁵ The Commission directed public utilities to make such filings on or after July 1, 2006, as part of any filings of OATT revisions after that date, and to make the tariff revisions in such filings effective July 1, 2006.¹⁶

To comply with the directives of Order No. 676, the CAISO filed a petition for renewal of waiver of certain NAESB WEB standards on June 1, 2006 in Docket No. ER06-1094-009. On that same date, the Western Electricity Coordinating Council filed, on behalf of itself and Control Areas such as the CAISO, a request for waiver of one NAESB WEQ standard in Docket No. ER06-1094-001. On August 23, 2006, the CAISO submitted, in an amendment to the ISO Tariff filed in Docket No. ER06-1395-000, a new Section 7.2.2.4 of the ISO Tariff. New Section 7.2.2.4 included (1) a listing of NAESB WEQ standards incorporated by reference into the ISO Tariff; (2) a listing of the NAESB WEB standards for which the CAISO had filed a petition for renewal of waiver in Docket No. ER06-1094-009; and (3) a listing of the NAESB WEB standard for which the WECC had filed a petition for waiver in Docket No. ER06-1094-001. The CAISO proposed that these tariff revisions be made effective July 1, 2006.

On October 18, 2006, the Commission issued a letter order accepting the amendment to the ISO Tariff in Docket No. ER06-1395-000. On November 16, 2006, the Commission issued an order granting the CAISO's petition for renewal of waiver in Docket No. ER06-1094-009.¹⁷ On November 16, the Commission also issued an order granting the WECC's request for waiver in Docket No. ER06-1094-001 and directing all public utilities in the WECC to revise their OATTS to include NAESB's revised Standard WEQ-006-4.¹⁸

V. CHANGES PROPOSED IN THE ORDER NO. 676 WAIVER AMENDMENTS

Section 7.2.2.4 of the ISO Tariff has been modified to reflect the Commission's granting of the CAISO's petition for renewal of waiver in Docket No. ER06-1094-009, the WECC's request for waiver in Docket No. ER06-1094-001, and the Commission's directive to include NAESB's revised Standard WEQ-006-4 in the ISO Tariff.

¹⁵ *Id.* at P 102.

¹⁶ *Id.* at P 100.

¹⁷ *California Independent System Operator*, 117 FERC ¶ 61,196 (2006).

¹⁸ *Western Electricity Coordinating Council*, 117 FERC ¶ 61,194 (2006).

VI. EFFECTIVE DATE OF THE ORDER NO. 676 WAIVER AMENDMENTS

Pursuant to Section 35.11 of the Commission's regulations, the CAISO requests that the changes to the ISO Tariff relating to the Order No. 676 Waiver Amendments be made effective July 1, 2006, because July 1 was the effective date directed for tariff revisions to comply with Order No. 676.¹⁹

VII. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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VIII. SERVICE

The CAISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff, and all parties on the official service lists for Docket Nos. EL05-146, ER06-1094, and ER06-1395. In addition, the CAISO is posting this transmittal letter and all attachments on the ISO Home Page.

¹⁹ Order No. 676 at P 100.

IX. ATTACHMENTS

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

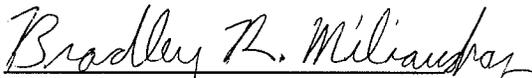
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|--------------|--|
| Attachment A | Revised ISO Tariff sheets that incorporate the December 2006 December 2006 Local RCST Designation Amendments |
| Attachment B | The December 2006 December 2006 Local RCST Designation Amendments shown in black-line format |
| Attachment C | Revised ISO Tariff sheets that incorporate the Order No. 676 Waiver Amendments |
| Attachment D | The Order No. 676 Waiver Amendments shown in black-line format |

X. CONCLUSION

For all the foregoing reasons, the Commission should accept the December 2006 Local RCST Designation Amendments to become effective January 1, 2007, and should accept the Order No. 676 Waiver Amendments to be effective as of July 1, 2006. Please feel free to contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

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ATTACHMENT A – DECEMBER 2006 LOCAL RCST DESIGNATION AMENDMENTS CLEAN SHEETS

Reserve in the hour, determined in accordance with Section 8.12.3A bears to the total deviation
Replacement Reserve in that hour.

43 Reliability Capacity Services Tariff

This section 43 of the ISO Tariff shall be referred to as the Reliability Capacity Services Tariff ("RCST").

The RCST as well as changes made to other Sections to implement the Offer of Settlement filed on March 31, 2006 in Docket No. EL05-146 (changes to Sections 34.1.2.1.1; 34.1.2.1.2; 40.6A.6; 40.7.1; 40.7.6; 40.14; 40.14.1; 40.15; 40.15.1; 40.15.2; 40.15.3; 40.15.4; Appendix F Schedule 6; and Appendix P, Attachment A) shall expire at midnight on the earlier of December 31, 2007 or the date immediately before the ISO's MRTU Tariff goes into effect, except that the provisions concerning compensation, cost allocation and settlement shall remain in effect until such time as RCST resources have been finally compensated for their services rendered under the RCST prior to the termination of the RCST, and the ISO has finally allocated and recovered the costs associated with such RCST compensation.

43.1 Designation

The ISO shall have the authority provided in this Section 43.1 to designate Eligible Capacity or System Resources to provide services under the RCST as set forth in this Section 43.

43.2 Local RCST Designations

The ISO may designate Eligible Capacity to provide services under the RCST to meet local reliability needs to the extent provided in this Section 43.2.

43.2.1 2007 Local RCST Designations

For 2007, the CPUC and Local Regulatory Authorities may establish Local Resource Adequacy Requirements for the RA Entities subject to their respective jurisdictions. Each Scheduling Coordinator for an RA Entity for which a Local Reliability Authority has elected to adopt a Local Resource Adequacy Requirement shall, within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, inform the ISO in writing of the adoption of the Local Resource Adequacy Requirement and shall state in writing what the Local Resource Adequacy Requirement is. In addition, the State Water Resources Development System, commonly known as the State Water Project of the California Department of Water Resources, shall be required to develop, in conjunction with the ISO, a program that ensures that it will not unduly rely on the local resource procurement practices of other Load Serving Entities. Scheduling Coordinators for RA Entities, in accordance with any requirements of the CPUC or

Local Regulatory Authorities, as applicable, shall submit to the ISO a Local Resource Adequacy Demonstration listing the Qualifying Capacity that they will make available to the ISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007. Such Qualifying Capacity must be made available to the ISO in accordance with Section 40.6A.

43.2.1.1 2007 Local Resource Adequacy Demonstrations

All Scheduling Coordinators for RA Entities that are subject to a Local Resource Adequacy Requirement shall submit their Local Resource Adequacy Demonstrations to the ISO pursuant to this Section 43.2.1 within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, unless the RA Entity, through its Scheduling Coordinator or its Local Regulatory Authority, has previously identified the Qualifying Capacity that the RA Entity will make available to the ISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007 in an Annual Resource Adequacy Plan submitted pursuant to Section 40.2.1.

43.2.1.2 2007 Local Resource Adequacy Demonstration Evaluations

The ISO shall compare the submitted Local Resource Adequacy Demonstrations and Annual Resource Adequacy Plans submitted pursuant to Section 40.2.1 with any applicable Local Resource Adequacy Requirement to determine whether there is any Local Resource Adequacy Requirement Deficiency in any 2007 Local Reliability Area. Within fifteen (15) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, or sooner to the extent that the ISO has already received the information it requires with regard to a particular 2007 Local Reliability Area, and to the extent that a particular 2007 Local Reliability Area requirement has not been met, the ISO will issue to the Scheduling Coordinator for each RA Entity that the ISO identifies as deficient in meeting its Local Resource Adequacy Requirements, and to the applicable regulatory authority for such deficient RA Entity, the ISO's evaluation of the Local Resource Adequacy Demonstrations of such deficient RA Entity. The ISO's evaluation shall detail (1) the reasons why the ISO does not believe that the Local Resource Adequacy Demonstration and/or Annual Resource Adequacy Plan of such RA Entity satisfies a Local Resource Adequacy Requirement in any 2007 Local Reliability Area for such RA Entity, and (2) the amount of any aggregate Local Resource Adequacy Requirement Deficiency in a Local 2007 Local

Reliability Area in which the deficient RA Entity has a Local Resource Adequacy Requirement. Within five (5) Business Days of issuance of the ISO's evaluation, a Scheduling Coordinator shall notify the ISO whether it wishes to discuss with the ISO the ISO's assessment that a particular RA Entity for which it is the Scheduling Coordinator is deficient in meeting its Local Resource Adequacy Requirements. If the Scheduling Coordinator provides such notification, within (5) business days of the notification, the Scheduling Coordinator shall meet with the ISO and the RA Entity's applicable regulatory authority, if the regulatory authority so desires, to discuss the issue of whether a deficiency exists. Following such meeting, the ISO shall indicate whether or not there is a Local Resource Adequacy Requirement Deficiency for the RA Entity. Each Scheduling Coordinator for an RA Entity who has been notified of a deficiency by the ISO shall inform the ISO in writing within five (5) Business Days of the issuance of the ISO's evaluation, or within five (5) Business Days after the meeting to discuss the ISO's evaluation, whichever is applicable, whether the RA Entity intends to take steps to make up such deficiency, pursuant to any CPUC-established or Local Regulatory Authority-established opportunity to make up the deficiency, and the timing and nature of those steps. To the extent an RA Entity makes up such deficiency within the time allowed by the CPUC or Local Regulatory Authority, as appropriate, the Scheduling Coordinator for the RA Entity shall provide to the ISO information demonstrating that the deficiency has been made up.

43.2.1.3 2007 Local RCST Designations for Deficiencies

Following the ISO's identification of any Local Resource Adequacy Requirement Deficiency, and after the time for any consultation with the ISO and the CPUC-established or Local Regulatory Authority-established opportunity to make up such deficiency, the ISO may designate Eligible Capacity to provide services under the RCST consistent with the criteria set forth in Section 43.2.2. The ISO may designate Eligible Capacity to provide service under this Section 43.2.1 to the extent necessary to satisfy any remaining Local Resource Adequacy Deficiency only after: (i) RMR Units have been designated in the local area reliability study process for 2007, and (ii) the ISO has completed its evaluation of all Resource Adequacy Plans for 2007 and taken into account the effect of the resources identified in such plans (whether or not any of those resources are located in a 2007 Local Reliability Area). Designations

of Eligible Capacity to provide services under the RCST made pursuant to this section shall have a term that commences on January 1, 2007, and expires on the earlier of midnight, December 31, 2007, or midnight on the day preceding the implementation of the Market Redesign & Technology Upgrade Tariff.

43.2.2 Selection of Eligible Capacity Designated for Local Reliability

The ISO will make designations of Eligible Capacity under Section 43.2 based on the lowest overall cost for each 2007 Local Reliability Area considering the following factors: the effectiveness of the Eligible Capacity, the quantity of Eligible Capacity of the resource relative to the remaining amount of capacity that is needed; and the Start-Up and Minimum Load Costs associated with the Eligible Capacity. The ISO shall have reasonable allowance to designate under the RCST an amount of Eligible Capacity from a Generating Unit that is slightly more or slightly less than a deficiency due to the quantity of Eligible Capacity from such Generating Unit that is available and suitable to meet the deficiency, consistent with the criteria in this section.

RCST designations (for the full term of those RCST designations) pro rata to each SC-RA Entity based on its portion of the aggregate Month-Ahead System Deficiency.

- (3) Local RCST Designations for 2007. If the ISO makes local RCST designations for 2007 under Section 43.2.1, then the ISO will allocate the total costs of RCST Capacity Payments for such RCST designations (for the full term of those RCST designations) pro rata to each Scheduling Coordinator for an RA Entity based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in the 2007 Local Reliability Area. To the extent there is a Local Resource Adequacy Requirement Deficiency in two or more 2007 Local Reliability Areas that can be satisfied by designating a single unit under the RCST, the ISO shall allocate the total costs of RCST Capacity Payments for such RCST designation (for the full term of the designation) pro rata to each Scheduling Coordinator for an RA Entity that has a Local Resource Adequacy Requirement Deficiency in such 2007 Local Reliability Areas based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in those 2007 Local Reliability Areas.
- (4) Significant Event RCST Designations for 2006: If the ISO makes any Significant Event RCST designations under Section 43.4 during 2006, the ISO will allocate the costs of such designations to all SC-RA Entities in the TAC Area(s) in which the Significant Event caused or threatened to cause a failure to meet Applicable Reliability Criteria based on Scheduling Coordinators' RA Entity Load Share Percentage(s) in such TAC Area(s).
- (5) Significant Event RCST Designations for 2007: If the ISO makes any Significant Event RCST designations under Section 43.4 during 2007, the ISO will allocate the costs of such designations to all SC-RA Entities in the TAC Area(s) in which the Significant Event caused or threatened to cause a failure to meet Applicable Reliability Criteria based on Scheduling Coordinators' 2007 RA Entity Load Share Percentage(s) in such TAC Area(s).

	the control of the ISO.
<u>Local Reliability Criteria</u>	Reliability Criteria established at the ISO Operations Date, unique to the transmission systems of each of the Participating TOs.
<u>Local Resource Adequacy Demonstration</u>	The demonstration made to the ISO pursuant to Section 43.2 by the Scheduling Coordinator for an RA Entity of the resources that the RA Entity will make available to the ISO to satisfy any applicable Local Resource Adequacy Requirement.
<u>Local Resource Adequacy Requirement Deficiency</u>	The difference in MWs between any applicable Local Resource Adequacy Requirements for an RA Entity as established by the CPUC or appropriate Local Regulatory Authority in a given 2007 Local Reliability Area and the quantity of MWs shown in the RA Entity's Local Resource Adequacy Demonstration pursuant to Section 43.2 for that 2007 Local Reliability Area.
<u>Local Resource Adequacy Requirement</u>	The Resource Adequacy Requirement established by the CPUC or a Local Regulatory Authority in a 2007 Local Reliability Area (or for 2007 Local Reliability Areas in the aggregate) for each RA Entity subject to their jurisdiction.
<u>Location Code</u>	The code assigned by the ISO to Generation input points, and Demand Take-Out Points from the ISO Controlled Grid, and transaction points from trades between Scheduling Coordinators. This will be the information used by the ISO Controlled Grid, and transaction points for trades between Scheduling Coordinators. This will be the information used by the ISO to determine the location of the input, output, and trade points of Energy Schedules. Each Generation input and Demand Take-Out Point will have a designated Location Code identification for use in submitting Energy and Ancillary Service bids and Schedules.
<u>Loop Flow</u>	Energy flow over a transmission system caused by parties external to that system.
<u>Loss Scale Factor</u>	The ratio of expected Transmission Losses to the total Transmission Losses which would be collected if Full Marginal Loss Rates were utilized.
<u>Low Voltage Access Charge</u>	The Access Charge applicable under Section 26.1 to recover the Low Voltage Transmission Revenue Requirement of a Participating TO.

Low Voltage

Transmission Facility

A transmission facility owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, which is not a High Voltage Transmission Facility, that is under the ISO Operational Control.

Low Voltage

Transmission Revenue

Requirement

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities that are under the ISO Operational Control.

Agreement

Agreement dated June 18, 1999 among the WSCC and certain of its Member transmission operators, as such may be amended from time to time.

**Year-Ahead System
Resource Adequacy
Requirements**

The amount of Qualifying Capacity that a RA Entity must reflect in its year-ahead Resource Adequacy Plan submitted pursuant to Section 40.2.1 in compliance with Resource Adequacy Rules adopted by the CPUC or a Local Regulatory Authority, as applicable.

**Year-Ahead System
Resource Deficiency**

The monthly deficiency in meeting Year-Ahead System Resource Adequacy Requirements as determined by the CPUC and applicable Local Regulatory Authorities.

Zone

A portion of the ISO Controlled Grid within which Congestion is expected to be small in magnitude or to occur infrequently. "Zonal" shall be construed accordingly.

**Zonal Settlement Interval
Ex Post Price**

The Zonal Settlement Interval Ex Post Price in a Settlement Interval in each Zone will equal the absolute-value Energy-weighted average of the Dispatch Interval Ex Post Prices in each Zone, where the weights are the system total Instructed Imbalance Energy, except Regulation Energy, for the Dispatch Interval.

2007 Local Reliability Area

An area for which the CPUC or applicable Local Regulatory Authority has established a Local Resource Adequacy Requirement for 2007 for RA Entities subject to their jurisdiction.

**2007 RA Entity Load
Share Percentage**

An RA Entity's proportionate share of load in a TAC Area for purposes of 2007 Significant Event RCST designations. The 2007 RA Entity Load Share Percentage shall be calculated for each RA Entity by dividing the RA Entity's actual coincident peak Load in each TAC Area for 2006 by the total coincident peak Load of all RA Entities in the TAC Area in 2006.

ATTACHMENT B – DECEMBER 2006 LOCAL RCST DESIGNATION AMENDMENTS BLACKLINES

* * *

43.2.1 2007 Local RCST Designations

For 2007, the CPUC and Local Regulatory Authorities may establish Local Resource Adequacy Requirements for the RA Entities subject to their respective jurisdictions. Each Scheduling Coordinator for an RA Entity for which a Local Reliability Authority has elected to adopt a Local Resource Adequacy Requirement shall, within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, inform the ISO in writing of the adoption of the Local Resource Adequacy Requirement and shall state in writing what the Local Resource Adequacy Requirement is. In addition, the State Water Resources Development System, commonly known as the State Water Project of the California Department of Water Resources, shall be required to develop, in conjunction with the ISO, a program that ensures that it will not unduly rely on the local resource procurement practices of other Load-Serving Entities. Scheduling Coordinators for RA Entities, in accordance with ~~the~~any requirements of the CPUC or Local Regulatory Authorities, as applicable, shall submit to the ISO a Local Resource Adequacy Demonstration listing the Qualifying Capacity that they will make available to the ISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007. Such Qualifying Capacity must be made available to the ISO in accordance with Section 40.6A.

43.2.1.1 2007 Local Resource Adequacy Demonstrations

All Scheduling Coordinators for RA Entities that are subject to a Local Resource Adequacy Requirement shall submit their Local Resource Adequacy Demonstrations to the ISO pursuant to this Section 43.2.1 within five (5) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, unless the RA Entity, through its Scheduling Coordinator or its Local Regulatory Authority, has previously identified the Qualifying Capacity that the RA Entity will make available to the ISO for purposes of satisfying any Local Resource Adequacy Requirement applicable to them in 2007 in an Annual Resource Adequacy Plan submitted pursuant to Section 40.2.1.

43.2.1.2 2007 Local Resource Adequacy Demonstration Evaluations

The ISO shall compare the submitted Local Resource Adequacy Demonstrations and Annual Resource Adequacy Plans submitted pursuant to Section 40.2.1 with any applicable Local Resource Adequacy Requirement to determine whether there is any Local Resource Adequacy Requirement Deficiency in any 2007 Local Reliability Area. Within fifteen (15) Business Days after FERC has issued an order approving the amendment to the ISO Tariff submitted on December 15, 2006, or sooner to the extent that the ISO has already received the information it requires with regard to a particular 2007 Local Reliability Area, and to the extent that a particular 2007 Local Reliability Area requirement has not been met, the ISO will issue to the Scheduling Coordinator for each RA Entity that the ISO identifies as deficient in meeting its Local Resource Adequacy Requirements, and to the applicable regulatory authority for such deficient RA Entity, the ISO's evaluation of the Local Resource Adequacy Demonstrations of such deficient RA Entity. The ISO's evaluation shall detail (1) the reasons why the ISO does not believe that the Local Resource Adequacy Demonstration and/or Annual Resource Adequacy Plan of such RA Entity satisfies a Local Resource Adequacy Requirement in any 2007 Local Reliability Area for such RA Entity, and (2) the amount of any aggregate Local Resource Adequacy Requirement Deficiency in a Local 2007 Local Reliability Area in which the deficient RA Entity has a Local Resource Adequacy Requirement. Within five (5) Business Days of issuance of the ISO's evaluation, a Scheduling Coordinator shall notify the ISO whether it wishes to discuss with the ISO the ISO's assessment that a particular RA Entity for which it is the Scheduling Coordinator is deficient in meeting its Local Resource Adequacy Requirements. If the Scheduling Coordinator provides such notification, within (5) business days of the notification, the Scheduling Coordinator shall meet with the ISO and the RA Entity's applicable regulatory authority, if the regulatory authority so desires, to discuss the issue of whether a deficiency exists. Following such meeting, the ISO shall indicate whether or not there is a Local Resource Adequacy Requirement Deficiency for the RA Entity. Each Scheduling Coordinator for an RA Entity who has been notified of a deficiency by the ISO shall inform the ISO in writing within five (5) Business Days of the issuance of the ISO's evaluation, or within five (5) Business Days after the meeting to discuss the ISO's evaluation, whichever is applicable, whether the RA Entity intends to take steps to make up such deficiency, pursuant to any CPUC-established or Local Regulatory Authority-established opportunity to make up the deficiency, and the timing and nature of those steps. To the extent an RA Entity makes up such

deficiency within the time allowed by the CPUC or Local Regulatory Authority, as appropriate, the Scheduling Coordinator for the RA Entity shall provide to the ISO information demonstrating that the deficiency has been made up.

43.2.1.3 2007 Local RCST Designations for Deficiencies

Following ~~both the CAISO's identification of any Local Resource Adequacy Requirement Deficiency, and after the time for any consultation with the ISO and any the CPUC-established~~ or Local Regulatory Authority-established opportunity to ~~correct~~make up such deficiency, the ISO may designate Eligible Capacity to provide services under the RCST consistent with the criteria set forth in Section 43.2.2, ~~taking into account all RMR and Resource Adequacy Resources that will be made available to the ISO in 2007, whether or not any of those resources are located in the 2007 Local Reliability Area.~~ The ISO may designate Eligible Capacity to provide service under this Section 43.2.1 to the extent necessary to ~~correct~~satisfy any remaining Local Resource Adequacy Deficiency only after: (i) RMR Units have been designated in the local area reliability study process for 2007, and (ii) the ISO has completed its evaluation of all Resource Adequacy Plans for 2007 and taken into account the effect of the resources identified in such plans (whether or not any of those resources are located in a 2007 Local Reliability Area). Designations of Eligible Capacity to provide services under the RCST made pursuant to this section shall have a term that commences on January 1, 2007, and expires on the earlier of midnight, December 31, 2007, or midnight on the day preceding the implementation of the Market Redesign & Technology Upgrade Tariff.

* * *

43.8 Allocation of RCST Capacity Payment Costs

For each month, the ISO shall allocate the costs of RCST Capacity Payments made pursuant to Section 43.7.1 as follows:

- (1) Annual System RCST Designations: If the ISO makes RCST designations under Section 43.3.1, then the ISO will allocate the total costs of RCST Capacity Payments for such RCST designations (for the full term of those RCST designations) pro rata to each SC-RA Entity based on its portion of the aggregate Year-Ahead System Deficiency.

- (2) Monthly System RCST Designations: If the ISO makes RCST designations under Section 43.3.2, then the ISO will allocate the total costs of RCST Capacity Payments for such RCST designations (for the full term of those RCST designations) pro rata to each SC-RA Entity based on its portion of the aggregate Month-Ahead System Deficiency.
- (3) Local RCST Designations for 2007: If the ISO makes local RCST designations for 2007 under Section 43.2.1, then the ISO will allocate the total costs of RCST Capacity Payments for such RCST designations (for the full term of those RCST designations) pro rata to each Scheduling Coordinator for an RA Entity based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in the 2007 Local Reliability Area. To the extent there is a Local Resource Adequacy Requirement Deficiency in two or more 2007 Local Reliability Areas that can be satisfied by designating a single unit under the RCST, the ISO shall allocate the total costs of RCST Capacity Payments for such RCST designation (for the full term of the designation) pro rata to each Scheduling Coordinator for an RA Entity that has a Local Resource Adequacy Requirement Deficiency in such 2007 Local Reliability Areas based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in those 2007 Local Reliability Areas.

[Reserved]

- (4) Significant Event RCST Designations for 2006: If the ISO makes any Significant Event RCST designations under Section 43.4 during 2006, the ISO will allocate the costs of such designations to all SC-RA Entities in the TAC Area(s) in which the Significant Event caused or threatened to cause a failure to meet Applicable Reliability Criteria based on Scheduling Coordinators' RA Entity Load Share Percentage(s) in such TAC Area(s).
- (5) Significant Event RCST Designations for 2007: If the ISO makes any Significant Event RCST designations under Section 43.4 during 2007, the ISO will allocate the costs of

such designations to all SC-RA Entities in the TAC Area(s) in which the Significant Event caused or threatened to cause a failure to meet Applicable Reliability Criteria based on Scheduling Coordinators' 2007 RA Entity Load Share Percentage(s) in such TAC Area(s).

[Reserved]

* * *

Local Resource Adequacy Demonstration

The demonstration made to the ISO pursuant to Section 43.2 by the Scheduling Coordinator for an RA Entity of the resources that the RA Entity will make available to the ISO to satisfy any applicable Local Resource Adequacy Requirement.

Local Resource Adequacy Requirement Deficiency

The difference in MWs between any applicable Local Resource Adequacy Requirements for an RA Entity as established by the CPUC or appropriate Local Regulatory Authority in a given 2007 Local Reliability Area and the quantity of MWs shown in the RA Entity's Local Resource Adequacy Demonstration pursuant to Section 43.2 for that 2007 Local Reliability Area.

* * *

2007 RA Entity Load Share Percentage

An RA Entity's proportionate share of load in a TAC Area for purposes of 2007 Significant Event RCST designations. The 2007 RA Entity Load Share Percentage shall be calculated for each RA Entity by dividing the RA Entity's actual coincident peak Load in each TAC Area for 2006 by the total coincident peak Load of all RA Entities in the TAC Area in 2006.

* * *

ATTACHMENT C – ORDER NO. 676 WAIVER AMENDMENTS CLEAN SHEETS

7.2.2.4 NAESB Standards. The following standards of the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB) are incorporated by reference:

- Coordinate Interchange (WEQ-004, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 004-0 through 004-13, and 004-A through 004-D;
- Area Control Error (ACE) Equation Special Cases Standards (WEQ-005, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 005-0 through 005-3.1.3, and 005-A;
- Inadvertent Interchange Payback (WEQ-007, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 007-0 through 007-2, and 007-A; and
- Manual Time Error Correction – Time Error Initiation (WEQ-006-4, Version 000, with minor corrections applied on October 17, 2006).

The ISO has obtained a waiver of the following NAESB WEQ standards:

- Business Practices for Open Access Same-Time Information Systems (OASIS) (WEQ-001, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 001-0.2 through 001-0.8, 001-2.0 through 001-9.6.2, 001-9.8 through 001-10.8.6, and Examples 001-8.3-A, 001-9.2-A, 001-10.2-A, 001-9.3-A, 001-10.3-A, 001-9.4.1-A, 001-10.4.1-A, 001-9.4.2-A, 001-10.4.2-A, 001-9.5-A, 001-10.5-A, 001-9.5.1-A, and 001-10.5.1-A;

- Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols (WEQ-002, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 002-1 through 002-5.10; and

- Open Access Same-Time Information Systems (OASIS) Data Dictionary (WEQ-003, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standard 003-0.

WECC has obtained a waiver of the following NAESB WEQ standard on its own behalf and on behalf of the Control Areas in the Western Interconnection, including the ISO:

- Manual Time Error Correction (WEQ-006, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 006-0 through 006-12.

7.2.3 General Standard of Care. When the ISO is exercising Operational Control of the ISO Controlled Grid, the ISO and Market Participants shall comply with Good Utility Practice.

ATTACHMENT D – ORDER NO. 676 WAIVER AMENDMENTS BLACKLINES

* * *

7.2.2.4 NAESB Standards. The following standards of the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB) are incorporated by reference:

- Coordinate Interchange (WEQ-004, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 004-0 through 004-13, and 004-A through 004-D;
- Area Control Error (ACE) Equation Special Cases Standards (WEQ-005, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 005-0 through 005-3.1.3, and 005-A; and
- Inadvertent Interchange Payback (WEQ-007, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 007-0 through 007-2, and 007-A; and
- Manual Time Error Correction – Time Error Initiation (WEQ-006-4, Version 000, with minor corrections applied on October 17, 2006).

The ISO has obtained ~~is seeking~~ a waiver of the following NAESB WEQ standards:

- Business Practices for Open Access Same-Time Information Systems (OASIS) (WEQ-001, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standards 001-0.2 through 001-0.8, 001-2.0 through 001-9.6.2, 001-9.8 through 001-10.8.6, and Examples 001-8.3-A, 001-9.2-A, 001-10.2-A, 001-9.3-A, 001-10.3-A, 001-9.4.1-A, 001-10.4.1-A, 001-9.4.2-A, 001-10.4.2-A, 001-9.5-A, 001-10.5-A, 001-9.5.1-A, and 001-10.5.1-A;
- Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols (WEQ-002, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional

numbering added October 3, 2005) including Standards 002-1 through 002-5.10; and Open Access Same-Time Information Systems (OASIS) Data Dictionary (WEQ-003, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Standard 003-0.

WECC has obtainedis-seeking a waiver of the following NAESB WEQ standard on its own behalf and on behalf of the Control Areas in the Western Interconnection, including the ISO:

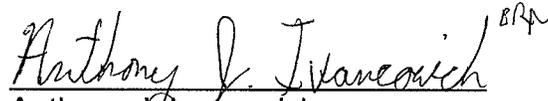
- Manual Time Error Correction (WEQ-006, Version 000, January 15, 2005, with minor corrections applied on March 25, 2005, and additional numbering added October 3, 2005) including Purpose, Applicability, and Standards 006-0 through 006-12.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed in the attached filing as receiving service, 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 December 15, 2006.


Anthony J. Ivancovich