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October 2, 2009

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket Nos. ER08-1178-____ and EL08-88-____**

Dear Secretary Bose:

The California Independent System Operator (“ISO”)¹ hereby submits an original and five copies of this filing in compliance with the Commission’s September 2, 2009 Order in this proceeding.² Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger.

I. BACKGROUND

As part of the Market Redesign and Technology Upgrade Tariff market redesign, the ISO proposed an Exceptional Dispatch mechanism, which was accepted by the Commission.³ The ISO then submitted a proposal to mitigate all forms of Exceptional Dispatch. The Commission accepted and suspended this proposal for a nominal period subject to refund and the outcome of an investigation under section 206 into the continued justness and reasonableness of the Exceptional Dispatch mechanism.⁴ The Commission also directed Commission staff to convene a technical conference, which was held on November 6, 2008.

As part of its post-technical conference comments, the ISO submitted a revised Exceptional Dispatch mitigation proposal. On February 20, 2009, the

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

² *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,218 (2009) (“September 2 Order”).

³ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274 at PP 266-69 (2006), *order on reh’g*, 119 FERC ¶ 61,076 (2007), *order on reh’g*, 120 FERC ¶ 61,271 (2007).

⁴ *Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,055 (2008).

Commission accepted in part and rejected in part the revised proposal and directed the ISO to submit a compliance filing within 30 days. On March 23, 2009, the ISO made the directed compliance filing. On April 28, 2009, the ISO filed an answer and a request for clarification of an aspect of the February 20, 2009 order (“April 28 Answer”). In the September 2 Order, the Commission accepted the ISO’s Exceptional Dispatch mechanism subject to modification and directed the ISO to submit a compliance filing within 30 days. The instant filing complies with these directives.

On September 14, 2009, the ISO filed a Motion for Extension of Time and for Clarification of the September 2 Order. The ISO requested clarification that the Commission did not intend that the report timelines set forth in the September 2 Order be rigidly applied in a manner that would interfere with the ISO’s ability to report information efficiently, accurately, and consistently with the Commission’s directives. Because the request for clarification is still pending, the ISO is filing two versions of the compliance tariff language: one consistent with the ISO’s request for clarification and the second consistent with the ISO’s April 28 proposal.

II. TARIFF REVISIONS DIRECTED IN THE SEPTEMBER 2 ORDER

The following discussion describes the two proposed revisions to the currently effective tariff to comply with the September 2 Order.

A. Exceptional Dispatch Reporting Requirements

The ISO’s March 23, 2009, filing included a provision for reports on Exceptional Dispatches, to be filed at sixty-day intervals. In an April 28 Answer to protests and comments regarding its March 23, 2009, filing, the ISO proposed to revert to a 30-day reporting obligation for Exceptional Dispatches.⁵ The ISO proposed to file on the 15th of each month regarding Exceptional Dispatches during the period ending on the 15th day of the previous month and beginning on the 16th of the month prior to the previous month.

In the September 2 Order, the Commission accepted the ISO’s proposal for a 30-day reporting obligation. The September 2 Order did not specify the period to be covered by the 30-day reporting obligation.⁶ The Commission did find that the Exceptional Dispatch reports submitted by the ISO as of the date of the order satisfactorily complied with the February 3 Order and, accordingly, did not require the ISO to file revised reports or additional

⁵ April 28 Answer at 7-8.

⁶ September 2 Order at PP 18-21.

information related to the reporting periods that have already passed.⁷ The Commission also established a new reporting process on a going-forward basis, beginning with the report to be submitted on September 15, 2009⁸ and specified the details regarding the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches that must be included in the future reports. The Commission provided two templates for reporting the data: Chart 1, to be filed first for a given reporting period without cost data, and Chart 2, to be filed later (after settlement data was available) and including cost data. The Commission directed the ISO to submit a compliance filing that incorporates the 30-day reporting obligation as set forth in the April 28 Answer.⁹

On September 14, 2009, the ISO filed a motion for extension of time to file the September 15 report. In that motion, the ISO also sought clarification of the September 2 Order concerning the reporting timelines, but not concerning the obligation to report on a 30-day basis. Specifically, the ISO requested that the Commission clarify that, in order to provide consistency between the Chart 1 initial and Chart 2 revised reports, the ISO may file its initial report on Exceptional Dispatches occurring in a calendar month (e.g., August) on the 15th day of the second month following that calendar month (e.g., October 15 for August Exceptional Dispatches). In addition, the ISO requested clarification that it may file the Chart 2 revised report, including cost data, on the 30th day of the third month following the Calendar month (e.g., November 30 for August Exceptional Dispatches), approximately 15 days after the ISO has settlement quality data available that incorporate the market validation process. Using a calendar month reporting period will allow the ISO to track Exceptional Dispatches between the two reports consistently with the fact that the ISO settles on a calendar month basis.

Although the ISO's motion for clarification is pending, this compliance filing proposes to revise section 34.9.4 to incorporate the timelines set forth in the motion. In case the Commission denies the ISO's requested clarification, the ISO is also including, in an alternate attachment, tariff language that would revise section 34.9.4 in a manner that is consistent with the ISO's timelines proposed in the April 28 Answer. .

B. Exceptional Dispatches Resulting in ICPM Designations Spanning Two Calendar Months

In its April 28 Answer, the ISO stated that it believes its March 23, 2009 Compliance Filing was inconsistent with the Commission's intent with regard

⁷ *Id.* at P 34.

⁸ *Id.* at P 37.

⁹ September 2 Order at P 18.

to the manner in which the ISO determines the quantity of capacity, for settlement purposes, of an ICPM designation when the 30-day term spans two calendar months. The ISO requested that the Commission clarify this issue.

The Commission clarified in the September 2 Order that when an ICPM designation resulting from an Exceptional Dispatch spans two calendar months, the ISO should pay the resource for the first calendar month of the designation period based on the highest eligible capacity quantity for which the resource was exceptionally dispatched during that month.¹⁰ For the second calendar month, the ICPM payment should be based on the highest quantity for which the resource was dispatched during the entire 30-day period, regardless of whether the Exceptional Dispatch for this quantity occurred during the first calendar month or the second. The compliance filing modifies the tariff language in section 43.1.5.2.3 to reflect this clarification, consistent with the September 2 Order.

III. ATTACHMENTS

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|--------------|--|
| Attachment A | Revised Tariff Sheets consistent with the ISO's September 14 Request for Clarification. |
| Attachment B | Redlined Tariff Sheets consistent with the ISO's September 14 Request for Clarification. |
| Attachment C | Revised Tariff Sheets consistent with the ISO's April 28 proposal. |
| Attachment D | Redlined Tariff Sheets consistent with the ISO's April 28 proposal. |

¹⁰ September 2 Order at P 61.

IV. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission accept the instant filing as complying with the directives of the September 2 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,



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*Counsel for the California Independent System Operator
Corporation*

Dated: October 2, 2009

Attachment A – Clean Sheets
Exceptional Dispatch Compliance Filing
ER08-1178-003
Fourth Replacement CAISO Tariff
October 2, 2009

34.9.4 Reporting Requirements.

On the fifteenth day of each month, the CAISO shall file with the Commission and post to the CAISO Website an initial report concerning the Exceptional Dispatches that occurred in the month two months prior to the month in which the report is filed. The report shall identify the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period to the extent such data are available. On the thirtieth day of the month following the month in which the initial report is filed, the CAISO shall file with the Commission and post to the CAISO Website a revised and updated report for the same period.

43.1.5.2.3 Subsequent Exceptional Dispatch.

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. The increase will be effective for the remainder of the term of the Exceptional Dispatch ICPM Designation and retroactively to the beginning of the 30 day term or the first day of the month in which the increase occurs, whichever is later. Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

43.1.5.2.4 Change in RA or ICPM Status.

If a resource has an RA Capacity or ICPM Capacity obligation that pre-existed the resource's Exceptional Dispatch ICPM designation and, during the term of the resource's Exceptional Dispatch ICPM designation, the amount of the resource's RA Capacity or ICPM Capacity is reduced, the CAISO will increase the ICPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch ICPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch ICPM designation becomes RA Capacity or receives a monthly ICPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch ICPM designation shall be reduced by the amount of the new RA Capacity, ICPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

Attachment B – Blacklines
Exceptional Dispatch Compliance Filing
ER08-1178-003
Fourth Replacement CAISO Tariff
October 2, 2009

* * *

34.9.4 Reporting Requirements.

~~For the fifteen days after the effective date of this section and for each subsequent two-month period~~On the fifteenth day of each month, the CAISO shall file with the Commission and post to the CAISO Website an initial report concerning the Exceptional Dispatches that occurred in the month two months prior to the month in which the report is filed. ~~within 30 days after the end of such period a report~~ The report shall ~~that identifies~~ the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period to the extent such data are available. On the thirtieth day of the month following the month in which the initial report is filed, the CAISO shall file with the Commission and post to the CAISO Website a revised and updated report for the same period.

* * *

43.1.5.2.3 Subsequent Exceptional Dispatch.

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. The increase will be effective for the remainder of the ~~entire~~ term of the Exceptional Dispatch ICPM Designation and retroactively to the beginning of the 30 day term or the first day of the month in which the increase occurs, whichever is later ~~by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity.~~ Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

* * *

**Attachment C – Alternate Clean Sheets Consistent with April 28 Proposal
Exceptional Dispatch Compliance Filing
ER08-1178-003
Fourth Replacement CAISO Tariff
October 2, 2009**

34.9.4 Reporting Requirements.

On the fifteenth day of each month, the CAISO shall file with the Commission and post to the CAISO Website reports addressing Exceptional Dispatches that occurred during the 30 day period beginning on the 16th of the month preceding the month prior to the month the report is filed and ending on the 15th of the month prior to the month the report is filed that identify the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period. The CAISO shall file with the Commission and post to the CAISO Website an updated version of the report within 15 days of the discovery of any omitted data.

43.1.5.2.3 Subsequent Exceptional Dispatch.

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. The increase will be effective for the remainder of the term of the Exceptional Dispatch ICPM Designation and retroactively to the beginning of the 30 day term or the first day of the month in which the increase occurs, whichever is later. Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

43.1.5.2.4 Change in RA or ICPM Status.

If a resource has an RA Capacity or ICPM Capacity obligation that pre-existed the resource's Exceptional Dispatch ICPM designation and, during the term of the resource's Exceptional Dispatch ICPM designation, the amount of the resource's RA Capacity or ICPM Capacity is reduced, the CAISO will increase the ICPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch ICPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch ICPM designation becomes RA Capacity or receives a monthly ICPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch ICPM designation shall be reduced by the amount of the new RA Capacity, ICPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

Attachment D – Alternate Blacklines Consistent with April 28 Proposal
Exceptional Dispatch Compliance Filing
ER08-1178-003
Fourth Replacement CAISO Tariff
October 2, 2009

* * *

34.9.4 Reporting Requirements.

~~For the fifteen days after the effective date of this section and for each subsequent two-month period~~On the fifteenth day of each month, the CAISO shall file with the Commission and post to the CAISO Website reports addressing Exceptional Dispatches that occurred during the 30 day period beginning on the 16th of the month preceding the month prior to the month the report is filed and ending on the 15th of the month prior to the month the report is filed ~~within 30 days after the end of such period a report that identifies the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period. The CAISO shall file with the Commission and post to the CAISO Website an updated version of the report within 15 days of the discovery of any omitted data.~~

* * *

43.1.5.2.3 Subsequent Exceptional Dispatch.

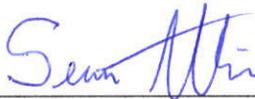
If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. The increase will be effective for the remainder of the~~entire~~ term of the Exceptional Dispatch ICPM Designation and retroactively to the beginning of the 30 day term or the first day of the month in which the increase occurs, whichever is later ~~by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity.~~ Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists 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 Washington, D.C. this 2nd day of October, 2010.



Sean A. Atkins
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