

April 15, 2008

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

**Re: California Independent System Operator Corporation
Filing to Comply with Order No. 890-A
Docket Nos. OA08-12-____ and OA08-62-____**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO")¹ hereby submits this filing to comply with Order Nos. 890² and 890-A.³ The instant filing sets forth revisions to the CAISO's existing open access transmission tariff ("CAISO Tariff") to allow non-generation resources to provide specified Ancillary Services in compliance with Paragraph 888 of Order No. 890, and to capitalize the term "Affiliate" in compliance with Paragraph 1003 of Order No. 890-A. This filing also incorporates these revisions into the CAISO's tariff implementing the Market Redesign and Technology Upgrade ("MRTU") and makes an additional change to the MRTU Tariff to comply with the directive in Paragraph 293 of Order No. 890-A regarding the inapplicability of imbalance penalties in instances where a generator is complying with a directive of the balancing authority, transmission provider, or reliability coordinator. Further, this filing, as well as the CAISO's Order No. 890 compliance filing filed in Docket No. OA08-12 on October 11, 2007, explain how a number of directives in Order No. 890-A are inapplicable to the current CAISO Tariff and the MRTU Tariff and explains why the services provided by the CAISO are consistent with the *pro forma* Open Access Transmission Tariff ("OATT"), as revised by Order Nos. 890

¹ Capitalized terms not otherwise defined herein have the same meaning as set forth in the CAISO's MRTU Tariff on file with the Commission or the existing CAISO Tariff, as applicable.

² *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007) ("Order No. 890").

³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2008), *reh'g pending* ("Order No. 890-A").

and 890-A. In addition, this filing explains that the CAISO's Order No. 890 compliance filing submitted in Docket No. OA08-62 on December 21, 2007, satisfies the transmission planning requirements of Order Nos. 890 and 890-A.

I. INTRODUCTION

In Order No. 890, the Commission issued directives and a *pro forma* OATT with the stated goal of preventing undue discrimination and preference in the provision of transmission services. On October 11, 2007, the CAISO submitted a filing in Docket No. OA08-12-000 to comply with the non-transmission planning requirements of Order No. 890 ("October 11 Filing"). On December 21, 2007, the CAISO submitted a filing in Docket No. OA08-62-000 to comply with the transmission planning requirements of Order No. 890 ("December 21 Filing"). The CAISO refers the Commission to the discussion in those filings with regard to all issues related to Order No. 890 other than those addressed in the instant filing to comply with the modified or clarified requirements of Order No. 890-A.⁴

A number of parties filed requests for rehearing and clarification of Order No. 890, which are addressed in Order No. 890-A. Order No. 890-A directed Regional Transmission Organization ("RTO") and Independent System Operator ("ISO") transmission providers, such as the CAISO, to submit filings pursuant to Section 206 of the Federal Power Act ("FPA") that contain the revised non-rate terms and conditions of the *pro forma* OATT set forth in Appendix C to Order No. 890-A within 90 days of publication of Order No. 890-A in the Federal Register, *i.e.*, by April 15, 2008.⁵

As the CAISO stated in the October 11 Filing and the December 21 Filing, the CAISO supports the Commission's goal of preventing undue discrimination and preference with regard to the provision of transmission services. The CAISO continues to support that goal with regard to Order No. 890-A. The instant compliance filing contains the following tariff revisions to comply with the requirements of Order Nos. 890 and 890-A: (1) revisions to Section 8.1 in the current CAISO Tariff and the MRTU Tariff to allow non-generation resources to provide specified Ancillary Services; (2) revisions to capitalize the term "Affiliate" in Section 12.1.2.1, Section 38.3, Appendix S -- SPP 1.2.2, and Appendix AA -- Sections 1.2.2 and 4.6 in the currently effective CAISO Tariff and Section 12.1.2.1, Section 38.3, Section 39.9, and Appendix S -- Sections 1.2.2 and 4.6 in the MRTU Tariff; and (3) a revision to Section 11.23 of the MRTU tariff to provide that uninstructed deviation penalties ("UDP") shall not apply to any Uninstructed Imbalance Energy resulting from compliance with a directive of the CAISO or the reliability coordinator, or responding to frequency decay.

⁴ See *supra* note 2.

⁵ Order No. 890-A at P 38.

However, as the CAISO explained in the October 11 Filing, a number of the requirements of Order No. 890 are not applicable to the current CAISO Tariff or the MRTU Tariff. Likewise, a number of the directives provided by the Commission on rehearing, in Order No. 890-A, are not applicable to the current CAISO Tariff or the MRTU Tariff. As explained below, the modifications to the *pro forma* OATT adopted in Order No. 890-A that are not applicable to the CAISO's service model, and where the CAISO's service model is consistent with or superior to those modifications, are as follows: (1) revisions to Attachment C for those transmission providers that use an Available Flowgate Capacity ("AFC") calculation methodology; (2) revisions concerning energy and generation imbalances; (3) modifications to the capacity reassignment provisions of the *pro forma* OATT; (4) revisions pertaining to unauthorized use penalties; (5) modifications to planning redispatch and conditional firm service requirements; (6) revisions pertaining to rollover rights; (7) requirements for the processing of transmission service requests; (8) revisions concerning reservation priorities for transmission service; and (9) revisions pertaining to the designation of network resources.

With respect to these Order No. 890-A compliance obligations, the CAISO submits that the terms of its existing CAISO Tariff and the Commission-conditionally accepted MRTU Tariff are consistent with or superior to the *pro forma* OATT, as revised by Order No. 890-A.

Many of the specific reforms adopted in Order No. 890-A simply are not applicable to, or are incompatible with, the CAISO's service model which differs significantly from the *pro forma* OATT service model. For example, the CAISO does not offer traditional Order No. 888 network and point-to-point transmission services; the CAISO offers only a single "daily" transmission service that is available to all eligible customers. There are no firm, long-term transmission reservations of capacity under the CAISO's service model. Likewise, there is no formal application process for transmission service. Instead, service is scheduled on a daily basis. The modifications to Order No. 888 point-to-point and network transmission services that the Commission adopted in Order No. 890-A, as well as certain posting requirements related to these services, do not apply to the CAISO's "daily" transmission service model and, as such, the Commission should not require the CAISO to adopt them.

As the CAISO indicated in its October 11 Filing, the Commission has previously found that the "daily" transmission service provided by the CAISO is consistent with the non-discrimination goals of Order No. 888 and that all customers have access to the CAISO Controlled Grid on a non-discriminatory basis. The Commission also has found that the combination of physical and financial rights provided by the Firm Transmission Rights ("FTRs") under the CAISO's existing congestion management scheme provides customers with an equivalent level of price certainty and service quality to the services under the *pro forma* OATT. Further, the Commission has concluded that the financial

Congestion Revenue Rights (“CRRs”) under the CAISO’s MRTU market design are superior to a pure physical rights approach because the CRR congestion management scheme provides greater flexibility to accommodate changes in the usage of the transmission system over time, more accurate price signals, and an opportunity to receive revenues from CRRs or sell them.⁶ Nothing in Order No. 890-A changes these previous conclusions or requires the CAISO to modify its service model.

The Commission should reaffirm that the revised right-of-first-refusal (“ROFR”) provisions adopted in Order No. 890-A do not apply to the CAISO. The CAISO Tariff does not contain a ROFR provision, and the Commission previously has found that the nature of the CAISO’s transmission service is not compatible with a ROFR. The D.C. Circuit has upheld the Commission’s findings in this regard. The changes to the ROFR provision in Order No. 890-A do not alter the premise underlying the Commission’s prior decisions that the ROFR does not apply under the CAISO service model and that the CAISO is not required to include a ROFR provision in its Tariff. Accordingly, the Commission should confirm that the revised ROFR requirements set forth in Order No. 890-A are not applicable to the CAISO.

The CAISO also submits that its MRTU Tariff provisions pertaining to energy and generator imbalances are consistent with or superior to the corresponding modified provisions of the *pro forma* OATT as adopted in Order No. 890-A.⁷ Sections 27-42 of the MRTU Tariff provide detail regarding the terms and conditions pursuant to which the energy and ancillary services day-ahead and real-time market will be conducted and cleared. Section 11 provides, *inter alia*, the settlement calculations for these specific services. These provisions satisfy the requirement in Order No. 890-A that transmission providers include language in their tariffs specifying the method by which they will calculate incremental costs for the purposes of imbalance charges. The CAISO’s imbalance “services” under MRTU are also consistent with or superior to Order No. 890-A’s requirement that generator imbalance service be offered (1) for any transmission service used to deliver energy from a generator located within the transmission provider’s control area, and (2) to any generator in the control area.

⁶ *California Independent System Operator Corp.*, 116 FERC 61,274, at P 900 (2006).

⁷ The CAISO submits that good cause exists to permit the CAISO to make its compliance demonstration regarding energy and generator imbalances based on the service model and tariff provisions that will be in place on the effective date of MRTU implementation. The CAISO believes that any effort to demonstrate compliance with Order No. 890-A based on the currently effective CAISO Tariff would be irrelevant because the CAISO’s current imbalance energy pricing and congestion management schemes will be completely overhauled under MRTU and replaced with an LMP-based system. Moreover, the CAISO expects MRTU to be implemented in a matter of months after the summer of 2008. For these reasons, the CAISO requests that the Commission grant leave and any necessary waivers to permit the CAISO to demonstrate compliance with the Order No. 890-A generation and energy imbalance requirements based on the terms of the MRTU Tariff.

Further, MRTU's Locational Marginal Price ("LMP")-based system that calculates the incremental and decremental costs for any increase or decrease in energy at a location is consistent with or superior to the modified definition of incremental cost which requires a transmission provider to use the cost of the last 10 MWs dispatched for any purpose. Although Section 11.23 of the MRTU Tariff contains language regarding the application of Uninstructed Deviation Penalties ("UDP"), such provisions do not apply until the Commission authorizes the CAISO to actually implement them. Even if UDP were to be made effective, UDP only applies to imbalance energy deviations by generation resources. Thus, this penalty already complies with the Commission's new requirement that any penalty for imbalance energy can only apply to generation or energy imbalances.

Finally, as the CAISO noted in its October 11 Filing, Order No. 890 does not require the CAISO to provide conditional firm point-to-point transmission service because the CAISO operates a real-time energy market. Similarly, Order No. 890 does not require the CAISO to adopt the revisions to planning redispatch service because the Commission has previously found the CAISO's Tariff to be just and reasonable without the inclusion of planning redispatch service. Accordingly, the revisions in Order No. 890-A pertaining to conditional firm service and planning redispatch are not applicable to the CAISO.

Thus, for the foregoing reasons, the tariff revisions contained in the instant filing are all that are required to make the CAISO compliant with the requirements of Order No. 890-A.

II. COMPLIANCE DEMONSTRATION

A. OASIS Issues

1. ATC/TTC Narrative Explanation

In Order No. 890-A, the Commission directed transmission providers, working through the North American Energy Services Board ("NAESB"), to develop the Open Access Same-Time Information System ("OASIS") functionality necessary for postings involving changes in schedules, transmission or generation additions, prolonged outages, or changes in maintenance schedules causing a Total Transfer Capability ("TTC") change of 10 percent. Pending completion of this work by NAESB, the Commission directed transmission providers to post these narrative explanations as comments on OASIS.⁸

As the CAISO explained in its October 11 filing, the CAISO exceeds the Commission's requirements for posting narrative explanations of the causes for TTC changes of 10 percent or more. The CAISO posts on OASIS the impact and a brief description of the cause of **every** outage on a constrained path that

⁸ Order No. 890-A at P 125.

causes a derate. This includes outages that cause partial derates, far below the 10 percent change in TTC that Order No. 890 contemplates as the threshold for posting a narrative explanation. The CAISO's postings also include outages of the path's total capacity for the short term, as well as those of an extended duration. The CAISO believes that posting the cause and impact of all outages significantly increases transparency and provides meaningful information to Market Participants well beyond the requirements of Order Nos. 890 and 890-A.

In Order No. 890-A, the Commission also directed each transmission provider that employs the AFC calculation methodology to provide a statement in its Order No. 890-A compliance filing describing how the narrative is derived for Availability Transmission Capability ("ATC")/TTC postings or, if such information was provided in a prior compliance filing, a reference to that filing.⁹

This directive does not apply to the CAISO because the CAISO does not employ the AFC calculation methodology. As explained in the October 11 Filing, the CAISO utilizes the NERC-approved Rated System Path Method to establish the TTC of CAISO branch groups. Appendix L to the CAISO Tariff discusses in detail how the CAISO follows the Rated System Path Method to calculate transfer capability by identifying critical transmission paths between areas of the network, determining appropriate system constraints, and rating each path's achievable transfer loading capabilities for a range of system conditions.

2. Additional Transparency Issues

In Order No. 890-A, the Commission clarified that the step-by-step modeling study methodology and criteria for adding or eliminating flowgates (permanent and temporary) is part of the ATC methodology that must be stated in Attachment C to each transmission provider's OATT. The Commission directed any transmission provider that has failed to include this information in its Attachment C to include that information as part of the compliance filing required by Order No. 890-A. If the transmission provider has already satisfied this obligation in a previous compliance filing, it should refer to that filing instead.¹⁰

As discussed in the preceding section, this directive does not apply to the CAISO because the CAISO does not employ the AFC calculation methodology.

B. Energy and Generation Imbalance Issues

In Order No. 890-A, the Commission issued the following directives concerning energy and generation imbalances:

⁹ *Id.* at P 127.

¹⁰ *Id.* at P 149.

- The Commission revised the language of Schedules 4 and 9 of the *pro forma* OATT to clarify that the transmission provider may charge a transmission customer a penalty for either hourly generator imbalances under Schedule 9 or hourly energy imbalances under Schedule 4 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.¹¹
- The Commission revised Section 3 of the *pro forma* OATT to make clear that generator imbalance service must be offered for any transmission service used to deliver energy from a generator located within the transmission provider's control area, as required in Schedule 9.¹²
- The Commission revised Schedule 9 of the *pro forma* OATT to require the transmission provider to offer generator imbalance service to any generator in its control area (subject to certain stated limitations). The Commission clarified that if a generator has executed a service agreement for generator imbalance service, any transmission customer scheduling from the generator will be deemed to have satisfied its obligation to purchase generator imbalance service under Section 3 and Schedule 9.¹³
- The Commission revised Schedule 9 of the *pro forma* OATT to include an exemption from generation imbalance penalties for generators responding to correct frequency decay and for generators that deviate from their schedules due to directives by balancing authorities, transmission operators, and reliability coordinators.¹⁴
- The Commission modified the definition of incremental cost to require transmission providers to use the cost of the last 10 MWs dispatched for any purpose, *i.e.*, to serve native load, correct imbalances, or to make off-system sales.¹⁵
- The Commission required transmission providers to provide language in their OATTs clearly specifying the methods by which they calculate incremental costs for purposes of imbalance charges, as well as the methods they will use to obtain each component of the calculations.¹⁶

¹¹ *Id.* at P 273.

¹² *Id.* at P 287.

¹³ *Id.* at P 288.

¹⁴ *Id.* at P 293.

¹⁵ *Id.* at P 309.

¹⁶ *Id.* at P 310.

As the CAISO explained in the October 11 Filing, the specific provisions of Order No. 890 regarding charges for energy and generator imbalances are not compatible with ISO and RTO markets where energy and generator imbalances are resolved through market mechanisms. Over the past two years, the Commission has issued a series of orders conditionally accepting the CAISO's MRTU Tariff which will implement an energy market and congestion management paradigm based on LMPs.¹⁷ The CAISO has recently announced a delay in the start of MRTU, which the CAISO now anticipates will begin in the fall of 2008.¹⁸

In its October 11 Filing, the CAISO demonstrated that the LMP-based, two-settlement energy imbalance market and pricing structure satisfies the three generation and energy imbalance charge principles adopted in Order No. 890: (1) the charges must be based on incremental cost or some multiple thereof; (2) the charges must provide an incentive for accurate scheduling; and (3) the provisions must account for the special circumstances presented by intermittent generators and their limited ability to precisely forecast or control generation levels. In its October 11 Filing the CAISO also demonstrated that the CAISO's LMP-based market and pricing structure is consistent with or superior to the specific energy and generator imbalance penalty structure adopted in Order No. 890.¹⁹ Under MRTU, imbalances are resolved through the optimized Real-Time Market and settled financially based on LMPs derived through that optimization.

The CAISO demonstrates below how its MRTU LMP-based settlement of energy and generator imbalances is consistent with or superior to the additional requirements regarding energy and generator imbalances adopted in Order No. 890-A.

1. The MRTU Tariff Is Consistent With Or Superior To The *Pro Forma* OATT Imbalance Provisions As Modified By Order No. 890-A

As discussed in the October 11 Filing, the MRTU design provides transparent and efficient mechanisms for procuring and pricing Imbalance Energy and allocating costs which enable the CAISO to track and post the actual

¹⁷ See *California Independent System Operator Corp.*, 116 FERC ¶ 61,274 (2006); *California Independent System Operator Corp.*, 119 FERC ¶ 61,076 (2006); *California Independent System Operator Corp.*, 119 FERC ¶ 61,313 (2007); *California Independent System Operator Corp.*, 120 FERC ¶ 61,271 (2008); *California Independent System Operator Corp.*, 122 FERC ¶ 61,271 (2008).

¹⁸ See CAISO Monthly Status Report re MRTU, Docket No. ER06-615-000 (Feb. 4, 2008); CAISO Motion to Modify Effective Date of MRTU Tariff Sheets, Docket No. ER06-615-000 (Feb. 29, 2008); CAISO Monthly Status Report re MRTU, Docket No. ER06-615-000 (Apr. 7, 2008).

¹⁹ See October 11 Filing at 18-22.

incremental costs that are incurred due to Energy redispatch, as well as any additional unit commitment that is necessary to meet Imbalance Energy needs. Imbalance Energy is defined as the “deviation of Supply or Demand from Day-Ahead Schedule, positive or negative, as measured by metered Generation, metered Load, or Real-Time Interchange Schedules.” Imbalance Energy calculated as specified in Section 11.5 of the CAISO tariff is therefore either the energy delivered to a load or the output of a generator. Under this structure, each Scheduling Coordinator will incur a charge or payment depending on the deviations of its resources, demand or generation, from the Day-Ahead Schedule. Imbalance Energy is settled based on the LMPs derived from the Real-Time Market (“RTM”) optimization, which are market-based prices derived from the clearing of Supply Bids against a telemetry-based short-term load forecast that reflects actual system conditions.

Imbalance Energy is further categorized as Instructed Imbalance Energy (“IIE”) or Uninstructed Imbalance Energy (“UIE”). Instructed Imbalance Energy is that portion of Imbalance Energy resulting from Dispatch Instructions issued by the CAISO in the Real-Time Market or the Hour-Ahead Scheduling Process (“HASP”) Intertie Schedules for resources that are dispatched hourly (*i.e.*, Non-Dynamic System Resources). Uninstructed Imbalance Energy is that portion of energy or generation that is not IIE. As illustrated in Section 11.5 of the MRTU Tariff, the two are settled differently, but both the IIE and UIE settlements are based on the applicable replacement costs for the imbalance energy or generation, which are calculated using the applicable LMPs for the applicable settlement intervals. No penalty is applied to either. The only penalties that potentially might accrue to UIE are the Uninstructed Deviation Penalties (“UDP”) under Section 11.23 of the MRTU Tariff. However, UDP will not be in effect at the start of MRTU and further Commission authorization is required before the CAISO can implement these provisions. However, even if UDP were made effective, the UDP would apply only to UIE by generation resources (see Section 11.23 (c) of the MRTU Tariff) and, therefore, this penalty complies with the Commission’s additional requirement that any penalty for imbalance energy applies only to generation or to energy imbalances. Stated differently, under the two-settlement LMP-based markets that will be in place under MRTU, in the event the CAISO receives authorization to charge and in fact charges any penalty for imbalances, the CAISO will charge Market Participants a penalty for only to generator imbalances, and therefore would not charge such penalties to both energy or generation.²⁰ This is consistent with or superior to the first modification from Order No. 890-A listed above.

The CAISO’s settlement of energy and generation imbalances under MRTU also is consistent with or superior to Order No. 890-A’s new requirement (in Section 3 of the *pro forma* OATT) that generator imbalance service must be offered for any transmission service used to deliver energy from a generator

²⁰ Order No. 890-A at P 273.

located within the transmission provider's control area,²¹ and the new requirement in Schedule 9 of the *pro forma* OATT that the transmission provider offer generator imbalance service to any generator in its control area (subject to certain stated limitations). Under the MRTU Tariff, the CAISO provides nondiscriminatory access to transmission service (see Section 2.1). All Scheduling Coordinators representing Eligible Customers have access to the generation and energy imbalance markets contemplated the MRTU Tariff through the submission of Bids or Self-Schedules. Similarly, all generators interconnected to the CAISO Controlled Grid can participate in the CAISO Markets by entering into a Participating Generator Agreement and by submitting bids or self-schedules through a Scheduling Coordinator. Once such generators have satisfied these requirements, all the provisions of the MRTU Tariff, including the Imbalance Energy Settlement provisions, apply to such entities. (See Section 4.6 of the MRTU Tariff.)

The MRTU Tariff also is consistent with or superior to the modified definition of incremental cost which requires transmission providers to use the cost of the last 10 MWs dispatched for any purpose, *i.e.*, to serve native load, correct imbalances, or to make off-system sales.²² As discussed in greater detail in the October 11 Filing, the CAISO's two-settlement LMP-based market for energy and generation values the cost of any incremental or decremental energy at the real-time LMP. The LMP-based system allows the transmission provider to calculate the incremental and decremental costs for any increase or decrease in energy or generation at a specific location dispatched for any service. Therefore, the CAISO submits that no additional changes are required to the MRTU Tariff.

The MRTU Tariff also satisfies the new requirement in Order No. 890-A that transmission providers provide language in their OATTs clearly specifying the methods by which they calculate incremental costs for purposes of imbalance charges, as well as the methods they will use to obtain each component of the calculations.²³ As previously explained in the October 11 Filing, all incremental costs in the CAISO's two settlement market are calculated on the basis of LMP. The provisions in Sections 27 through 42 of the MRTU Tariff provide detail about the terms and conditions for which the energy and ancillary services day-ahead and real-time markets will be conducted and cleared. In addition, Section 11 of the MRTU Tariff, including the numerous subsections thereof, provides the settlement calculations of the specific settlement amounts that will apply to Scheduling Coordinators for any specific energy, generation or ancillary services obligations. The substantial detail provided in these sections satisfies the

²¹ *Id.* at P 287.

²² *Id.* at P 309.

²³ *Id.* at P 310.

requirement that the transmission provider specify in its Tariff the methods by which they calculate incremental costs for purposes of imbalance charges, as well as the methods used for obtaining each of component of the calculations.

2. To Comply With Order No. 890-A, The CAISO Proposes To Include Tariff Language Providing That UDP Will Not Apply To Imbalances By Generators Responding To Correct Frequency Decay Or To Comply With Directives By The CAISO Or A Reliability Coordinator

As discussed above, at the start of MRTU, no penalties will apply to Energy or Generation imbalances. However, in the event the CAISO were to implement UDP, as specified in Section 11.23 of the MRTU Tariff, the MRTU Tariff does not explicitly provide that any such penalty on generation imbalances would not apply to imbalances by Generators responding to correct frequency decay or to Generators that deviate from their schedules to comply with directives by the CAISO, which is the balancing authority, or to directives by the Reliability Coordinator for resources on the CAISO Controlled Grid.²⁴ Therefore, the CAISO proposes to include this language in Section 11.23 of the MRTU Tariff in satisfaction of the requirement in Order No. 890-A.

C. Capacity Reassignment Issues

In Order No. 890-A, the Commission issued the following directives regarding capacity reassignment:

- The Commission amended Section 23.1 of the *pro forma* OATT to reinstate the price cap on capacity reassignments as of October 1, 2010.²⁵
- The Commission revised Section 23.1 of the *pro forma* OATT and the title of Attachment A-1 to make clear that use of the form of service agreement for reassigned capacity, and associated posting of schedules and transaction information on OASIS, should be similar to the use of such agreements for primary capacity.²⁶
- The Commission stated that it was revising Schedules 7 and 8 of the *pro forma* OATT to provide that the discount rule or the price ceilings

²⁴ *Id.* at P 293.

²⁵ *Id.* at P 390.

²⁶ *Id.* at P 424.

otherwise stated in the transmission provider's OATT do not apply to reassignments of capacity.²⁷

- The Commission stated that, until NAESB modifies its business practices to reflect the requirements of Order No. 890-A, transmission providers should identify in their business practices any procedures necessary to accomplish the reassignment of capacity by their customers.²⁸

The aforementioned tariff revisions are not applicable under the CAISO's service model and, as such, the CAISO should not be required to incorporate them into its Tariff. As the CAISO explained in the October 11 Filing (pages 28-29), the current CAISO Tariff does not contain any capacity reassignment provisions, and Order No. 890's revisions regarding the reassignment of capacity are incompatible with and unnecessary given the nature of transmission service provided under the CAISO Tariff. In that regard, the CAISO does not provide long-term, reserved point-to-point transmission service. Instead, the CAISO provides a daily transmission service that is available to all potential customers. Thus, customers do not "hold" transmission capacity beyond individual hours in which they are scheduled for service and, as such, capacity reassignments are not necessary or even possible. Inasmuch as Order No. 890-A pertains to the rate cap for reassigned capacity and imposes some new administrative requirements with respect to capacity assignments, *i.e.*, it does not substantively affect the CAISO's Commission-approved tariff, there is no basis to re-visit the issue of the need for a capacity reassignment mechanism in the current CAISO Tariff or the MRTU Tariff. In any event, the CAISO's existing transmission service and the service the CAISO will provide under MRTU satisfy the three goals of capacity reassignment enunciated by the Commission, in Order No. 890 namely (1) to help parties manage the financial risk of their long-term commitments, (2) to reduce the market power of transmission providers by enabling customers to compete, and (3) to foster efficient capacity allocation.²⁹

D. Issues Concerning Operational Penalties

In Order No 890-A, the Commission stated that if a transmission provider wishes to impose charges for ancillary services as a component of an unreserved use penalty, the transmission provider must expressly state so in its OATT.³⁰ The Commission also provided clarification regarding the process described in Order No. 890-A for distributing operational penalties.

²⁷ *Id.* at P 426.

²⁸ *Id.* at P 428.

²⁹ October 11 Filing at 28-29.

³⁰ Order No. 890-A at P 463.

These directives are not applicable to the CAISO. As the CAISO explained in the October 11 Filing (page 29), the CAISO does not have unreserved use penalties under MRTU. Under the CAISO's service model, Scheduling Coordinators schedule service on the CAISO Controlled Grid on a daily basis; they do not reserve capacity.³¹

E. Issues Concerning Modifications to Long-Term Firm Point-to-Point Service

1. Planning Redispatch

In Order No. 890-A, the Commission issued the following directives regarding planning redispatch:

- The Commission stated that it was not requiring changes to the existing planning redispatch provisions stated in Sections 13.5, 15.4, 19.1 and 19.3 of the *pro forma* OATT, but to the extent an RTO or ISO has already incorporated new language into its OATT in a prior compliance filing with regard to these sections, removal of that language is at the RTO's or ISO's discretion.³²
- The Commission revised Section 32.3 of the *pro forma* OATT to make clear that the information required in a system impact study is nearly identical for network and point-to-point customers.³³
- The Commission amended Section 15.4(b) of the *pro forma* OATT to provide that transmission providers are obligated to provide planning redispatch options only to customers requesting long-term firm point-to-point service, and revised Sections 19.1 and 19.3 of the *pro forma* OATT to make clear that the planning redispatch option is available to eligible customers, not just existing transmission customers.³⁴
- The Commission clarified that, in months in which generation-related payments are collected for planning redispatch, these payments should be treated as a revenue credit to off-set native load customers' fuel adjustment clause. In months in which the embedded cost rate of transmission is collected for planning redispatch, these revenues should be included in the numerator of the rate calculation as a revenue credit.

³¹ October 11 Filing at 29.

³² Order No. 890-A at P 534 & n.209.

³³ *Id.* at P 542.

³⁴ *Id.* at P 544.

To the extent necessary, a transmission provider may propose in an FPA Section 205 filing any rate design change that may be necessary through an amendment to its formula rate or in a general or single rate case filing.³⁵

The CAISO should not be required to adopt these tariff revisions. As the CAISO explained in the October 11 Filing (pages 36-37), neither the current CAISO Tariff nor the MRTU Tariff includes a planning redispatch provision (or substitute provision).³⁶ As such, Order No. 890 does not require the CAISO to modify its Tariff in this regard.³⁷

In any event, because the CAISO does not provide point-to-point transmission service, planning redispatch requirements as specifically contemplated in the OATT and Order Nos. 890 and 890-A do not apply to the CAISO's service model. The CAISO notes that it already makes the full capability of the grid available to all transmission customers on a daily basis using a security constrained, economic dispatch/redispatch process. The CAISO's approach to transmission service – which utilizes day-ahead, bid-based access to transmission and full utilization of generation dispatch/redispatch – provides transmission customers with maximum market-based scheduling flexibility that is not unduly discriminatory and that is consistent with, or superior to, the service that would be provided by conditional firm service and planning redispatch service.

2. Conditional Firm Service

In Order No. 890-A, the Commission issued the following directives regarding conditional firm service:

- The Commission denied rehearing requests to create a network service that is the same as conditional firm point-to-point service, but revised Section 32.3 of the *pro forma* OATT to require the study of automatic devices at the request of a network transmission customer.³⁸
- The Commission amended Section 15.4(c) of the *pro forma* OATT to state that transmission providers are obligated to provide conditional firm options only to customers requesting long-term firm point-to-point service, and revised Sections 19.1 and 19.3 of the *pro forma* OATT to make clear

³⁵ *Id.* at P 606.

³⁶ October 11 Filing at 36-37.

³⁷ Order No. 890 at P 993.

³⁸ Order No. 890-A at P 559.

that the conditional firm option is available to eligible customers, not just existing transmission customers, as provided in Order No. 890.³⁹

- The Commission directed transmission providers to develop uniform OASIS posting standards, in coordination with NAESB, for transmission providers to post information regarding waivers of the biennial reassessment for planning redispatch and conditional firm service.⁴⁰
- The Commission required transmission providers, in coordination with the North American Electric Reliability Corporation (“NERC”) and NAESB, to develop within 180 days of publication of Order No. 890-A in the Federal Register, a consistent set of tracking capabilities and business practices for tagging for implementation of conditional firm service.⁴¹

The CAISO should not be made subject to these directives. As the CAISO explained in the October 11 Filing, in Order No. 890, the Commission concluded that it would be inappropriate to require that RTOs and ISOs with real time energy markets adopt conditional firm point-to-point service. Because the CAISO operates a real-time energy market, the CAISO is not required to implement conditional firm point-to-point service in order to comply with Order No. 890.⁴² Therefore, the Order No. 890-A directives listed above are inapplicable to the CAISO.

F. Rollover Rights Issues

In Order No. 890-A, the Commission issued the following directives regarding rollover rights:

- The Commission revised Section 2.2 of the *pro forma* OATT to make it clear that it is only after a transmission provider’s Attachment K planning process is accepted by the Commission that the transmission provider should file the rollover reform language, and the effective date of that language should be commensurate with the date of that filing.⁴³
- The Commission revised Section 2.2 of the *pro forma* OATT to provide that the current one-year contract commitment requirement will continue to apply to all transmission service requests that were in a transmission

³⁹ *Id.* at P 561.

⁴⁰ *Id.* at P 585.

⁴¹ *Id.* at P 592.

⁴² *Id.* at P 992.

⁴³ *Id.* at P 684.

provider's transmission queue as of the effective date of the reforms adopted in Order No. 890 (*i.e.*, July 13, 2007).⁴⁴

- The Commission revised Section 2.2 of the *pro forma* OATT to clarify its requirements regarding the current 60-day notice rule.⁴⁵

These revisions promulgated in Order No. 890-A do not apply under the CAISO's service model and, as such, the CAISO should not be required to incorporate such revisions into its Tariff. As the CAISO explained in the October 11 Filing (pages 30-31), the CAISO Tariff does not contain a ROFR provision, and a ROFR provision is incompatible with the CAISO's transmission service model both today and under MRTU. As indicated herein and in the October 11 Filing, service on the CAISO grid is scheduled on a daily basis; there are no long term reservations of capacity. The Commission has previously found that the concept of a ROFR is not compatible with the CAISO's service model, and the Commission's findings have been upheld by the D.C. Circuit Court.⁴⁶ Order No. 890-A does not call into question those previous decisions or the premises for such decisions regarding the non-applicability of the ROFR to the CAISO. Therefore, the Order No. 890-A directives stated above are inapplicable to the CAISO.

G. Issues Concerning Processing of Requests for Transmission Service

In Order No. 890-A, the Commission issued the following directives regarding the processing of requests for transmission service:

- The Commission clarified that, if the RTO or ISO is unable to identify any appropriate funds from which to pay a late study penalty, the Commission will consider case-specific cost-recovery proposals under FPA Section 205.⁴⁷
- The Commission stated that, to the extent a transmission provider wishes to adopt additional procedures governing the clustering of requested studies, it may propose such procedures in a filing under Section 205 of

⁴⁴ *Id.* at P 691.

⁴⁵ *Id.* at P 695.

⁴⁶ See *Sacramento Municipal Utility District v. Pacific Gas & Electric Company, et al.*, 105 FERC ¶ 61,358 (2003), *order on reh'g*, 107 FERC ¶ 61,237 (2004), *aff'd, sub nom Sacramento Municipal Utility District v. FERC*, 428 F.3d 294 (D.C. Cir. 2005); see also *Sacramento Municipal Utility District v. FERC*, 474 F.3d 797 (D.C. Cir. 2007).

⁴⁷ Order No. 890-A at P 757.

the FPA demonstrating that clustering will be implemented in a timely and non-discriminatory fashion.⁴⁸

- The Commission revised Section 17.7 of the *pro forma* OATT in order to define more equitably the rights and obligations of customers failing to make timely payment of deposits in order to extend the commencement of service.⁴⁹

The CAISO should not be made subject to these directives. As the CAISO explained in the October 11 Filing, the requirements of Order No. 890 concerning transmission service requests are not applicable under the CAISO's transmission service model.⁵⁰ The CAISO does not have an application process for requesting transmission service. Rather, all Scheduling Coordinators are equally eligible to submit daily transmission schedules which are processed on a nondiscriminatory basis. In other words, Scheduling Coordinators schedule service on a daily basis; there are no reservations of capacity. Given that customers do not request transmission service through a formal application process – unlike the approach contemplated in the *pro forma* OATT – the CAISO does not conduct system impact studies and facilities studies in connection with individual requests for transmission service. Instead, grid expansion and upgrade studies are conducted through the CAISO's formal transmission planning and generator interconnection processes.⁵¹ Therefore, the requirements of Order No. 890-A listed above are inapplicable to the CAISO.

H. Issues Concerning Reservation Priority

In Order No. 890-A, the Commission issued the following directives regarding reservation priority:

- The Commission revised Sections 1.39, 17.2 and 18.2 of the *pro forma* OATT to more accurately reflect the Commission's intent that pre-confirmation service should be available to all eligible customers seeking short-term firm and non-firm transmission services.⁵²
- The Commission revised Sections 13.2 and 14.2 of the *pro forma* OATT to clarify the terms and obligations of those sections.⁵³

⁴⁸ *Id.* at P 760.

⁴⁹ *Id.* at PP 773-75.

⁵⁰ October 11 Filing at 32.

⁵¹ *Id.* at 31-33.

⁵² Order No. 890-A at P 790.

⁵³ *Id.* at PP 812-13, 820.

The CAISO should not be required to make Tariff revisions to comply with these Commission directives. As explained in the October 11 Filing (pages 25-27, 33), the priorities between transmission services promulgated in Order No. 890 do not apply to the CAISO because the CAISO only offers one type of transmission service, under which there are no long-term transmission subscriptions.⁵⁴ In particular, because the CAISO does not offer separate short-term firm or non-firm transmission services, the requirement in Order No. 890-A to make pre-confirmation service available to customers seeking these two services does not apply.

I. Issues Concerning Designation of Network Resources

In Order No. 890-A, the Commission issued the following directives regarding designation of network resources:

- The Commission provided clarification regarding the terms “delivery point” and “control area(s)”.⁵⁵
- The Commission amended Sections 1.26 and 30.4 of the *pro forma* OATT to make clear that network resources do not have to be undesignated before they are used to support the provision of reserve energy under a Commission-approved reserve sharing agreement.⁵⁶

The CAISO should not be required to make tariff revisions to comply with these directives. As explained in the October 11 Filing, the new requirements for network service that the Commission promulgated in Order No. 890 are not applicable to the CAISO's transmission service model, and neither the current CAISO Tariff nor the MRTU Tariff contain any of the provisions that the Commission proposes to modify.⁵⁷ In particular, the CAISO does not have a separate network service as is contemplated in the *pro forma* OATT. Each day Scheduling Coordinators schedule the supply resources to serve their scheduled load and exports or to offer into the Energy market for the day. There is no need for a requirement or process to formally designate or un-designate network resources under these circumstances.

⁵⁴ October 11 Filing at 25-27, 33.

⁵⁵ Order No. 890-A at P 866.

⁵⁶ *Id.* at P 948.

⁵⁷ October 11 Filing at 33-34.

J. Issue Concerning the Definition of Affiliate

In Order No. 890-A, the Commission granted rehearing to amend the *pro forma* OATT such that every use of the term Affiliate in a transmission tariff is capitalized. The Commission also found that members of an umbrella joint action agency are not Affiliates of the joint action agency within the meaning of the *pro forma* OATT. The Commission further clarified that the transmission function and generation function of a single corporation are Affiliates. Each would be an entity under common control, notwithstanding the fact that they are within the same corporation.⁵⁸

The CAISO is amending both its currently effective Tariff and its MRTU Tariff to capitalize the term "Affiliate" in compliance with Paragraph 1003 of Order No. 890-A. The proposed revisions are contained in Section 12.1.2.1, Section 38.3, Appendix S -- SPP 1.2.2, and Appendix AA -- Sections 1.2.2 and 4.6 in the currently effective CAISO Tariff and Section 12.1.2.1, Section 38.3, Section 39.9, and Appendix S -- Sections 1.2.2 and 4.6 in the MRTU Tariff.

K. Provision of Ancillary Services by Other Non-Generation Resources

In Order No. 890, the Commission adopted a number of modifications to the *pro forma* OATT, including a change to indicate that certain Ancillary Services – reactive supply and voltage control, regulation and frequency response, energy imbalance, spinning reserves, supplemental reserves and generator imbalance services – may be provided by generating units as well as other non-generation resources, such as demand resources, where appropriate.⁵⁹ The tariff language adopted by the Commission in Order No. 890 provided that non-generation resources can provide each of the aforementioned Ancillary Services to the extent they are capable of providing the specific service.⁶⁰

The CAISO's October 11 Filing to comply with Order No. 890 inadvertently omitted tariff language to comply with the aforementioned directive. In response to comments by Beacon Power Corporation ("Beacon") that pointed out this omission from the CAISO's compliance filing, the CAISO agreed to correct the oversight by modifying Section 8.1 of its MRTU Tariff to allow non-generation resources, such as Beacon's flywheel technology, to provide Ancillary Services, to the extent the modification is compatible with the CAISO's service model.⁶¹

⁵⁸ Order No. 890-A at P 1003.

⁵⁹ Order No. 890 at P 888.

⁶⁰ See Schedules 2, 3, 4, 5, 6, and 9 of the *pro forma* OATT as modified in Order No. 890.

⁶¹ CAISO Answer to Comments at 13.

The CAISO proposed to include this revision in its MRTU Tariff filing on December 21, 2007 together with numerous other revisions to the MRTU Tariff.

On December 3, 2007, Beacon filed a further answer in this proceeding in which it questioned the extent of the CAISO's proposed revision to allow non-generation resources to provide Ancillary Services. In light of Beacon's issue with the CAISO's then intended modification of MRTU Tariff Section 8.1 and the fact that the December 21 filing would address outstanding MRTU issues and not issues pertaining to compliance with Order No. 890, the CAISO concluded that it would be more appropriate for this revision to be considered in this proceeding – the Order No. 890 compliance proceeding – rather than in the MRTU proceeding. Accordingly, on December 19, 2007, the CAISO filed a supplemental answer to Beacon's comments to indicate that the CAISO would include its modification to Section 8.1 in a future compliance filing in this docket, rather than in the comprehensive MRTU Tariff filing as originally suggested.

The CAISO has included its revisions to comply with Paragraph 888 of Order No. 890 in the instant compliance filing. The CAISO is proposing to modify Section 8.1 in both the currently effective CAISO Tariff and the MRTU Tariff, and to include additional language that addresses Beacon's previous comments. Specifically, the CAISO proposes to revise Section 8.1 to provide that: (1) bids for Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support may be submitted by a Scheduling Coordinator for other non-generation resources that are capable of providing the specific service and that meet applicable Ancillary Service standards and technical requirements, as set forth in Sections 8.1 through 8.4, and are certified by the CAISO to provide Ancillary Services; and (2) the provision of Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support by other non-generation resources will be subject to the same requirements applicable to other providers of these Ancillary Services, as set forth in Sections 8.5 through 8.14 of the current CAISO Tariff and in Sections 8.5 through 8.11 in the MRTU Tariff.

The CAISO submits that these revisions to Section 8.1 are consistent with the requirements of Order No. 890 and the changes adopted by the Commission in the *pro forma* OATT. In the *pro forma* OATT, the Commission modified Schedules 2--6 and 9 to add language that allows each Ancillary Service to be provided by other non-generation resources capable of providing the service. The CAISO's revisions to Section 8.1 incorporate that modification into one provision, in language that is compatible with the CAISO's service model and tariff. Further, the CAISO's revisions address Beacon's previous comments in this proceeding by including additional language that makes it clear other non-generation resources are subject to the same requirements applicable to other providers of Ancillary Services. These requirements include standards and technical requirements, bidding and scheduling provisions, compliance testing and audits, and settlements procedures. For these reasons, the CAISO requests

that the Commission approve the proposed revisions to Section 8.1 in both the CAISO Tariff and the MRTU Tariff.

L. Issues Involving the Transmission Planning Requirements of Order No. 890-A

In Order No. 890-A, the Commission issued the following modifications to and clarifications of the transmission planning requirements adopted in Order No. 890:

- The Commission clarified that every transmission provider, including RTOs and ISOs, must submit a compliance filing stating its transmission planning process in an attachment to its OATT. This tariff language must satisfy all of the requirements of Order No. 890 with sufficient detail for stakeholders to understand the planning process implemented by the transmission provider.⁶²
- The Commission stated that the circumstances under which participation in a planning meeting is limited should be clearly described in the planning process contained in Attachment K to the transmission provider's OATT. All affected parties must be able to understand how, and when, they are able to participate in planning activities.⁶³
- The Commission stated that transmission providers must clearly define in their Attachment K the information sharing obligations placed on customers in the context of economic planning.⁶⁴

The CAISO's review indicates that December 21 Filing complies with all of the requirements listed above, as well as the transmission planning requirements of Order No. 890. As explained in the December 21 Filing, the CAISO has proposed changes to Section 24 of the MRTU Tariff and Appendix EE to the currently effective CAISO Tariff to comply with the transmission planning requirements of Order No. 890.⁶⁵ The December 21 Filing explains the process the CAISO employs to coordinate with interested parties as part of the Transmission Planning Process, including details related to meetings held as part of that process.⁶⁶ The December 21 Filing also addresses the obligations and methods related to information exchange under the Transmission Planning

⁶² Order No. 890-A at P 177.

⁶³ *Id.* at P 194.

⁶⁴ *Id.* at P 206.

⁶⁵ December 21 Filing at 5-6.

⁶⁶ *See, e.g., id.* at 18-21.

Process, including information exchange related to Economically Driven Projects.⁶⁷ Therefore, these requirements do not need to be addressed further in the instant filing.

III. 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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IV. SERVICE

The CAISO has served copies of this transmittal letter, and all attachments, on all Scheduling Coordinators, the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, and all parties in the above-referenced proceeding. In addition, the CAISO is posting this transmittal letter and all attachments on the CAISO website.

V. ATTACHMENTS

- | | |
|--------------|---|
| Attachment A | Revised CAISO Tariff sheets to comply with the applicable requirements of Order No. 890-A |
| Attachment B | Black-lined Tariff sheets showing the revisions incorporated into Attachment A |
| Attachment C | Revised Tariff sheets for the 4 th Replacement MRTU Tariff to comply with the applicable requirements of Order No. 890-A |

⁶⁷ See *id.* at 23.24.

Attachment D Blacklined Tariff sheets to 4th Replacement MRTU Tariff
showing the revisions incorporated into Attachment D.

VI. CONCLUSION

For the foregoing reasons, the Commission should accept the instant filing as satisfying the CAISO compliance obligations with respect to the requirements of Order No. 890-A.

Respectfully submitted,



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Dated: April 15, 2008

Attachment A – Clean Sheets
FERC Order 890-A Compliance Filing
April 15, 2008
Currently Effective ISO Tariff

by longer-term contracts. The ISO will manage both ISO procured and self-provided Ancillary Services as part of the real-time Dispatch. The ISO will calculate payments for Ancillary Services to Scheduling Coordinators and charge the cost to Scheduling Coordinators.

For purposes of this ISO Tariff, Ancillary Services are: (i) Regulation, (ii) Spinning Reserve, (iii) Non-Spinning Reserve, (iv) Replacement Reserve, (v) Voltage Support, and (vi) Black Start capability. Bids for Non-Spinning Reserve and Replacement Reserve may be submitted by the Demand-side as well as by owners of Generation. Bids for Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support may be submitted by a Scheduling Coordinator for other non-generation resources that are capable of providing the specific service and that meet applicable Ancillary Service standards and technical requirements, as set forth in Sections 8.1 through 8.4, and are certified by the ISO to provide Ancillary Services. The provision of Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support by other non-generation resources is subject to the same requirements applicable to other providers of these Ancillary Services, as set forth in Sections 8.5 through 8.14. Identification of specific services in this ISO Tariff shall not preclude development of additional interconnected operation services over time. The ISO and Market Participants will seek to develop additional categories of these unbundled services over time as the operation of the ISO Controlled Grid matures.

8.2 Ancillary Services Standards.

All Ancillary Services shall meet the ISO's Ancillary Services standards.

8.2.1 Determination of Ancillary Service Standards.

The ISO shall set the required standard for each Ancillary Service necessary to maintain the reliable operation of the ISO Controlled Grid. Ancillary Services standards shall be based on WECC Minimum Operating Reliability Criteria (MORC), NERC and ISO Controlled Grid reliability requirements. The ISO Grid Operations Committee, in conjunction with the relevant reliability council (WECC), shall develop these Ancillary Services standards to determine reasonableness, cost effectiveness, and adherence to NERC and WECC standards. The standards developed by the ISO shall be used as a basis for determining the quantity and type of each Ancillary Service which the ISO requires to be available. These requirements and standards apply to all Ancillary Services whether self-provided or procured by the ISO.

8.2.2 Time-frame For Revising Ancillary Service Standards.

The ISO Grid Operations Committee and the ISO Technical Advisory Committee shall periodically undertake a review of the ISO Controlled Grid operation to determine any revision to the Ancillary Services standards to be used in the ISO Control Area. At a minimum the ISO Grid Operations Committee and the ISO Technical Advisory Committee shall conduct such reviews to accommodate

Financial Security instruments as listed above shall be in such form as the ISO may reasonably require from time to time by notice to Market Participants or FTR Bidders, or in such other form as has been evaluated and approved as reasonably acceptable by the ISO. The ISO shall publish and maintain standardized forms related to the types of Financial Security listed above on the ISO Home Page. The ISO shall require the use of standardized forms of Financial Security to the greatest extent possible.

12.1.2.1 Additional Procedures Regarding Certain Types of Financial Security.

- (a) Unconditional and irrevocable guaranties: In those cases where a Market Participant or FTR Bidder is a subsidiary or Affiliate of another entity and would like to utilize the consolidated financial statements and other relevant information of that entity for obtaining credit, a signed corporate guaranty is required. A guarantor would be considered reasonably acceptable and a corresponding Financial Security Amount would be set based on the guarantor's credit evaluation according to the same procedures that apply to the credit evaluation of a Market Participant or FTR Bidder.
- (b) Cash deposits standing to the credit of the ISO in interest-bearing escrow accounts: Interest on a cash deposit standing to the credit of the ISO in an interest-bearing escrow account will accrue to the Market Participant's or FTR Bidder's benefit and will be added to the Market Participant's or FTR Bidder's prepayment account on a monthly basis. Should a Market Participant or FTR Bidder become delinquent in payments, the Market Participant's or FTR Bidder's outstanding account balance will be satisfied using deposited funds. The Market Participant or FTR Bidder must take care to replenish used funds to ensure that its Aggregate Credit Limit continues to exceed its Estimated Aggregate Liability.

the ISO, including the potential for problems between the ISO and other independent power markets or exchanges insofar as they affect the ISO Markets.

38.2.3 Market Structure Flaws.

With respect to flaws in the overall structure of the California energy markets that may reveal undue concentrations of market power in Generation or other structural flaws, the Department of Market Analysis shall provide such information or evidence of such flaws and such analysis as it may conduct to the ISO CEO and/or to the ISO Governing Board, subject to due protections of confidential or commercially sensitive information. After due internal consultation, if instructed by any of such ISO institutions or persons, the Department of Market Analysis shall also provide such information or evidence to the Market Surveillance Committee, the appropriate regulatory and antitrust enforcement agency or agencies, subject to due protections of confidential or commercially sensitive information. The Department of Market Analysis shall, at the direction of the ISO CEO and/or the ISO Governing Board, or their designee, provide such other evidence, views, analyses or testimony as may be appropriate or required and as it is reasonably capable of providing to assist the investigations of such agencies.

38.3 Scrutiny of Participant Changes Potentially Affecting Market Structure.

The Department of Market Analysis may undertake the following measures to monitor the special circumstances that may affect the operation of the ISO Markets due to corporate reorganizations including bankruptcies or changes in Affiliate relationships and may recommend corrective actions as provided in Section 38.4.

38.3.1 Exercises of Horizontal Market Power.

The Department of Market Analysis may analyze the impact of changes in market structure on the ability of Market Participants to exercise short-term horizontal market power.

38.4 Response Action by ISO.

38.4.1 Corrective Actions.

Where the monitoring activities or any consequent investigations carried out by the Department of Market Analysis pursuant to Section 38.2 and Appendix P.1 reveal a significant possibility of the presence of or

STATION POWER PROTOCOL (SPP)

SPP 1 General Conditions

SPP 1.1 Procurement

Station Power may be voluntarily self-supplied through a) permitted netting as provided in Section 10.1.3 of this ISO Tariff using Energy generated contemporaneously at the same location, b) On-Site Self Supply or c) Remote Self Supply. Third Party Supply may serve Station Power only to the extent permissible under the rules and regulations of the applicable Local Regulatory Authority.

SPP 1.2 Eligibility

SPP 1.2.1 Only Station Power loads associated with Generating Units in the ISO Control Area that are part of an approved Station Power Portfolio may be self-supplied in accordance with this SPP. Each Generating Unit must be subject to a PGA, QF PGA, or MSS Agreement. Any generating facility outside the ISO Control Area owned by the same entity is eligible to provide Remote Self-Supply to Station Power loads, subject to the terms of this SPP. Generating Units wishing to self-supply Station Power shall complete the application process specified in SPP 2.

SPP 1.2.2 Station Power may be self-supplied by a single corporate entity, government agency, or joint powers agency or other legal entity organized under the laws of the State of California. A Station Power Portfolio may not include any facilities that are owned by the owner's corporate Affiliates. In the case of a joint powers agency, a Station Power Portfolio may not include facilities independently owned by one or more members or other legally distinct entities. If an entity owns a portion of a jointly owned Generating Unit, such ownership share may be included in a Station Power Portfolio up to the amount of the associated entitlement to Energy from the jointly-owned Generating Unit provided that: (i) the entity has the right to call upon that Energy for its own use; and (ii) the Energy entitlement is not characterized as a sale from the jointly owned Generating Unit to any of its joint owners.

SPP 1.2.3 Net Output from generating facilities outside the ISO Control Area may be included in a Station Power Portfolio and used as a source of Remote Self-Supply to serve Station Power of Generating Units in the ISO Control Area and part of the Station Power Portfolio, so long as the following conditions are fulfilled:

- (a) Imports of Net Output must be scheduled using an interchange ID specified by the ISO;
- (b) Import Schedules using such interchange ID do not exceed the available Net Output of such generating facilities in any hour;
- (c) Firm transmission service to a Scheduling Point that assures delivery into the ISO Control Area is secured; and
- (d) Meter data for generating facilities located outside the ISO Control Area shall be subject to ISO audit to verify performance in accordance with these requirements.

SECTION 1. OBJECTIVES, DEFINITIONS, AND APPLICATION.

1.1 Objectives

The objective of this SGIP is to implement FERC's Order No. 2006 setting forth the requirements for Small Generating Facility interconnections to the ISO Controlled Grid.

1.2 Definitions

1.2.1 Master Definitions Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement to the ISO Tariff shall have the same meaning where used in this SGIP. A reference to a Section or an Appendix is a reference to a Section or an Appendix of the ISO Tariff. References to SGIP are to this Protocol or to the stated paragraph of this Protocol.

1.2.2 Special Definitions for this SGIP

In this SGIP, the following words and expressions shall have the meanings set opposite them:

"10 kW Inverter Process" shall mean the procedure for evaluating an Interconnection Request for a certified inverter-based Small Generating Facility no larger than 10 kW that uses the SGIP Section 2 screens. The application process uses an all-in-one document that includes a simplified Interconnection Request, simplified procedures, and a brief set of terms and conditions. See SGIP Attachment 5.

"Fast Track Process" shall mean the procedure for evaluating an Interconnection Request for a certified Small Generating Facility no larger than 2 MW that includes the SGIP Section 2 screens, customer options meeting, and optional supplemental review.

"Governmental Authority" shall mean any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, ISO, or Participating TO, or any Affiliate thereof.

"Party" or "Parties" shall mean the ISO, Participating TO(s), Interconnection Customer or the applicable combination of the above.

"Study Process" shall mean the procedure for evaluating an Interconnection Request that includes the Scoping Meeting, feasibility study, system impact study, and facilities study, as set forth in Section 3 of this SGIP.

1.3 Application

The applicability of this SGIP is set forth in Section 5.7 of the ISO Tariff. As specified in more detail in Section 5.7 of the ISO Tariff, these procedures are applicable to each new Generating Facility with a Generating Facility Capacity of 20 MW or less, or the expansion of an existing Generating Facility with a resultant Generating Facility Capacity of 20 MW or less, that seeks to

- 4.5.2 Confidential Information does not include information previously in the public domain, required to be publicly submitted or divulged by Governmental Authorities (after notice to the other Parties and after exhausting any opportunity to oppose such publication or release), or necessary to be divulged in an action to enforce this SGIP. Each Party receiving Confidential Information shall hold such information in confidence and shall not disclose it to any third party nor to the public without the prior written authorization from the Party providing that information, except to fulfill obligations under this SGIP, or to fulfill legal or regulatory requirements.
- 4.5.2.1 Each Party shall employ at least the same standard of care to protect Confidential Information obtained from the other Parties as it employs to protect its own Confidential Information.
- 4.5.2.2 Each Party is entitled to equitable relief, by injunction or otherwise, to enforce its rights under this provision to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.
- 4.5.3 Notwithstanding anything in this section to the contrary, and pursuant to 18 CFR § 1b.20, if FERC, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this SGIP, the Party shall provide the requested information to FERC, within the time provided for in the request for information. In providing the information to FERC, the Party may, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Parties prior to the release of the Confidential Information to FERC. The Party shall notify the other Parties when it is notified by FERC that a request to release Confidential Information has been received by FERC, at which time any of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.
- 4.6 Comparability
The ISO shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this SGIP. The ISO shall use the same reasonable efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Small Generating Facility is owned or operated by the applicable Participating TO, its subsidiaries or Affiliates, or others.
- 4.7 Record Retention
The ISO shall maintain for three (3) years records, subject to audit, of all Interconnection Requests received under these procedures, the times required to complete Interconnection Request approvals and disapprovals, and justification for the actions taken on the Interconnection Requests.
- 4.8 Interconnection Agreement
The Participating TO, with the ISO's review and concurrence, shall issue a SGIA to the Interconnection Customer. After receiving an interconnection agreement from the Participating TO, the Interconnection Customer shall have thirty (30) Business Days or another mutually agreeable timeframe to sign and return the interconnection agreement, or request that the ISO and Participating TO file an unexecuted interconnection agreement with the Federal Energy Regulatory Commission. If the Interconnection Customer does not sign the interconnection agreement, or ask that it be filed unexecuted by the ISO and Participating TO within thirty (30) Business Days, the Interconnection Request shall be deemed withdrawn. After the

Attachment B – Blacklines
FERC Order 890-A Compliance Filing
April 15, 2008
Currently Effective ISO Tariff

* * *

8. ANCILLARY SERVICES.

8.1 Scope.

The ISO shall be responsible for ensuring that there are sufficient Ancillary Services available to maintain the reliability of the ISO Controlled Grid consistent with WECC and NERC criteria. The ISO's Ancillary Services requirements may be self-provided by Scheduling Coordinators. Those Ancillary Services which the ISO requires to be available but which are not being self-provided will be competitively procured by the ISO from Scheduling Coordinators in the Day-Ahead Market, Hour-Ahead Market and in real time or by longer-term contracts. The ISO will manage both ISO procured and self-provided Ancillary Services as part of the real-time Dispatch. The ISO will calculate payments for Ancillary Services to Scheduling Coordinators and charge the cost to Scheduling Coordinators.

For purposes of this ISO Tariff, Ancillary Services are: (i) Regulation, (ii) Spinning Reserve, (iii) Non-Spinning Reserve, (iv) Replacement Reserve, (v) Voltage Support, and (vi) Black Start capability. Bids for Non-Spinning Reserve and Replacement Reserve may be submitted by the Demand-side as well as

Bids for Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support may be submitted by a Scheduling Coordinator for other non-generation resources that are capable of providing the specific service and that meet applicable Ancillary Service standards and technical requirements, as set forth in Sections 8.1 through 8.4, and are certified by the ISO to provide Ancillary Services. The provision of Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support by other non-generation resources is subject to the same requirements applicable to other providers of these Ancillary Services, as set forth in Sections 8.5 through 8.14. Identification of specific

services in this ISO Tariff shall not preclude development of additional interconnected operation services over time. The ISO and Market Participants will seek to develop additional categories of these unbundled services over time as the operation of the ISO Controlled Grid matures.

* * *

12.1.2.1 Additional Procedures Regarding Certain Types of Financial Security.

- (a) Unconditional and irrevocable guaranties: In those cases where a Market Participant or FTR Bidder is a subsidiary or ~~a~~Affiliate of another entity and would like to utilize the consolidated financial statements and other relevant information of that entity for obtaining credit, a signed corporate guaranty is required. A guarantor would be considered reasonably acceptable and a corresponding Financial Security Amount would be set based on the guarantor's credit evaluation according to the same procedures that apply to the credit evaluation of a Market Participant or FTR Bidder.
- (b) Cash deposits standing to the credit of the ISO in interest-bearing escrow accounts: Interest on a cash deposit standing to the credit of the ISO in an interest-bearing escrow account will accrue to the Market Participant's or FTR Bidder's benefit and will be added to the Market Participant's or FTR Bidder's prepayment account on a monthly basis. Should a Market Participant or FTR Bidder become delinquent in payments, the Market Participant's or FTR Bidder's outstanding account balance will be satisfied using deposited funds. The Market Participant or FTR Bidder must take care to replenish used funds to ensure that its Aggregate Credit Limit continues to exceed its Estimated Aggregate Liability.
- (c) Prepayments to the ISO: Prepayments to the ISO will be held in an interest-bearing account or another investment acceptable to the Market Participant and the ISO, and interest on the investment will accrue at the rate as provided for in the investment. Interest will accrue to the Market Participant's benefit and will be added to the Market Participant's prepayment account on a monthly basis. Due to the additional administrative effort involved in tracking and posting interest on such prepayments, the use of this option is not encouraged.

* * *

38.3 Scrutiny of Participant Changes Potentially Affecting Market Structure.

The Department of Market Analysis may undertake the following measures to monitor the special circumstances that may affect the operation of the ISO Markets due to corporate reorganizations

including bankruptcies or changes in aAffiliate relationships and may recommend corrective actions as provided in Section 38.4.

* * *

ISO Tariff Appendix S

Station Power

* * *

SPP 1.2.2 Station Power may be self-supplied by a single corporate entity, government agency, or joint powers agency or other legal entity organized under the laws of the State of California. A Station Power Portfolio may not include any facilities that are owned by the owner's corporate aAffiliates. In the case of a joint powers agency, a Station Power Portfolio may not include facilities independently owned by one or more members or other legally distinct entities. If an entity owns a portion of a jointly owned Generating Unit, such ownership share may be included in a Station Power Portfolio up to the amount of the associated entitlement to Energy from the jointly-owned Generating Unit provided that: (i) the entity has the right to call upon that Energy for its own use; and (ii) the Energy entitlement is not characterized as a sale from the jointly owned Generating Unit to any of its joint owners.

* * *

ISO Tariff Appendix AA

Small Generator Interconnection Procedures

* * *

SECTION 1. OBJECTIVES, DEFINITIONS, AND APPLICATION.

* * *

1.2.2 Special Definitions for this SGIP

* * *

“Governmental Authority” shall mean any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, ISO, or Participating TO, or any aAffiliate thereof.

* * *

SECTION 4. PROVISIONS THAT APPLY TO ALL INTERCONNECTION REQUESTS

* * *

4.6 Comparability

The ISO shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this SGIP. The ISO shall use the same reasonable efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Small Generating Facility is owned or operated by the applicable Participating TO, its subsidiaries or aAffiliates, or others.

* * *

Attachment C – Clean Sheets
FERC Order 890-A Compliance Filing
April 15, 2008
4th Replacement CAISO Tariff (MRTU)

8. ANCILLARY SERVICES.

8.1 Scope.

The CAISO shall be responsible for ensuring that there are sufficient Ancillary Services available to maintain the reliability of the CAISO Controlled Grid consistent with WECC and NERC Reliability Standards, WECC Reliability Criteria, and other WECC and NERC criteria. The CAISO's Ancillary Services requirements may be self-provided by Scheduling Coordinators as further provided in the Business Practice Manuals. Those Ancillary Services which the CAISO requires to be available but which are not being self-provided will be competitively procured by the CAISO from Scheduling Coordinators in the Day-Ahead Market, the Hour-Ahead Scheduling Process (the hourly HASP Ancillary Service Awards) and the RTM consistent with Section 8.3. The provision of Ancillary Services from the Interties with interconnected Balancing Authority Areas is limited to Ancillary Services bid into the competitive procurement processes in the IFM, HASP and RTM. The CAISO will not accept Submissions to Self-Provide Ancillary Services that are imports to the CAISO Balancing Authority Area over the Interties with interconnected Balancing Authority Areas, except from Dynamic System Resources certified to provide Ancillary Services or if provided pursuant to ETCs, TORs or Converted Rights. The CAISO will calculate payments for Ancillary Services supplied by Scheduling Coordinators and charge the cost of Ancillary Services to Scheduling Coordinators based on their Ancillary Service Obligations.

For purposes of this CAISO Tariff, Ancillary Services are: (i) Regulation Up and Regulation Down, (ii) Spinning Reserve, (iii) Non-Spinning Reserve, (iv) Voltage Support, and (v) Black Start capability.

These services will be procured as stated in Section 8.3.5. Bids for Non-Spinning Reserve may be submitted by Scheduling Coordinators for Curtailable Demand as well as for Generation. Bids for Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support may be submitted by a Scheduling Coordinator for other non-generation resources that are capable of providing the specific service and that meet applicable Ancillary Service standards and technical requirements, as set forth in Sections 8.1 through 8.4, and are certified by the CAISO to provide Ancillary Services. The provision of Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support by other non-generation resources is subject to the same requirements applicable to other providers of these Ancillary Services, as set forth in Sections 8.5 through 8.11. Identification of specific services in this CAISO Tariff shall not preclude development of additional interconnected operation services over time. The CAISO and Market Participants will seek to develop additional categories of these unbundled services over time as the operation of the CAISO Controlled Grid matures or as required by regulatory authorities.

- (g) The Uninstructed Deviation Penalty will apply to Generating Units providing Regulation and dynamically scheduled Dynamic System Resources providing Regulation to the extent that Uninstructed Deviations from such resources exceed each resource's actual Regulation range plus the applicable Tolerance Band. Resources providing Regulation and generating within their relevant Regulating range (or outside their relevant Regulating range as a direct result of CAISO control or instruction) will be deemed to have zero (0) deviations for purposes of the Uninstructed Deviation Penalty.
- (h) The Uninstructed Deviation Penalty will be calculated and assessed for each resource individually, except as specified in Appendix R, which specifies when Uninstructed Deviations from individual resources may be aggregated.
- (i) The Uninstructed Deviation Penalty shall not apply to any Uninstructed Imbalance Energy resulting from compliance with a directive by the CAISO or the Reliability Coordinator.
- (j) **[NOT USED]**
- (k) The Uninstructed Deviation Penalty will not apply when the applicable LMP is negative or zero.
- (l) The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be the amount of the Uninstructed Imbalance Energy in excess of the Tolerance Band multiplied by a price equal to one hundred percent (100%) of the corresponding LMP. The relevant LMP will be calculated for each UDP Location as the ten-minute weighted average price of two five-minute Dispatch Interval LMPs and the two five-minute optimal Instructed Imbalance Energy quantities. The net effect of the Uninstructed Deviation Penalty and the Settlement for positive Uninstructed Imbalance Energy beyond the Tolerance Band will be that the CAISO will not pay for such Energy.

Uninstructed Imbalance Energy exempted from the Uninstructed Deviation Penalty shall not exceed the amount of the Generating Unit's Minimum Operating Limit plus the applicable Tolerance Band. This exception from the application of the Uninstructed Deviation Penalty does not apply to Dynamic System Resources.

- (w) UDP shall not apply to deviations by a Generating Unit that are attributable to any automatic response to a system disturbance, including a response to correct frequency decay, in accordance with Applicable Reliability Criteria for the duration of the system disturbance, and for an additional five (5) minutes when a Generating Unit's deviation is in the same direction as the mitigating frequency response.
- (x) The Uninstructed Deviation Penalty shall not apply in the event that a malfunction in a CAISO system application causes an infeasible Dispatch Instruction to be communicated or prevents timely communication of a Dispatch Instruction or a SLIC malfunction prevents a resource from reporting an event that affects the resource's ability to deliver Energy.
- (y) The Uninstructed Deviation Penalty shall not apply to a failure to comply with a manual Dispatch Instruction that is not confirmed by a Dispatch Instruction transmitted through the CAISO's Automated Dispatch System.
- (z) The Uninstructed Deviation Penalty shall not apply if a Dispatch Instruction is validated after the start time of the instruction from the Settlement Interval in which the Dispatch Instruction was first effective to the earliest Settlement Interval, inclusive, in which the resource is able to respond to the Dispatch Instruction.

Financial Security instruments as listed above shall be in such form as the CAISO may reasonably require from time to time by notice to Market Participants, or in such other form as has been evaluated and approved as reasonably acceptable by the CAISO. The CAISO shall publish and maintain standardized forms related to the types of Financial Security listed above on the CAISO Website. The CAISO shall require the use of standardized forms of Financial Security to the greatest extent possible.

12.1.2.1 Additional Procedures Regarding Certain Types of Financial Security.

- (a) Unconditional and irrevocable guaranties: In those cases where a Market Participant is a subsidiary or Affiliate of another entity and would like to utilize the consolidated financial statements and other relevant information of that entity for obtaining credit, a signed corporate guaranty is required. A guarantor would be considered reasonably acceptable and a corresponding Financial Security Amount would be set based on the guarantor's credit evaluation according to the same procedures that apply to the credit evaluation of a Market Participant.
- (b) Cash deposits standing to the credit of the CAISO in interest-bearing escrow accounts: Interest on a cash deposit standing to the credit of the CAISO in an interest-bearing escrow account will accrue to the Market Participant's benefit and will be added to the Market Participant's prepayment account on a monthly basis. Should a Market Participant become delinquent in payments, the Market Participant's outstanding account balance will be satisfied using deposited funds. The Market Participant must take care to replenish used funds to ensure that its Aggregate Credit Limit continues to exceed its Estimated Aggregate Liability.

agency or agencies, subject to due protections of confidential or commercially sensitive information. The Department of Market Monitoring shall, at the direction of the CAISO CEO and/or the CAISO Governing Board, or their designee, provide such other evidence, views, analyses or testimony as may be appropriate or required and as it is reasonably capable of providing to assist the investigations of such agencies.

38.3 Scrutiny of Market Participant Changes Potentially Affecting Market Structure.

The Department of Market Monitoring may undertake the following measures to monitor the special circumstances that may affect the operation of the CAISO Markets due to corporate reorganizations including bankruptcies or changes in Affiliate relationships and may recommend corrective actions as provided in Section 38.4.

38.3.1 Exercises of Horizontal Market Power.

The Department of Market Monitoring may analyze the impact of changes in market structure on the ability of Market Participants to exercise short-term horizontal market power.

38.4 Response Action by CAISO.

38.4.1 Corrective Actions.

Where the monitoring activities or any consequent investigations carried out by the Department of Market Monitoring pursuant to Section 38.2 and Appendix P.1 reveal a significant possibility of the presence of or potential for exercises of market power that would adversely affect the operation of the CAISO Markets, or other markets interconnected or interdependent on the CAISO Markets, the Department of Market Monitoring shall take the appropriate measures under this section and under Appendix P to institute the corrective action most effective and appropriate for the situation or, in the case of markets interconnected to or interdependent on the CAISO Markets, the Department of Market Monitoring may recommend corrective actions to the appropriate regulatory agencies.

39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. CRR Holders must notify the CAISO of all entities with which the CRR Holder is affiliated that are CRR Holders or Market Participants.

SECTION 1. OBJECTIVES, DEFINITIONS, AND APPLICATION.

1.1 Objectives

The objective of this SGIP is to implement FERC's Order No. 2006 setting forth the requirements for Small Generating Facility interconnections to the CAISO Controlled Grid.

1.2 Definitions

1.2.1 Master Definitions Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement to the CAISO Tariff shall have the same meaning where used in this SGIP. A reference to a Section or an Appendix is a reference to a Section or an Appendix of the CAISO Tariff. References to SGIP are to this Protocol or to the stated paragraph of this Protocol.

1.2.2 Special Definitions for this SGIP

In this SGIP, the following words and expressions shall have the meanings set opposite them:

"10 kW Inverter Process" shall mean the procedure for evaluating an Interconnection Request for a certified inverter-based Small Generating Facility no larger than 10 kW that uses the SGIP Section 2 screens. The application process uses an all-in-one document that includes a simplified Interconnection Request, simplified procedures, and a brief set of terms and conditions. See SGIP Attachment 5.

"Fast Track Process" shall mean the procedure for evaluating an Interconnection Request for a certified Small Generating Facility no larger than 2 MW that includes the SGIP Section 2 screens, customer options meeting, and optional supplemental review.

"Governmental Authority" shall mean any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, CAISO, or Participating TO, or any Affiliate thereof.

"Party" or "Parties" shall mean the CAISO, Participating TO(s), Interconnection Customer or the applicable combination of the above.

"Study Process" shall mean the procedure for evaluating an Interconnection Request that includes the Scoping Meeting, feasibility study, system impact study, and facilities study, as set forth in Section 3 of this SGIP.

- 4.5.3 Notwithstanding anything in this section to the contrary, and pursuant to 18 CFR § 1b.20, if FERC, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this SGIP, the Party shall provide the requested information to FERC, within the time provided for in the request for information. In providing the information to FERC, the Party may, consistent with 18 CFR § 388.112, request that the information be treated as confidential and non-public by FERC and that the information be withheld from public disclosure. Parties are prohibited from notifying the other Parties prior to the release of the Confidential Information to FERC. The Party shall notify the other Parties when it is notified by FERC that a request to release Confidential Information has been received by FERC, at which time any of the Parties may respond before such information would be made public, pursuant to 18 CFR § 388.112. Requests from a state regulatory body conducting a confidential investigation shall be treated in a similar manner if consistent with the applicable state rules and regulations.
- 4.6 Comparability
The CAISO shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this SGIP. The CAISO shall use the same reasonable efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Small Generating Facility is owned or operated by the applicable Participating TO, its subsidiaries or Affiliates, or others.
- 4.7 Record Retention
The CAISO shall maintain for three (3) years records, subject to audit, of all Interconnection Requests received under these procedures, the times required to complete Interconnection Request approvals and disapprovals, and justification for the actions taken on the Interconnection Requests.
- 4.8 Interconnection Agreement
The Participating TO, with the CAISO's review and concurrence, shall issue a SGIA to the Interconnection Customer. After receiving an interconnection agreement from the Participating TO, the Interconnection Customer shall have thirty (30) Business Days or another mutually agreeable timeframe to sign and return the interconnection agreement, or request that the CAISO and Participating TO file an unexecuted interconnection agreement with the Federal Energy Regulatory Commission. If the Interconnection Customer does not sign the interconnection agreement, or ask that it be filed unexecuted by the CAISO and Participating TO within thirty (30) Business Days, the Interconnection Request shall be deemed withdrawn. After the interconnection agreement is signed by the Parties, the interconnection of the Small Generating Facility shall proceed under the provisions of the interconnection agreement.
- 4.9 Coordination with Affected Systems
The CAISO shall coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System operators and, if possible, include those results (if available) in its applicable interconnection study within the time frame specified in these procedures. The CAISO will include such Affected System operators in all meetings held with the Interconnection Customer as required by these procedures. The

Attachment D – Blacklines

FERC Order 890-A Compliance Filing

April 15, 2008

4th Replacement CAISO Tariff (MRTU)

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8. ANCILLARY SERVICES.

8.1 Scope.

The CAISO shall be responsible for ensuring that there are sufficient Ancillary Services available to maintain the reliability of the CAISO Controlled Grid consistent with WECC and NERC Reliability Standards, WECC Reliability Criteria, and other WECC and NERC criteria. The CAISO's Ancillary Services requirements may be self-provided by Scheduling Coordinators as further provided in the Business Practice Manuals. Those Ancillary Services which the CAISO requires to be available but which are not being self-provided will be competitively procured by the CAISO from Scheduling Coordinators in the Day-Ahead Market, the Hour-Ahead Scheduling Process (the hourly HASP Ancillary Service Awards) and the RTM consistent with Section 8.3. The provision of Ancillary Services from the Interties with interconnected Balancing Authority Areas is limited to Ancillary Services bid into the competitive procurement processes in the IFM, HASP and RTM. The CAISO will not accept Submissions to Self-Provide Ancillary Services that are imports to the CAISO Balancing Authority Area over the Interties with interconnected Balancing Authority Areas, except from Dynamic System Resources certified to provide Ancillary Services or if provided pursuant to ETCs, TORs or Converted Rights. The CAISO will calculate payments for Ancillary Services supplied by Scheduling Coordinators and charge the cost of Ancillary Services to Scheduling Coordinators based on their Ancillary Service Obligations.

For purposes of this CAISO Tariff, Ancillary Services are: (i) Regulation Up and Regulation Down, (ii) Spinning Reserve, (iii) Non-Spinning Reserve, (iv) Voltage Support, and (v) Black Start capability.

These services will be procured as stated in Section 8.3.5. Bids for Non-Spinning Reserve may be submitted by Scheduling Coordinators for Curtailable Demand as well as for Generation. Bids for Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support may be submitted by a Scheduling Coordinator for other non-generation resources that are capable of providing the specific service and that meet applicable Ancillary Service standards and technical requirements, as set forth in Sections 8.1 through 8.4, and are certified by the CAISO to provide Ancillary Services. The provision of Regulation, Spinning Reserve, Non-Spinning Reserve, and Voltage Support by other non-generation resources is subject to the same requirements applicable to other providers of these Ancillary Services.

as set forth in Sections 8.5 through 8.11. Identification of specific services in this CAISO Tariff shall not preclude development of additional interconnected operation services over time. The CAISO and Market Participants will seek to develop additional categories of these unbundled services over time as the operation of the CAISO Controlled Grid matures or as required by regulatory authorities.

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11.23 Penalties for Uninstructed Imbalance Energy.

Effective December 1, 2004, the CAISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.23 until FERC issues an order authorizing the CAISO to charge Uninstructed Deviation Penalties pursuant to this section. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the CAISO to charge Uninstructed Deviation Penalties pursuant to this section, the CAISO shall charge Scheduling Coordinators Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Day-Ahead Schedule otherwise. The Uninstructed Deviation Penalty will be applied as follows:

- (a) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval. The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval in which the CAISO has not declared a staged System Emergency;
- (b) The Uninstructed Deviation Penalty will apply to pre-Dispatched Bids from Non-Dynamic System Resources identified, when such a pre-Dispatch Instruction is issued more than forty (40) minutes prior to the relevant Operating Hour, subject to the following conditions: i) the Uninstructed Deviation Penalty will only apply to the pre-Dispatched amount of the Bid that is declined or not delivered, ii) the Uninstructed Deviation Penalty will not apply to a portion of a pre-Dispatched Bid that is subsequently not delivered at the direction of a Balancing Authority,

including the CAISO, due to a curtailment of transmission capability or to prevent curtailment of native firm load occurring subsequent to issuing the pre-Dispatch Instruction, iii) the Uninstructed Deviation Penalty will not apply to Uninstructed Imbalance Energy resulting from declining subsequent intra-hour Dispatch Instructions. Dynamically scheduled Dynamic System Resources, to the extent they deviate from their Day-Ahead Schedule plus any Dispatch Instructions, will be subject to the Uninstructed Deviation Penalty.

- (c) The Uninstructed Deviation Penalty will not apply to Load or Curtailable Demand.
- (d) **[NOT USED]**
- (e) The Uninstructed Deviation Penalty will not apply to Regulatory Must-Run Generation or Participating Intermittent Resources that meet the scheduling obligations established in the Eligible Intermittent Resources Protocol in Appendix Q. No other applicable charges will be affected by this exemption. The Uninstructed Deviation Penalty also will not apply to Qualifying Facilities (QFs), including those that are dynamically scheduled, that have not executed and are not required pursuant to this CAISO Tariff to execute a Participating Generator Agreement (PGA) or Qualifying Facility Participating Generator Agreement.
- (f) All MSS resources designated as Load-following resources pursuant to Section 4.9.13.2 (regardless of gross or net settlement election) are exempt from Uninstructed Deviation Penalties in this Section 11.23. All MSS resources not designated as Load-following resources pursuant to Section 4.9.13.2 (regardless of gross or net Settlement election) are subject to Uninstructed Deviation Penalties in this Section 11.23.

- (g) The Uninstructed Deviation Penalty will apply to Generating Units providing Regulation and dynamically scheduled Dynamic System Resources providing Regulation to the extent that Uninstructed Deviations from such resources exceed each resource's actual Regulation range plus the applicable Tolerance Band. Resources providing Regulation and generating within their relevant Regulating range (or outside their relevant Regulating range as a direct result of CAISO control or instruction) will be deemed to have zero (0) deviations for purposes of the Uninstructed Deviation Penalty.
- (h) The Uninstructed Deviation Penalty will be calculated and assessed for each resource individually, except as specified in Appendix R, which specifies when Uninstructed Deviations from individual resources may be aggregated.
- (i) **[NOT USED]** The Uninstructed Deviation Penalty shall not apply to any Uninstructed Imbalance Energy resulting from compliance with a directive by the CAISO or the Reliability Coordinator.
- (j) **[NOT USED]**
- (k) The Uninstructed Deviation Penalty will not apply when the applicable LMP is negative or zero.
- (l) The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be the amount of the Uninstructed Imbalance Energy in excess of the Tolerance Band multiplied by a price equal to one hundred percent (100%) of the corresponding LMP. The relevant LMP will be calculated for each UDP Location as the ten-minute weighted average price of two five-minute Dispatch Interval LMPs and the two five-minute optimal Instructed Imbalance Energy quantities. The net effect of the Uninstructed Deviation Penalty and the Settlement for positive Uninstructed Imbalance Energy beyond the Tolerance Band will be that the CAISO will not pay for such Energy.

- (m) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be the amount of the Uninstructed Imbalance Energy in excess of the Tolerance Band multiplied by a price equal to fifty percent (50%) of the corresponding Resource-Specific Settlement Interval LMP or, in the case of aggregated resources, the Settlement Interval Penalty Location Real-Time LMP.
- (n) The Uninstructed Deviation Penalty will not apply to deviations from Energy delivered as part of a scheduled test so long as the test has been scheduled by the Scheduling Coordinator with the CAISO or the CAISO has initiated the test for the purposes of validating unit performance.
- (o) The Uninstructed Deviation Penalty shall not apply to any excess Energy delivered from or any shortfall of Energy not delivered from an Exceptional Dispatch, involving a Generating Unit or a System Unit unless the CAISO and the supplier have agreed upon the time of, duration of, and amount of Energy to be delivered in the out-of-market transaction and the CAISO reflects the out-of-market transaction in its Real-Time Expected Energy calculations. The Uninstructed Deviation Penalty shall apply to Energy outside the Tolerance Band from out-of-market transactions with dynamically scheduled Dynamic System Resources to the extent the agreed-to Energy is not delivered or over-delivered, and to any Energy from Non-Dynamic System Resources to the extent the agreed-to Energy is not delivered if that over- or under-delivery was due to action taken by or not taken by the System Resource and not the result of action taken by a Balancing Authority due to a curtailment of firm transmission capability or to prevent curtailment of native firm load occurring subsequent to the out-of-market transaction.

- (p) The Uninstructed Deviation Penalty shall not apply to Generating Units and dynamically scheduled Dynamic System Resources with Uninstructed Imbalance Energy if the Generating Unit or dynamically scheduled Dynamic System Resource was physically incapable of delivering the expected Energy or if systems malfunctions prevent receipt of Dispatch Instructions, provided that the Generating Unit or dynamically scheduled Dynamic System Resource had notified the CAISO within thirty (30) minutes of the onset of an event that prevents the resource from performing its obligations. A Generating Unit or dynamically scheduled Dynamic System Resource must notify CAISO operations staff of its reasons for failing to deliver the Expected Energy in accordance with Section 9.3.10.6 and must provide information to the CAISO that verifies the reason the resource failed to comply with the Dispatch Instruction within forty-eight (48) hours of the Operating Hour in which the instruction is issued.
- (q) Adjustments to any Generating Unit, Curtailable Demand and System Resource Day-Ahead Schedules or HASP Intertie Schedules made in accordance with the terms of TRTC Instructions for Existing Contracts or TORs shall not be subject to Uninstructed Deviation Penalties. Valid changes to ETC Self-Schedules or TOR Self-Schedules submitted after the close of the HASP or the RTM shall not be subject to Uninstructed Deviation Penalties.
- (r) Any changes made to Schedules prior to the CAISO issuing HASP Intertie Schedules shall not be subject to Uninstructed Deviation Penalties.
- (s) Uninstructed Deviation Penalties shall not be charged to any deviation from a Dispatch Instruction that does not comply with the requirements set forth in this CAISO Tariff.

- (t) Amounts collected as Uninstructed Deviation Penalties shall first be assigned to reduce the portion of above-LMP costs that would otherwise be assigned pro rata to all Scheduling Coordinators in that Settlement Interval. Any remaining portion of amounts collected as Uninstructed Deviation Penalties after satisfying these sequential commitments shall be treated in accordance with Section 11.29.9.6.3.
- (u) Condition 2 RMR Units shall be exempt from Uninstructed Deviation Penalties.
- (v) The Uninstructed Deviation Penalty shall not apply to positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's Minimum Operating Limit from the time the Generating Unit synchronizes to the grid to the earlier of (1) the Settlement Interval in which the Generating Unit produces a quantity of Energy that represents an average rate of delivery over such Settlement Interval in excess of the Generating Unit's Minimum Operating Limit plus the applicable Tolerance Band, or (2) the first Settlement Interval after the expiration of a period of time that begins at the end of the Settlement Interval in which the Generating Unit synchronizes to the grid and ends after the Generating Unit's maximum Start-Up Time as specified in the Master File. The Uninstructed Deviation Penalty shall not apply to any positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's Minimum Operating Limit for a duration equal to the minimum of two Settlement Intervals or the time specified in the Master File for the Generating Unit to disconnect from the grid after reaching its Minimum Operating Limit following either (1) the last Settlement Interval of an hour in which the Generating Unit had a non-zero Day-Ahead Schedule or (2) the Settlement Interval in which the Generating Unit is expected to reach its Minimum Operating Limit based on the applicable Ramp Rate when the CAISO instructed the Generating Unit to Shut-Down. The amount of

Uninstructed Imbalance Energy exempted from the Uninstructed Deviation Penalty shall not exceed the amount of the Generating Unit's Minimum Operating Limit plus the applicable Tolerance Band. This exception from the application of the Uninstructed Deviation Penalty does not apply to Dynamic System Resources.

- (w) UDP shall not apply to deviations by a Generating Unit that are attributable to any automatic response to a system disturbance, including a response to correct frequency decay, in accordance with Applicable Reliability Criteria for the duration of the system disturbance, and for an additional five (5) minutes when a Generating Unit's deviation is in the same direction as the mitigating frequency response.
- (x) The Uninstructed Deviation Penalty shall not apply in the event that a malfunction in a CAISO system application causes an infeasible Dispatch Instruction to be communicated or prevents timely communication of a Dispatch Instruction or a SLIC malfunction prevents a resource from reporting an event that affects the resource's ability to deliver Energy.
- (y) The Uninstructed Deviation Penalty shall not apply to a failure to comply with a manual Dispatch Instruction that is not confirmed by a Dispatch Instruction transmitted through the CAISO's Automated Dispatch System.
- (z) The Uninstructed Deviation Penalty shall not apply if a Dispatch Instruction is validated after the start time of the instruction from the Settlement Interval in which the Dispatch Instruction was first effective to the earliest Settlement Interval, inclusive, in which the resource is able to respond to the Dispatch Instruction.

* * *

12.1.2.1 Additional Procedures Regarding Certain Types of Financial Security.

- (a) Unconditional and irrevocable guaranties: In those cases where a Market Participant is a subsidiary or a Affiliate of another entity and would like to utilize

the consolidated financial statements and other relevant information of that entity for obtaining credit, a signed corporate guaranty is required. A guarantor would be considered reasonably acceptable and a corresponding Financial Security Amount would be set based on the guarantor's credit evaluation according to the same procedures that apply to the credit evaluation of a Market Participant.

- (b) Cash deposits standing to the credit of the CAISO in interest-bearing escrow accounts: Interest on a cash deposit standing to the credit of the CAISO in an interest-bearing escrow account will accrue to the Market Participant's benefit and will be added to the Market Participant's prepayment account on a monthly basis. Should a Market Participant become delinquent in payments, the Market Participant's outstanding account balance will be satisfied using deposited funds. The Market Participant must take care to replenish used funds to ensure that its Aggregate Credit Limit continues to exceed its Estimated Aggregate Liability.
- (c) Prepayments to the CAISO: Prepayments to the CAISO will be held in an interest-bearing account or another investment acceptable to the Market Participant and the CAISO, and interest on the investment will accrue at the rate as provided for in the investment. Interest will accrue to the Market Participant's benefit and will be added to the Market Participant's prepayment account on a monthly basis. Due to the additional administrative effort involved in tracking and posting interest on such prepayments, the use of this option is not encouraged.

* * *

38.3 Scrutiny of Market Participant Changes Potentially Affecting Market Structure.

The Department of Market Monitoring may undertake the following measures to monitor the special circumstances that may affect the operation of the CAISO Markets due to corporate reorganizations including bankruptcies or changes in ~~a~~ affiliate relationships and may recommend corrective actions as provided in Section 38.4.

* * *

39.9 CRR Monitoring and Affiliate Disclosure Requirements.

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its aAffiliates. CRR Holders must notify the CAISO of all entities with which the CRR Holder is affiliated that are CRR Holders or Market Participants.

* * *

CAISO TARIFF APPENDIX S

**SMALL GENERATOR
INTERCONNECTION PROCEDURES (SGIP)**

* * *

SECTION 1. OBJECTIVES, DEFINITIONS, AND APPLICATION.

* * *

1.2.2 Special Definitions for this SGIP

* * *

“Governmental Authority” shall mean any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, CAISO, or Participating TO, or any aAffiliate thereof.

* * *

SECTION 4. PROVISIONS THAT APPLY TO ALL INTERCONNECTION REQUESTS

* * *

4.6 Comparability

The CAISO shall receive, process and analyze all Interconnection Requests in a timely manner as set forth in this SGIP. The CAISO shall use the same reasonable efforts in processing and analyzing Interconnection Requests from all Interconnection Customers, whether the Small Generating Facility is owned or operated by the applicable Participating TO, its subsidiaries or aAffiliates, or others.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties listed in the document as receiving service, 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 15th day of April, 2008.

Anthony J. Ivanovich ^{BRM}
Anthony J. Ivanovich