



December 17, 2010

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER10-1692-____**

Dear Secretary Bose:

On July 2, 2010, the California Independent System Operator (“ISO”) submitted an amendment filing in this proceeding to modify the credit policy provisions of the ISO tariff regarding congestion revenue rights (“CRRs”). The Commission conditionally accepted the July 2 tariff amendment in an order issued August 31, 2010.¹ On September 3, 2010, the ISO submitted a filing to comply with the August 31 Order. The Commission accepted the ISO’s September 3 compliance filing in a letter order issued November 22, 2010.

On August 23, 2010, the ISO submitted in Docket No. ER10-2297 a second tariff amendment to revise the CRR credit policy provisions. On October 29, 2010, the Commission issued an order accepting the August 23 tariff amendment and also accepting one tariff change contained in the July 2 tariff amendment on which the Commission had deferred consideration in the August 31 Order.²

This filing is necessary in order to conform the ISO tariff records on file in the Commission’s eTariff system so that they accurately reflect the cumulative result of all Commission Orders in the proceedings referenced above. While every provision in the tariff records filed herewith has been previously filed with the Commission through the eTariff system and accepted by the Commission, no single tariff record filed to date has included all of these accepted provisions, due to the sequence in which those records were filed in the various dockets and acted upon by the Commission. It is therefore

¹ *California Independent System Operator Corp.*, 132 FERC ¶ 61,195 (2010) (“August 31 Order”).

² *California Independent System Operator Corp.*, 133 FERC ¶ 61,101 (2010).

necessary for the ISO to submit the tariff records in this filing in order to comply with both (1) its general obligations under 18 C.F.R. §§ 35.1(a) and 35.2(e), as modified by Order No. 714, to post and file with the Commission full and complete tariffs, and (2) the specific requirements of the Commission Orders in the above-referenced proceedings that accepted the provisions included in the conformed tariff records filed herewith.

Attachment A to this filing contains a clean ISO tariff sheet that includes all the accepted provisions.

Respectfully submitted,

/s/ Sidney Davies
Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7246
E-mail: sdavies@caiso.com

Attorneys for the California Independent System Operator Corporation

Attachment A – Clean Tariff
California Independent System Operator Corporation
Fifth Replacement FERC Electric Tariff

12.6.2 Credit Requirements For CRR Auctions

To establish available credit for participating in any CRR Auction, each CRR Holder or Candidate CRR Holder must have an Unsecured Credit Limit or have provided Financial Security in a form consistent with Section 12.1.2. In order to participate in an annual CRR Auction, the CRR Holder or Candidate CRR Holder must have an Aggregate Credit Limit that exceeds its Estimated Aggregate Liability by the greater of \$500,000 or the sum of the maximum credit exposures of all of the CRR Holder's or Candidate CRR Holder's bids for CRRs submitted in the annual CRR Auction. In order to participate in a monthly CRR Auction, the CRR Holder or Candidate CRR Holder must have an Aggregate Credit Limit that exceeds its Estimated Aggregate Liability by the greater of \$100,000 or the sum of the maximum credit exposures of all of the CRR Holder's or Candidate CRR Holder's bids for CRRs submitted in the monthly CRR Auction. The maximum credit exposure of a positively valued CRR bid is the maximum value of the CRR Holder's or Candidate CRR Holder's bid quantity (MW) multiplied by the sum of the bid price corresponding to the bid quantity and the Credit Margin of the CRR within the range of the minimum and maximum bid quantities submitted by the CRR Holder or Candidate CRR Holder. The maximum credit exposure of a negatively valued CRR bid is the maximum bid quantity (MW) submitted by the CRR Holder or Candidate CRR Holder multiplied by the Credit Margin of the CRR. A CRR Holder or Candidate CRR Holder that fails to satisfy this requirement shall not be permitted to participate in the relevant CRR Auction, or shall have bids exceeding its available Aggregate Credit Limit for participation in the CRR Auction, in accordance with the above formula, rejected by the CAISO on a last-in, first-out basis. The CAISO will retain the CRR Auction proceeds for negatively valued CRRs and will apply them to credit requirements of the applicable CRR Holder.