

126 FERC ¶ 61,211
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Acting Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

California Independent System Operator Corporation Docket Nos. ER06-615-023
ER07-1257-005

ORDER CONDITIONALLY ACCEPTING TARIFF PROVISIONS, SUBJECT TO
MODIFICATION

(Issued March 9, 2009)

1. In this order, we conditionally accept, subject to modification and a further compliance filing, proposed revisions to the California Independent System Operator Corporation's (CAISO) Market Redesign and Technology Upgrade (MRTU) tariff filed on May 19, 2008, in compliance with the Commission's order issued on March 24, 2008,¹ to become effective upon implementation of the MRTU tariff, as requested.² The May 19, 2008 compliance filing revises the MRTU tariff to include various provisions previously located in the CAISO's Business Practice Manuals.

I. Background

2. The CAISO filed its proposed MRTU tariff on February 9, 2006. Among other things, the CAISO stated that MRTU will provide: a day-ahead market for trading and scheduling energy; an hour-ahead scheduling process that allows schedule adjustment prior to the real-time market; a more effective congestion management system; improved

¹ *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271 (2008) (March 2008 Order).

² The CAISO is directed to make an informational filing specifying the effective date of the tariff sheets prior to the implementation of MRTU. The CAISO is also directed to submit an informational filing to the Commission 60 days after the date of MRTU implementation, and every 60 days thereafter, detailing any actions taken by the CAISO pursuant to MRTU tariff section 7.7.15, as well as the CAISO's rationale for taking such actions.

market power mitigation measures; system improvements to increase operational efficiency and enhance reliability; a more transparent pricing system; and the opportunity for demand resources to participate in the CAISO markets under comparable requirements as supply. To supplement its proposed MRTU tariff, the CAISO committed to creating a series of Business Practice Manuals that “provide implementation details, examples, templates, timelines, and other information” to market participants.³

3. The MRTU tariff was conditionally accepted for filing, subject to modifications, in a September 21, 2006 Commission order.⁴ In that order, among other things, the Commission directed the CAISO to continue working with stakeholders to develop the Business Practice Manuals and file with the Commission any necessary additions to the MRTU tariff, and directed staff to convene a technical conference to “assist us in the determination of which practices or details remaining in the Business Practice Manuals might appropriately belong in the MRTU tariff.”⁵ The Commission also directed the CAISO to file proposed tariff language regarding a standard, formalized process for amending the Business Practice Manuals.⁶

4. Over the past two years, the CAISO developed and modified sixteen Business Practice Manuals in concert with its stakeholders. Pursuant to the Commission’s September 21, 2006 directive, on August 3, 2007, as supplemented on August 10, 2007 (August 2007 filings), the CAISO submitted more than seventy proposed additions to the MRTU tariff reflecting details previously contained only in the Business Practice Manuals.⁷

5. Numerous parties commented on the CAISO’s August 2007 filings. There was no objection to any of the Business Practice Manual provisions the CAISO proposed to

³ CAISO August 3, 2007 Filing, Docket Nos. ER06-615-012 and ER07-1257-000, at 19.

⁴ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 1 (2006) (MRTU Order), *order on reh’g*, 119 FERC ¶ 61,076 (2007) (MRTU Rehearing Order), *order on reh’g and denying motion to reopen record*, 120 FERC ¶ 61,271 (2007).

⁵ MRTU Order, 116 FERC ¶ 61,274 at P 1370.

⁶ *Id.* P 1371.

⁷ See CAISO August 10, 2007 Supplemental Filing, Attachment C, Docket Nos. ER06-615-011 and ER07-1257-000, at 29-57.

include in the MRTU tariff. Rather, commenters identified a number of additional provisions they asserted should be included in the MRTU tariff or were in need of further clarification before a determination could be made on whether they belonged in the MRTU tariff. The August 2007 filings by the CAISO and the related stakeholder comments formed the basis for Commission staff to convene a technical conference on September 26-27, 2007. Following the technical conference, the CAISO, in a November 15, 2007 filing, proposed to revise the MRTU tariff to include certain additional provisions that had originally been included in the Business Practice Manuals.

6. In the March 2008 Order, the Commission accepted and rejected various proposed tariff revisions, and ordered the CAISO to submit a further compliance filing.⁸ In its May 19, 2008 compliance filing, the CAISO proposed revisions to the MRTU tariff to comply with the Commission's directives.

II. Notice of Filing and Responsive Pleadings

7. Notice of the CAISO's filing was published in the *Federal Register*, 73 Fed. Reg. 31,084 (2008), with protests and interventions due on or before June 9, 2008.

8. Pacific Gas and Electric Company and the Sacramento Municipal Utility District filed timely motions to intervene. The City of Vernon, California (Vernon) filed a motion to intervene out-of-time. The California Department of Water Resources, State Water Project (SWP) filed a motion to intervene and comments out-of-time. The CAISO filed an answer on June 24, 2008,⁹ and a supplemental answer on July 3, 2008.¹⁰

III. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely, unopposed motions to intervene serve to make

⁸ March 2008 Order, 122 FERC ¶ 61,271 at Ordering Paragraph (B).

⁹ CAISO June 24, 2008 Answer, Docket No. ER06-615-023 and ER07-1257-005 (CAISO June 24 Answer).

¹⁰ CAISO July 3, 2008 Supplemental Answer, Docket No. ER06-615-023 and ER07-1257-005 (CAISO July 3 Supplemental Answer).

the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R § 385.214(d) (2008), the Commission will grant Vernon's late-filed motion to intervene and SWP's late-filed motion to intervene and comments, given the interests of these parties in this proceeding and the absence of undue prejudice or delay.

10. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest unless otherwise ordered by the decisional authority. The Commission will accept the CAISO's answer and supplemental answer because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

1. Proposed Tariff Revisions on Market Disruptions

a. CAISO's Compliance Filing

11. The CAISO proposes to include in the MRTU tariff a definition for "market disruption" and a summary of actions it may take if a disruption occurs in any CAISO market. The March 2008 Order accepted the CAISO's commitment to add to the MRTU tariff a summary of the actions the CAISO may take in the event of a market disruption.¹¹ The CAISO explains that even though this issue arose in the context of section 6.4.4 of the Business Practice Manuals for Market Operations, which concerns market disruptions in the day-ahead market, the CAISO's commitment, as accepted in the March 2008 Order, was not limited to market disruptions occurring in the day-ahead market. It argues that market disruptions can occur in any of the CAISO markets and should be addressed as appropriate. For this reason, the CAISO also proposes to define market disruption in Appendix A to the MRTU tariff as "[a]n action or event that causes a failure of the normal operation of any of the CAISO Markets."¹² The CAISO includes, in the new section 7.7.15 of the MRTU tariff, a summary of the actions the CAISO may take if a disruption occurs in any CAISO market.¹³ The CAISO also includes language in this

¹¹ March 2008 Order, 122 FERC ¶ 61,271 at P 47.

¹² First Revised Sheet No. 892, FERC Electric Tariff, Fourth Replacement Volume No. II.

¹³ Original Sheet No. 116A, FERC Electric Tariff, Fourth Replacement Volume No. I.

tariff provision stating that nothing in this section prevents the CAISO from taking any other action permitted under the MRTU tariff. The CAISO believes that this clarification is appropriate because, as the CAISO argues, nothing in the March 2008 Order suggested that the CAISO's commitment to address market disruptions in the MRTU tariff would limit the authority it already has in the MRTU tariff.

b. SWP Comments

12. SWP raises concerns with regard to the CAISO's proposed definition of market disruption and the CAISO's proposed MRTU tariff section 7.7.15 that contains a summary of actions the CAISO can take in the event of a market disruption. It seeks a finding that the CAISO's proposed revisions addressing market disruptions will not disrupt self-scheduled physical firm transmission rights that must be honored as Existing Transmission Contracts (ETCs) or Transmission Ownership Rights (TORs). SWP requests that the CAISO amend proposed MRTU tariff section 7.7.15(b), which would authorize the CAISO to remove bids or self-schedules that have previously caused a failure of normal operation in any of the CAISO markets.¹⁴

13. SWP contends that the CAISO, in its compliance filing, expands the definition of market disruption beyond those physical emergencies described in sections 7.6 and 7.7 of the MRTU tariff (i.e., reliability issues or system emergencies). SWP argues that the CAISO's filing neither justifies this expanded concept of market disruption, nor explains how bids or self-schedules may result in a market disruption.

14. Further, SWP argues that proposed MRTU tariff section 7.7.15(b) is unclear with respect to the consequences and implementation of removing a bid or self-schedule. Specifically, SWP states that the proposed tariff language does not explain whether all or part of a bid or self-schedule will be removed, and whether removal equates to complete rejection or invalidation. In addition, SWP questions whether market participants will be informed or receive advance notice when their bids or self-schedules cause a market disruption.

15. SWP argues that ad hoc CAISO interventions in MRTU markets by removing bids or self-schedules are themselves a failure of normal market operations, signifying market disruption. As a result, SWP asserts that any CAISO action to remove bids or self-schedules should be carefully documented, reported and reviewed. SWP requests clarification of the MRTU tariff language to specify how MRTU-compliant bids and self-

¹⁴ Section 7.7.15(b) of the MRTU tariff states that the CAISO may "remove the [b]ids and [s]elf-schedules that have resulted in a [m]arket [d]isruption previously."

schedules are expected to cause market disruptions, to provide an objective measure of the bid and self-schedule outcomes that comprise market disruptions, and to spell out the procedures for, and consequences of, bid and self-schedule removal.

16. SWP further argues that ETCs and TORs are not part of the MRTU market and, therefore, their self-schedules should not be capable of causing market disruptions. Therefore, SWP requests revising proposed MRTU tariff section 7.7.15(b) to distinguish between ETC/TOR self-schedules and ordinary MRTU self-schedules, so as not to permit the CAISO to disrupt ETC/TOR rights by removing their self-schedules upon a claim that such self-schedules cause an MRTU market disruption.

c. CAISO's Answers

17. In its June 24 Answer, the CAISO states that its proposed definition of market disruption is consistent with the CAISO's compliance obligation. The CAISO asserts that while its November 15 Response referred to the types of market disruptions related to system operations issues and system emergencies referred to in sections 7.6 and 7.7 of the MRTU tariff, these are not the only types of market disruptions the CAISO may need to address. Specifically, the CAISO points to MRTU tariff sections 11.5.6.1 and 11.5.8.1, which provide for the settlement of energy in circumstances where the CAISO issues an exceptional dispatch, or where the CAISO procures energy outside the CAISO balancing authority area, to avoid a market interruption. In an attempt to reduce any confusion caused by similarly defined terms "market disruption" and "market interruption," the CAISO proposed a new definition for market interruption in its June 24 Answer.¹⁵ Subsequently, in its July 3 Supplemental Answer, the CAISO stated that because its earlier answer did not sufficiently address the appropriate distinctions between these two terms, it would attempt to clarify these distinctions through proposed tariff changes submitted on June 27, 2008 in Docket No. ER08-1178-000 (CAISO June 27 Tariff Amendment).¹⁶

¹⁵ CAISO June 24 Answer at 6.

¹⁶ CAISO proposes defining market interruptions as "[a]ctions taken by the CAISO outside of the normal market operations of any of the CAISO Markets in the event of a Market Disruption, to prevent a Market Disruption, or minimize the extent of a Market Disruption as provided in Sections 7.7.15 and 34.9." CAISO June 27 Tariff Amendment at 27. *See Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,150, at P 269 (2009) (Docket No. ER08-1178-000, *et al.*) (accepting the CAISO's definition of market interruption) (Exceptional Dispatch Order).

18. The CAISO further states that the March 2008 Order did not direct it to include provisions in the MRTU tariff to remedy only the types of market disruptions caused by system emergencies or physical operations issues. The CAISO argues that the MRTU tariff already contemplates that the CAISO may take action in circumstances other than physical emergencies. The CAISO states that it is appropriate to specify in the MRTU tariff the types of actions it will undertake to prevent or reduce the harmful effects of all types of market disruptions because the CAISO cannot accurately predict whether a physical emergency, rather than some other type of event, will be the only type of event that disrupts the CAISO markets.

19. The CAISO explains that in the March 2008 Order, the Commission directed the CAISO to define market disruption because it found that “the actions the CAISO will take in the event of a market disruption could significantly affect rates, terms and conditions of service.”¹⁷ The CAISO adds that it did not establish a stakeholder process in formulating its proposed definition of market disruption because the CAISO typically prepares filings to comply with specific Commission directives without obtaining stakeholder input on those directives.

20. The CAISO states that, while in the vast majority of circumstances it would not expect bids and self-schedules submitted in the ordinary course of business to disrupt the CAISO markets, the CAISO cannot be certain that there are no circumstances in which submitted bids or self-schedules could result in a disruption of the normal operations of the CAISO markets. In order to minimize disruptions, the CAISO argues that its proposal in MRTU tariff section 7.7.15(b) to remove bids and self-schedules that have resulted in a previous market disruption is just and reasonable, as those bids and self-schedules may cause the market process to be disrupted again. The CAISO states that it is appropriate to describe these intended actions in the MRTU tariff, and that it will also update its Business Practice Manuals, including an update to the requirements in section 6.4.4 of the Business Practice Manual for Market Operations.

21. The CAISO states that because it expects to remove bids or self-schedules only under rare circumstances that cannot be anticipated in advance, it does not believe it would be beneficial to develop detailed procedures for the removal of bids and self-schedules under MRTU tariff section 7.7.15(b). The CAISO adds that, to the extent a market disruption could occur on more than one occasion, it would likely signal the need for the CAISO to develop market rule changes to prevent future market disruptions. The

¹⁷ CAISO June 24 Answer at 5 (citing March 2008 Order, 122 FERC ¶ 61,271 at P 47).

CAISO notes that until such market rule changes can be developed and implemented, it would be appropriate for the CAISO to take actions that prevent all types of market disruptions, including the removal of bids and self-schedules.

22. The CAISO asserts that ETC self-schedules are essentially a subset of self-schedules that are afforded a higher priority than other self-schedules and provide for a reversal of the locational marginal price (LMP)-based congestion charges for the balanced and valid portions of the ETC self-schedule. The CAISO states that it is inaccurate to say that ETC self-schedules are not part of the MRTU market because they are in essence used through the market system to ensure that, if submitted and validated consistent with the MRTU tariff, the rights under these contracts will be honored. The CAISO adds that, as with all other bids, it is important that the CAISO be able to validate and ensure that ETC self-schedules do not repeatedly cause market disruptions. Therefore, the CAISO requests that the Commission reject SWP's proposal to require that ETC self-schedules be excluded from the new provisions proposed in MRTU tariff section 7.7.15.

d. Commission Determination

23. The Commission conditionally accepts the CAISO's tariff provisions related to market disruptions proposed in its May 19, 2008 compliance filing, subject to modification.

24. In our March 2008 Business Practice Manual Order we directed the CAISO to revise its MRTU tariff to include a definition of market disruption "as provided for in Section 6.4.4 of the Business Practice Manual for Market Operations."¹⁸ In its November 15 Response, the CAISO stated that the "possible disruptions contemplated in Section 6.4.4 [of the Business Practice Manual for Market Operations] are the type of market disruptions reflected in Sections 7.6 and 7.7 of the [MRTU tariff]."¹⁹ Section 7.6 of the MRTU tariff (entitled "Normal System Operations") outlines actions for maintaining reliability across the CAISO-controlled grid, while section 7.7 of the MRTU tariff (entitled "Management of System Emergencies") highlights actions which the CAISO may take in the event of a system emergency.²⁰ In the March 2008 Order, then,

¹⁸ See March 2008 Order, 122 FERC ¶ 61,271 at P 47.

¹⁹ See CAISO November 15 Response at 70-71.

²⁰ See Original Sheet Nos. 100-102, FERC Electric Tariff, Fourth Replacement Volume No. I.

the Commission limited the CAISO's definition of market disruption to actions taken by the CAISO for maintaining reliability and in system emergencies. In its compliance filing, the CAISO proposed to extend the definition of market disruption to include "[a]n action or event that causes a failure of the normal operation of any of the CAISO [m]arkets."²¹ The CAISO admits that it seeks to undertake actions to curb market disruptions in all CAISO markets and that such actions are not limited to only circumstances where it is necessary to maintain reliability or circumstances arising from system emergencies.²²

25. We agree with the CAISO that its definition of market disruption should be broad enough to apply to all markets. And, while we agree that market disruptions can occur in any of the CAISO markets and should be addressed as appropriate, we disagree with the CAISO's proposed definition of market disruption, because it is so broad as to enable it to undertake actions in situations other than the types of market disruptions contemplated in sections 7.6 and 7.7 of the MRTU tariff.²³ As such, the Commission finds that the CAISO's proposed definition of market disruption is too broad in scope, and directs the CAISO to provide a definition of market disruption which is more narrowly tailored to reflect the types of market disruptions specifically outlined in sections 7.6 and 7.7 of the MRTU tariff. We direct the CAISO to file this tariff revision in the form of a compliance filing within 30 days of issuance of this order.

26. As described above,²⁴ proposed MRTU tariff section 7.7.15(b) authorizes the CAISO to remove, in the event of a market disruption, bids or self-schedules that have

²¹ See First Revised Sheet No. 892, FERC Electric Tariff, Fourth Replacement Volume No. II.

²² See CAISO May 19 Compliance Filing at 3, *see also* CAISO June 24 Answer at 4-5.

²³ To the extent the CAISO has specific authority under other MRTU tariff provisions to take corrective actions related to these markets, it should rely on that specific authority. We note that the CAISO preserves such authority for itself by stating that "[n]othing in this Section 7.7.15 shall prevent the CAISO from taking any other action permitted under the CAISO Tariff." See Original Sheet No. 116A, FERC Electric Tariff, Fourth Replacement Volume No. I.

²⁴ See *supra* P 20-21.

previously caused a failure of normal operation in any of the CAISO markets.²⁵ While the Commission recognizes the CAISO's concern that bids and self-schedules that have previously resulted in a market disruption may cause the market process to be disrupted again, the Commission nonetheless concludes that the MRTU tariff should include objective measures of the bid and self-schedule outcomes that would warrant removal of an MRTU-compliant bid or self-schedule. The Commission finds that developing such a measure would ensure consistency when the CAISO uses its authority to remove bids or self-schedules that have previously caused a market disruption, and would provide additional transparency to market participants. In addition, the CAISO should provide examples of situations where it expects MRTU-compliant bids and self-schedules to cause market disruptions. Accordingly, the Commission directs the CAISO to submit within 30 days from the date of issuance of this order, a compliance filing containing objective measures for removal of otherwise MRTU-compliant bids and self-schedule outcomes, as well as examples of when such bids and self-schedules might cause market disruptions.

27. Further, the Commission finds that the MRTU tariff should be revised to enumerate the procedures the CAISO will use when it seeks to remove a bid or self-schedule that has previously caused a market disruption under section 7.7.15(b). Specifically, the Commission finds that the MRTU tariff should be revised to include procedures for notifying market participants when their bid or self-schedule causes a market disruption, when their bid or self-schedule is removed, and whether the CAISO will remove all or part of their bid or self-schedule. Similar to our finding in the March 2008 Order,²⁶ we find that the procedures for removal of otherwise MRTU-compliant bids or self-schedules significantly affect rates, terms and conditions of service, and therefore belong in the MRTU tariff. As such, the Commission directs the CAISO to revise its MRTU tariff to include the procedures it will follow in the event that it removes a bid or self-schedule that has previously caused a market disruption. The CAISO is directed to file this tariff revision in the form of a compliance filing within 30 days from the date of issuance of this order.

28. The Commission, in conjunction with the above finding and compliance requirement, will also require that the CAISO include in its tariff an explanation of the

²⁵ Original Sheet No. 116A, FERC Electric Tariff, Fourth Replacement Volume No. I.

²⁶ See March 2008 Order, 122 FERC ¶ 61,271 at P 47 (the Commission found that “the actions the CAISO will take in the event of a market disruption could significantly affect rates, terms and conditions of service.”).

consequences of bid or self-schedule removal as a result of a market disruption. In addition, the Commission finds that because removal of bids or self-schedules may impact market participant compensation, the MRTU tariff should include additional detail as to how compensation will be determined for a bidder or self-scheduler whose bids or self-schedules are removed by the CAISO as a result of causing a previous market disruption. As an example, the Commission believes that it is important for the CAISO to clarify whether a resource whose day-ahead self-schedule is removed from the day-ahead market can submit a self-schedule in the real-time market and, if so, how that resource will be compensated. Furthermore to address SWP's concerns about receiving adequate information, the Commission finds it appropriate for the CAISO to provide market participants whose bids or self-schedules were removed with information specifying when their bids or self-schedules were removed as a result of causing a previous market disruption, and the nature of the disruption, within 3 business days of the CAISO taking such action. The Commission directs the CAISO to revise its MRTU tariff accordingly and submit a compliance filing within 30 days from the date of issuance of this order.

29. In the CAISO's answer, it states that it seeks to apply the market disruption provisions of the MRTU tariff in rare and extreme events.²⁷ Consistent with our finding in the Exceptional Dispatch Order,²⁸ we find that regular reporting by the CAISO will provide the necessary transparency to enable stakeholders to remain informed about the use of the actions taken by the CAISO under MRTU tariff section 7.7.15. Regular reporting should also help facilitate any stakeholder processes concerning the development of additional market rules to prevent future market disruptions. The CAISO is directed to submit to the Commission an informational filing 60 days after the date of MRTU implementation, and every 60 days thereafter, detailing the frequency and types of actions taken by the CAISO pursuant to MRTU tariff section 7.7.15, as well as the nature of the market disruption and the CAISO's rationale for taking such actions. These informational filings should also contain information about the bids or self-schedules removed (i.e., megawatt quantity, point of interconnection, day-ahead versus real time bid, energy or ancillary services bid) as a result of market disruption under MRTU tariff section 7.7.15(b), as well as the CAISO's rationale for removal.²⁹ Such an informational

²⁷ CAISO June 24 Answer at 2 and 7.

²⁸ See Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 263.

²⁹ The CAISO should identify the specific market disruption that caused the CAISO to take action, or the market disruption that was successfully prevented or

(continued...)

reporting requirement balances the need of the CAISO to act promptly in addressing market disruptions, with the interests of stakeholders in obtaining timely information about those actions taken by the CAISO pursuant to MRTU tariff section 7.7.15. We direct the CAISO to make this tariff modification in the form of a compliance filing within 30 days from the date of issuance of this order.³⁰

30. We deny SWP's request to require the CAISO to revise MRTU tariff section 7.7.15 to distinguish ordinary MRTU self-schedules from ETC/TOR self-schedules. We also disagree with SWP's argument that the CAISO should not be permitted to disrupt ETC/TOR rights by removing their self-schedules upon a claim that they cause a market disruption. SWP is incorrect in stating the ETC/TORs are not part of the MRTU market. ETC/TORs are a subset of self-schedules that are afforded a higher priority than other self-schedules. For example, MRTU tariff section 16.5(3) states: "In the HASP [Hour-Ahead Scheduling Process], the CAISO will give valid ETC Self-Schedules priority over other non-ETC Day-Ahead Schedules and HASP Bids."³¹ Thus, while the ETC/TORs may have a higher priority under the MRTU tariff than other self-schedules, they, like the other self-schedules, are part of the CAISO market and are therefore subject to the market disruption provisions.

31. Further, the Commission has previously found that the MRTU tariff provides the CAISO with the authority to issue operating orders that may depart from the terms of an ETC or any of the contracts pertaining to the TORs in the event of a system emergency.³² The Commission finds that the proposed tariff revisions as further revised here that give

minimized by the CAISO as a result of taking action pursuant to its authority under MRTU section 7.7.15.

³⁰ The Exceptional Dispatch Order requires a similar 60-day reporting requirement. *See* Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 263.

³¹ MRTU tariff section 17.2(2) includes a provision for the similar treatment of TOR self-schedules, which have even higher scheduling priority than ETCs.

³² MRTU tariff section 16.5.1 states: "The CAISO will honor the terms of Existing Contracts, provided that in a System Emergency and circumstances in which the CAISO considers that a System Emergency is imminent or threatened, holders of Existing Rights must follow CAISO operating orders even if those operating orders directly conflict with the terms of Existing Contracts." MRTU tariff section 17.2.1 contains a similar provision concerning TORs.

the CAISO authority to act to address a market disruption are similar to the existing MRTU tariff provisions granting authority to the CAISO to address system emergencies.³³

32. With regard to the definition of market interruption, given that the CAISO subsequently modified this definition in its June 27 Tariff Amendment filing in Docket No. ER08-1178-000, the Commission accepted the CAISO's updated proposed definition of market interruption in a separate order in that proceeding.³⁴

2. Other Proposed Tariff Revisions

a. CAISO's Compliance Filing

33. In its compliance filing, the CAISO states that in the March 2008 Order, the Commission directed the CAISO to include sections D.4.1 and D.4.1.1 of Attachment D to the Business Practice Manual for Market Instruments in the MRTU tariff, as well as the methodology for calculating incremental heat rates contained in section D.4.1.2 of Attachment D to the Business Practice Manual for Market Instruments.³⁵ The CAISO states that it has revised MRTU tariff section 39.7.1.1 to comply with these directives. The CAISO notes that in determining how best to incorporate these Business Practice Manual provisions into the MRTU tariff, it determined that the methodology for calculating incremental heat rates contained in Section D.4.1.2 of Attachment D to the Business Practice Manual for Market Instruments was incomplete without additional information found in section D.4.1.3 of Attachment D to the Business Practice Manual for Market Instruments. Therefore, the CAISO states it has included in revised MRTU tariff section 39.7.1.1 information previously contained in sections D.4.1.2 and D.4.1.3 of Attachment D to the Business Practice Manual for Market Instruments.

³³ MRTU Order, 116 FERC ¶ 61,274 at P 963 (approving CAISO MRTU tariff section 16.5.1); MRTU Rehearing Order, 119 FERC ¶ 61,076 at P 466 (clarifying CAISO MRTU tariff section 16.5.1 but upholding CAISO's ability to act in system emergencies); *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,313, at P 288 (2007) (directing CAISO to modify MRTU tariff section 17.2.1 to treat TORs similarly to ETCs during system emergencies); *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,285, at P 226 (2008) (approving revised MRTU tariff section 17.2.1).

³⁴ See Exceptional Dispatch Order, 126 FERC ¶ 61,150 at P 269.

³⁵ See March 2008 Order, 122 FERC ¶ 61,271 at P 23.

34. The CAISO also proposes other revisions to the MRTU tariff, to comply with the Commission's directives. Specifically, the CAISO proposes clarifying MRTU tariff section 8.3.7 to state that it will accept submission of self-provided ancillary services that are exports to the CAISO balancing authority area, which are provided pursuant to ETCs, TORs, or converted rights. In addition, the CAISO proposes to revise MRTU tariff section 22.11.1.4 to include language that is also included in section 2.4.3 of the Business Practice Manual for BPM Change Management, regarding the treatment of proposed Business Practice Manual revision requests. The CAISO also seeks to revise MRTU tariff section 22.11.1.5, to specify that comments posted on a Business Practice Manual proposed revision request must be delivered electronically to the CAISO within 10 business days, unless a shorter period is necessary.

35. In addition, the CAISO also proposes revising MRTU tariff section 8.6.2 to clarify that, for a partial resource adequacy resource's self-provided ancillary services capacity, the CAISO is only able to disqualify the portion of that capacity that has an energy offer obligation. The CAISO seeks to modify MRTU tariff sections 11.5.6.2.3 and 11.5.8.1.1, replacing the phrase "Exceptional Dispatch at the Resource Specific" with the phrase "delivered Exceptional Dispatch quantity at the Resource-Specific." In addition, the CAISO proposes to revise MRTU tariff section 22.11.1.1 to include the phrase "on the CAISO market structure, CAISO operations, and Market Participants, to the extent that the submitter may know this information," and to delete the word "efficiency" from MRTU tariff section 22.11.1.7. Finally, the CAISO states that it is correcting various typographical errors in MRTU tariff section 31.3.1.2, and revising MRTU tariff section 39.7.2.1 to state that the CAISO will calculate and post past designations not less than once prior to the effective date of that section, and not less than four times each year thereafter.³⁶

36. The CAISO further states that the Commission directed it to include in the MRTU tariff the policies contained in section 10.3.1 of the Business Practice Manual for Congestion Revenue Rights (CRRs) concerning exemptions from the requirement that participating transmission owners notify the CAISO 30 days in advance of all planned

³⁶ The CAISO further states that the Commission accepted certain revisions to the MRTU tariff proposed in red-line format by the CAISO in its August 3, 2007 filing, November 15, 2007 Response, and December 7, 2007 Post Technical Conference Reply Comments, ER06-615-012 and ER07-1257-000 (CAISO December 7 Reply Comments). The CAISO states that it includes in this filing clean MRTU tariff sheets incorporating these previously filed and accepted red-lined revisions.

outages for facilities rated above 200kV (30-day rule).³⁷ The CAISO requested an extension of time to file these revisions,³⁸ and on May 30, 2008, the CAISO submitted the above-referenced tariff revisions in Docket Nos. ER08-1059-000, ER06-615-024, ER07-1257-006 and ER08-519-002, along with other tariff changes related to CRRs. On July 29, 2008, the Commission accepted the CAISO's May 30, 2008 CRR filing, with the exception of the 30-day rule, subject to a subsequent compliance filing.³⁹ As a result, on August 28, 2008, the CAISO filed revised tariff sheets in Docket No. ER08-1059-001, *et al.*, containing language related to the 30-day rule. This revised language was accepted by the Commission on February 19, 2009.⁴⁰ Therefore, pursuant to the Commission's determination in the February 2009 Order, the CAISO asserts it has satisfied the Commission's directives regarding the filing of provisions contained in section 10.3.1 of the Business Practice Manual for CRRs.

b. Commission Determination

37. The Commission finds that, except as discussed above, the CAISO has satisfactorily complied with the requirements of the March 2008 Order.

The Commission Orders:

(A) The CAISO's proposed revisions to its MRTU tariff are conditionally accepted, subject to modification, effective upon the date of MRTU implementation, as discussed in the body of this order.

³⁷ See March 2008 Order, 122 FERC ¶ 61,271 at P 69.

³⁸ The CAISO, in its May 19 Compliance Filing, stated its intent to file with the Commission prior to May 23, 2008 (the official due date for the CAISO's May 19 Compliance Filing, as specified in the March 2008 Order) a motion for extension of time with respect to these CRR issues. See CAISO May 19 Compliance Filing at 6; see also March 2008 Order, 122 FERC ¶ 61,271 at P 68-69, Ordering Paragraph (B). On May 23, 2008, in Docket Nos. ER06-615-011 and ER06-615-012, the CAISO filed its Motion for Extension of Time to submit a filing to comply with the Commission's CRR directives in the March 2008 Order.

³⁹ *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,107 (2008)

⁴⁰ *Cal. Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,149, at P 9 (2009) (Docket No. ER08-1059) (February 2009 Order).

(B) The CAISO is directed to submit a compliance filing within 30 days from the date of issuance of this order, consistent with the body of this order.

(C) The CAISO is directed to submit informational filings, as discussed in the body of this order.

By the Commission. Commissioner Kelliher is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.