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September 22, 2005

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: California Independent System Operator Corporation
Docket No. ER05-____-000; Simplified and Reorganized ISO Tariff

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 35, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and six copies of the Simplified and Reorganized ISO Tariff (the "S&R Tariff").

The S&R Tariff simplifies and reorganizes the current ISO Tariff by: (1) merging the Protocols into the ISO Tariff where similar issues are addressed; (2) deleting duplicative provisions; (3) undertaking additional reorganization to consolidate tariff language addressing similar issues; and (4) retaining certain separate, on file Protocols that cover specific issues not addressed elsewhere in the ISO Tariff. The S&R Tariff is an interim step toward the development of a well-organized tariff implementing the CAISO's Market Redesign and Technology Upgrade ("MRTU") project targeted for filing with the Commission on November 30, 2005.

It is important to emphasize that the S&R Tariff is just that: a simplified and reorganized version of the existing ISO Tariff. The S&R Tariff contains no substantive changes to any of the CAISO's operations, practices, rates, terms or conditions of service. Accordingly, the CAISO urges the Commission to accept the S&R Tariff in its entirety.

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The S&R Tariff reflects all amendments and corrections to the ISO Tariff accepted by the Commission as of August 31, 2005.¹ The CAISO requests that the S&R Tariff be made effective as of November 21, 2005.²

I. BACKGROUND

A. The Purpose of the S&R Tariff

The current ISO Tariff is, in part, a vestige of the effort in 1997 and 1998 to commence operations. In particular, the existing ISO Tariff contains “Protocols” that were not intended to be filed, but were rather designed to serve as stand-alone supporting documents expanding upon ISO Tariff provisions and providing additional detail. However, the Commission found that the Protocols appeared to contain rates, terms, and conditions not found elsewhere in the ISO Tariff. Consequently, all the Protocols were placed on file in their entirety.

As a result, significant portions of the Protocols are either redundant with, or similar to, other provisions of the tariff. The Commission recognized this problem in 1997:

In addition, after all of the Protocols are filed, we encourage the ISO ... and all interested parties ...to review the Protocols to determine which provisions are more appropriately included in the Tariffs. We expect that as a result of that process, the ISO ... will file to amend [its] respective Protocols and Tariffs under Section 205 to incorporate these changes.... If after this process, certain of the Protocols are truly “operational guidelines” that simply add details or procedures necessary to implement tariff

¹ The S&R Tariff does not include the CAISO's Station Power amendment which has been approved by the Commission but which is not yet in effect. Thus, the S&R Tariff incorporates Metering Protocol Sections 2.2.4.3 and 2.3.5 as they are currently in effect

² The CAISO intends to make an additional filing on or shortly after November 21, 2005 to conform the S&R Tariff to reflect additional amendments and corrections accepted by the Commission through November 21, 2005 and any additional compliance filings of tariff language pending acceptance by the Commission. In addition, in the preparation of the S&R Tariff, the CAISO has noted many instances where tariff sheet designations indicate that the tariff sheet is “Effective Upon Notice.” The equivalent S&R Tariff sheets are instead identified as “Effective: November 21, 2005.” The CAISO believes that, in many cases, these tariff sheets have been made effective upon notice but conforming Tariff sheets were not filed indicating the actual effective date. The CAISO will review all such tariff sheet designations and include up-to-date tariff sheets in the filing the CAISO proposes to make on or shortly after November 21, 2005.

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provisions, the Commission will consider a future request to delete these Protocols from the rate Schedules.

Pacific Gas & Electric Company, et al., 81 FERC ¶ 61,320, 62,471 (1997).

The S&R Tariff takes the first step recommended by the Commission of “review[ing] the Protocols to determine which provisions are more appropriately included in the Tariff.” In this regard, significant portions of the Protocols have been fully merged into the relevant sections of the S&R Tariff with the result that individual subjects are addressed in the same place to the extent possible. The ISO has deferred the second step of removing Protocols, or sections of Protocols, from the Tariff that contain “operational guidelines” or “details or procedures necessary to implement tariff provisions” that need not be included in the S&R Tariff. Remaining sections of the Protocols, consisting mainly of the Appendices to the Protocols, remain as Appendices to the Tariff pending the development of the MRTU Tariff, at which time the CAISO will propose that these materials be removed from the Tariff and republished in the form of Business Practices Manuals.

As noted above, the S&R Tariff will serve as a platform for the MRTU Tariff. This MRTU project will have a significant effect on CAISO operations and will result in numerous changes to the ISO Tariff as new methods of market operations, dispatch, congestion management, settlement, market power mitigation, and assurance of resource adequacy are implemented.

Incorporating the MRTU design within the existing ISO Tariff would require that MRTU Tariff provisions on a given topic be dispersed throughout the ISO Tariff with the need for substantial cross-referencing. This would perpetuate the existing, poorly organized framework and make it more difficult to reorganize the tariff in the future. Simplifying and reorganizing the tariff now—without any substantive changes—will allow the CAISO to place the MRTU implementing language relating to specific subjects in the appropriate place within the tariff. The end result will be an MRTU Tariff that provides a well-organized, clear, and comprehensible set of tariff provisions for the CAISO and its Market Participants.

B. Summary of Stakeholder Process

The CAISO introduced the concept for the S&R Tariff with Market Participants in a meeting in April 2005 and in a white paper entitled “Development of MRTU Tariff Language: Issues, Objectives, and Proposed Process” posted on the ISO Home Page

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that same month.³ Since then, the CAISO has discussed the S&R Tariff with Market Participants at the monthly MRTU stakeholder meetings in May, June, July, and August, 2005. Additionally, the CAISO posted a preliminary draft of the S&R Tariff on April 29, 2005 and an updated draft on September 6, 2005. Several stakeholders submitted comments. On June 30, 2005, the CAISO posted a matrix summarizing the comments the CAISO received on the initial draft as well as the CAISO's response to those comments. This matrix is provided as Attachment C.2. On September 8, 2005, the CAISO Board of Governors authorized the CAISO to file the S&R Tariff. A copy of the September 2, 2005 Memorandum to ISO Board of Governors requesting Authorization to File S&R Tariff is provided as Attachment C.3.

In June 2005, the CAISO also posted a proposed list of sections to be removed from the ISO Tariff and placed into Business Practice Manuals that would not be filed with the Commission. Several stakeholders expressed some concern that the CAISO might be removing rates, terms or conditions of jurisdictional service that should be on file under Section 205 of the Federal Power Act. Other market participants expressed concern as to whether adequate enabling language in the tariff existed for each of the sections proposed to be removed. This was a particular concern for the Appendices to the Settlements Protocol. While the CAISO believes that the application of the Commission's "Rule of Reason" test for determining the level of detail concerning terms and conditions of service that must be on file would support the removal of this material, the CAISO is not proposing to do so at this time. Instead, the CAISO will continue to work with stakeholders as part of the MRTU stakeholder process to provide additional time for consideration of the scope and content of Business Practice Manuals in connection with the MRTU Tariff

II. DESCRIPTION OF THE FILING

In the proposed S&R Tariff, the CAISO has made the following types of changes:

- (1) elimination of the word-for-word redundancy between the ISO Tariff and the Protocols;
- (2) deletion of outdated and unnecessary ISO Tariff and Protocol language, such as the section on Y2K;
- (3) consolidation of the discussion of issues by merging the Protocol

³ A copy of the whitepaper is provided as Attachment C.1 to this filing.

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language into substantially similar sections of the tariff; and

- (4) reorganization of the S&R Tariff to serve as a better platform for the final MRTU Tariff and to simplify the future review of the MRTU Tariff by enabling the blacklines to focus on substance rather than tariff structure.

With respect to the last change, the CAISO has attempted to reorganize the S&R Tariff to reflect the anticipated organization of the MRTU Tariff as follows:

- (1) Article I consists of provisions of general applicability;
- (2) Article II discusses transmission service, including grid expansion, new generator interconnection, and the transmission Access Charge;
- (3) Article III defines market operations;
- (4) Article IV provides for market monitoring and market power mitigation; and
- (5) Article V provides for assurance of resource adequacy.

Attachment D to this filing is a matrix that identifies, on a section-by-section basis and in order of the current ISO Tariff, the proposed change, if any, for each ISO Tariff Section, Appendix, or Protocol provision and the reason for the change. For the convenience of stakeholders and the Commission, the CAISO has provided a second matrix, Attachment E, which identifies, on a section-by-section basis and in order of the S&R Tariff, the origin of each S&R Tariff section. These matrices, in addition to facilitating the review of the S&R tariff, provide an extra assurance that no section has been inadvertently deleted in the simplification process or overlooked in the reorganization process.

As shown in Attachment D, in cases of word-for-word redundancy or obviously outdated material, the CAISO has proposed to delete those provisions. If two sections covered substantially similar issues, the CAISO has proposed to merge them, and if the Protocols contained additional substantive provisions, the ISO has proposed to incorporate this into base tariff.

Attachment B contains the blacklines showing the proposed S&R Tariff changes and a key explaining the blackline formatting. As explained in more detail in Attachment B, bold and underlined text indicates a former Protocol section that has either been

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merged within or relocated near a related ISO Tariff section. Also, the former tariff or Protocol section number has been inserted near the transferred language in bolded brackets. Italics indicate that the CAISO has proposed additional language, often conforming language needed to integrate text transferred from a Protocol. Shading indicates language from the June 27, 2005 conformed ISO Tariff relating to a compliance filing pending before the Commission. Finally, if the CAISO has simply moved a tariff section, usually as a result of reorganizing the S&R Tariff to reflect the MRTU structure, the old section number can be found in brackets next to the new section number.

The CAISO has sought to make the blacklines as comprehensible as possible to aid the Commission and interested parties in understanding the simplification and reorganization that has occurred. The CAISO believes that strict adherence to § 35.10(c) of the Commission's regulations would result in a blackline version of the S&R Tariff as compared to the existing ISO Tariff that would not be nearly as helpful as Attachment B. Accordingly, to the extent Attachment B deviates from the strict literal requirements of § 35.10(c), the CAISO hereby requests a waiver of those requirements.

III. EFFECTIVE DATE

The CAISO respectfully requests that the Commission approve the proposed revised version of the ISO Tariff effective as of November 21, 2005, sixty days from the date of this filing.

IV. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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V. SERVICE

The CAISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, and all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the CAISO is posting this transmittal letter and all attachments on the ISO Home Page.

VII. NOTICE

A form of notice suitable for publication in the Federal Register is attached to this filing and also enclosed in electronic format on computer diskette.

VI. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

- A. Clean Tariff Sheets
- B. Blackline vs. Current Tariff
- C. Background Materials
 - C.1. CAISO Whitepaper
 - C.2. Summary of CAISO Response to Stakeholder Comments
 - C.3. Memorandum to ISO Board of Governors requesting Authorization to File S&R Tariff
- D. Table providing section-by-section summary of proposed changes to each provision of the current ISO Tariff
- E. Table providing section-by-section summary of the origin of each S&R Tariff Section
- F. Notice of Filing

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Respectfully submitted,

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