

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

**California Independent System) Docket No. ER10-753-000
Operator Corporation)**

**ANSWER TO MOTIONS TO INTERVENE AND COMMENTS, MOTION TO FILE
ANSWER, AND ANSWER TO LIMITED PROTEST, OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”)¹ hereby files its answer to the motions to intervene and comments submitted in this proceeding in response to the ISO’s submittal on February 5, 2010 of an amendment to the ISO tariff (“February 5 Tariff Amendment”).² The ISO also hereby submits a motion to file an answer and its answer to the limited protest submitted in this proceeding by Dynegy.³

¹ The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff. Except where otherwise specified, references to section numbers are references to sections of the ISO tariff.

² The following entities filed motions to intervene and/or comments in this proceeding: the California Department of Water Resources State Water Project (“SWP”); California Municipal Utilities Association; City of Santa Clara, California, and the M-S-R Public Power Agency; Dynegy Morrow Bay, LLC, Dynegy Moss Landing, LLC, Dynegy Oakland, LLC, and Dynegy South Bay, LLC (collectively, “Dynegy”); Modesto Irrigation District; Northern California Power Agency; Pacific Gas and Electric Company; Powerex Corp. (“Powerex”); and Southern California Edison Company.

³ The ISO submits this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2009). The ISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to Dynegy’s limited protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

The ISO filed the February 5 Tariff Amendment in order to: (i) enhance the existing progressive disciplinary measures under the ISO tariff by adding financial penalties for late posting of financial security and late payment of invoices; (ii) establish the CAISO Penalty Reserve Account as the account where any such financial penalties will be maintained and that, among other things, can be used to clear the CAISO Clearing Account in the event that a late payment or a financial default occurs and there are insufficient funds to pay ISO creditors; and (iii) enhance the ISO's existing progressive disciplinary measures by adding suspension and termination authority in the event of chronic late posting of financial security or late payment of invoices.

The ISO does not object to any of the motions to intervene filed in this proceeding. For the reasons explained below, the Commission should accept the February 5 Tariff Amendment as filed with only the one clarification discussed below.

I. Answer

A. The ISO Should Not Be Required to Make Additional Tariff Revisions That Simply Re-state Concepts Already Reflected in the Filed Tariff Language

Powerex argues that the ISO should revise proposed Section 11.29.9.6.4.1(c) to state that the amounts of any defaults will be recovered from the CAISO Penalty Reserve Account first and will be allocated to market participants only to the extent the default amount exceeds the funds available in that account.⁴

⁴ Powerex at 5.

The Commission should not require the ISO to make the tariff revisions that Powerex suggests because this concept is already well-documented in the ISO's proposed tariff language. The following language in proposed Section 11.29.9.6.4(a) already states that default amounts will be allocated to market participants only to the extent that the default amounts exceed the funds available in the CAISO Penalty Reserve Account:

If available funds in the CAISO Penalty Reserve Account are insufficient to clear the CAISO Clearing Account and the payment default is not cured, the payment default will be allocated in accordance with the CAISO Tariff.

The language in proposed Section 11.29.9.6.4.1(c) simply tracks Commission-approved tariff language in existing Section 11.29.9.6.2.1(c) regarding the recovery of defaults in connection with the CAISO Reserve Account. Proposed Section 11.29.9.6.4.1(c) reads as follows:

If, after taking reasonable action, the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered, such amounts shall be allocated in accordance with the CAISO Tariff.

The existing tariff language in Section 11.29.9.6.2.1(c) previously approved by the Commission reads in relevant part:

If after taking reasonable action the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered, such amounts shall be deemed to be owing by those Market Participants who were CAISO Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date . . .

The only significant difference between the two above-quoted tariff provisions – which is a difference not relevant to Powerex's argument – is that Section 11.29.9.6.2.1(c) specifies a particular default allocation methodology, whereas

proposed Section 11.29.9.6.4.1(c) refers to the allocation of default amounts “in accordance with the CAISO Tariff.”⁵ The Commission should not require the ISO to revise the rest of the tariff language in proposed Section 11.29.9.6.4.1(c), which merely parallels existing tariff language in Section 11.29.9.6.2.1(c). Not only is it unnecessary, it would also be inappropriate to revise proposed Section 11.29.9.6.4.1(c) without also revising the similar language in existing Section 11.29.9.6.2.1(c), since both provisions are intended to be applied in the same manner.

Powerex also argues that the ISO should modify proposed Section 11.29.9.6.4(c) and should further revise Section 11.29.13.10 to state that any repayment by a defaulting market participant will be used to reimburse any parties that continue to be owed money due to that default, and only if there are no such parties will the repayment amount be added to the CAISO Penalty Reserve Account.⁶

Commission acceptance of the tariff language exactly as filed by the ISO will address the issue for which Powerex requests clarification. The following hypothetical examples illustrate this point. Assume that the CAISO Penalty Reserve Account contains \$400,000 at the time that a defaulting market participant defaults on a payment obligation of \$1 million. In this scenario, the

⁵ It was appropriate for the ISO to phrase the allocation language in proposed Section 11.29.9.6.4.1(c) in this more general way. As the Commission is aware, the tariff provisions regarding the manner in which the ISO will allocate market participant default losses are the subject of ongoing settlement discussions in Docket No. EL09-62. For this reason, the language in proposed Section 11.29.9.6.4.1(c) simply cross-references the applicable ISO tariff provisions concerning default loss allocation. Transmittal Letter for February 5 Tariff Amendment at 6 n.14.

⁶ Powerex at 6-7.

ISO would transfer the \$400,000 amount from the CAISO Penalty Reserve Account to the CAISO Clearing Account, pay the \$400,000 amount to ISO creditors on a pro rata basis, and allocate the payment shortfall of \$600,000 in accordance with the ISO tariff.⁷ Now suppose that two months later the defaulting market participant pays the ISO the entire \$1 million amount it owes plus interest as prescribed by the ISO tariff. The ISO would pay \$600,000 of the \$1 million amount plus interest to the market participants that were allocated the \$600,000 payment shortfall from two months before and would add the remaining \$400,000 plus interest to the CAISO Penalty Reserve Account. The ISO would take these actions pursuant to proposed Section 11.29.9.6.4.1(a), which states (with emphasis added):

If, after the CAISO has debited the CAISO Penalty Reserve Account on a Payment Date, the CAISO Bank receives a remittance from a CAISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the CAISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the CAISO Penalty Reserve Account, such remittance shall be credited to the CAISO Penalty Reserve Account.

In the example above, the remittance “which required the debiting of the CAISO Penalty Reserve Account” is the \$400,000 amount that the ISO transferred from the CAISO Penalty Reserve Account to the CAISO Clearing Account in order to pay ISO creditors due to the market participant’s default. Therefore, the amount that “shall be credited to the CAISO Penalty Reserve Account” pursuant to

⁷ See proposed Section 11.29.9.6.4(a).

proposed Section 11.29.9.6.4.1(a) is likewise \$400,000 plus interest, not the entire \$1 million plus interest.⁸

Now assume that instead of paying the ISO \$1 million plus interest, the defaulting market participant only pays \$500,000. The ISO would pay that entire \$500,000 amount to the market participants that were allocated the \$600,000 payment shortfall from two months before, meaning that the defaulting market participant would still owe those market participants \$100,000 (*i.e.*, \$600,000 minus \$500,000) plus interest. Any amounts that the defaulting market participant subsequently pays to the ISO will be provided by the ISO to those market participants until they are reimbursed for the \$100,000 amount plus any interest that is recovered. Based on the hypothetical example that Powerex provides in its comments, it appears that payment consistent with the discussion above (and consistent with the filed tariff provisions) satisfies Powerex's concerns.⁹

⁸ These examples assume that no amounts are outstanding under any ISO banking facilities used to fund the CAISO Penalty Reserve Account. See Section 11.29.13.10 as revised by the February 5 Tariff Amendment, which states in relevant part that

[a]mounts credited to the CAISO Clearing Account in payment of a default amount (as set out in Section 11.29.9.6.2.1 and 11.29.9.6.4.1) . . . shall be applied to . . . the CAISO Penalty Reserve Account pursuant to Section 11.29.9.6.4.1 to reduce amounts outstanding under any CAISO banking facilities used to fund . . . the CAISO Penalty Reserve Account on the relevant Payment Date and the balance (if any) any shall be applied to reimburse pro rata any CAISO Creditors whose payments were reduced pursuant to Section 11.29.17.1.

⁹ See Powerex at 6 (“For example, if the Penalty Reserve Account contains \$5 million, and a market participant owing \$6 million defaults on its payment obligation, affected CAISO market participants will still be owed an excess of \$1 million, even after payments are made from the Penalty Reserve Account. If the defaulting market participant eventually pays the full amount or some portion of the \$6 million owed, the CAISO should allocate the first \$1 million of this payment to the affected parties.”).

B. The ISO Should Not Be Required to Make Tariff Changes That Fundamentally Alter Elements of the February 5 Tariff Amendment

Dynergy argues that all future penalty amounts collected by the ISO should be used to repay market participants that were allocated a share of a *prior historical* default rather than being deposited into the CAISO Penalty Reserve Account to be used to offset future defaults.¹⁰

The Commission should reject the tariff changes proposed by Dynergy. Consistent with one of the primary purposes of the tariff amendment – to ensure the ISO’s access to available funds for the purpose of timely cash clearing in the event of future late payments – the tariff language proposed in the February 5 Tariff Amendment appropriately distinguishes between defaults that occur after a penalty is paid to the ISO and defaults that occur prior to the date a penalty is paid to the ISO.

Continuing the example used in Section I.A of this Answer, assume that the defaulting market participant (Market Participant A) subsequently pays none of the \$100,000 that it still owes but that a different market participant (Market Participant B) is late in posting financial security and as a result pays the ISO a financial penalty of \$20,000.¹¹ The \$20,000 amount will be added to the CAISO Penalty Reserve Account and will be available to pay market participants affected by future defaults. However, pursuant to the February 5 Tariff Amendment, the \$20,000 cannot be used to pay the market participants that are

¹⁰ Dynergy at 3-4.

¹¹ See proposed Section 12.5.2(c).

still owed \$100,000 from Market Participant A, because “[a]fter [a] payment default is allocated in accordance with the CAISO Tariff, any funds that are subsequently added to the CAISO Penalty Reserve Account can only be used to clear the CAISO Clearing Account . . . for payment defaults that occur *after* the funds were added to the CAISO Penalty Reserve Account.”¹²

The ISO must use Market Participant B’s \$20,000 amount only to pay the costs of future defaults and late payments in order to satisfy one of the primary objectives of the CAISO Penalty Reserve Account. One of the primary purposes of the CAISO Penalty Reserve Account is to provide a pool of funds to offset the costs of “technical violations” of the obligation to pay the ISO by 10 a.m. on the due date for payment, which will minimize the risk that the ISO will be unable to pay creditors on the same day that it receives payments from debtors.¹³ A technical violation results from a market participant that is paying late but is capable of paying and has made arrangements with the ISO to pay; that is, the ISO has been given assurances that the payment is forthcoming but not by the 10 a.m. deadline. The CAISO Penalty Reserve Account would then be temporarily used to draw funds from in order to clear the market and would be replenished when the market participant makes payment. This issue was discussed during the stakeholder process addressing the drafting of the tariff language filed in the February 5 Tariff Amendment.

¹² Proposed Section 11.29.9.6.4(a) (emphasis added).

¹³ Transmittal Letter for February 5 Tariff Amendment at 6.

Dynegy erroneously argues that the \$20,000 in this example should be used to satisfy any payment shortfalls to ISO creditors due to prior defaults. Applying Dynegy's argument, the pool of funds available for the purpose of offsetting future technical violations would be depleted (and perhaps emptied) if the ISO were obligated to apply future penalty revenues (e.g., Market Participant B's \$20,000 amount) to historical defaults (e.g., the \$100,000 amount that Market Participant A still owes). The Commission should not require the ISO to undermine one of the main purposes of the CAISO Penalty Reserve Account; that is, to have a pool of funds available for clearing the market.

If stakeholders want the ISO to take measures such as establishing a pool of funds or procuring credit insurance that would generally be available to apply to all defaults, historical or otherwise, they should present that proposal to the ISO through a separate ISO stakeholder process. For example, they could propose to fund the CAISO Reserve Account for that purpose through a transactional fee or some other assessment mechanism. However, a number of stakeholders in the ISO's credit policy stakeholder process have expressed significant opposition to paying the costs of establishing such a pool of funds to pay for historical defaults.¹⁴ Likewise, the ISO has on two occasions in the past

¹⁴ As part of its credit policy stakeholder process, the ISO requested written comments from stakeholders in response to ISO questions on potential credit policy revisions that included the following: "Are you in favor of the CAISO funding a reserve account as a means of providing a source of funds in the case of a payment default? How would you propose that such an account be funded?" In response to these questions, Southern California Edison Company ("SCE"), for example, commented that it "feels that the costs (cons) listed in the CAISO white paper of this proposal significantly outweigh the benefits (pros). In particular, the proposal has the potential to be very costly to market participants while not providing much additional benefit over participants individually accepting the risk of a default. Therefore, SCE does not support the creation of a process to fund a market reserve account to help offset the risk of future payment default." Similarly, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside commented

explored the viability of procuring credit insurance. Again, there is very little stakeholder support for paying for such coverage, particularly in light of the fact that this type of coverage generally only protects those market participants who are the most creditworthy.¹⁵ Therefore, the ISO has not proposed a tariff amendment to fund the CAISO Reserve Account or to pay for credit insurance. In any event, for the reasons explained above, it would be inappropriate to require the CAISO Penalty Reserve Account to serve that function.

C. The CAISO Penalty Reserve Account Will Accrue Interest

Powerex asserts that the ISO should clarify whether interest will accrue on funds in the CAISO Penalty Reserve Account, and if the answer is yes, the ISO should modify the tariff accordingly.¹⁶ The ISO confirms that the CAISO Penalty Reserve Account will be an interest-bearing account. If directed by the

that “[a]ny additional protection for Market Participants does not justify the costs of accumulating and maintaining such a reserve.” These responses and responses provided by other stakeholders were posted on the ISO website on October 8, 2008, and are available at <http://www.caiso.com/2465/2465aaa911460.html>.

¹⁵ In its credit policy stakeholder process, the ISO solicited written on comments from stakeholders on questions that included the following: “Are there other payment default risk mitigation strategies, of those that were presented, that you support and would want CAISO to investigate further such as a Line of Credit, credit insurance, establishing a captive insurance company, developing a blended finite risk program or a capital market transfer to provide potential funding sources in the case of payment default?” In response, San Diego Gas & Electric Company, for example, commented that it “does not support any of the above as a blanket application to all market participants. We would support payment default risk mitigation measures being applied only to those participants whose credit assessment results in a higher than average credit risk to CAISO. This approach is consistent with a market approach that more preventive and mitigation measures are required of lesser credit quality entities/participants.” Also, Direct Energy responded, “No. Other markets have researched this recently and have not found a benefit in credit insurance.” These responses and responses provided by other stakeholders were posted on the ISO website on October 8, 2008, and are available at <http://www.caiso.com/2465/2465aaa911460.html>. Pursuant to the stakeholders’ comments, the ISO decided not to pursue the possibility of procuring credit insurance. The ISO solicited written stakeholder comments on that decision as well, which were posted on the ISO website on November 7, 2008 and are available at the website address listed above in this footnote.

¹⁶ Powerex at 8.

Commission, the ISO would be willing to modify the tariff in a compliance filing to make this clear.

D. Payments Out of the CAISO Penalty Reserve Account Will Not Include Interest to Market Participants

Dynegy states that it expects that reimbursements to market participants from the CAISO Penalty Reserve Account for a default would include interest accrued up until the day the default was allocated.¹⁷

This comment reflects a misunderstanding of the timing for when payments will be made out of the CAISO Penalty Reserve Account in the event of a default. The ISO will use funds from the CAISO Penalty Reserve Account in order to clear (to the extent possible) the CAISO Clearing Account “on any Payment Date occurring on or after April 7, 2010, [when there is a] payment default by one or more CAISO Debtors.”¹⁸ Because the ISO will use funds from the CAISO Penalty Reserve Account on a payment date when a default occurs, there is no delay in payment insofar as funds from the CAISO Penalty Reserve account are concerned. If there are sufficient funds in the CAISO Penalty Reserve Account to clear the market, then there is not a shortfall in payments to ISO creditors to be allocated. If the funds in the CAISO Penalty Reserve Account are insufficient, there will be a shortfall in payments to ISO creditors to be allocated, but funds in the CAISO Penalty Reserve Account would already be exhausted. Even if there are insufficient funds in the CAISO Penalty Reserve Account to cover the full default amount, any future penalties received by the ISO

¹⁷ Dynegy at 5.

¹⁸ Proposed Section 11.29.9.6.4(a).

and deposited in the CAISO Penalty Reserve Account can only be applied to defaults after the date the penalty is received and cannot be applied to historic defaults. Therefore, the ISO would not have the funds to pay market participants interest for historic defaults out of the CAISO Penalty Reserve Account.

The ISO notes that the February 5 Tariff Amendment does not alter the existing tariff provisions stating that interest accrues on late payments of amounts that market participants owe to ISO creditors. Pursuant to Section 11.29.13.1, market participants that are late in making payments to the ISO are required to pay interest on the overdue amounts, and ISO creditors are paid interest provided by those market participants:

If [a] Scheduling Coordinator or CRR Holder fails to pay any sum to the CAISO when due and after and the CAISO draws upon any and all available Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder, the Scheduling Coordinator or CRR Holder shall pay Interest on the overdue amount for the period from the Payment Date to the date on which the payment is remitted to the CAISO Clearing Account, together with any related transaction costs incurred by the CAISO. The CAISO shall apply all such Interest payments on the default amount on a pro rata basis to CAISO Creditors in relation to amounts past due in the order of the creation of such debts.

Therefore, in the hypothetical examples discussed in Sections I.A and I.B, above, Market Participant A is required to pay interest on the amounts that it pays back late to the ISO, and ISO creditors of Market Participant A receive interest pursuant to Section 11.29.13.1.

E. The Commission Should Not Require Differential Treatment of Physically Connected and Financial Market Participants with Respect to the Proposed Tariff Revisions

SWP argues that the ISO should, in some unspecified way, revise its proposed enhancements to the progressive disciplinary program in order to distinguish between market participants that have loads and/or generators physically connected to the ISO controlled grid (hereafter, physically connected market participants) and market participants engaging in purely financial transactions with the ISO (hereafter, financial market participants). SWP also argues that these tariff provisions should recognize that certain entities, especially public agencies like SWP, have protracted payment review and approval processes, and that the consequences of suspending physically connected market participants are likely more severe than the consequences of suspending financial market participants.¹⁹

The Commission should not require the ISO to distinguish in these proposed tariff provisions between physically connected and financial market participants. The proposed tariff provisions simply enhance the existing tariff language that authorizes the ISO to take progressive disciplinary measures against any market participant for late posting of financial security and late payment of invoices.²⁰ Therefore, under existing tariff provisions previously approved by the Commission, all market participants are subject to the ISO's

¹⁹ SWP at 1-2.

²⁰ See ISO tariff, Sections 12.5.2, 12.5.3 (setting forth the progressive disciplinary measures that will apply each successive time within a rolling twelve-month period that "a Market Participant is late in paying the amount set forth in an Invoice" or "a Market Participant is late in posting additional Financial Security").

progressive disciplinary program whether they are physically connected to the ISO controlled grid or are purely-financial market participants. The ISO does not propose to change that treatment in the February 5 Tariff Amendment. As a result, the distinctions between market participants proposed by SWP are beyond the scope of this proceeding.

The ISO's application of its progressive disciplinary measures to all market participants is also consistent with the credit policies reflected in the tariffs of other independent system operators and regional transmission organizations.²¹ The ISO would be out of step with those other entities if it were to make distinctions between market participants in its tariff provisions regarding the progressive disciplinary program.

SWP presents no specific evidence indicating that the ISO should be required to deviate from the practices that the Commission has approved for the ISO and for other independent system operators and regional transmission organizations. Instead, SWP provides only unsupported generalizations in support of its arguments. Indeed, SWP is the only entity that even raises the

²¹ See, e.g., PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, Attachment Q (PJM Credit Policy), at Fourth Revised Sheet No. 523 ("APPLICABILITY: This [credit] policy applies to all Participants"); Midwest Independent Transmission System Operator, Inc., FERC Electric Tariff, Fourth Revised Volume No. 1, Attachment L (Credit Policy), at Third Revised Sheet No. 2467 (APPLICABILITY: This [credit] policy applies to all Applicants and Tariff Customers who take Transmission Service under this Tariff, utilize services or participate in the Energy and Operating Reserve Markets, hold FTRs, ARRs or otherwise participate in Market Activities under Module C of this Tariff or Resource Adequacy Requirements activities under Module E of this Tariff. This policy also applies to Reliability Coordination Customers, and Congestion Management Customers that take service under Module F of this Tariff."); New York Independent System Operator, Inc., FERC Electric Tariff, Original Volume No. 2, Attachment K (Creditworthiness Requirements for Customers), at First Revised Sheet No. 490 ("This Attachment K applies to all Customers and all applicants seeking to become Customers.").

issue of differential treatment of physically connected market participants and financial market participants.

Moreover, SWP's unsupported arguments are not borne out by the facts. The ISO's evaluation of the results of its progressive discipline program does not indicate that certain types of market participants have been more prone than other types of market participants to late posting of financial security or late payment of invoices under the ISO's current timelines for posting financial security and paying invoices. The ISO does not propose to modify those timelines in any way in the February 5 Tariff Amendment. Therefore, there is no reason to believe that certain types of market participants will in the future become more likely to make late postings of financial security or late payments of invoices.

The ISO does expect to apply its proposed suspension and termination authority in a manner that addresses any concerns SWP may have about the consequences of suspending and terminating physically connected market participants. The proposed tariff language states that the ISO *may* suspend and terminate a market participant that is chronically late in posting financial security or in paying an invoice, not that the ISO *must* suspend the market participant.²² In applying these tariff provisions, the ISO will be mindful of the consequences (e.g., for system reliability) that might result from suspension and termination of market participants that have physical resources and facilities connected to the ISO controlled grid. At the same time, as required by Section 205 of the Federal

²² Proposed ISO tariff Sections 11.29.14(e), 12.5.2(e).

Power Act,²³ the ISO will treat similarly situated market participants in a manner that is not unduly discriminatory when applying the provisions of the ISO tariff, including but not limited to the suspension and termination provisions. If SWP or any other market participant has a concern as to how the suspension and termination provisions are being applied by the ISO, the market participant may raise the issue with the Commission.

Lastly, to the extent that SWP or any other market participant believes that certain types of entities should be subject to different credit policy requirements than other types of entities, it can raise that issue in the proceeding recently established by the Commission to consider revisions to its regulations to reform the credit practices in organized wholesale electricity markets.²⁴ Such comments, however, are beyond the scope of the instant proceeding.

²³ 16 U.S.C. § 824d.

²⁴ See Notice of Proposed Rulemaking, *Credit Reforms in Organized Wholesale Electricity Markets*, 130 FERC ¶ 61,055 (2010).

II. Conclusion

For the reasons explained above, the Commission should accept the February 5 Tariff Amendment as filed, with only the one clarification discussed above.

Respectfully submitted,

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296
E-mail: nsaracino@caiso.com
sdavies@caiso.com

/s/ Bradley R. Miliauskas
Sean A. Atkins
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 756-3300
Fax: (202) 654-4875
E-mail: sean.atkins@alston.com
bradley.miliauskas@alston.com

Attorneys for the California Independent System Operator Corporation

Dated: March 15, 2010

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 15th day of March, 2010.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas