

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer
Date: September 1, 2010
Re: **Regulatory Update**

This memorandum does not require Board action.

Federal Energy Regulatory Commission (FERC) and related Court of Appeals matters

Tariff amendment filings and orders

- **Transmission planning process reform (ER-10-1401)**

On June 4, 2010, the ISO filed proposed tariff amendments to implement a revised transmission planning process that had been the subject of a stakeholder initiative starting in September 2009. The revised transmission planning process introduces substantial changes to the ISO's Order 890-compliant process. Specifically, the proposal introduces a comprehensive approach to transmission planning rather than the project-by-project process currently in use. In addition, the ISO is proposing a new category of transmission infrastructure needed to meet state and federal policy goals such as California's 33% by 2020 renewable portfolio standard. Finally, the ISO is proposing to coordinate the large generator interconnection process and the transmission planning process by considering certain transmission network upgrades as part of the comprehensive planning process. The revised process is structured in three phases with at least four stakeholder meetings and numerous opportunities for stakeholder input and comments incorporated into the process.

On July 26, FERC issued an order conditionally accepting and suspending, until the earlier of January 3, 2011 or a date set in a future FERC order, the ISO's proposed tariff provisions for a revised transmission planning process. To facilitate resolution of the proceeding, FERC directed its staff to convene a technical conference to address issues raised by the ISO's filing and to obtain additional information regarding the proposal. That technical conference was held on August 24. Comments on the technical conference are due September 8, and reply comments are due on September 17.

Responsible attorneys: Judi Sanders and Anthony Ivancovich

- **Multi-stage generating resource modeling (ER10-1360 and ER10-2056)**

On May 28, 2010, the ISO filed tariff amendments seeking to implement multi-stage generating resource modeling in ER10-1360. The implementation of such modeling will allow the ISO's market system to more accurately reflect the unique operational and economic parameters of combined cycle generating units and other resources that have multiple operating or regulating ranges that limit the resource to operate in only one of those ranges at any particular point in time. The core of the ISO's proposal involves modeling the distinct operating modes, or configurations, of generating units with multiple configurations as if each configuration were a distinct unit. The modeling approach may be extended in the future to other types of resources, such as pumped storage hydro and other storage facilities. The ISO plans to implement this new functionality on October 1. On July 29, the ISO filed its proposal for the treatment of transition costs in the multi-stage generating resource modeling in ER10-2056. The ISO's May 28 filing in ER10-1360 requested that multi-stage generators have the ability to recover the cost of transitioning from one configuration to another but did not, however, establish a methodology for calculating and mitigating transition cost because it was being considered as part of a separate, broader stakeholder process addressing all forms of commitment costs for all types of resources. On July 30, FERC issued an order generally accepting the ISO's initial filing subject to the outcome of the July 29 filing on transition costs.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Convergence bidding tariff amendments (ER10-1559)**

On June 25, 2010, the ISO filed tariff amendments to implement convergence bidding by February 1, 2011. Convergence bidding allows market participants to submit "virtual" bids for energy—demand or supply—in the ISO's day-ahead market at eligible locations. Any virtual awards in the day-ahead market are liquidated in the hour-ahead schedule process or the real-time market. Convergence bidding is expected to reduce price differences between the day-ahead market, on the one hand, and the hour ahead and real-time markets, on the other hand. In its September 2006 order approving the ISO's new market design, FERC directed the ISO to implement convergence bidding within one year of "go live." FERC granted the ISO's request for extension of time to implement this functionality by February 1, 2011. On August 2, 2010, the ISO filed its answer to comments and protests.

Responsible attorney: Sidney Davies

- **Interconnection requirements for asynchronous generating facilities (ER10-1706)**

The ISO filed a tariff amendment on July 2, 2010 to revise the interconnection requirements on large asynchronous generating facilities seeking to interconnect to the ISO grid. These resources are primarily variable energy resources such as wind and solar photovoltaic generating facilities. The tariff amendments specify requirements for low voltage and frequency ride through capabilities, power factor and reactive power capability design, voltage regulation, and power plant management. These requirements are necessary in light of the large amount of new variable energy resources seeking to interconnect to the ISO grid, which will displace conventional generation resources that provide comparable capabilities. The ISO proposes to apply these requirements to asynchronous generating facilities that have not executed or been tendered for signature a Large Generator Interconnection

Agreement. The ISO has requested an effective date of July 3, 2010 for the tariff amendments. Several parties filed comments in response to the ISO's tariff amendment and the ISO has filed an answer.

Responsible attorneys: Andrew Ulmer and Grant Rosenblum

- **Standard capacity product tariff amendments (ER10-1524)**

On August 20, 2010 FERC issued an order that approved tariff changes to implement the second phase of the standard capacity product. FERC found that the ISO's proposal to apply the standard capacity product to resource adequacy resources that were temporarily exempt from those provisions was fair and reasonable. The resource adequacy resources now subject to the standard capacity product include wind, solar, non-dispatchable cogeneration, non-dispatchable biomass, and non-dispatchable geothermal facilities. The order accepted the ISO's proposal to extend the grandfathering provision to the wind, solar and qualifying facility resource adequacy resources, and set August 22, 2010 as the deadline date for supply contracts for these resources to be eligible for grandfathering. FERC accepted the separate formula proposed by the ISO to determine the availability of wind, solar and qualifying facility resource adequacy resources, that includes a component to recognize "better of energy or capacity" output. FERC also approved the ISO's proposed three-month advisory period following the implementation of the second phase of the standard capacity product, and other minor tariff clarifications and modifications.

Responsible attorney: Beth Ann Burns

- **Transmission constraints data release (ER10-1229)**

On May 7, 2010, the ISO filed proposed amendments to its tariff that would enable release of information regarding the enforcement and management of transmission constraints in market operations. Specifically, the proposal enables the ISO to release: (1) the list of constraints the ISO plans to enforce and actually enforces in each day-ahead market; (2) information regarding the cause of each binding constraint; and (3) a monthly report that will detail instances where ISO operators adjusted market transmission system limits. The revisions also include certain protective measures regarding the requirements on parties requesting access before the information is distributed. On July 12, FERC issued an order accepting the tariff amendments effective July 13, 2010, as requested by the ISO.

Responsible attorney: Anna McKenna

- **Price correction time horizon changes (ER10-1998)**

On July 27, 2010, the ISO filed proposed revisions to its tariff to limit the timeframe that it can change posted prices to five days, unless FERC orders otherwise. The ISO also proposes 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 a business practice manual after which all posted prices will be final unless otherwise ordered by FERC. The amendments provide market participants the requested price certainty, while providing a reasonable time frame within which the ISO can correct posted prices to ensure that such market prices are consistent with the ISO's filed tariff requirements.

Responsible attorney: Anna McKenna

- **Alternative dispute resolution process (ER10-1815)**

On August 27, 2010, FERC accepted the ISO's tariff amendment to reassign responsibility for administration of the alternative dispute resolution process to an ISO employee appointed by the Chief Executive Officer. Previously, this had been a responsibility of a committee of the Board of Governors. The Board approved the tariff amendment, together with related changes to the charter of the Audit Committee, in May. No parties protested or commented on the amendment at FERC.

Responsible attorney: Dan Shonkwiler

- **Congestion revenue rights credit policy amendments (ER10-2297)**

On August 23, 2010, the ISO filed the second of two tariff amendments to eliminate unnecessary credit requirements for participating in the ISO's congestion revenue rights auctions. In this filing, the ISO is proposing to reduce excessive pre-auction credit requirements while ensuring that the credit requirements are sufficient to cover the maximum credit exposure of an auction participant. In addition, the ISO is proposing to eliminate the existing requirement of an auction participant to dedicate a portion of its available credit for use in the auction.

Responsible attorneys: Sidney Davies and Grace Arupo

- **Proxy demand resource (ER10-765-000)**

On July 16, 2010, the ISO received an order conditionally accepting the ISO's tariff amendment to implement proxy demand response. The order requires the ISO to make some modifications to its proposed tariff, including placing the method for calculating the resource baseline in the tariff itself, instead of a business practice manual. On August 16 the ISO filed a motion for clarification with respect to the order, pertaining to situations where resources awarded ancillary services might be exposed to dispatches of longer than one hour. The ISO launched the proxy demand response product on August 13, 2010.

Responsible attorney: Bill Di Capo

- **Scarcity pricing (ER10-500)**

The ISO submitted proposed tariff language to FERC on December 24, 2009 to implement its reserve scarcity pricing design approved by the Board in response to FERC's directive to implement scarcity pricing by April 1, 2010. On March 31, 2010, FERC requested additional information to evaluate the ISO's proposed scarcity pricing design, including information on how the ISO's proposed scarcity demand reserve curve values reflect applicable reliability standards and provide adequate price signals for customers to invest in generation and demand response technologies and for customers to participate in the ISO's market. The ISO filed its response to FERC's questions on April 30. FERC issued an order largely accepting the ISO's scarcity pricing design on June 29 but suspended the effective date of scarcity pricing until November 29, 2010. FERC directed the ISO to justify proposed differences between the scarcity values proposed for the ISO system region and the ISO's ancillary services sub-regions or make those values consistent. The ISO filed a motion for clarification or, in the alternative rehearing, of FERC's order indicating it will make these values consistent but requested that

FERC clarify that it is not necessary to add the values together to calculate ancillary service marginal prices, when there is a shortage in both the ISO system region and an ancillary service sub-region. Several parties filed answers in support of the ISO's motion. The ISO has also submitted a compliance filing consistent with the relief it requested in its motion for clarification.

Responsible attorney: Andrew Ulmer

- **Participation of non-generator resources in ancillary services market (ER10-1755)**

On July 12, 2010, the ISO filed a tariff amendment to modify the operating characteristics and technical requirements for existing ancillary services market. The purpose of this tariff amendment is to increase the pool of resources capable of providing ancillary services. One party filed a protest to the ISO's tariff amendment, arguing that it still creates barriers for limited energy storage resources seeking to provide ancillary services and that the ISO should implement a regulation energy management feature. In its answer, the ISO explained that it intends to examine the regulation energy management feature as part of the ISO's renewable integration market and product review stakeholder process.

Responsible attorney: Andrew Ulmer

- **Settlements recalculation window (ER10-1735)**

On July 8, 2010, the ISO filed a proposed amendment to establish an additional process and timeline for settling true-up adjustments related to the trading days from April 1 through October 31, 2009. The ISO has already completed the recalculation settlement statements specified in the ISO tariff provisions for this bridge period. The proposed amendment will apply recently implemented payment acceleration provisions to this period, which will provide a definite process and timeline for settling the remaining true-up adjustments, beginning with the publication of a recalculation settlement statement 18 months after the trading day. There are over 50 true-up adjustments in the settlement queue that are awaiting reruns for those trading days. The ISO proposed an effective date of October 6, 2010 for the proposed settlement provisions for the bridge period. This date coincides with the date that the ISO will publish recalculation settlement statement T+18M for trading day April 1, 2009, if necessary. The ISO will thereafter publish a recalculation settlement statement T+18M as necessary for subsequent trading days in the bridge period.

Responsible attorney: Beth Ann Burns

Regulatory contracts filings and orders

- **Solar Partners I Large Generator Interconnection Agreement (LGIA) (ER10-732)**

On February 12, 2010, SCE filed this LGIA for the interconnection of the Solar Partners I DPT 1 project to the ISO grid, including construction of a portion of SCE's proposed Eldorado-Ivanpah transmission project as a network upgrade to accommodate this interconnection. FERC ordered SCE to submit a compliance filing revising the termination cost provisions of the LGIA that relate to FERC's conditional approval of SCE's recovery of the costs of "abandoned plant" for the Eldorado-Ivanpah project in Docket No. EL10-1, and SCE filed a request for rehearing. On August 23, FERC granted SCE's request for rehearing, restoring the provisions of the DPT 1 LGIA to their originally executed

form. The effect of the FERC order is to permit SCE to retain the provisions of the LGIA making Solar Partners I responsible as the interconnection customer for any costs incurred for the network upgrades if the LGIA is terminated in the event FERC does not grant approval of SCE's recovery of any abandoned plant costs from transmission ratepayers in Docket No. EL10-1.

Responsible attorney: Mike Dozier

- **CPC West, CPC East, DPT 2, Ivanpah 3, and Desert Sunlight Large Generator Interconnection Agreements (LGIA) (ER10- 2122, 2146, 2147, 2148, and 2282)**

The ISO and Southern California Edison Company entered into LGIAs for the CPC West, CPC East, DPT 2, Ivanpah 3, and Desert Sunlight projects that do not conform to the ISO's pro forma LGIA. The non-conforming provisions relate primarily to conditions in these LGIAs pertaining to SCE's up-front funding of the network upgrades for the interconnection of these projects, including the provision that SCE must receive FERC approval to recover any costs of "abandoned plant" from transmission ratepayers as a condition of its up-front funding of the upgrades. SCE and the ISO submitted separate filings of these agreements due to the need of each to establish its own baseline service agreement in FERC's new eTariff software system.

Responsible attorney: Mike Dozier

- **Imperial Irrigation District Adjacent Balancing Authority Operating Agreement (ER10-1761)**

On July 13, 2010, the ISO filed an Adjacent Balancing Authority Operating Agreement with Imperial Irrigation District. This agreement specifies the terms for coordination of operations by the ISO and Imperial Irrigation District as operators of adjacent balancing authority areas, particularly including each party's responsibilities in the event of an emergency potentially affecting the reliable operation of the parties' transmission facilities pursuant to the mandatory reliability standards of the North American Electric Reliability Corporation.

Responsible attorney: Mike Dozier

- **Griffith Energy non-conforming Dynamic Scheduling Host Balancing Authority Area Operating Agreement (ER10-1015)**

On July 28, 2010, the ISO filed this agreement with FERC that specifies the terms for dynamic scheduling of energy and ancillary services and imports of regulation from the Griffith Energy "generator-only" balancing authority area. The agreement was filed with FERC because it does not conform to the ISO's pro forma version of this agreement in the following primary respects:

1. Provisions for imports of regulation have been added.
2. Provisions regarding the calculation of area control error and integrated interchange values between the Griffith Energy and ISO balancing authority areas have been clarified.
3. Griffith Energy has agreed to generate for real-time deviations such that the ISO will receive the requested amount of dynamically scheduled regulation service.

Responsible attorney: Mike Dozier

- **Riverside Metered Subsystem Agreement Amendment and termination of Corona Participating Generator Agreement (ER10-1289)**

On July 19, 2010, FERC issued an order accepting the ISO's filing of an amendment to the Amended and Restated Metered Subsystem Agreement between the ISO and the City of Riverside and a companion notice of termination of the Participating Generator Agreement between the ISO and the City of Corona. The amendment and termination reflect the planned transfer from Corona to Riverside of the Clearwater power plant. The FERC order granted the ISO's request that they be effective as of the closing date of the transfer.

Responsible attorney: Mike Dozier

- **Dynegy South Bay reliability must-run contract (ER10-166)**

Dynegy South Bay and the ISO filed a joint settlement on August 12, 2010. If approved by FERC, the settlement will resolve all disputes concerning the rates, terms and conditions of reliability must-run service for contract year 2010. In addition the settlement resolves certain other prospective costs.

Responsible attorney: Sidney Davies

Report filings

- **Monthly convergence bidding status report (ER10-300)**

On July 30 and August 31, 2010, the ISO filed its August and September reports on the status of convergence bidding. FERC directed the ISO to file monthly status reports to track progress toward the ISO's implementation of convergence bidding by February 2011.

Responsible attorney: Sidney Davies

- **Q2 2010 report on progress in processing interconnection requests (ER 08-317)**

On July 30, 2010 the ISO filed with FERC a second quarter status report on the ISO's processing of generator interconnection requests. FERC included this reporting requirement in its 2008 order approving the ISO's cluster LGIP process. The ISO reported that it was in the process of finalizing Phase II interconnection reports for the transition cluster. The ISO and participating transmission owners accelerated the completion date of these reports by approximately 3 months, in order to accommodate projects seeking federal stimulus cash grants under the American Recovery and Reinvestment Act.

Responsible attorney: Bill Di Capo

- **Market disruption reports (ER06-615)**

On July 15 and August 19, 2010, the ISO submitted its monthly market disruption reports. A market disruption is an action or event that causes a failure of an ISO market, related to system operation issues or system emergencies. Section 7.7.15 of the tariff authorizes the ISO to take one or more of a number of specified actions in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption.

Responsible attorney: Anna McKenna

- **Exceptional dispatch reports (ER08-1178)**

The ISO submitted two monthly exceptional dispatch reports. On July 15, and August 19, 2010, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the months of May and June, respectively. On July 30 and August 30, 2010, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the month of April and May 2010, respectively.

Responsible attorney: Sidney Davies

Rulemakings and policy statements

- **Rates, accounting and financial reporting for new electric storage technologies notice of inquiry (AD10-13)**

FERC staff requested comments on potential alternative cost recovery and accounting mechanisms for new electric storage technologies. Storage facilities may be capable, under certain circumstances, of acting as generation, transmission, distribution or load resources. In its comments, the ISO advocated that, whenever possible, FERC should facilitate the entry of new technologies through transparent and technology-neutral market-based rate regimes as it allows for more efficient use of capital, provides more equitable allocation of risk between investors and ratepayers, and minimizes potential market distortions. The ISO recognizes, however, that circumstances may exist where storage facilities might more appropriately be classified as transmission. Any such classification should rest on how the storage facility is utilized and whether the facility competes with, or performs functions similar to, other clearly categorized resources and whether it influences market outcomes. If the facility is more appropriately compares to transmission based on these considerations, should the storage facility be eligible for cost-based recovery in a manner similar to transmission or, potentially, a hybrid approach.

Responsible attorney: Grant Rosenblum

- **North American Electric Reliability Corporation (NERC) (RD10-14)**

On August 20, the Independent System Operator/Regional Transmission Organization Council (IRC) filed a motion to intervene and comments. The IRC supported NERC's request to discontinue quarterly data collection associated with nuclear restoration times under FERC Order No. 693.

Responsible attorney: Anthony Ivancovich

- **Operator training rulemaking (RM09-25)**

On August 23, 2010, the IRC filed comments in response to FERC's notice of proposed rulemaking on proposed Reliability Standards PER-005-1 (System Personnel Training) and PER-004-2 (Reliability Coordination Staffing). The proposed reliability standards would require transmission operators, balancing authorities, and reliability coordinators to establish a training program for their system operators, verify each of their operator's capability to perform tasks, and provide emergency operations training to every system operator. The IRC comments supported the filed PER-005-1 standard as robust, reliability-oriented, and meeting the need for the training of operators to acquire the needed competency. The comments suggest that a minimum implementation time of two years would be reasonable for the proposed standards.

Responsible attorneys: Anthony Ivancovich and Beth Ann Burns

Other FERC matters

- **Waiver of financial security for certain transition cluster projects (ER10-1656)**

On August 13, 2010, FERC granted the ISO's request for a waiver of financial posting requirements for interconnection customers in the transition cluster, where a participating transmission owner has committed to provide up-front funding for the customer's network upgrade costs. This order waives the requirement for transition cluster customers to post financial security in the amount of 30% of their cost responsibility for these network upgrades when these upgrades will be financed by the participating transmission owner.

Responsible attorney: Bill Di Capo

- **PJM Interconnection request for declaratory order (EL10-78)**

On July 20, 2010, PJM Interconnection petitioned FERC for a declaratory order to find that PJM's application of a specific methodology (of its own design) will allow employees and board members of PJM to hold a financial interest in certain companies or their affiliates that are defined by FERC as "Market Participants," but whose participation in PJM's markets are attenuated in relation to their overall business activities. PJM asserted that the purpose of the petition is to seek guidance for enforcing its Code of Conduct in a manner consistent with the intent of the prohibited investments rule in 18 C.F.R. § 35.34(j)(1)(i). PJM asks FERC to exclude PJM "market participant" entities, that are non-traditional electricity entities, from being defined as a market participant (as that term is used in Commission regulation), if the entity "does not have an economic or commercial interest that would be significantly affected by the [RTO's] actions or decisions." On August 19, the ISO filed comments in support of PJM's petition, noting that the prohibition in 18 C.F.R. § 35.34(j)(1)(i) guides the ISO in how it enforces its Code of Conduct, and that PJM's requested order is consistent with how other similar federal laws allow for such exemptions when they do not, because of their financial position, present a potential conflict for investment.

Responsible attorneys: Greg Fisher and Dan Shonkwiler

- **Green Energy Express Petition for declaratory order (EL10-76)**

On July 2, 2010 Green Energy Express filed a petition for declaratory order requesting FERC to determine that under the terms of the ISO tariff, transmission developers that are not participating transmission owners have the right to build network upgrades identified in the ISO's Large Generator Interconnection Procedure (LGIP) and radial, generation tie-lines that qualify as location constrained resource interconnections. The ISO filed a motion to intervene and protest on July 23. The ISO demonstrated that under its LGIP tariff provisions, FERC Order No. 2003, and FERC's *pro forma* LGIP tariff provisions, LGIP network upgrades are the sole responsibility of the existing transmission owner to whose existing transmission system the generator will be interconnecting. The ISO also showed that (1) under its tariff and applicable FERC orders, location constraint resource interconnection facilities are built by existing participating transmission owners, and (2) under the Transmission Control Agreement an entity cannot become a participating transmission owner by merely turning over generation tie-line facilities to the ISO's operational control.

Responsible attorney: Anthony Ivancovich

- **Southern California Edison Eldorado-Ivanpah incentive rate filing (EL10-1)**

On August 24, 2010, the ISO submitted comments on SCE's August 3 compliance filing in response to the condition set forth in FERC's December 17, 2009 order in this proceeding. SCE's filing requests FERC's confirmation that SCE has satisfied the conditions of the December 17 order for recovery of any costs of abandoned plant and other rate incentives for the proposed Eldorado-Ivanpah Transmission Project. The ISO's comments confirm the ISO's approval of the portions of the Eldorado-Ivanpah project that are network upgrades for generator interconnection projects in LGIAs executed by the ISO and describe the incorporation of these network upgrades into the ISO's transmission planning process.

Responsible attorney: Mike Dozier

- **Dynegy reliability must-run settlement agreement (ER10-166)**

On behalf of Dynegy and the ISO, Dynegy filed a settlement agreement proposing to resolve all disputes concerning rates terms and conditions of reliability must-run service from Dynegy's South Bay Power Plant for the 2010 contract year under its reliability must-run contract with the ISO. In addition, the settlement would resolve certain costs beyond the 2010 contract year.

Responsible attorney: Sidney Davies

Court of Appeals matters

Market Redesign and Technology Upgrade Appeal (D.C. Circuit Docket No. 07-1208)

On July 23, the United States District Court of Appeals for the D.C. Circuit issued a favorable ruling on an appeal of FERC's orders of the ISO's Market Redesign and Technology (MRTU) upgrade tariff. Sacramento Municipal Utility District (SMUD), the Imperial Irrigation District (IID), the City and County of San Francisco (CCSF), and SDG&E had each challenged aspects of the orders, including

locational marginal pricing, marginal losses charges, local resource adequacy requirements, and the allocation of congestion revenue rights. The Court denied all the challenges, finding them without merit.

Responsible attorneys: Roger Collanton and Dan Shonkwiler

- **Integrated-Balancing Authority Area appeal (No. 09-1213)**

A number of municipal utilities have appealed FERC's orders accepting a tariff amendment concerning the pricing of interchange transactions with the balancing authority areas operated by SMUD and the Turlock Irrigation District. The amendment is commonly known as the Integrated Balancing Authority Area or "IBAA" amendment. The petitioners contend that, in accepting the IBAA amendment, FERC acted arbitrarily and exceeded its jurisdiction. The ISO filed a brief in support of FERC, which was joined by PG&E and SCE. Briefing will be complete on August 25, and oral argument will be heard October 21.

Responsible attorneys: Roger Collanton, Dan Shonkwiler, and Andrew Ulmer

California Public Utilities Commission (CPUC) matters

Smart Grid rulemaking (R.08-12-009)

On July 30, 2010, the CPUC released a ruling that establishes a framework and timeline for addressing two topics left unresolved in its June 28, 2010 smart grid order (CPUC D.10-06-047). The first issue deals with proposing metrics to be used in measuring the smart grid deployment efforts of California's IOUs. The second issue deals with what actions the Commission should undertake to protect the privacy of consumer energy usage data while also providing timely access to that information. With respect to smart grid metrics, the July 30 ruling publishes over 80 proposed metrics and invites parties to comment on them. The ISO's comments suggested four principles in reviewing the metrics:

1. Limit number of metrics to ensure focus on goals;
2. Provide direct "line of sight" for each metric to smart grid objectives;
3. Ensure metrics measure factors that are within the control of the IOUs; and
4. Consider how the metric will be quantified.

With respect to consumer privacy, the ISO agreed that protecting individual customers' privacy is a critical goal but that any rules adopted to further that goal should ensure that third-party demand response aggregators would still have the opportunity to be part of a robust and broad demand response capability.

Responsible attorney: David Zlotlow

Long-term procurement rulemaking (R.10-05-006)

On July 19, 2010, the ISO filed comments urging the CPUC to permit the state's investor-owned utilities to participate in convergence bidding once that is implemented in February 2011. The ISO explained that the benefits of convergence bidding are best realized when both load serving entities and suppliers participate.

Responsible attorney: Sidney Davies

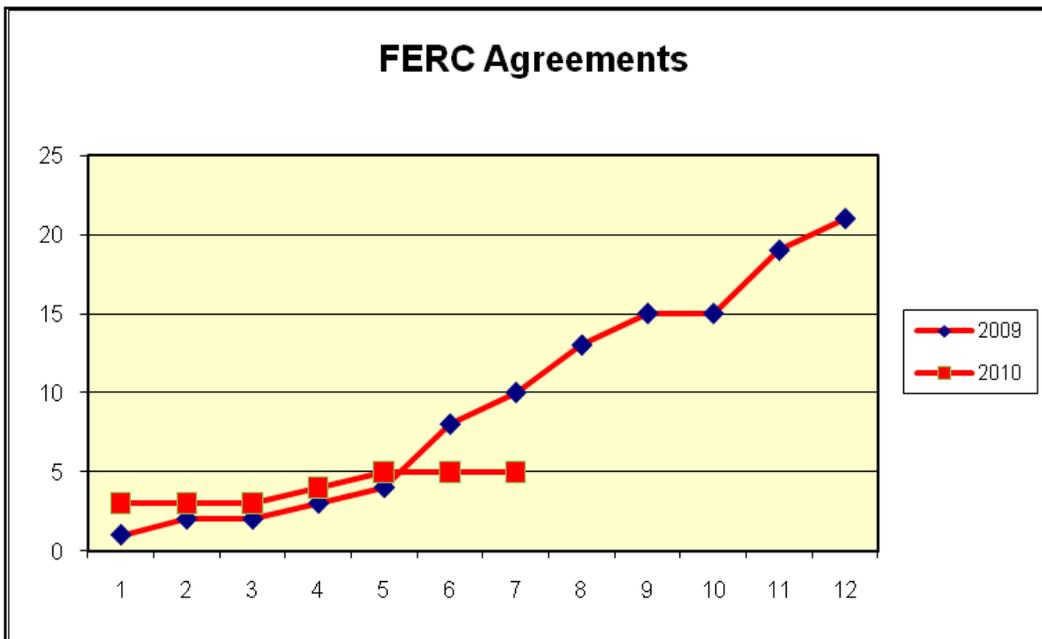
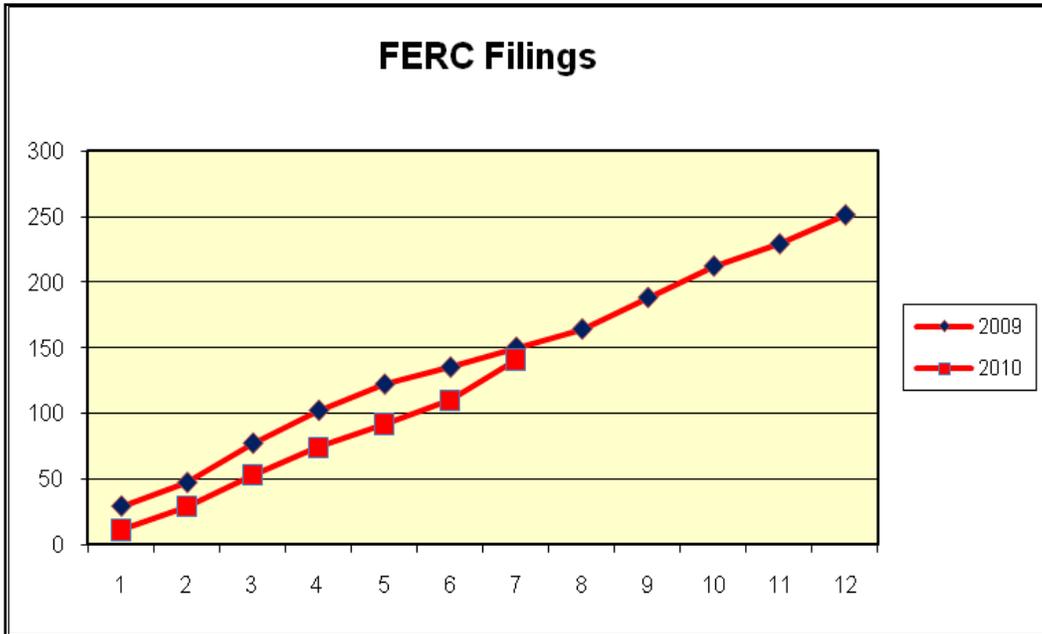
Other State regulatory matters

Petition for Review of San Diego Regional Water Board Order concerning South Bay Power Plant

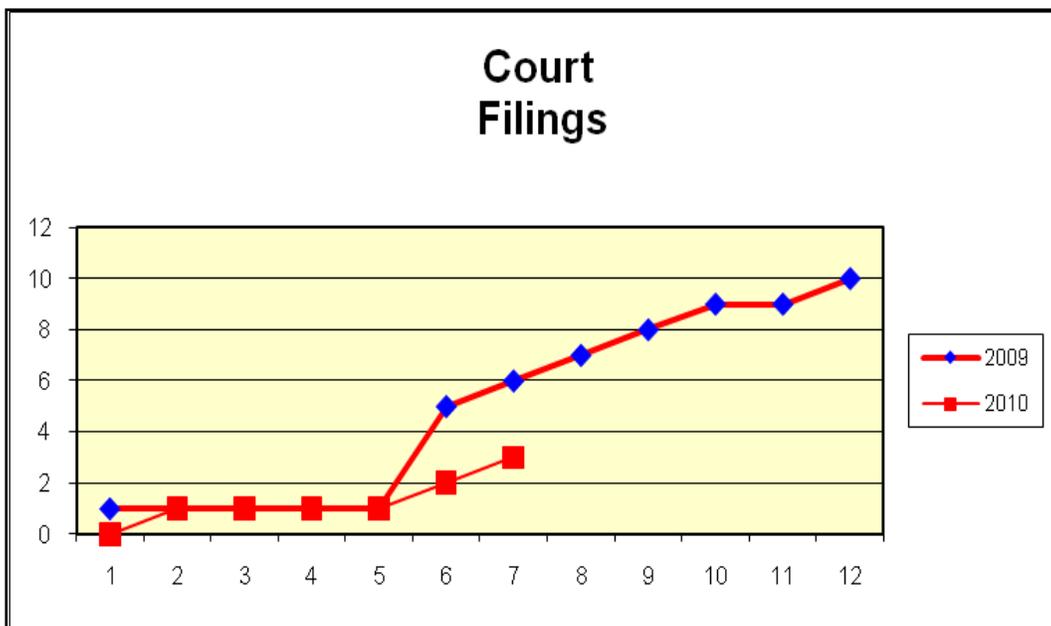
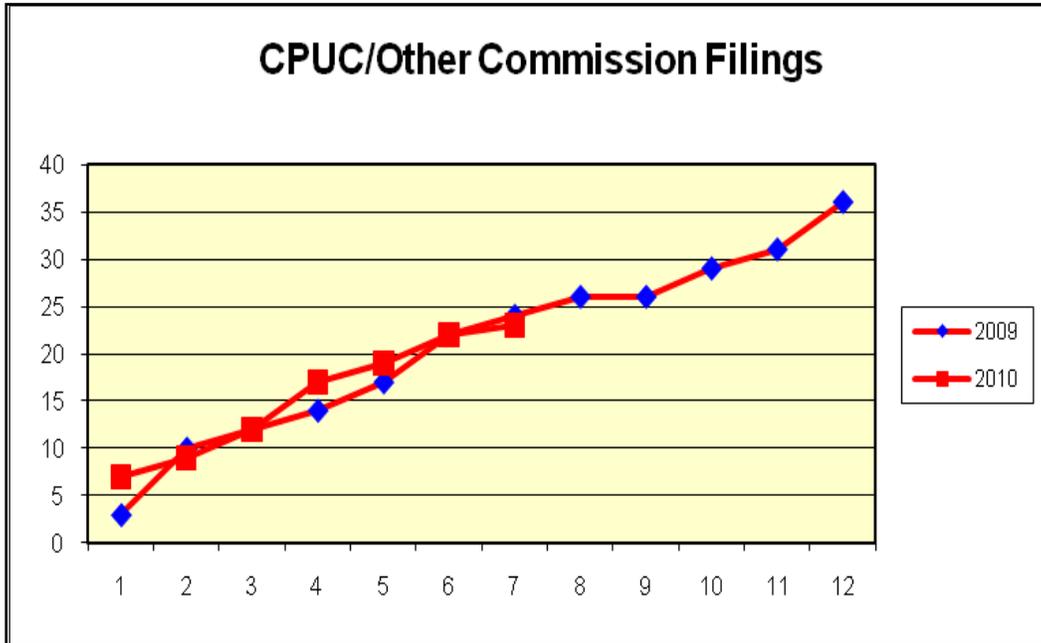
On June 11, 2010, the ISO filed a petition with the State Water Resource Control Board for review of a San Diego Regional Water Quality Control Board order that prohibits operation of the South Bay Power Plant under an extension of Dynegy's South Bay's current National Pollutant Discharge Elimination System (NPDES) permit beyond December 31, 2010. Dynegy has filed an application for a new NPDES permit but may need to operate beyond 2010 under its current permit, if a new NPDES permit is not issued in a timely manner. In its petition, the ISO argues that the Regional Board's order violates state law governing administrative extension of NPDES permits and is inconsistent with the compliance timeframes established by recently adopted statewide policy on the use of coastal and estuarine waters for power plant cooling. The State Board has yet to take any action in response to the ISO's petition.

Responsible attorneys: Andrew Ulmer and Sidney Davies

Regulatory Filings July 2010 Charts



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