

March 30, 2009

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

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket Nos. ER06-615-041**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO) hereby submits an original and five copies of the instant filing in compliance with the Federal Energy Regulatory Commission's (Commission) "Order on Compliance Filing" 126 FERC ¶ 61,277, issued on March 26, 2009 (March 26 Order).<sup>1</sup> Enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

## **I. Background**

On February 9, 2006, the ISO filed a proposed Market Redesign and Technology Upgrade (MRTU) Tariff that included modifications to the then-current ISO Tariff reflecting the numerous changes to the ISO's market structure included in the MRTU proposal. On September 21, 2006, the Commission issued an order conditionally accepting the MRTU Tariff for filing, subject to modifications.<sup>2</sup>

In the September 2006 MRTU Order, the Commission directed the ISO to develop and file interim measures to mitigate the potential economic incentives for Load Serving Entities (LSEs) to underschedule in the Day-Ahead Market. Such measures are further required to remain in effect until they are superseded by the implementation of an approved convergence bidding proposal.

On September 28, 2007, the ISO submitted a compliance filing that consisted of the following features: (1) a bright line test to define persistent underscheduling; (2) an interim scheduling charge for LSEs that persistently underschedule; and (3) confidential weekly reports to disclose scheduling performances.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff (also known as the Market Redesign and Technology Upgrade or MRTU Tariff). Except where otherwise noted herein, references to sections are references to sections of the MRTU Tariff.

<sup>2</sup> *California Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274 (2006) (September 21 Order).

On July 17, 2008, the Commission issued its Order Conditionally Accepting, Subject to Modification, MRTU Compliance Filings requiring further compliance filings.<sup>3</sup> In the July 2008 Order, the Commission conditionally accepted the September 28 compliance filing, subject to further compliance. On August 18, 2008, the ISO submitted proposed revisions to Section 11.24.2 that eliminate the five percent “free pass” provision that was originally proposed. On December 19, 2008, the Commission issued its order “Order Denying in Part and Granting in Part Rehearing and Conditionally Accepting Compliance Filing” as further discussed herein.<sup>4</sup>

On January 21, 2009, the ISO submitted a compliance filing that provided an exemption from the underscheduling penalty to Scheduling Coordinators for scheduled load in the Day-Ahead Market.

## **II. Tariff Revisions Directed in the March 26 Order.**

### **A. Load Bid at the Cap**

As further discussed below, pursuant to the Commission’s directive in the March 26 Order, the ISO submits proposed revisions to the definition of “CAISO IFM Curtailed Quantity” in Appendix A of the MRTU Tariff to clarify the exemption from the underscheduling penalty for any day-ahead scheduled load that is administratively curtailed by the ISO under circumstances in which that load would otherwise have cleared the Day-Ahead Market.

In response to the ISO’s January 21, 2009, compliance filing, SoCal Edison claims that the ISO did not provide an exemption for load, other than self-scheduled load, that is bid in the Day-Ahead Market and administratively curtailed. In the ISO’s February 26, 2008 answer, the ISO indicated its agreement with SoCal Edison that under certain situations where a scheduling coordinator bids all or a portion of its load economically at the bid cap, and, due to the principles of supply and demand, not all of the megawatts are cleared, even though the resultant Locational Marginal Price is equal to the load bid, the bid-in load may also be subject to administrative curtailment. The ISO proposed to revise the definition of “CAISO IFM Curtailed Quantity” as follows:

In each Trading Hour for each Scheduling Coordinator (a) the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP, or (b) in the event a LAP price equals the maximum price for Energy Bids specified in Section 39.6.1.1, the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand plus the quantity of Demand bid at the maximum price for Energy Bids specified in Section 39.6.1.1 minus the Day-Ahead Schedule for Demand in the relevant LAP.

In the March 26 Order, the Commission agreed “with SoCal Edison that the CAISO’s originally proposed exemption did not address load that was not self-scheduled.” The Commission also agreed that ISO’s proposed tariff revision adequately

<sup>3</sup> *California Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,043 (2008) (July 2008 Order).

<sup>4</sup> *California Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,339 (2008) (December 2008 Rehearing and Compliance Order).

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addresses SoCal Edison's concerns. Therefore, consistent with the Commission's March 26 Order, the ISO hereby submits tariff sheets consistent with the revised definition of "CAISO IFM Curtailed Quantity" that the ISO proposed in its answer.

**B. Materials Provided in the Instant Compliance Filing**

In addition to this transmittal letter, the instant compliance filing includes Attachments A and B. Attachment A contains clean MRTU Tariff sheets reflecting the tariff modifications described in Section II, above. Attachment B shows these modifications in black-line format.

**III. Effective Date**

The ISO requests that the Commission approve this compliance filing as submitted to be effective on March 31, 2009.

**IV. Conclusion**

The ISO respectfully requests that the Commission accept the instant filing as complying with the directives of the March 26 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,



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Operator Corporation

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System Operator Corporation

**Attachment A – Clean Sheets**

**Interim Measures for Underscheduling in the Day-Ahead Market Compliance Filing**

**Docket No. ER06-615-\_\_\_**

**4<sup>th</sup> Replacement CAISO Tariff**

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<b>CAISO IFM Commitment Period</b>	The portion of a Commitment Period in the IFM that is not a Self-Commitment Period.
<b>CAISO IFM Curtailed Quantity</b>	In each Trading Hour for each Scheduling Coordinator (a) the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP, or (b) in the event a LAP price equals the maximum price for Energy Bids specified in Section 39.6.1.1, the maximum of zero of the submitted Day-Ahead Self-Schedule for Demand plus the quantity of Demand bid at the maximum price for Energy Bids specified in Section 39.6.1.1 minus the Day-Ahead Schedule for Demand in the relevant LAP.
<b>CAISO Invoice</b>	The invoices issued by the CAISO to the Responsible Utilities or RMR Owners based on the Revised Estimated RMR Invoice and the Revised Adjusted RMR Invoice.
<b>CAISO Markets</b>	Any of the markets administered by the CAISO under the CAISO Tariff, including, without limitation, the DAM, HASP, RTM, transmission, and Congestion Revenue Rights.
<b>CAISO Markets Processes</b>	The MPM-RRD, IFM, RUC, STUC, RTUC, and RTD. HASP is an hourly run of the RTUC.
<b>CAISO Memorandum Account</b>	The memorandum account established by each California IOU pursuant to California Public Utilities Commission Order D. 96-08-038 date August 2, 1996 which records all CAISO start up and development costs incurred by that California IOU.

**CAISO Metered Entity**

(a) any one of the following entities that is directly connected to the CAISO Controlled Grid:

- i. a Generator other than a Generator that sells all of its Energy (excluding any Station Power that is netted pursuant to Section 10.1.3) and Ancillary Services to the Utility Distribution Company or Small Utility Distribution Company in whose Service Area it is located;
- ii. an MSS Operator; or
- iii. a Utility Distribution Company or Small Utility Distribution Company; and

(b) any one of the following entities:

- i. a Participating Generator;
- ii. a Participating TO in relation to its Tie Point Meters with other TOs or Balancing Authority Areas;
- iii. a Participating Load;
- iv. a Participating Intermittent Resource; or
- v. a utility that requests that Unaccounted for Energy for its Service Area be calculated separately, in relation to its meters at points of connection of its Service Area with the systems of other utilities.

**Attachment B – Blacklines**  
**Interim Measures for Underscheduling in the Day-Ahead Market Compliance Filing**  
**Docket No. ER06-615-\_\_\_**  
**4<sup>th</sup> Replacement CAISO Tariff**  
**March 30, 2009**

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## CAISO Tariff Appendix A

### Master Definitions Supplement

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#### CAISO IFM Curtailed Quantity

In each Trading Hour for each Scheduling Coordinator (a) the maximum of zero or the submitted Day-Ahead Self-Schedule for Demand minus the Day-Ahead Schedule for Demand in each applicable LAP, or (b) in the event a LAP price equals the maximum price for Energy Bids specified in Section 39.6.1.1, the maximum of zero of the submitted Day-Ahead Self-Schedule for Demand plus the quantity of Demand bid at the maximum price for Energy Bids specified in Section 39.6.1.1 minus the Day-Ahead Schedule for Demand in the relevant LAP.

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**CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, 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, CA this 30th day of March, 2009.

  
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Anna Pascuzzo

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