

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

**California Independent System) Docket No. ER10-479-000
Operator Corporation)**

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

Pursuant to Rule 213 of the Federal Energy Regulatory Commission's (Commission) Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2009), the California Independent System Operator Corporation (ISO) hereby files an answer to comments by Powerex Corporation to the ISO's December 23, 2009 filing in the above captioned proceeding (December 23 Filing). As explained below, the Commission should accept the December 23 Filing with the one additional modification as recommended by Powerex as discussed below.

I. Background

On April 1, 2009, the ISO began its operation under a Locational Marginal Price (LMP) based energy and ancillary services market. Prior to the start of the market, the ISO identified certain non-core features of its market design it proposed to defer because, due to implementation challenges at the time, the ISO believed would interfere with the successful implementation of its new market design. On October 31, 2008, the ISO requested Commission approval of the deferral of the following four features of the ISO market, including the ability to procure incremental ancillary services in the Hour-Ahead Scheduling Process (HASP). On January 30, 2009, the Commission issued its order accepting the deferral of the four market

features subject to the ISO's commitment to work through the stakeholder process to implement these functionalities expediently.

Through a stakeholder process initiated since the start of the new market, the ISO and market participants have developed several market rules for the dispatch of energy associated with ancillary services procured in HASP that, as discussed further in the transmittal letter accompanying the December 23 Filing, will enable the ISO to reinstate the ability to procure ancillary services from Non-Dynamic System Resources in the HASP. On December 23, 2009, the ISO submitted a proposed amendment to its tariff to reinstate language that authorizes the ISO to procure Ancillary Services from Non-Dynamic System Resources in the HASP and to implement the new energy dispatch logic and rules for the usage of energy bids associated with ancillary services bids that enables such procurement.

II. Answer

The Commission should accept the December 23 amendment as filed with the additional clarification proposed below, for which if ordered by the Commission the ISO will submit revised tariff sheets a compliance filing. In its comments submitted on January 12, 2010, Powerex supports the ISO filing but notes that in the proposed Tariff section 30.5.2.6, the ISO uses the term "Non-Dynamic Hourly Resource," which is not a defined term in the ISO's Tariff. Powerex is correct in stating that the the correct term should be "Non-Dynamic System Resource," and the ISO agrees to modify this term accordingly in a subsequent compliance filing.

V. Conclusion

For the reasons provided herein, the Commission should accept the tariff revisions submitted by the ISO in the December 23 Filing with the additional revision agreed to in this answer.

Respectfully submitted,

/s/ Anna A. McKenna

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Dated: January 27, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, 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, CA this 27th day of January, 2010.

/s/ Jane Ostapovich
Jane Ostapovich