

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

California Independent System)
Operator Corporation) Docket No. 08-585-001

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

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§385.213, the California Independent System Operator Corporation (“ISO”) respectfully answers the comments submitted by the Northern California Power Agency (“NCPA”) in response to the ISO’s January 21, 2009, filing to comply with the Commission’s December 19, 2008, Order Conditionally Accepting Tariff Revisions (“Order”) in this docket (“Compliance Filing”).¹

I. INTRODUCTION AND BACKGROUND

The tariff modifications conditionally approved by the Commission address changes to the ISO’s Grid Management Charge (“GMC”) rate design necessary to accommodate MRTU implementation. Additionally, the ISO made revisions to the rate structure affecting the distribution of charges, including both updates to the underlying cost of service basis reflecting changes in ISO activities since the previous cost of service study was conducted in 2003 and modifications to the billing determinants for certain charge types. The Order accepted all of the ISO’s

¹ *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶61,338 (2008).

proposed MRTU tariff changes with two exceptions related to the Market Usage² component of the GMC. Those exceptions responded to comments filed by NCPA. The Commission directed the ISO to make a compliance filing within 30 days of the date of the Order addressing the NCPA issues, which the CAISO made on January 21, 2009. On February 11, 2009, NCPA filed Comments on the Compliance Filing (“February Comments”).

In the Compliance Filing, the ISO noted that certain language regarding the application of the Market Usage Charge for Instructed Imbalance Energy to load following Metered Subsystems had been inadvertently omitted from Tariff §11.22.5.7, and proposed that the missing sentence be re-inserted.³ According to its February Comments, this revision resolved NCPA’s first issue.

The second NCPA issue concerned the manner in which the Market Usage-Forward Energy charge would be applied to Inter-SC Trades. The Order requested that the ISO clarify whether the charge would be applicable to both Physical Trades and financial trades in the Day-Ahead Market. In response, the ISO proposed revisions to Tariff Appendix F, Schedule 1, Part A, paragraph 7 explaining that the Market Usage-Forward Energy charge would be applied to MWhs of Energy purchases or sales in the Day-Ahead Market, offset by MWh of net Energy associated with Physical Trades. The ISO noted that further consideration would be given to alternative ways in which to treat Inter-SC

² Capitalized terms not otherwise defined have the meaning given them in Appendix A of the MRTU Tariff.

³ Compliance Filing at 2.

Trades for the purposes of the Market Usage Charge, potentially in a stakeholder process to be initiated after MRTU *go live*.⁴

III. CAISO RESPONSE TO THE NCPA FEBRUARY COMMENTS

NCPA has taken issue with the ISO's proposed settlement procedure (and proposed Tariff revision) that would net Physical Trades, but not financial Inter-SC Trades, against Energy in the Day-Ahead Market, noting that the ISO has not provided "sufficient explanation" as to why Physical Trades would be given "different and preferential" treatment or why consideration of this issue should be subject to a stakeholder process.⁵ NCPA urged the Commission either to require the ISO to revise the Tariff language to account for the netting of both financial trades and Physical Trades or to provide additional explanation as to why financial trades should not be included.

The ISO has further considered this issue and has concluded that both types of Inter-SC Trades should be treated in the same manner upon MRTU *go live*. The ISO proposes to file the necessary language revisions to Tariff Appendix F, Schedule 1, Part A, paragraph 7 to accommodate this change on compliance. Notwithstanding its agreement that both types of Inter-SC Trades should be treated in the same manner as of MRTU *go live*, the ISO intends to reevaluate, in a future stakeholder process, the Market Usage Charge generally. In addition, the ISO intends to address the appropriate GMC rate structure for recovery of the administrative costs associated with Inter-SC Trades.

⁴ *Id.* at 3, footnote 5.

⁵ February Comments at 5.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents 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. § 385.2010).

Dated at Washington, D.C. this 26th day of February, 2009.

/s/ Michael E. Ward
Michael E. Ward