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October 5, 2007

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

**Re: California Independent System Operator Corporation
Docket No. ER06-615-_____**

Dear Secretary Bose:

Pursuant to Paragraph 175 of the Commission order issued on June 25, 2007 in the above-captioned proceeding,¹ and the Notices of Extension of Time issued on August 8, 2007, and October 1, 2007, in the proceeding, the California Independent System Operator Corporation (“CAISO”) respectfully submits an original and five copies of proposed revisions to its Market Redesign and Technology Upgrade (“MRTU Tariff”) to comply with the Paragraph 175 of the June 25 Order.² The CAISO is also tendering two copies of this filing to be time and date stamped and returned to our courier.

I. BACKGROUND AND DESCRIPTIONS OF MODIFICATIONS TO MRTU TARIFF

In an order issued in the above-captioned proceeding on September 21, 2006, the Commission required the CAISO to modify the MRTU Tariff to prevent a Load-following Metered Subsystem (“MSS”) from designating a Reliability Must-Run

¹ *California Independent System Operator Corp.*, 119 FERC ¶ 61,313 (2007) (“June 25 Order”).

² Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the MRTU Tariff.

("RMR") Unit as a Load-following resource.³ In its November 20, 2006, filing to comply with the September 21 Order ("November 20 Compliance Filing"), the CAISO did not make this change, explaining that after further stakeholder discussion, it found that it might be possible to allow the designation of RMR Units as Load-following without jeopardizing the CAISO's ability to dispatch such units for local reliability. In Paragraph 175 of the June 25 Order, the Commission accepted the CAISO's rationale for noncompliance and directed the CAISO, upon completion of a stakeholder process, to submit revised tariff sheets reflecting the ability to allow MSS resources to designate RMR Units as Load-following.

On August 3, 2007, the CAISO filed a motion for extension of time to permit the CAISO to file the tariff revisions described above by September 28, 2007. In the motion, the CAISO informed the Commission that it was, at that time, still in discussions with the Northern California Power Agency ("NCPA"), which is currently the only Load-following MSS and the only MSS with an RMR Contract, concerning the most appropriate way to mesh the Load-following requirements and the RMR requirements. The CAISO stated that it expected to be able to complete those discussions and prepare implementing tariff language in the near future, and requested an extension of time until September 28, 2007 to file that tariff language with the Commission. On August 8, 2007, the Commission issued a Notice of Extension of Time granting the CAISO's request. On September 28, 2007, the CAISO filed a motion for extension of time to permit the CAISO to file the tariff revisions described above by October 5, 2007. On October 1, 2007, the Commission issued a Notice of Extension of Time granting that CAISO request.

Since the filing of the August 3, 2007, motion for extension of time, the CAISO has worked closely with NCPA in developing appropriate tariff language in order to allow MSSs to use RMR Units as Load-following resources. The CAISO did not conduct a full stakeholder process on this issue because, as noted above, NCPA is the only Load-following MSS as well as the only MSS with RMR Units. Not surprisingly, NCPA was the only party that raised the issue of RMR Units as Load-following resources during the MRTU Tariff filing process.

Just recently, the CAISO and NCPA completed the process of developing tariff language to allow MSSs to designate RMR Units as Load-following resources. The resulting tariff language, as included herein, is supported by both entities. Both entities, however, are continuing to discuss implementation of Load-following rules, which discussions contributed to the need to delay this compliance filing. In summary, the CAISO proposes to revise Section 4.9.13.2 to state that an MSS Operator may designate RMR Units as Load-following, and that Load-following RMR Units must be available to the CAISO for Dispatch up to the Maximum Net Dependable Capacity specified in the RMR Contract. The revised section provides that Energy delivered in response to an

³ *California Independent System Operator Corp.*, 116 FERC ¶ 61,274, at P 671 (2007) ("September 21 Order").

RMR Dispatch will be accounted for as a delivery from the MSS to the CAISO for purposes of determining if the MSS Operator followed its metered Demand and exports from the MSS except that Energy from an RMR resource in the Day-Ahead Schedule can be used for Load-following. Pursuant to Section 4.9.13.2 as revised, if no RMR Dispatch is received for a Load-following RMR Unit, that RMR Unit may participate in the CAISO Markets as any other non-RMR Load-following unit subject to Section 30.5.2.5. The CAISO has revised Section 30.5.2.5 to state that if a Load-following resource is also an RMR Unit, the MSS Operator must not specify the Maximum Net Dependable Capacity specified in the RMR Contract as Load following up or down capacity to allow the CAISO to access such capacity for RMR Dispatch.

II. CONTENTS OF FILING

Besides this transmittal letter, the instant filing includes the following attachments:

- | | |
|--------------|---|
| Attachment A | MRTU Tariff sheets black-lined against MRTU Tariff Sheets filed in the above-captioned proceeding on August 3, 2007 |
| Attachment B | Clean MRTU Tariff sheets reflecting the modifications contained in Attachment A |

III. COMMUNICATIONS

Correspondence and other communications regarding this filing should be directed to:

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⁴ In addition to Ms. Davies and Mr. Atkins, the CAISO respectfully requests that Ms. McKenna be included on the official service list. It would be of significant assistance to the CAISO if both Ms. Davies and Ms. McKenna were included on the list.

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

IV. REQUEST FOR WAIVER OF ORDER NO. 614 REQUIREMENTS

Although the clean MRTU Tariff sheets provided in Attachment B to this filing letter do contain header and footer information, the CAISO requests waiver of the requirements of the Commission's Order No. 614⁵ to the extent this information does not fully comport with these requirements. As the CAISO explained in its February 9, 2006, MRTU Tariff filing and the November 20 Compliance Filing in this proceeding, this waiver is justified because the portions of the current ISO Tariff that serve as the basis of the MRTU Tariff are likely to be amended in the normal course of business between the filing date and the proposed MRTU implementation date. Moreover, in light of the recent change in the MRTU implementation date, the CAISO will need to make a filing to correct the effective date of the MRTU tariff sheets filed previously. Therefore, prior to the MRTU implementation date, the CAISO will submit tariff sheets containing the MRTU Tariff provisions approved by the Commission that fully comply with Order No. 614.

V. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Commission accept its proposed modifications to the MRTU Tariff, in compliance with Paragraph 175 of the Commission's June 25 Order.

Respectfully submitted,



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⁵ Designation of Electric Rate Schedule Sheets, FERC Stats. & Regs., Regs. Preambles ¶ 31,096 (2000).

Attachment A – Cleansheets

MRTU Tariff Compliance Filing – October 5, 2007

P. 175 of June 2007 Order – Load following Reliability Must-Run Units

Demand in the MSS and exports from the MSS; and (b) if the deviation between Generation and imports into the MSS and metered Demand and exports from the MSS exceeds the MSS Deviation Band, then the Scheduling Coordinator for the MSS Operator shall pay the additional amounts specified in Section 11.7. If an MSS Operator elects Load-following and net Settlements, all generating resources within the MSS must be designated as Load-following resources. If an MSS Operator elects Load-following and gross Settlements, generating resources within the MSS can be designated as either Load-following or non Load-following resources. Consistent with these requirements, the MSS Operator may also modify the designation of generating resources within the MSS within the timing requirements specified for such Master File changes as described in the Business Practice Manuals.

If the MSS Operator has elected gross Settlement and is a Load-following MSS: (i) it must designate in the Master File which of its generating resources are Load-following resources, (ii) it must comply with the additional bidding requirements in Section 30.5.2.5, and (iii) the generation resources designated as Load-following resources cannot set Real-Time prices. However, Load-following resources will be eligible to receive Bid Cost Recovery to ensure that the price paid for Energy dispatched by the CAISO is not less than the MSS Operator's accepted Bid price. Bid Cost Recovery for a Load-following MSS resource is only applicable to generation capacity provided to the CAISO Markets by that MSS resource and is not applicable for the generating capacity that is designated or used by an MSS Operator to follow its own Load.

An MSS Operator may designate RMR Units as Load-following. Load-following RMR Units must be available to the CAISO for Dispatch up to the Maximum Net Dependable Capacity specified in the RMR Contract. Energy delivered in response to an RMR Dispatch shall be accounted for as a delivery from the MSS to the CAISO for the purposes of determining if the MSS Operator followed its metered Demand and exports from the MSS as described in this Section 4.9.13.2 except that Energy from an RMR Unit in a Day-Ahead Schedule can be used for Load-following to satisfy Day-Ahead scheduled Demand like any other non-RMR Load-following resource. If no RMR Dispatch is received for a Load-following RMR Unit, such Load-following RMR Unit may participate in the CAISO Markets as any other non-RMR Load-following unit subject to Section 30.5.2.5.

4.10 Candidate CRR Holder and CRR Holder Registration.

Only entities that are registered and qualified as a Candidate CRR Holder or CRR Holder shall: 1) submit nominations to CRR Allocations; 2) submit bids to CRR Auctions; and 3) register as a CRR Holder through the Secondary Registration System. In order to be registered and qualified as Candidate CRR Holders or CRR Holders, entities must have met the all of the requirements specified in this Section 4.10.

4.10.1 Procedure to Become a Candidate CRR Holder.

4.10.1.1 Candidate CRR Holder Application.

To become a Candidate CRR Holder, a Candidate CRR Holder applicant must submit a completed

or bid Supply to match the Demand Forecast. All Bids for MSSs must be identify each Generating Unit on an individual unit basis or a System Unit. For an MSS that elects Load following consistent with Section 4.9.9, the Scheduling Coordinator for the MSS Operator must include the following additional information with its Bids: the Generating Unit(s) that are Load following; the range of the Generating Unit(s) being reserved for Load following; whether the quantity of Load following capacity is either up or down; and, if there are multiple Generating Units in the MSS, the priority list or distribution factors among the Generating Units. The CAISO will not dispatch the resource within the range declared as Load-following capacity, leaving that capacity entirely available for the MSS to dispatch. The CAISO uses this information in the IFM runs and the RUC to simulate MSS Load following. The Scheduling Coordinator for the MSS Operator may change these characteristics through the Bid submission process in the HASP. If the Load-following resource is also an RMR Unit, the MSS Operator must not specify the Maximum Net Dependable Capacity specified in the RMR Contract as Load following up or down capacity to allow the CAISO to access such capacity for RMR Dispatch.

Attachment B – Blacklines

MRTU Tariff Compliance Filing – October 5, 2007

P. 175 of June 2007 Order – Load following Reliability Must-Run Units

* * *

4.9.13.2 Load-Following or Non Load-Following Election.

The MSS Operator has the option to elect to operate a System Unit of Generating Units in the MSS to follow its Load, provided that: (a) the Scheduling Coordinator for the MSS Operator shall remain responsible for purchases of Energy in accordance with the CAISO Tariff if the MSS Operator does not operate its System Unit or Generating Units and schedule imports into the MSS, to match the metered Demand in the MSS and exports from the MSS; and (b) if the deviation between Generation and imports into the MSS and metered Demand and exports from the MSS exceeds the MSS Deviation Band, then the Scheduling Coordinator for the MSS Operator shall pay the additional amounts specified in Section 11.7. If an MSS Operator elects Load-following and net Settlements, all generating resources within the MSS must be designated as Load-following resources. If an MSS Operator elects Load-following and gross Settlements, generating resources within the MSS can be designated as either Load-following or non Load-following resources. Consistent with these requirements, the MSS Operator may also modify the designation of generating resources within the MSS within the timing requirements specified for such Master File changes as described in the Business Practice Manuals.

If the MSS Operator has elected gross Settlement and is a Load-following MSS: (i) it must designate in the Master File which of its generating resources are Load-following resources, (ii) it must comply with the additional bidding requirements in Section 30.5.2.5, and (iii) the generation resources designated as Load-following resources cannot set Real-Time prices. However, Load-following resources will be eligible to receive Bid Cost Recovery to ensure that the price paid for Energy dispatched by the CAISO is not less than the MSS Operator's accepted Bid price. Bid Cost Recovery for a Load-following MSS resource is only applicable to generation capacity provided to the CAISO Markets by that MSS resource and is not applicable for the generating capacity that is designated or used by an MSS Operator to follow its own Load.

An MSS Operator may designate RMR Units as Load-following. Load-following RMR Units must be available to the CAISO for Dispatch up to the Maximum Net Dependable Capacity specified in the RMR Contract. Energy delivered in response to an RMR Dispatch shall be accounted for as

a delivery from the MSS to the CAISO for the purposes of determining if the MSS Operator followed its metered Demand and exports from the MSS as described in this Section 4.9.13.2 except that Energy from an RMR Unit in a Day-Ahead Schedule can be used for Load-following to satisfy Day-Ahead scheduled Demand like any other non-RMR Load-following resource. If no RMR Dispatch is received for a Load-following RMR Unit, such Load-following RMR Unit may participate in the CAISO Markets as any other non-RMR Load-following unit subject to Section 30.5.2.5.

* * *

30.5.2.5 Supply Bids for Metered Subsystems.

Consistent with the bidding rules specified in this Section 30.5, Scheduling Coordinators that represent MSS Operators may submit Bids for Energy and Ancillary Services, including Self-Schedules and Submissions to Self-Provide an Ancillary Service, to the DAM. All Bids to supply Energy by MSS Operators must identify each Generating Unit on an individual unit basis. The CAISO will not accept aggregated Generation Bids without complying with the requirements of Section 4.9.12 of the CAISO Tariff. All Scheduling Coordinators that represent MSS Operators must submit Demand Bids at the relevant MSS LAP. Scheduling Coordinators that represent MSS Operators must comply with Section 4.9 of the CAISO Tariff. Scheduling Coordinators that represent MSS Operators that have opted out of RUC participation pursuant to Section 31.5 must Self-Schedule one hundred (100) percent of the Demand Forecast for the MSS. For an MSS that elects Load following, the MSS Operator shall also self-schedule or bid Supply to match the Demand Forecast. All Bids for MSSs must identify each Generating Unit on an individual unit basis or a System Unit. For an MSS that elects Load following consistent with Section 4.9.9, the Scheduling Coordinator for the MSS Operator must include the following additional information with its Bids: the Generating Unit(s) that are Load following; the range of the Generating Unit(s) being reserved for Load following; whether the quantity of Load following capacity is either up or down; and, if there are multiple Generating Units in the MSS, the priority list or distribution factors among the Generating Units. The CAISO will not dispatch the resource within the range declared

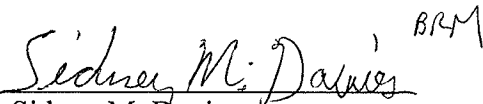
as Load-following capacity, leaving that capacity entirely available for the MSS to dispatch. The CAISO uses this information in the IFM runs and the RUC to simulate MSS Load following. The Scheduling Coordinator for the MSS Operator may change these characteristics through the Bid submission process in the HASP. If the Load-following resource is also an RMR Unit, the MSS Operator must not specify the Maximum Net Dependable Capacity specified in the RMR Contract as Load following up or down capacity to allow the CAISO to access such capacity for RMR Dispatch.

* * *

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-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 this 5th day of October, 2007 at Folsom in the State of California.


Sidney M. Davies
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