



compensated for Exceptional Dispatch on a comparable basis to generation.<sup>3</sup> In the February 20 Order, the Commission agreed with SWP that Participating Load should receive Exceptional Dispatch compensation that is commensurate with the Exceptional Dispatch service the Participating Load provides to the ISO. The Commission also found, however, that “the unique characteristics of participating load may distinguish it sufficiently from generation resources so as to require different capacity compensation rules.” After noting the ISO’s belief that continued discussions with SWP could be used to develop “more specific assurances and procedures . . . in recognition of the unique characteristics of SWP’s participating load,” the Commission “direct[ed] the CAISO to report to the Commission on the status of its discussions with SWP regarding the Exceptional Dispatch procedures for participating load within 120 days of the date of this order.”<sup>4</sup>

The ISO filed the Status Report in compliance with the directives in the February 20 Order. The ISO explained in the Status Report that it had engaged in several discussions with SWP leading to significant consensus as to the fundamentals of procedures for Exceptional Dispatch compensation for Participating Load. In particular, SWP and the ISO agreed that Participating Load should have the same options as other supply resources subject to the specific needs of Participating Loads. The ISO stated that, although the ISO and SWP had made considerable progress, implementation details still needed to be

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<sup>3</sup> See *id.* at P 235.

<sup>4</sup> *Id.* at P 242. In the February 20 Order, the Commission also directed the ISO to report on “the status of its discussions with stakeholders on the development of a market mechanism for Path 26” and “the outcome of the voltage support stakeholder process.” *Id.* at Ordering Paragraph (C). The Status Report addressed these issues.

worked out. The ISO committed to file a further status report on its discussions with SWP within 30 days of the date of the Status Report, *i.e.*, by July 22, 2009.<sup>5</sup> The ISO provides this update pursuant to its commitment in the Status Report.

## **II. Update to Status Report**

The ISO and SWP believe that they have reached full agreement as to the procedures for Exceptional Dispatch compensation for Participating Load. First, as explained above, the ISO and SWP agree that Participating Loads should have the same options as other supply resources. These options are to elect Interim Capacity Procurement Mechanism (“ICPM”) compensation or Exceptional Dispatch “supplemental revenues.”<sup>6</sup> In this regard, Section 39.10.3(i) of the CAISO Tariff allows SWP to notify the ISO at least seven days prior to the calendar month in which an Exceptional Dispatch of a Participating Load occurs that SWP is electing to receive supplemental revenues for the Participating Load for that month. Based on discussions between the ISO and SWP concerning the options available under the tariff, SWP has concluded that the supplemental revenues option is preferable given its unique responsibilities and intends to notify the ISO at least seven days prior to August 1, 2009 of its choice to elect supplemental revenues for August 2009 and all subsequent months until and unless SWP notifies the ISO otherwise consistent with the notice requirements of the tariff. No tariff changes are required to implement this election by SWP.

Second, the ISO and SWP agree that Participating Load should have the same Energy payment options as other supply resources. Pursuant to Section

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<sup>5</sup> Status Report at 16-17.

<sup>6</sup> See CAISO Tariff, § 39.10.3.

11.5.6 of the CAISO Tariff, resources that are eligible to be paid “as Bid” for an incremental Exceptional Dispatch are paid the higher of the Resource-Specific Settlement Interval Locational Marginal Price (“LMP”), the Default Energy Bid price, or the resource’s Bid unless mitigated. Similarly, resources that are eligible to be paid “as Bid” for a decremental Exceptional Dispatch are paid the lower of the Resource-Specific Settlement Interval LMP, the Default Energy Bid price, or the resource’s Bid.<sup>7</sup> Under the CAISO Tariff, Participating Loads are eligible for all of these payment options. For example, Participating Loads have the same options as other resources to elect the Variable Cost Option, the Negotiated Rate Option, or the LMP Option for calculating the Default Energy Bid price.<sup>8</sup> No tariff changes are required for Participating Loads to exercise these payment options.

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<sup>7</sup> The ISO has explained to SWP and SWP understands that Exceptional Dispatch prices are not used to establish the LMP at the applicable Pricing Node, pursuant to Section 34.9 of the CAISO Tariff.

<sup>8</sup> See CAISO Tariff, § 39.7.1.

### III. Conclusion

For the foregoing reasons, the ISO requests that the Commission accept this update to the Status Report. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,

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Dated: July 22, 2009

## 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 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, California this 22<sup>nd</sup> day of July, 2009.

*Anna Pascuzzo*

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