



California Independent  
System Operator Corporation

January 21, 2011

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

**Re: California Independent System Operator Corporation  
Docket No. ER11-\_\_\_\_-000**

**Amendment to Correct Convergence Bidding Tariff Provision  
and Request for Waiver of 60-Day Prior Notice Requirement**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) submits a correction to Section 11.8.6.6 of its tariff in order to implement the Commission-approved policy reflected in tariff section 11.32, which specifies that any reduction of import schedules in the hour-ahead scheduling process will be subject to the allocation of real-time bid cost uplift.<sup>1</sup> As discussed below, this revision is related to similar compliance changes made to section 11.8.6.6 by the ISO consistent with prior Commission orders. The ISO respectfully requests waiver of the Commission’s regulations to permit the tariff revision contained in this filing to become effective as of February 1, 2011, the date on which the Commission has authorized the ISO to implement convergence bidding.

**I. Background**

On November 20, 2009, the ISO filed its convergence bidding design policy, which the Commission approved in principle in an order issued on February 18, 2010.<sup>2</sup> On June 25, 2010, the ISO filed a tariff amendment in

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<sup>1</sup> The ISO submits this filing pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, and Section 35.13 of the Commission’s regulations, 18 C.F.R. § 35.13. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff.

<sup>2</sup> *California Independent System Operator Corp.*, 130 FERC ¶ 61,122 (2010) (“February 18 Order”).

Docket No. ER10-1559-000 (“June 25 Tariff Amendment”) to implement convergence bidding effective February 1, 2011, consistent with the directives in the February 18 Order. A number of parties filed comments and protests regarding the June 25 Tariff Amendment, which the ISO addressed in an answer filed on August 2, 2010 (“August 2 ISO Answer”).

The August 2 ISO Answer included, *inter alia*, other proposed revisions to Section 11.8.6.6 of the ISO tariff, which concerns the allocation of net real-time market (“RTM”) bid cost uplift. The ISO explained that the revisions were necessary to fully integrate into Section 11.8.6.6 the concept of adjustments made as a result of the proposed hour-ahead scheduling process (“HASP”) intertie settlement rule set forth in new Section 11.32 of the ISO tariff.<sup>3</sup> To that end, the revisions to Section 11.8.6.6 proposed in the August 2 ISO Answer included the addition in several places of the phrase “plus any HASP reductions not associated with valid and balanced ETCs [existing transmission contracts], TORs [transmission ownership rights] or Converted Rights Self-Schedules in the Day-Ahead Market.”<sup>4</sup> On October 15, 2010, the Commission issued an order conditionally accepting the June 25 Tariff Amendment, including the proposed revisions to Section 11.8.6.6 and new Section 11.32, effective February 1, 2011.<sup>5</sup>

The ISO recently conducted a final review of the convergence bidding tariff provisions in preparation for the February 1 implementation date. Pursuant to its final review, the ISO determined that Section 11.8.6.6 inadvertently did not include the above-quoted phrase in one additional place where its use was necessary to fully integrate into Section 11.8.6.6 the policy set forth in Section 11.32 and approved in the October 15 Order. Therefore, on January 18, 2011, the ISO issued a market notice that announced a stakeholder conference call to be held on January 20, 2011, regarding the need to revise Section 11.8.6.6. On the stakeholder conference call, the ISO explained that Section 11.8.6.6 must be revised as proposed in this tariff amendment in order to fully conform Section 11.8.6.6 with the clarifications proposed in the August 2 ISO Answer and accepted by the Commission in the October 15 Order. No participant on the call voiced any concern about the proposed change.

## II. Proposed Tariff Revisions

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<sup>3</sup> New Section 11.32(iv) states that, for any import schedule that clears the day-ahead market which a scheduling coordinator reduces in the HASP, such reduced quantities will be subject to the allocation of net RTM bid cost uplift as set forth in Section 11.8.6.6.

<sup>4</sup> August 2 ISO Answer at 44-45.

<sup>5</sup> *California Independent System Operator Corp.*, 133 FERC ¶ 61,039, at PP 134, 251-52 and Ordering Paragraph (A) (2010) (“October 15 Order”). On November 15, 2010, the ISO submitted a filing in Docket No. ER11-2128-000 to comply with directives in the October 15 Order. Commission action on that compliance filing is pending.

The ISO proposes to revise Section 11.8.6.6 to add one more use of the phrase “plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market.” Specifically, the ISO proposes to make the following underlined addition to the end of the section:

Accordingly, each Scheduling Coordinator shall be charged an amount equal to its Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market times the RTM Bid Cost Uplift rate, where the RTM Bid Cost Uplift rate is computed as the Net RTM Bid Cost Uplift amount divided by the sum of Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market across all Scheduling Coordinators for the Trading Hour.

The addition of the underlined tariff language above is necessary to fully integrate into Section 11.8.6.6 the concept of adjustments made as a result of the HASP intertie settlement rule set forth in Section 11.32 and approved in the October 15 Order. Therefore, the underlined tariff language should be accepted as proposed in this tariff amendment.

### **III. Effective Date and Request for Waiver**

The ISO respectfully requests waiver of the Commission’s regulations to permit a February 1, 2011, effective date for the tariff revisions contained in this tariff amendment.<sup>6</sup> As explained above, February 1 is the effective date of the convergence bidding tariff amendments, the change proposed in this filing is fully consistent with related changes already accepted by the Commission, and no stakeholder objects to implementing the tariff revisions contained herein on that date. Therefore, granting the requested effective date and waiver is appropriate.

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<sup>6</sup> Specifically, the ISO requests waiver, pursuant to Section 35.11 of the Commission’s regulations (18 C.F.R. § 35.11), of the notice requirement set forth in Section 35.3 of the Commission’s regulations (18 C.F.R. § 35.3).

#### IV. Communications

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list for this proceeding:

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

#### V. Service

The ISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, all parties in Docket Nos. ER10-300, ER10-1559, and ER11-2128, and all parties with effective Scheduling Coordinator Service Agreements under the ISO tariff. In addition, the ISO is posting this transmittal letter and all attachments on the ISO website.

#### VI. Attachments

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

Attachment A	A revised ISO tariff sheet that incorporates the proposed changes described above
Attachment B	The proposed changes to the ISO tariff shown in black-line format

**VII. Conclusion**

For the foregoing reasons, the Commission should accept the proposed tariff changes contained in the instant filing effective as of the date requested by the ISO. Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

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**Attachment A – CleanTariff**  
**Convergence Bidding – Section 11.8.6.6**  
**California Independent System Operator Corporation**  
**Fifth Replacement FERC Electric Tariff**  
**January 21, 2011**

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#### **11.8.6.6 Allocation of Net RTM Bid Cost Uplift**

The hourly Net RTM Bid Cost Uplift is computed for the Trading Hour as the product of the uplift ratio in Section 11.8.6.3 and the sum over all Settlement Intervals of the Trading Hour of any positive Net RTM Bid Cost Uplift after the sequential netting in Section 11.8.6.2. The hourly RTM Bid Cost Uplift is allocated to Scheduling Coordinators, including Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and (b) gross Settlement, in proportion to their Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market for the Trading Hour. For Scheduling Coordinators for MSS Operators that have elected (a) not to follow their Load, and (b) net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to their MSS Aggregation Net Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. For Scheduling Coordinators of MSS Operators that have elected to follow their Load, the RTM Bid Cost Uplift shall be allocated in proportion to their MSS Net Negative Uninstructed Deviation plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market. Accordingly, each Scheduling Coordinator shall be charged an amount equal to its Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market times the RTM Bid Cost Uplift rate, where the RTM Bid Cost Uplift rate is computed as the Net RTM Bid Cost Uplift amount divided by the sum of Measured Demand plus any HASP reductions not associated with valid and balanced ETCs, TORs or Converted Rights Self-Schedules in the Day-Ahead Market across all Scheduling Coordinators for the Trading Hour.

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**Attachment B – Marked Tariff**  
**Convergence Bidding – Section 11.8.6.6**  
**California Independent System Operator Corporation**  
**Fifth Replacement FERC Electric Tariff**  
**January 21, 2011**

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