

May 13, 2010

VIA HAND DELIVERY

The Hon. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

FILED
SECRETARY OF THE
COMMISSION
2010 MAY 13 P 4:47
FEDERAL ENERGY
REGULATORY COMMISSION

RE: Amendment to the amendment to the FERC Electric Tariff of the California Independent System Operator Corporation to Institute Make-Whole Mechanism for Demand Subject to Price Corrections

Docket No. ER10-966- ____

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (FPA),¹ and Section 35.13 of the regulations of the Federal Energy Regulatory Commission (Commission or FERC),² the California Independent System Operator Corporation (the ISO) hereby respectfully submits for approval by Commission amendments to the ISO's amendment to the ISO Tariff³ filed on March 31, 2010 in the above referenced FERC docket. These amendments provide additional necessary clarifications to the tariff language but do not materially alter the rate filed on March 31, 2010. This amendment also includes the clarifications agreed to by the ISO in its Answer filed in the above referenced FERC Docket on May 4, 2010, to comments filed by Southern California Edison (SCE). The ISO respectfully requests waiver of notice requirements and an effective date of June 1, 2010 for the proposed modifications in addition to the tariff sheets filed originally on March 31, 2010. The approval of the ISO tariff sheets as filed on March 31, 2010 with the additional amendments proposed in this filing would enable the ISO to "make-whole" Scheduling Coordinators⁴ who, due to ex-post

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35.13 (2009).

³ California Independent System Operator Corporation, FERC Electric Tariff, Fourth Replacement Volume, Nos. 1 & 2. (ISO Tariff).

⁴ Capitalized terms not otherwise defined herein are defined in Appendix A of the ISO Tariff.

price corrections, are subject to prices for internal demand or exports higher than the prices in the scheduling coordinator's submitted bid curve as of June 1, 2010.

An original and five copies of the amendment are included for the filing. One additional copy is included to be date and time stamped and returned to the messenger.

I. Background

On April 1, 2009, the ISO commenced operations under its new nodal, two-day settlement market design. Under this new market design, after the market has cleared and prices are posted, the ISO may correct financially binding prices if the ISO identifies an invalid market solution or invalid prices in an otherwise valid market solution. Price corrections are conducted through the price validation process conducted by the ISO during the price correction time horizon, which is currently the first five days after the relevant market clears. Prices that apply to demand, which includes both internal demand and exports from the ISO grid, are also subject to such price corrections.

After the start of the new market, market participants brought to the ISO's attention the following issue: when prices for demand are corrected in the upward direction after the market clears, in certain cases, Scheduling Coordinators with cleared demand bids are subject to prices higher than the prices they submitted in their bid curve. This discrepancy can expose Scheduling Coordinators to higher costs from using the ISO grid than they were willing to incur based on their submitted bids. Under the current market design, this can affect bids for internal demand and exports in the integrated forward market conducted as part of the day-ahead market, as well as export demand in the hour-ahead scheduling process. Currently, the ISO does not have a policy or mechanism for compensating Scheduling Coordinators when this occurs.

On March 31, 2010, the ISO filed proposed tariff provisions that provide a mechanism to protect Scheduling Coordinators from adverse financial impacts in cases when prices are subsequently corrected in a way that is not consistent with their accepted demand bids. The proposed "make-whole" mechanism would apply to all demand, including internal demand and exports, cleared in the integrated forward market, and all export schedules cleared in the hour-ahead scheduling process. In the event the ISO conducts a price correction such that market clearing prices are adjusted upward, cleared demand schedules affected by the price correction will not be settled at the corrected price, but will instead be settled an alternative derived price. The derived price, referred to in the amendment in this proceeding as the Price Correction Derived LMP, reflects the value of the make-whole payment necessary to ensure a Scheduling Coordinator is not adversely impacted by a subsequent price correction that results in a price above its accepted bid prices. The Price Correction Derived LMP will be calculated specifically for the Scheduling Coordinator whose cleared demand,

internal demand, and export bids are impacted by the upward price correction. The proposed make-whole mechanism is fully described in the March 31, 2010, materials previously filed in this proceeding.

II. Description of Amendment

In this amendment filed today, the ISO does not propose to change any of the elements of the make-whole mechanism previously stakeholdered and then filed with the Commission on March 31, 2010. Rather, having further reviewed the tariff language as filed, the ISO believes that the proposed amendments clarify the language and better reflect the proposed mechanism. In addition, having already agreed in its Answer filed on May 5, 2010, to the clarifications sought by SCE in their comments filed on April 21, 2010, the ISO now proposes to include in its tariff the language it recommended in its May 5, 2010 Answer.

A. Tariff Language Clarifications

Upon further review of the amendments submitted on March 31, 2010, the ISO determined that the following additional clarifications are necessary to ensure that the filed rate is clearly articulated in the ISO Tariff. These proposed amendments do not material change the rates filed in the ISO's March 31, 2010.

Section 11.4.1 HASP Settlement for Exports

In the March 31st tariff amendment, the ISO added the following language to Section 11.4.1:

For Scheduling Coordinators whose exports scheduled at the individual Scheduling Point is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity of Energy exports scheduled in the Day-Ahead Schedule at the relevant Scheduling Point.

This language as previously filed fails to correctly specify that in the hour-ahead scheduling process, the MWh quantity settled at the Price Correction Derived LMP would be the MWh quantity of energy exports scheduled *in excess* of the Day-Ahead Schedule and not the entire amount scheduled in the Day-Ahead Schedule. The day-ahead scheduled amounts are binding and settled based on the day-ahead locational marginal prices as specified in Section 11.2.1.4. The only energy scheduled in the hour-ahead scheduling process that is settled based on the hour-ahead scheduling process Price Correction Derived LMP are the MWhs scheduled *in excess* of the Day-Ahead Schedule. Therefore, the ISO offers the inclusion of this specification in Section 11.4.1, as reflected in the tariff sheets attached in this filing.

11.21.1 CAISO Demand and Exports

The ISO proposes several clarifications to Section 11.21.1 that do not change the meaning of the provisions of this section but are necessary for the purpose of completeness and clarity.

First, for completeness, the ISO proposes to include in Section 11.21.1 cross references to Sections 11.2.1.3 and 11.4.1 in addition to the cross references already included to Sections 11.2.1.2 and 11.2.1.4 in the first sentence. The ISO proposed changes to both Sections 11.2.1.3 and 11.4.1 to specify when the Price Correction Derived LMP will apply. Therefore, the inclusion of these cross-references completes the list of settlement provisions to which the Price Correction Derived LMP will apply.

Second, in Section 11.21.1, in several instances the ISO made use of the term “resource.” In the first and second sentences, the term is used to refer generically to CAISO Demand and exports. However, it would provide more clarity to simply state the terms CAISO Demand and exports, given that these terms have been used more consistently in this tariff amendment. Therefore, the ISO proposes to delete the terms “for the affected resource” in the first sentence of Section 11.21.1 because these terms are preceded by the the terms CAISO Demand and exports, which are the only essential terms for the purposes of indicating the terms to which the Price Correction Derived LMP will apply. In the second sentence the ISO proposes to replace the term “resource” with the terms “CAISO Demand and exports” because this is more consistent with the first sentence and more specific as to terms to which the Price Correction Derived LMP will apply. In the last sentence of Section 11.21.1, the ISO again uses the term “resource’s.” The more appropriate reference in this instance is to “Scheduling Coordinator” because the ISO’s practice in its tariff is to refer to the Scheduling Coordinator’s CAISO Demand and export Bid curves, i.e., the entity with whom all transactions are settled. Therefore, the ISO proposes to change the reference to “resource’s” to the terms “Scheduling Coordinator’s” in this last sentence.

B. Proposed Changes in Response to Clarifications Sought by SCE in their Comments

While SCE supported the ISO’s filing in its comments, it requested certain additional clarifications as further discussed below. The ISO agreed to include the requested clarifications and in its Answer proposed tariff provisions which it would include in a compliance filing if accepted by the Commission. The ISO now instead amends its tariff with to include the proposed clarifications. The Commission should accept these proposed clarifications because they address SCE’s concerns and, as discussed further below, clarify the tariff language without materially changing the initial filing.

SCE requested that the Commission require the ISO to revise its tariff language to clearly state that the self-schedule portion of a Scheduling Coordinator's demand or export bid is not eligible to receive a make-whole payment as a result of an ex-post price correction. SCE asserted that the language as currently written does not differentiate between the economic portion of a Scheduling Coordinator's bids curve and any self-scheduled amounts. The language only states that the make-whole payment will be determined by the "area between the resource's CAISO Demand or Export Bid curve and the corrected LMP" and that including language that explicitly excludes self-scheduled demand from the make-whole payment determination would remove any ambiguity or confusion as to the megawatts eligible for such payments.

In its Answer, the ISO agreed that the make-whole payments mechanism does not apply to the self-scheduled portion of the the demand or export bid. Under the self-scheduled portions of the demand or export bids, the Scheduling Coordinator does not submit a price with its bid and, therefore, is considered to be a price-taker. Hence, it is not possible for their bid curve to become uneconomic as a result of the price correction given that there is no bid price to consider in the make-whole calculation. In other words, the self-scheduled portions take the price as corrected and have not signaled a more economic price. This is captured in the calculation of the make-whole payment mechanism given that in calculating the make-whole payment the self-scheduled portions of the bid curve is not attributed any additional payment because there is no price differential between their bid price and the corrected LMP, which are one and the same. By so doing, the ISO ensures that the Price Correction Derived LMP captures the make-whole payment amounts that apply to bids rendered uneconomic as a result of the price correction, which as discussed above do not include an accounting of make-whole payments for self-scheduled demand.

To capture the clarification requested by SCE, the ISO agreed to make the following changes to Section 11.21.1:

If the CAISO corrects an LMP in the upward direction pursuant to Section 35 that impacts Demand in the Day-Ahead Market and the HASP such that either a portion of or the entire cleared CAISO Demand or Export Economic Bid curve becomes uneconomic, then the CAISO will calculate and apply the Price Correction Derived LMP for settlement of CAISO Demand and exports for the affected resource in Section 11.2.1.2 and 11.2.1.4. The CAISO will calculate a Price Correction Derived LMP for each affected resource as follows: the total cleared MWhs of CAISO Demand or export in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable, multiplied by the corrected LMP, minus the make-whole payment amount, all of which is divided by the total cleared MWhs of CAISO Demand or export in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable. The make-whole payment amount will be

calculated on an hourly basis determined by the area between the resource's CAISO Demand or Export Bid curve and the corrected LMP, which is calculated as the MWhs of each of the cleared bid segment in the Day- Ahead Schedule or HASP Intertie Schedule for the affected resource, multiplied by the maximum of zero or the corrected LMP minus the bid segment price. For the purpose of this calculation, the CAISO will not factor in a make-whole payment amount for Self-Scheduled CAISO Demand or exports.

The term Economic Bid is defined in Appendix A of the ISO FERC Electric Tariff as "A Bid that includes quantity (MWh or MW) and price (\$) for specified Trading Hours." By inserting the specification that the derived LMP will be calculated when the Economic Bid curve becomes uneconomic, the ISO clarifies that the Self-Schedule portions are not included in the make-whole payment calculation. In addition, the last sentence the ISO proposes to add to Section 11.21.1, explicitly states that the self-schedules are not included in the calculation of the make-whole payment amounts then used to derive the Price Correction Derived LMP. The ISO proposes to add these clarifications in this amendment as provided in the attached tariff sheets.

SCE also requested that the ISO clarify in the tariff as it does in the Transmittal Letter to the ISO's March 31, 2010 filing, that any revenue shortfalls as a result of the application of this make-whole methodology will be captured through the allocation of non-zero amounts of the sum of imbalance energy, uninstructed imbalance energy, and unaccounted for energy in the real-time in accordance in Section 11.5.4 of the ISO Tariff. To include this clarification in the tariff the ISO proposed the addition of the following statement at the end of Section 11.21.1:

Any non-zero amounts in revenue collected as a result of the application of the Price Correction Derived LMP will be captured through the allocation of non-zero amounts of the sum of Imbalance Energy, Uninstructed Imbalance Energy, and Unaccounted for Energy in accordance with Section 11.5.4.

The ISO proposes to add this clarification in this amendment as provided in the attached tariff sheets.

III. Effective Date and Request for Waiver of Notice Requirements

The ISO requests that the amendments included in this filing in addition to the amendments made in the March 31, 2010 filing be made effective on the June 1, 2010, operating day. As such, the day-ahead market operated on June 1, 2010 for June 2, 2010 would be subject to the make whole payments and Price Correction Derived LMP described above. In addition, the hour-ahead scheduling processes operate on June 1, 2010 for that same day would be

subject to the make whole payments and Price Correction Derived LMP described above.

Pursuant to Section 35.11 of the Commission's regulations, the ISO requests that the Commission waive its notice requirements for this amendment. Good cause exists for granting this waiver. The proposed clarifications in this amendment to the previously filed tariff language do not materially change the originally filed tariff provisions but provide clarifications that eliminate ambiguity regarding the rates that will apply. The Commission's waiver of the notice requirements and approval of the proposed amendment as filed on March 30, 2010, and as further amended herein, will enable the ISO to begin implementing this long-awaited for make-whole mechanism as of June 1, 2010.

IV. Communications

Communications regarding this filing should be addressed to the following individuals:

Anthony Ivancovich*
Assistant General Counsel - Regulatory

Anna A. McKenna*
Senior Counsel

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* Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3).

V. Service

The ISO has served copies of this transmittal letter and all attachments to the Public Utilities Commission of the State of California, the California Energy Commission, all parties with Scheduling Coordinator Agreements under the ISO Tariff, and all to parties to FERC Docket No. ER10-966. In addition, the CAISO has posted a copy of the filing on the CAISO Website.

VI. Attachments

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

- | | |
|--------------|---|
| Attachment A | Revised ISO Tariff sheets that incorporate the proposed changes described above in addition to the changes previously proposed in the March 31, 2010 in the above referenced FERC Docket. |
| Attachment B | The proposed changes to the ISO Tariff shown in black-line format. |
| Attachment C | The proposed changes to the ISO Tariff shown in black-line format as compared to the changes filed on March 31, 2010. |

VII. Conclusion

The ISO respectfully requests that the Commission approve the attached tariff sheets. Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

/s/ Anna A. McKenna

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned 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 13th day of May, 2010.

/s/ Jane Ostapovich
Jane Ostapovich

Attachment A – Clean Sheets
Price Corrections Make Whole Payments Amendment
Fourth Replacement CAISO Tariff
ER10-966-____
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11.2.5.4 Treatment of Prepaid WAC Amounts.

For the amount of CRRs that were allocated to the entity, the CAISO will exempt the Scheduling Coordinator for such entity from the WAC for any Real-Time Interchange Export Schedules at the Scheduling Point corresponding to the sink of each allocated CRR, on an hourly basis for the period for which the CRR is defined, until the pre-paid funds are exhausted. At the end of the period for which the CRR is defined any remaining balance will be allocated to the Participating TOs in accordance with Section 26.1.4.3. To the extent the pre-paid balance amount is exhausted prior to the end of the duration of the awarded CRR, the Scheduling Coordinator designated by the CRR Holder that has been allocated CRRs pursuant to Section 36.9 will be charged for the WAC in accordance with Section 26.1.4.

11.3 [NOT USED]

11.4 HASP Settlement of Scheduling Points.

The CAISO shall settle both incremental and decremental Energy at the relevant Scheduling Points including Operational Adjustments for all Non-Dynamic System Resources based on the HASP Intertie LMP in accordance with Section 11.4.1 and 11.4.2. Energy dispatched using HASP Intertie Schedules is accounted as Instructed Imbalance Energy and its costs shall be included in the Real-Time Market Settlements in accordance with Section 11.5.

11.4.1 HASP Settlement for Exports.

For each Settlement Period that the CAISO clears Energy transactions at Scheduling Points in HASP, the Settlement for such transactions will be the CAISO HASP Intertie LMP multiplied by the MWh quantity of export scheduled at the individual Scheduling Point in excess of or less than the Day-Ahead Schedule, respectively. For Scheduling Coordinators whose exports scheduled at the individual Scheduling Point is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity of Energy exports scheduled in excess of the Day-Ahead Schedule at the relevant Scheduling Point.

11.21 Make Whole Payments for Price Corrections

11.21.1 CAISO Demand and Exports

If the CAISO corrects an LMP in the upward direction pursuant to Section 35 that impacts Demand in the Day-Ahead Market and the HASP such that either a portion of or the entire cleared CAISO Demand or export Economic Bid curve becomes uneconomic, then the CAISO will calculate and apply the Price Correction Derived LMP for settlement of CAISO Demand and exports in Section 11.2.1.2, 11.2.3, 11.2.1.4 and 11.4.1. The CAISO will calculate a Price Correction Derived LMP for each affected CAISO Demand and exports as follows: the total cleared MWhs of CAISO Demand or export in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable, multiplied by the corrected LMP, minus the make-whole payment amount, all of which is divided by the total cleared MWhs of CAISO Demand or exports in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable. The make-whole payment amount will be calculated on an hourly basis determined by the area between the Scheduling Coordinator's CAISO Demand or Export Bid curve and the corrected LMP, which is calculated as the MWhs each of the cleared bid segment in the Day-Ahead Schedule or HASP Intertie Schedule for the affected resource, multiplied by the maximum of zero or the corrected LMP minus the bid segment price. For the purpose of this calculation, the CAISO will not factor in a make-whole payment amount for Self-Scheduled CAISO Demand or exports. Any non-zero amounts in revenue collected as a result of the application of the Price Correction Derived LMP will be captured through the allocation of non-zero amounts of the sum of Imbalance Energy, Uninstructed Imbalance Energy, and Unaccounted for Energy in accordance with Section 11.5.4.

11.21.2 [Not Used]

Attachment B - Blacklines
Price Corrections Make Whole Payments Amendment
Fourth Replacement CAISO Tariff
ER10-966-____
May 13, 2010

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11.4.1 HASP Settlement for Exports

For each Settlement Period that the CAISO clears Energy transactions at Scheduling Points in HASP, the Settlement for such transactions will be the CAISO HASP Intertie LMP multiplied by the MWh quantity of export scheduled at the individual Scheduling Point in excess of or less than the Day-Ahead Schedule, respectively. For Scheduling Coordinators whose exports scheduled at the individual Scheduling Point is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity of Energy exports scheduled in excess of the Day-Ahead Schedule at the relevant Scheduling Point.

* * *

11.21 Make Whole Payments for Price Corrections

11.21.1 CAISO Demand and Exports

If the CAISO corrects an LMP in the upward direction pursuant to Section 35 that impacts Demand in the Day-Ahead Market and the HASP such that either a portion of or the entire cleared CAISO Demand or ~~E~~export Economic Bid curve becomes uneconomic, then the CAISO will calculate and apply the Price Correction Derived LMP for settlement of CAISO Demand and exports ~~for the affected resource~~ in Section 11.2.1.2, 11.2.3, 11.2.1.4 and 11.4.~~12-1.4~~. The CAISO will calculate a Price Correction Derived LMP for each affected CAISO Demand and exports~~resource~~ as follows: the total cleared MWhs of CAISO Demand or exports in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable, multiplied by the corrected LMP, minus the make-whole payment amount, all of which is divided by the total cleared MWhs of CAISO Demand or export in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable. The make-whole payment amount will be calculated on an hourly basis determined by the area between the Scheduling Coordinator's~~resource's~~ CAISO Demand or Export Bid curve and the corrected LMP, which is calculated as the MWhs each of the cleared bid segment in the Day-Ahead Schedule or HASP Intertie Schedule for the affected resource, multiplied by the maximum of zero or the corrected LMP minus the bid segment price. For the purpose of this calculation, the CAISO will not factor in a make-whole payment amount for Self-Scheduled CAISO Demand or exports. Any non-zero amounts

in revenue collected as a result of the application of the Price Correction Derived LMP will be captured through the allocation of non-zero amounts of the sum of Imbalance Energy, Uninstructed Imbalance Energy, and Unaccounted for Energy in accordance with Section 11.5.4.

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**Attachment C – Original Blacklines with New Blacklines Added
Price Corrections Make Whole Payments Amendment
Fourth Replacement CAISO Tariff
ER10-966-____
As Further Amended on May 13, 2010**

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11.2.1.2 IFM Charges for Demand at LAPS

For each Settlement Period that the CAISO clears Energy transactions in the IFM, except as specified in Section 30.5.3.2 and except for Participating Loads, which shall be subject to the charges specified in 11.2.1.3, the CAISO shall charge Scheduling Coordinators for the MWh quantity of Demand scheduled at an individual LAP in the Day-Ahead Schedule, in an amount equal to the IFM LMP for the applicable LAP multiplied by the MWh quantity scheduled in the Day-Ahead Schedule at the relevant LAP. For Scheduling Coordinators whose Demand scheduled at the individual LAP is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity of Demand scheduled in the Day-Ahead Schedule at the relevant LAP.

11.2.1.3 IFM Charges for Demand by Participating Loads, Including Aggregated Participating Load.

For each Settlement Period that the CAISO clears Energy transactions in the IFM for Demand by Participating Loads, the CAISO shall charge the Scheduling Coordinators an amount equal to the MWh quantity of Demand scheduled in the Day-Ahead Schedule for the relevant Participating Load at the PNode (or Custom LAP, in the case of Aggregated Participating Load), multiplied by the IFM LMP at that PNode (or Custom LAP, in the case of Aggregated Participating Load). For Scheduling Coordinators whose Demand scheduled at the individual PNode or Custom LAP is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity scheduled in the Day-Ahead Schedule for that Scheduling Coordinator at the relevant PNode or Custom LAP.

11.2.1.4 IFM Charges for Energy Exports at Scheduling Points

For each Settlement Period that the CAISO clears Energy transactions in the IFM, the CAISO shall charge Scheduling Coordinators for the Energy export MWh quantity at individual Scheduling Points scheduled in the Day-Ahead Schedule, an amount equal to the IFM LMP for the applicable Scheduling Point multiplied by the MWh quantity at the individual Scheduling Point scheduled in the Day-Ahead Schedule. For Scheduling Coordinators whose exports scheduled at the individual Scheduling Points is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price

Correction Derived LMP to settle the MWh quantity of Energy exports scheduled in the Day-Ahead Schedule at the relevant Scheduling Point.

* * *

11.4.1 HASP Settlement for Exports.

For each Settlement Period that the CAISO clears Energy transactions at Scheduling Points in HASP, the Settlement for such transactions will be the CAISO HASP Intertie LMP multiplied by the MWh quantity of export scheduled at the individual Scheduling Point in excess of or less than the Day-Ahead Schedule, respectively. For Scheduling Coordinators whose exports scheduled at the individual Scheduling Point is subject to an upward price correction as specified in Section 11.21, the CAISO will use the Price Correction Derived LMP to settle the MWh quantity of Energy exports scheduled in excess of the Day-Ahead Schedule at the relevant Scheduling Point.

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11.21 ~~[Not Used]~~ Make Whole Payments for Price Corrections

11.21.1 CAISO Demand and Exports

If the CAISO corrects an LMP in the upward direction pursuant to Section 35 that impacts Demand in the Day-Ahead Market and the HASP such that either a portion of or the entire cleared CAISO Demand or Export Economic Bid curve becomes uneconomic, then the CAISO will calculate and apply the Price Correction Derived LMP for settlement of CAISO Demand and exports for the affected resource in Section 11.2.1.2, 11.2.1.3, 11.2.1.4 and 11.4.12-1.4. The CAISO will calculate a Price Correction Derived LMP for each affected CAISO Demand and exports resource as follows: the total cleared MWhs of CAISO Demand or exports in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable, multiplied by the corrected LMP, minus the make-whole payment amount, all of which is divided by the total cleared MWhs of CAISO Demand or export in the Day-Ahead Schedule or HASP Intertie Schedule, as applicable. The make-whole payment amount will be calculated on an hourly basis determined by the area between the Scheduling Coordinator's resource's CAISO Demand or Export Bid curve and the corrected LMP, which is calculated as the MWhs of each of the cleared bid segment in the Day-Ahead Schedule or HASP Intertie Schedule for the affected resource, multiplied by the maximum of zero or the

corrected LMP minus the bid segment price. For the purpose of this calculation, the CAISO will not factor in a make-whole payment amount for Self-Scheduled CAISO Demand or exports. Any non-zero amounts in revenue collected as a result of the application of the Price Correction Derived LMP will be captured through the allocation of non-zero amounts of the sum of Imbalance Energy, Uninstructed Imbalance Energy, and Unaccounted for Energy in accordance with Section 11.5.4.

11.21.2 [Not Used]

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Appendix A
Master Definition Supplement

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Price Correction Derived LMP

The applicable resource specific settlement LMP calculated pursuant to Section 11.21 for resources impacted by price corrections in the upward direction consistent with Section 35.

* * *