



October 29, 2010

VIA ELECTRONIC SUBMISSION

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20246

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER10-1998**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO)¹ electronically submits this filing in compliance with the Federal Energy Regulatory Commission's (FERC or Commission) Order Conditionally Accepting Tariff Revisions in the above referenced docket issued on September 29, 2010.² The ISO respectfully requests that the Commission accept the tariff changes submitted in this filing in fulfillment of the directives in the *September 29 Order*.

I. Background

Under its current market design, the ISO performs a price correction process to evaluate, validate, and correct prices to ensure that market settlement is consistent with the ISO tariff. On July 18, 2010, the ISO proposed tariff revisions to its current process to: (1) address the time frame for making price corrections; and (2) remedy prices posted incorrectly due to processing or publication problems. The ISO explained that price corrections involve the necessary recalculation of a price that the ISO determines to have been calculated incorrectly due to invalid market solutions or other issues that render the prices invalid. For price corrections, the ISO proposed tariff revisions to reflect in its tariff the five-day price correction time period currently specified in the Business Practice Manuals (BPMs). In addition, the ISO proposed to set a time limit on its authority to remedy situations where prices were corrected within the five-day price correction time period, but the ISO either failed to: (1) process and

¹ The ISO is sometimes referred to CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the currently effective ISO tariff.

² *Ca. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,269 (2010) (*September 29 Order*).

publish the corrected prices through its open access same-time information system (OASIS) site or the ISO market results interface; or (2) push the corrected prices through to the systems used by market participants for settlements. For these types of errors, the ISO proposed to include additional detail in its tariff reflecting the ISO's ability to rectify price processing or publication issues within a limited time as specified in the applicable BPM, after which all posted prices will remain the same unless otherwise ordered by the Commission. The Commission accepted the ISO's July 18 filing subject to compliance as discussed further herein.

II. Discussion

The Commission agreed with Pacific Gas & Electric that future changes to further shorten the price correction time period should be made as tariff amendments under section 205 of the Federal Power Act (FPA), rather than through revisions of the ISO's BPMs. The Commission found that limiting the time for price corrections to a shorter period may reduce the number of price corrections that can be made, thereby potentially jeopardizing price accuracy. The Commission further found that because of the potential impact further reductions of the price correction time frame may have on rates, the method for modifying the time frame is integral to the justness and reasonableness of the amount of time ISO has to make price corrections. Therefore, the Commission directed the ISO to remove from section 35.2 of the ISO's tariff the language that permits the ISO to specify a shorter price correction time frame in the BPM and to submit the revised tariff language in a compliance filing no later than 30 days from the date of the *September 29 Order*.³

Accordingly, the ISO proposes to remove the following phrases in Section 35.2: "establish an earlier end-time for the price correction process in the applicable Business Practice Manual and may" and "unless an earlier time is established by the applicable Business Practice Manual." The elimination of these two phrases eliminates any reference to the possibility of establishing of a shorter time period in the BPM.

In response to Powerex's concerns regarding the ISO's use of posted prices for settlement purposes, the Commission found that the ISO should include in the ISO tariff its policy as stated in the ISO's July 18 transmittal letter that if discrepancies remain between published prices and prices used for settlements after the expiration of the period for addressing processing and publication issues, the ISO will use the prices posted on OASIS for settlement purposes. The Commission directed the ISO to submit a compliance filing within 30 days of this order that includes tariff language to establish that in the case of a price discrepancy after expiration of the period for addressing processing and publication issues, as specified in the BPM, CAISO will use the price posted on OASIS for settlement.⁴

³ *September 29 Order* at P 19.

⁴ *Id.* at P 26.

Accordingly, the ISO proposes to add the following phrases in Section 35.3:

After the after expiration of the applicable time horizon for addressing processing and publication issues, as specified in the Business Practice Manual, in the case of a price discrepancy between prices posted on the CAISO's OASIS and prices provided to Scheduling Coordinators through other means, the CAISO will use the price posted on OASIS for Settlement purposes.

III. Materials Provided In This Compliance Filing

The following documents, in addition to this transmittal letter, are submitted in this filing:

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|--------------|--|
| Attachment A | Clean sheets of the currently effective tariff showing revisions described in this filing |
| Attachment B | Sheets showing, in black-line format, the changes to the currently effective tariff described in this filing |

IV. Conclusion

The ISO respectfully requests that the Commission accept this filing as complying with the directives of the Commission's *September 29 Order*. Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Anna McKenna

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned 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 Folsom, California this 29th day of October 2010.

Jane Ostapovich

Attachment A – Clean Tariff
California Independent System Operator Corporation
Fifth Replacement FERC Electric Tariff
Price Correction Compliance Filing
ER10-1998-001
October 29, 2010

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35.2 Timing Of The Price Correction Process

All prices for each Trading Day shall become subject to the CAISO's price correction process once the CAISO publishes them on its OASIS or provides them directly to Market Participants, if applicable. For all prices, the price correction process for each Trading Day shall end no later than the end of the fifth calendar day following that Trading Day. The CAISO may complete the price correction process for any Trading Day earlier than the end-time established in this Section 35 . The CAISO shall provide notification on the CAISO Website when it has completed the price correction process for each Trading Day. If the CAISO does not provide such notification, the price correction process will be deemed complete at the end of the fifth calendar day following that Trading Day.

35.3 Finality Of Prices Subject To The Price Correction Process

All prices shall be considered provisional until the CAISO has completed the price correction process regarding them. All prices for each Trading Day shall be considered final for purposes of this Section 35 once the price correction process for that Trading Day has ended and the CAISO will not make price corrections or change published prices after the price correction process time period has expired except as further discussed in this Section 35.3. The CAISO will not make price corrections after the price correction process time period specified in Section 35.2 has expired, except as otherwise directed by the Federal Energy Regulatory Commission. In addition, for intervals in which the CAISO experiences a problem with the processing or publication of prices, the CAISO will make changes to the affected prices to remedy the processing or publication problems within the time period following the applicable Trading Day as specified in the Business Practice Manual, except as otherwise directed by the Federal Energy Regulatory Commission. After the after expiration of the applicable time horizon for addressing processing and publication issues, as specified in the Business Practice Manual, in the case of a price discrepancy between prices posted on the CAISO's OASIS and prices provided to Scheduling Coordinators through other means, the CAISO will use the price posted on OASIS for Settlement purposes.

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Attachment B – Marked Tariff
California Independent System Operator Corporation
Fifth Replacement FERC Electric Tariff
Price Correction Compliance Filing
ER10-1998-001
October 29, 2010

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35.2 Timing Of The Price Correction Process

All prices for each Trading Day shall become subject to the CAISO's price correction process once the CAISO publishes them on its OASIS or provides them directly to Market Participants, if applicable. For all prices, the price correction process for each Trading Day shall end no later than the end of the fifth calendar day following that Trading Day. The CAISO may ~~establish an earlier end-time for the price correction process in the applicable Business Practice Manual and may~~ complete the price correction process for any Trading Day earlier than the end-time established in this Section 35 ~~or in the Business Practice Manual~~. The CAISO shall provide notification on the CAISO Website when it has completed the price correction process for each Trading Day. If the CAISO does not provide such notification, the price correction process will be deemed complete at the end of the fifth calendar day following that Trading Day, ~~unless an earlier time is established by the applicable Business Practice Manual~~.

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All prices shall be considered provisional until the CAISO has completed the price correction process regarding them. All prices for each Trading Day shall be considered final for purposes of this Section 35 once the price correction process for that Trading Day has ended and the CAISO will not make price corrections or change published prices after the price correction process time period has expired except as further discussed in this Section 35.3. The CAISO will not make price corrections after the price correction process time period specified in Section 35.2 has expired, except as otherwise directed by the Federal Energy Regulatory Commission. In addition, for intervals in which the CAISO experiences a problem with the processing or publication of prices, the CAISO will make changes to the affected prices to remedy the processing or publication problems within the time period following the applicable Trading Day as specified in the Business Practice Manual, except as otherwise directed by the Federal Energy Regulatory Commission. After the after expiration of the applicable time horizon for addressing processing and publication issues, as specified in the Business Practice Manual, in the case of a price discrepancy between prices posted on the CAISO's OASIS and prices provided to Scheduling Coordinators through other means, the CAISO will use the price posted on OASIS for Settlement purposes.

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