

May 12, 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  
Docket Nos. ER08-1113-002  
Compliance Filing**

Dear Secretary Bose:

The California Independent System Operator Corporation (ISO or CAISO) hereby submits proposed tariff language to comply with the Federal Energy Regulatory Commission's (Commission) *Order on Compliance* issued on March 6, 2009.<sup>1</sup> As discussed below, the ISO respectfully requests that the Commission accept the proposed amendments to the ISO Tariff as filed, which implement the Commission's *Order on Compliance*.<sup>2</sup>

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.<sup>3</sup>

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<sup>1</sup> *California Indep. Sys. Operator Corp.*, 126 FERC ¶ 61,207 (2009) (*Order on Compliance*).

<sup>2</sup> On April 30, 2009, the ISO filed a motion requesting an extension of time to submit this compliance no later than July 1, 2009, so that it could hold a stakeholder meeting facilitated by the Commission's Dispute Resolution Service (DRS) staff to address the Commission's compliance directives set forth in the *Order on Compliance* and provide stakeholders with an additional opportunity for input in order to reduce disputes concerning the ISO's proposed tariff language, where possible. The Commission granted the ISO an extension of time to May 12, 2009. On May 9, 2009, the ISO held a stakeholder conference call to review the comments submitted on the ISO's draft compliance language.

<sup>3</sup> The ISO has also filed a request for rehearing and request for clarification or, in the alternative, rehearing of the *Order on Compliance* in which it proposed additional tariff language relating to circumstances where the ISO cannot verify that the resource used to implement the interchange transaction is a resource identified in an MEEA. CAISO Request for Rehearing and Request for Clarification or, in the Alternative, Rehearing dated April 6, 2009 at pp. 19-26. This compliance filing does not include this proposed additional language. This compliance filing also does not modify proposed tariff language in Proposed Section G.1.2 in Appendix C of CASIO Tariff to use Resource IDs to track transactions that (a) use the COTP and (b) are charged losses by the Western or TANC for the use of the COTP. (See *Order on Compliance* at PP 159-160. The ISO requested clarification or in the alternative Rehearing of the *Order on Compliance* on the grounds that this directive was based on an incorrect definition of the term "Resource ID." (See CAISO Request for Rehearing and Request for Clarification or, in the Alternative, Rehearing dated April 6, 2009 at pp. 28-29.)

## I. Executive Summary

On September 19, 2008, the Commission conditionally accepted the ISO's Integrated Balancing Authority Area (IBAA) proposal. In order to support the goals of MRTU, it was critical for the ISO to be able to predict the effect that interchange transactions with the IBAA will have on the ISO's markets.<sup>4</sup> The Commission determined that by using a more accurate representation of the locations of external resources used to implement interchange transactions in the ISO's full network model, the IBAA proposal will help to ensure that interchange transactions from the Sacramento Municipal Utility District (SMUD) and Turlock Irrigation District (TID) Balancing Authority Areas are appropriately valued for purposes of managing congestion on the CAISO-controlled grid.<sup>5</sup> This structure allows the ISO to manage congestion on its own grid through its Locational Marginal Pricing (LMP) based markets by reflecting the true cost of such imports to the ISO market. The Commission also found, however, that a Market Efficiency Enhancement Agreement (MEEA) "is an integral component of the CAISO's IBAA proposal" because "resources capable of *verifiably* providing the CAISO with operational benefits should be valued and compensated appropriately."<sup>6</sup> Accordingly, the Commission required that the ISO include provisions in its tariff that provide for the terms and conditions under which MEEAs can be established and operated to afford Market Participants pricing for their imports to the ISO and exports from the ISO that reflects the location of the resources used to implement these interchange transactions.<sup>7</sup>

The Commission's directives to establish MEEAs recognize that MEEA-specific pricing should be available to Market Participants that provide the ISO with information *to verify improved congestion management on the ISO grid*. The modeling and pricing requirements established in the Commission's *September 2008 Order* and *Order on Compliance* are not unique to the ISO. External flows have imposed adverse impacts in the form of parallel or loop flows in other centrally dispatched markets. Recently, the Commission approved a similar modeling and pricing structure in the PJM Interconnection L.L.C. Under its structure, PJM offers a default pricing mechanism for interchange transactions and provides alternative pricing in the event that a market participant provides additional information so that PJM can "establish more accurate prices for the power that utilities in North Carolina are generating for PJM."<sup>8</sup>

Contrary to stakeholder comments the ISO received in response to its proposed compliance tariff language prior to filing, the Commission did not eliminate the need for the ISO to receive data under the MEEA. Rather, the Commission required the ISO to

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<sup>4</sup> *California Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 at P 5 (2008) (*September 2008 Order*).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, at P 181.

<sup>7</sup> *Id.*, at P 105.

<sup>8</sup> *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,101 (2009) (*PJM Order*).

explain its information requirements and clarify the terms and conditions of an MEEA and the pricing it will provide to Market Participants that enter into such agreements with the ISO.

Consistent with the Commission's directives in the *Order on Compliance*, the ISO explains its data requirements below. In addition, the ISO's proposed tariff language:

- (A) States in Section 27.5.3.2 that the CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets, if the CAISO can verify that the resources identified in the MEEA, or a portion of those resources, were operated to implement the interchange transaction reflected in the Bid. This MEEA-specific LMP shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located.
- (B) Eliminates the proposed rule set forth in tariff section 27.5.3.2.2 that prices an MEEA signatory's imports and exports at default IBAA prices if during any Trading Hour an MEEA signatory has imports and exports with the ISO.
- (C) Eliminates the tariff language restricting MEEA-specific LMPs to "maximum eligible quantities."
- (D) Describes why the ISO requires the information specified in the tariff to establish an MEEA and verify that resources identified in the MEEA were operated to implement an interchange transaction.
- (E) Clarifies the format and timeline for submission of data to the ISO by entities seeking to negotiate an MEEA and by MEEA signatories for settling interchange transactions implemented with resources identified in the MEEA.
- (F) Includes provisions to ensure information provided by an entity to the ISO during the negotiation of an MEEA or under an executed MEEA is kept confidential and includes language that the ISO will either return or destroy information provided by an entity during the negotiation of an MEEA, if the entity does not execute an MEEA.
- (G) Deletes the term "maximum" from the sentence in Tariff Section 27.5.3.7, which reads: The audit shall be for the limited purposes of verifying that the MEEA signatory has accurately represented available resources and has met the *maximum* requirements specified for MEEA pricing."

- (H) Modifies the language of Section G.1.2 of Appendix C to the ISO Tariff to reflect the losses adjustment for COTP imports extends to transactions for which a third party has been charged by TANC or Western for service over the COTP.
- (I) Modifies the language of Section G.1.2 of Appendix C to the ISO Tariff to specify the frequency and extent of information to verify that schedules originating from transactions that (a) use the COTP and (b) are charged losses by the Western or TANC for the use of the COTP may obtain the Marginal Cost of Losses at the Tracy substation.

## II. Background

On June 17, 2008, the ISO submitted proposed revisions to its Market Redesign and Technology Upgrade Tariff. The revisions seek to enhance the management of congestion on the CAISO Controlled Grid by appropriately pricing and modeling interchange transactions, *i.e.*, imports and exports between the CAISO Controlled Grid and the Sacramento Municipal Utility District (SMUD) and Turlock Irrigation District (Turlock) Balancing Authority Areas on an integrated basis. As part of its request, the ISO sought authority to establish the SMUD and Turlock IBAA.<sup>9</sup>

As stated above, on September 19, 2008, the Commission issued an order, which conditionally accepted subject to modification the ISO's proposed tariff revisions to establish the IBAA to become effective upon implementation of MRTU.<sup>10</sup> The *September 2008 Order* conditionally approved as just and reasonable the ISO's configuration of the IBAA as a single hub with default modeling and pricing points for all interchange transactions between the ISO and the IBAA. In addition, the Commission authorized the ISO to enter into MEEAs with entities to establish LMPs when external resources within the IBAA are dispatched to implement interchange transactions between the IBAA and the ISO.<sup>11</sup>

On November 25, 2008, the ISO submitted tariff language to comply with the *September 2008 Order*. On March 6, 2009, the Commission issued its *Order on Compliance*, which conditionally accepts subject to modification the ISO's proposed tariff language. In this compliance filing, the ISO submits tariff language to comply with the *Order on Compliance*.

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<sup>9</sup> The IBAA includes the transmission facilities within the SMUD and Turlock Balancing Authority Areas. The SMUD Balancing Authority Area includes (in addition to SMUD's own transmission system) the transmission facilities of the Western Area Power Administration – Sierra Nevada Region; Modesto Irrigation District; the City of Redding; and the City of Roseville.

<sup>10</sup> See *September 2008 Order*.

<sup>11</sup> *Id.*, at P 6.

On April 20, 2009, the ISO issued draft tariff language for stakeholder review and comment. On April 27, 2009, the ISO received written comments from Western Area Power Administration, Sacramento Utility District, Turlock Irrigation District, Modesto Irrigation District, the City of Santa Clara, the City of Palo Alto and the Transmission Agency of Northern California. These comments are posted on the ISO's website. Several comments expressed serious concerns regarding the ISO's process on the posted tariff language. The ISO recognizes that continued dialogue on these matters may resolve the issues before the Commission. However, in light of the need to concentrate most of its resources towards MRTU go live in the months of March and April the ISO was not able to conduct a more robust stakeholder process with respect to the remaining compliance requirements. Recognizing that many of the previous stakeholder processes related to IBAA have been contentious between the parties, the ISO agrees with the Commission that the involvement of DRS staff to facilitate this process could be helpful. Accordingly, the ISO requested an extension of time up to and including July 1, 2009 to make this compliance filing. The Commission granted the ISO an extension until May 12, 2009.

In light of the limited extension of time it received to make its compliance filing, the ISO conducted a stakeholder conference call on May 9, 2009 and provided the opportunity to discuss stakeholder comments, the proposed tariff language and any potential modifications.

### **III. Compliance with Tariff Revisions Directed in the *Order on Compliance***

#### **A. The proposed tariff language provides that MEEA signatories may receive an LMP that reflects the actual location of resources identified in the MEEA.**

In its *Order on Compliance*, the Commission directed the ISO "to clarify that the price provided to a MEEA signatory will be reflective of the LMP at the nodes where a specific import or export between the SMUD-Turlock IBAA and the CAISO is demonstrated to be located."<sup>12</sup> The Commission explained that while "the Commission agrees with the CAISO that the appropriate price for each interchange transaction is to be a reflection of the location of that particular import or export, it is the CAISO's obligation to ensure that accurate LMPs are determined for each and every interchange transaction with a MEEA signatory." Moreover, the Commission found that if "numerous imports from the SMUD-Turlock IBAA originate north of Captain Jack, the *data provided pursuant to a MEEA will show that the import originates from the Pacific Northwest*, and the Captain Jack LMP will be the appropriate price under the MEEA."

The ISO proposes additional modifications to Section 27.5.3.2 to ensure make these additional changes. Specifically, the ISO proposes to add the following language:

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<sup>12</sup> *Order on Compliance* at P 35.

The CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets, if the CAISO can verify that the resources identified in the MEEA, or a portion of those resources, were operated to implement the interchange transaction reflected in the Bid. This MEEA-specific LMP shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located.<sup>13</sup>

Participants that submitted comments on the ISO's draft compliance tariff language argued that draft language did not meet the Commission's compliance requirement and did not clearly stipulate how the ISO would calculate the MEEA-specific price. The ISO modified the above-quoted language in response to stakeholder comments and the language complies with the Commission's *Order on Compliance*. The revised language explicitly states that an LMP will be made available to MEEA signatories at each of the Scheduling Points for which Bids are submitted by the Scheduling Coordinator pursuant to an MEEA. As previously described, the ISO will use the historical data provided by participants pursuant to Section 27.5.3.2.1 to model the source location of resources identified in an MEEA and to where they will sink.

The location of the resources identified in the MEEA and the Scheduling Points where the calculated LMPs will be applied, among other things, will be set forth in the executed MEEA. CAISO notes that the scope of any particular MEEA as provided in the proposed ISO tariff language is flexible so that an MEEA can be entered into: (a) with individual entities that own or control resources within the IBAA, (b) with a group of entities that own or control resources within the IBAA, or (c) on an IBAA-wide basis. The point for this additional compliance item is that while the scope of any two MEEAs may differ with different resources in different locations, the LMPs calculated under each MEEA will reflect the location of the resources identified in the MEEA and the calculated LMPs will be applied to transactions at the Scheduling Points identified in the MEEA.<sup>14</sup>

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<sup>13</sup> See, Proposed Tariff Section 27.5.3.2.

<sup>14</sup> This methodology is similar to the pricing approach approved by the Commission in the *PJM Order*. See *PJM Order* at P 22. The PJM tariff provides a pricing structure for the interface transactions with neighboring control areas. Section 2.6A (a) of Attachment K of the PJM Tariff provides that PJM will define an Interface Pricing Point. The Interface Pricing Point in the PJM tariff is analogous to the ISO's IBAA default LMP. The Interface Pricing Point will be based on a set of defined intertie lines and each node in the interface definition will be assigned to the intertie line. PJM determines a set of weighting factors based on the sensitivity of the intertie line to an injection at each external pricing point. PJM's default pricing approach differs from the ISO's in that the ISO's IBAA default LMP is based on a single location in the external grid that the ISO has determined to be most representative of the actual flows from in that area. Section 2.6A (b) of the PJM Tariff offers external entities alternative pricing termed as the "High-Low Pricing" alternative subject to the external entity providing PJM with certain data as defined in Section 2.7A (b)(1)(A) of the PJM Tariff. The High-Low LMP for imports is computed as "the LMP calculated by PJM at the generator bus in such area with an output greater than 0 MW that has the lowest price in such area" and the export price is based on the price at the generator bus in the external area "with

Participants that submitted comments on the ISO's draft tariff language argued that draft language did not meet the Commission's compliance requirement and does not clearly stipulate how the ISO would calculate the MEEA-specific price. Under the ISO's proposed tariff language, LMPs pursuant to one MEEA may differ from LMPs under another MEEA even if the MEEA signatories are scheduling transactions at the same IBAA affected Scheduling Point. The reason for this outcome is that resources identified in one MEEA will be at a different location than resources identified in another MEEA. Therefore, it is not possible to define exactly how each MEEA price would be calculated, which in any case is not the additional detail the Commission sought in its *Order on Compliance*. However, in response to stakeholder comments, the ISO has modified its proposed tariff language to clarify how the MEEA-specific LMP will be determined.

The ISO's proposed tariff language may not be satisfactory to all Market Participants who have in the past suggested that actual pricing should reflect the price at the location where the Scheduling Point is defined. The ISO believes this approach is contrary to the principle articulated by the Commission regarding LMPs reflecting "the location of specific resources supporting [the] transactions".<sup>15</sup> Specifically, the Commission stated that:

if external entities do not submit sufficient information about *the location of specific resources supporting their transactions to enable accurate price modeling by the RTO*, they cannot be considered comparable to market participants, and *are not entitled to receive the benefit of a location-specific price, particularly where their failure to supply such information may raise costs to other participants* in the CAISO in the form of uplift.<sup>16</sup>

The Commission recently cited the above-quoted language in accepting tariff changes submitted by PJM Interconnection, L.L.C. (PJM) regarding interface pricing arrangements.<sup>17</sup> The arguments of certain stakeholders is that the use of the term "actual pricing" by the Commission<sup>18</sup> was meant to override the Commission's other statements regarding the location of the external resources within the IBAA used to implement an interchange transaction with the ISO. Under this interpretation of "actual pricing," the

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an output greater than 0 MW that has the highest price in such area." This alternative pricing is only offered if PJM receives the data specified in Section 2.7A(b)(1)(B). This is analogous to the ISO's MEEA pricing, except that the ISO's MEEA pricing will not necessarily price the MEEA transactions at the lowest price but will instead price the interchange transactions based on the location of the external resources identified in the MEEA. PJM does not offer an alternative price that is calculated as if there is an actual injection of power at the Interface Pricing Point defined location.

<sup>15</sup> *September IBAA Order* at P 42.

<sup>16</sup> *Id.* (emphases added).

<sup>17</sup> *See PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,101 at P 34 (2009).

<sup>18</sup> *September IBAA Order* at P 182.

ISO would be required to ignore the location of resources identified in the MEEA and price the interchange transactions as if there is an actual generator or load at the physical location of the Scheduling Point – *even if there is no such resource there*. The problem with this interpretation is that, if used, the LMPs for MEEA transactions would be inaccurate and would ignore the congestion impact of the actual transaction on the ISO grid. The interchange transactions under an MEEA are supposed to be implemented using the resources identified in the MEEA and the LMPs are supposed to reflect the actual flows or impacts from using those resources on the ISO grid. While the ISO believes that in most instances there is no actual generation or load located at a substation, the MEEA structure does not preclude this possibility. If such a resource exists, the MEEA signatory will be appropriately compensated for the power it provides to the ISO at that actual location under the MEEA pricing structure proposed herein.<sup>19</sup>

For the reasons discussed above, the ISO believes the proposed tariff language is consistent with the Commission's direction in its *Order on Compliance*, which recognizes the purpose of the ISO's IBAA proposal to appropriately model and price interchange transactions.<sup>20</sup> If accepted, this tariff language would also resolve the ISO's April 6, 2009 Request for Clarification regarding Paragraphs 34 and 35 of the *Order on Compliance*.<sup>21</sup>

**B. The proposed tariff language eliminates the simultaneous import and export pricing rule that an MEEA.**

In its November 25, 2008, compliance filing, the ISO proposed a rule to apply the IBAA default price to an MEEA signatory's imports and exports if during any Trading Hour the MEEA signatory was simultaneously importing to or exporting from the CASIO.<sup>22</sup> The Commission directed the ISO to eliminate this proposed tariff rule.<sup>23</sup> The proposed tariff language submitted in this compliance filing deletes this rule.

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<sup>19</sup> As stated in the June 17, 2008 Filing, modeling at or near a Scheduling Point can be appropriate when such modeling accurately reflects the topology of the external network, the location of the resources within the external network, and the flow affects on the CAISO Controlled Grid. June 17, 2008 Filing at 29.

<sup>20</sup> *Order on Compliance* at P 34.

<sup>21</sup> ISO Request for Rehearing and Request for Clarification or in the Alternative Rehearing dated April 6, 2009 at pp. 26-28.

<sup>22</sup> See Proposed Tariff Section 27.5.3.2.2 submitted on November 25, 2008.

<sup>23</sup> *Order on Compliance* at PP 61, 62.

**C. The proposed tariff language eliminates the limit for an MEEA signatory to obtain an MEEA-specific LMP for “maximum eligible quantities.”**

In its *Order on Compliance*, the Commission found that “if the MEEA signatory can verify the location and operation of an import or export, then it should receive the actual pricing for the interchange transaction.”<sup>24</sup> The Commission rejected the ISO’s proposed formula to limit MEEA-specific LMPs to “maximum eligible quantities.” In this compliance filing, the ISO has removed from its tariff both the proposed formula to identify maximum eligible quantities that may obtain an MEEA-specific LMP and the use of the phrase “maximum eligible quantities.”

**D. The proposed tariff language describes why the ISO requires the information specified in the tariff to establish an MEEA and verify that resources identified in the MEEA were operated to implement an interchange transaction.**

In its *Order on Compliance*, the Commission directed the ISO to delete information requirements proposed in tariff section 27.5.3.2.2 related to calculating eligible quantities or explain and support them as a means to verify the location and operation of imports and exports between the IBAA and the ISO Balancing Area Authority.<sup>25</sup> In this compliance filing, the ISO has proposed new tariff language to explain how it will use the information specified in tariff section 27.5.3.2.2 to verify the location and operation of resources identified in an MEEA that are used to implement interchange transactions between the IBAA and the ISO Balancing Area Authority.<sup>26</sup> This proposed language enables the ISO to an MEEA-specific price to the MEEA signatory because the MEEA signatory provides the ISO “with information allowing the CAISO to verify the location and operation of the resources used to implement

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<sup>24</sup> *Order on Compliance* at P 61.

<sup>25</sup> *Order on Compliance* at P 81 (emphasis added). In the *Order on Compliance*, the Commission noted that it had previously required that the ISO specify the information it seeks by the type of entity involved in a potential MEEA and that the ISO did not do so in its November 25, 2008 compliance filing. In compliance with the Commission’s *Order on Compliance*, the ISO has provided in Section 27.5.3.2 that the specification that the data requirements in that section are intended to apply to all types of entities seeking to obtain an MEEA or operating under an MEEA. Specifically, the ISO provides that the “information requirements apply to all entities seeking to enter into and having entered into an MEEA, including external Balancing Authorities within the IBAA or sub-entities therein such as Scheduling Coordinators or sub-Balancing Authority Areas in control of specific resources.” The proposed tariff provisions related to data requirements have been drafted in a manner so that they can apply to any external entity or grouping of entities that wish to obtain alternative pricing under an MEEA. For example, the tariff language would allow an external Balancing Authority Area located in the IBAA to obtain MEEA-specific pricing for its identified resources. Similarly, an individual entity that controls only one generator or set of generators within an IBAA can also enter into an MEEA. Moreover, the MEEA provisions in the tariff can accommodate an MEEA with an external entity that establishes its control over resources through its arrangements with the resources it wishes to use in support of its interchange transactions.

<sup>26</sup> See, proposed tariff Section 27.5.3.2.2.

interchange transactions between the CAISO-controlled grid and the IBAA.”<sup>27</sup> The ISO also provides additional explanation and support for the information requirements in this transmittal letter.

Proposed Tariff Section 27.5.3.2 provides that the information specified in the tariff is necessary for the following purposes:

- (i) establish the location of the resources that will be used to calculate location-specific prices under the MEEA,
- (ii) verify that the resources operating to implement an interchange transaction are the same as the resources identified in the MEEA,
- (iii) verify the amount of an interchange transaction that was implemented by the dispatch of resources identified in the MEEA, and
- (iv) settle all charges and payments for interchange transactions under the MEEA.

The information requirements set forth in the tariff are the minimum data requirements necessary for the ISO to ensure that the adoption of an MEEA with an entity or a group of entities does not reintroduce the adverse impacts of external flows to the ISO market. As discussed below, these data requirements are analogous to the data requirements requested by PJM in exchange for its High-Low Pricing structure. Much like the alternative pricing offered by PJM, the MEEA modeling and pricing approach is necessary to enhance congestion management on the ISO’s system by sending appropriate pricing signals to entities that engage in interchange transactions between the IBAA and the ISO Balancing Authority Area. It is important to keep this premise in mind when evaluating the data requirements the ISO is proposing on compliance.

To ensure that the ISO receives sufficient information to enable it to establish more accurate LMPs for interchange transactions between the IBAA and the ISO Balancing Authority Area, the ISO’s proposed tariff language includes a two-step approach for the receipt of data. First, prior to establishing the MEEA, the ISO anticipates it will work with potential MEEA signatories to obtain sufficient data to establish the modeling of the MEEA resources, which will then be the basis for the LMP that will apply for MEEA transactions at the IBAA affected Scheduling Points. The information required from potential MEEA signatories to develop an MEEA is described in Section 27.5.3.2.1. This historical information relates to establishing the location of resources that will be identified in the MEEA as well as the operating history of those resources.

This historical information will permit the ISO and entity negotiating an MEEA to identify the injection and withdraw points that will be used to model the MEEA flows to

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<sup>27</sup> *September 2008 Order* at P 6.

and from the ISO. This information is important because it establishes the architecture of the MEEA model that is the basis for MEEA-specific pricing. Stated otherwise, this information will permit the ISO and MEEA signatory to form the assumptions from where the MEEA flows will come and go so that the MEEA-specific LMP applicable to those transactions is consistent with their location relative to the ISO grid and appropriately reflect the LMP-based costs those flows have on the ISO system. The information in proposed Section 27.5.3.2.1 is only the foundation used to establish the MEEA structure. The ISO anticipates that from time to time it will need to request updated information from an MEEA signatory or that an MEEA signatory will want to provide updated information to reflect changes to the MEEA signatory's supply resources and loads within the IBAA. Such updates will be important so that if the initial assumptions change over time MEEA-specific pricing is tailored to better reflect the value to the ISO grid of resources identified in an MEEA.

In comments submitted to the ISO on April 27, 2009, parties raised the concern that most entities in the IBAA use a portfolio of resources to serve loads and may not be able to map such resources back to specific generators. The Commission has specified that to obtain pricing under an MEEA, an MEEA signatory must demonstrate and the ISO must verify that resources within the IBAA were operated to implement interchange transactions as opposed to some other purpose.<sup>28</sup> Consistent with this requirement, for interchange transactions under an MEEA it is necessary to identify IBAA resources in the MEEA as well as develop data requirements to allow an MEEA signatory to demonstrate and the ISO to verify that those resources operated to implement an interchange transaction. With respect to entities that operate a portfolio of resources within the IBAA, the ISO anticipates that an MEEA would provide that the resource portfolio operates to implement interchange transactions based on negotiated distribution factors.

The second important step in the data requirements included in the proposed tariff language ensures that the ISO can verify that the resources in the MEEA are actually the resources used by the MEEA entity to implement an interchange transaction. The ISO's expectation is that the MEEA signatory will manage its resources to ensure that the resources identified in an MEEA will support their interchange transactions when the MEEA signatory seeks a MEEA-specific LMP. The ISO's informational requirements are analogous to the data requirements recently accepted by the Commission for PJM's High-Low Pricing and Market Cost Proxy Pricing, which are both alternatives to PJM's default interface pricing with external balancing authority areas that are not part of a centrally dispatched market.<sup>29</sup>

The ISO has included in its proposed tariff language the minimum data requirements necessary to conduct this verification. These requirements are based on the following straight forward principles that describe the application of MEEA-specific

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<sup>28</sup> *Order on Compliance* at P 61.

<sup>29</sup> *See PJM Order* at P 21-23.

LMPs for import bids and export bids cleared in the ISO Market.<sup>30</sup> First, the ISO needs to verify that resources identified in the MEEA were operated to implement the interchange transaction. Second, the ISO recognizes that resources identified in the MEEA may be operated for purposes other than implementing interchange transactions. Third, the ISO recognizes that resources not identified in the MEEA may be operated to implement interchange transactions. Fourth, resources identified in the MEEA should only receive MEEA-specific pricing if the ISO can verify their operation to implement an interchange transaction. Fifth, resources not identified in a MEEA should not receive MEEA-specific LMPs.

Under proposed tariff section 27.3.5.2.2, an MEEA signatory needs to provide the information specified *only for those Settlement Intervals* in which the MEEA signatory seeks the MEEA-specific LMP. If the MEEA signatory provides this information and the ISO can verify that the transaction is supported by the data, the ISO will provide the MEEA signatory “the actual price” for the interchange transaction: either the MEEA-specific LMP for the resources identified in the MEEA that operated to implement the interchange transaction or the default IBAA price for resources other than resources identified in the MEEA that operated to implement the interchange transaction.

In order to obtain the MEEA-specific LMP for an interchange transaction between the IBAA and the ISO Balancing Authority Area, the MEEA signatory must demonstrate and the ISO must verify that resources identified in the MEEA were operated to support the interchange transaction.<sup>31</sup> The information set forth in proposed tariff section 27.5.3.2.2 allows the MEEA signatory to make this demonstration after-the-fact and permits the ISO to verify that resources identified in the MEEA were supported the interchange transaction. Specifically, proposed tariff section 27.5.3.2.2 requires the following hourly information during the Settlement Interval in which the MEEA signatory seeks the MEEA-specific LMP:

- (a) total hourly metered generation owned or under the control of the MEEA signatory within the IBAA;
- (b) total hourly metered load served by the MEEA signatory within the IBAA;
- (c) total gross Energy scheduled by the MEEA signatory into the IBAA from other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).
- (d) total gross Energy purchases made by the MEEA signatory within the IBAA, including:
  - (i) purchases from third parties, and
  - (ii) exchanges acquiring Energy from third parties;
- (e) total gross Energy sales made by the MEEA signatory within the IBAA, including:
  - (i) sales to third parties, and

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<sup>30</sup> See, proposed tariff sections 27.5.3.2.2.1 and 27.5.3.2.2.2.

<sup>31</sup> *Order on Compliance* at P 61.

- (ii) exchanges providing Energy to third parties; and
- (f) total gross Energy sales by the MEEA signatory out of the IBAA into other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

The existence of an MEEA will not prevent an MEEA signatory from using resources identified in the MEEA for purposes other than implementing interchange transactions with the ISO. For this reason, the ISO must determine what portions of the resources identified in the MEEA, if any, were used to implement an interchange transaction. To the extent resources identified in the MEEA were put to uses other than implementing the interchange transaction with the ISO, those resources cannot have been operated to implement the interchange transaction between the IBAA and the ISO Balancing Authority Area and will not receive an MEEA-specific LMP. Other purposes for resources identified in an MEEA include serving load within the IBAA, engaging in bilateral sales or exchanges within the IBAA, or sales to other Balancing Authority Areas (exclusive of the ISO Balancing Authority Area). It is axiomatic that if resources identified in the MEEA were operated for such other purposes, they could not also have been operated to implement an interchange transaction between the IBAA and the ISO Balancing Authority Area.<sup>32</sup> Likewise, if the ISO cannot verify that resources identified in the MEEA were operated to implement the interchange transaction, as opposed to some other purpose, default IBAA pricing will apply.

Based on these principles, the information specified in section 27.5.3.2.2 will permit the MEEA signatory to demonstrate and the ISO to verify that resources identified in the MEEA were operated to implement an interchange transaction. First, the total hourly metered generation owned or under the control of the MEEA signatory within the IBAA will define whether there were sufficient resources identified in the MEEA to implement the interchange transaction.

Second, total hourly metered load served by the MEEA signatory within the IBAA will define whether there are other purposes for which resources identified in the MEEA are being used. The ISO cannot verify whether resources identified in the MEEA were operated to implement an interchange transaction if at the same time these resources may have been operated to serve IBAA load.

Third, total gross Energy purchases made by the MEEA signatory within the IBAA will define supply resources within the IBAA that are part of the MEEA signatory's resource portfolio but are not resources identified in the MEEA. The ISO cannot verify whether resources identified in the MEEA were operated to implement an

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<sup>32</sup> In prior drafts of the proposed tariff language, the ISO had included these specific examples in the tariff language to demonstrate what the ISO means by other purposes. However, in response to comments submitted by parties, the ISO has deleted this explanatory language because the actual data the ISO listed the specific data it requests in the other parts of Section 27.5.3.2.2 and the ISO did not intend by the inclusion of this explanatory statement to impose additional data requirements.

interchange transaction if at the same time the MEEA signatory is procuring additional resources that are not identified in the MEEA.

Fourth, total gross Energy purchased by the MEEA signatory from other Balancing Authority Areas (exclusive of the California ISO Balancing Authority Area) will define those supply resources in the MEEA signatory's resource portfolio that are not identified in the MEEA. The ISO cannot verify whether resources identified in the MEEA were operated to implement an interchange transaction if at the same time the MEEA signatory is procuring additional resources that are not identified in the MEEA from other Balancing Authority Areas.

Fifth, total gross Energy sales made by the MEEA signatory for delivery points within the IBAA will define the MEEA signatory's bilateral obligations. The ISO cannot verify whether resources identified in the MEEA were operated to implement an interchange transaction if at the same time these resources may have been operated to satisfy other bilateral obligations of the MEEA signatory.

Sixth, total gross Energy sales by the MEEA signatory out of the IBAA into other Balancing Authority Areas (exclusive of the ISO Balancing Authority Area) will define the MEEA signatory's bilateral obligations outside of the IBAA other than interchange transactions with the ISO. The ISO cannot verify whether resources identified in the MEEA were operated to implement an interchange transaction if at the same time the resources identified in the MEEA may have been operated to implement deliveries to other Balancing Authority Areas.

Under the proposed tariff language in Sections 27.5.3.2.2.1 and 27.5.3.2.2.2, if the ISO is unable to verify that resources identified in the MEEA were operated to implement an interchange transaction, then the MEEA-specific LMP will not apply to the Import Bid or Export Bid cleared through the ISO Market. Instead, the default IBAA prices as specified in ISO tariff Appendix C, Section G.1.1 will apply to that portion of the Import or Export Bid cleared through the ISO Market for which the ISO cannot verify that resources identified in the MEEA were operated.

This verification requirement is similar to the data requirements recently accepted by the Commission in the *PJM Order Accepting Tariff Sheets Subject to Conditions of PJM's Section 2.6A of Attachment K-Appendix of the OATT and Schedule 1 of the Operating Agreement*.<sup>33</sup> As an alternative to its default pricing at Interface Pricing Points that is based on a weighted average of the nodes associated with the interties in the Interface Pricing Points, PJM offers two alternative interface pricing methods that vary by the degree of data provided by market participants.

The first pricing alternative offer by PJM is the High-Low Pricing method where PJM calculates the day-ahead and real-time prices that reflect the highest and lowest

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<sup>33</sup> See *PJM Order*.

generator price in the external areas for PJM exports and imports respectively.<sup>34</sup> The High-Low Pricing is available to participants if participants provide PJM with “real-time telemetered load, generation and similar data for such area or sub-area demonstrating that the transaction receiving such pricing sources, or sinks as appropriate, in such area or sub-area.” In addition, the PJM tariff provides that during “any hour in which any entity makes any purchases from other external areas outside of such area or sub-area (other than delivery of external designated network resources or such other exceptions specifically documented for such area or sub-area in the PJM Manuals) at the same time that energy sales into PJM are being made, or purchases energy from PJM for delivery into such area or sub-area while sales from such area to other external areas are simultaneously implemented (subject to any exceptions specifically documented for such area or sub-area in the PJM Manuals), pricing will revert to the applicable import or export pricing point that would otherwise be assigned to such external area or sub-area.”<sup>35</sup>

The ISO’s data requirements in Section 27.5.3.2.2 differ from these PJM data requirements in that the ISO is not requesting that the MEEA signatory provide real-time telemetered load and generation. Real time telemetered load and generation would help the ISO verify that the resources identified in the MEEA were dispatched to implement the interchange transaction. However, in light of the many discussions the ISO has had with entities regarding their concerns over their ability to exchange data with the ISO, the ISO instead sought to find the minimum after-the-fact data it requires to ensure that it can verify that the resources are being used as the parties stated they would be used under the MEEA to implement interchange transactions. However, like PJM, the ISO requests that MEEA signatories also provide information regarding their sales to other Balancing Authority Areas (exclusive of the ISO area) and purchases from such areas.<sup>36</sup> Also like PJM, the ISO also provides that the alternative pricing is only available to the extent the ISO can verify that the purchases and sales do not negate the benefits offered by the generation in the IBAA area. The data requirements in Section 27.5.3.2.2 are the minimum necessary to enable the ISO to make this verification.

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<sup>34</sup> See *PJM Order* at P 22.

<sup>35</sup> For example, Section 2.6A(b)(1)(b) of Appendix K of the PJM Tariff.

<sup>36</sup> The ISO notes that the proposed tariff language implementing this restriction is before the Commission in the ISO’s pending April 6, 2009 Request for Rehearing and Request for Clarification or, in the alternative, Rehearing of the Commission’s March 6, 2009 Order on Compliance (“Request for Clarification”). In addition, in the ISO’s May 6, 2009, response to the answers of TANC and MID, the ISO noted that the proposed restrictions could be overcome if the ISO had the necessary information to verify that the resources identified in the MEEA were the resources dispatched to implement the interchange transaction. ISO proposed that if the Commission were to accept its Request for Clarification, the tariff language would indicate that the proposed restrictions in Section 25.5.3.2.5 would not apply if a MEEA executed by the ISO and a MEEA signatory provided otherwise and if the MEEA itself were approved by the Commission when it was filed under Section 205 of the Federal Power Act. See ISO’s May 6, 2009 Motion for Leave to Respond and Response of the ISO to the Answers of TANC and MID at 3.

PJM also offers Marginal Cost Proxy Pricing as an alternative to their default pricing for interface points with external balancing authority areas that are not part of a centrally dispatched market. However, in order to accomplish this more accurate pricing structure PJM must obtain significantly more information from entities in the neighboring balancing authority area than the ISO is requesting in this compliance filing.<sup>37</sup> The ISO has not explored such detailed pricing alternatives with the external entities in light of the significant opposition raised by external entities to the ISO's efforts to obtain data. Again, by specifying only the *minimum data requirements* for obtaining MEEA-specific pricing, the ISO recognizes that its alternative pricing proposal is not as precise as the Marginal Cost Proxy Pricing offered by PJM.

While the ISO understands, from the comments it received prior to this filing that certain parties continue to believe that these prospective data requirements are too onerous and overly broad, the ISO disagrees. The historical data the ISO proposed Section 27.5.3.2.1 is not sufficient to allow the ISO to verify that the resources identified in the MEEA are used to implement interchange transactions on a going forward basis. Moreover, stakeholders provide no explanation how without the minimum data requirements set forth in proposed Section 27.5.3.2.2 the ISO can verify that the power from the MEEA entities is priced based on the actual delivery of power from the resources identified in an MEEA.

Without this data, the ISO would have no visibility whether resources that are identified in an MEEA operated to implement an interchange transaction. It is for this very reason that the ISO developed its IBAA proposal, which applies a just and reasonable default LMP to interchange transactions for which the ISO cannot model the congestion these transactions create on the CAISO Controlled Grid.<sup>38</sup> Absent the information specified in proposed Section 27.5.3.2.2, MEEA signatories would receive hour-by-hour a price that more accurately reflects the actual location *but not the operation* of their MEEA resources. The resulting impact on the ISO grid would be the

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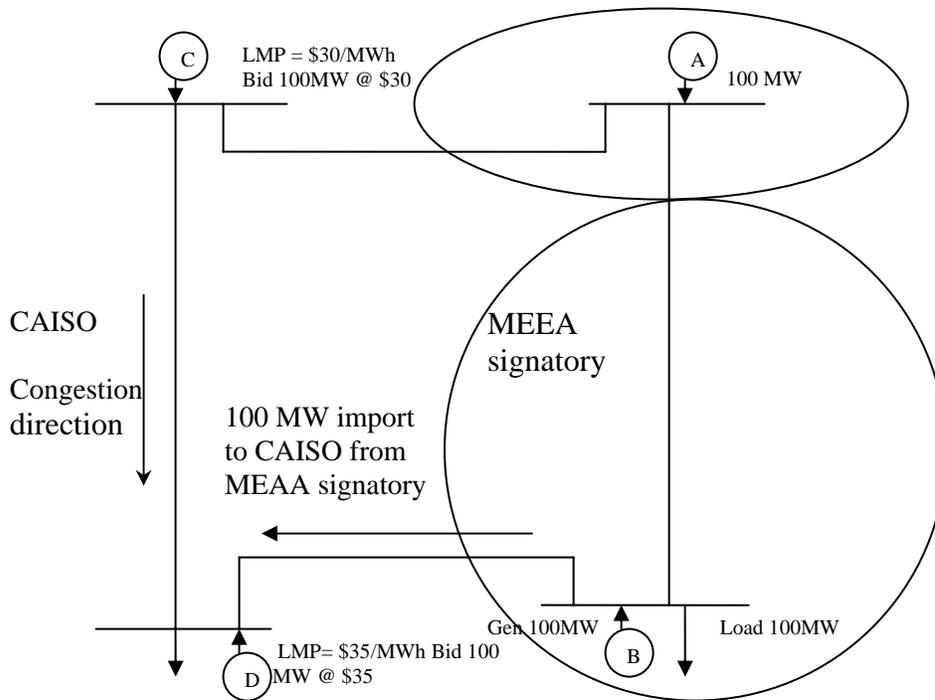
<sup>37</sup> For example, Section 2.6A (b)(2)(B) of Appendix K of the PJM Tariff states that:

Such pricing point and pricing methodology shall be provided only to the extent the external balancing authority area or sub-area provides or causes to be provided to PJM (i) unit-specific, real time telemetered output data for each unit in the PJM network model in such area or sub-area; (ii) unit-specific marginal cost data for each unit in the PJM network model in such area or subarea, prepared in accordance with the PJM Manuals and subject to the same review of the PJM Independent Market Monitor as any such cost data for internal PJM units; and (iii) a day-ahead indication of each unit in such area or sub-area as to whether that unit is scheduled to run for each hour of the following day. During any hour in which any entity makes any purchases from other external areas outside of such area or sub-area (other than delivery of external designated network resources or such other exceptions specifically documented for such area or sub-area in the PJM Manuals) at the same time that energy sales into PJM are being made, or purchases from PJM for delivery into such area or sub-area while sales from such area to other external areas are simultaneously implemented (subject to any exceptions specifically documented for such area or sub-area in the PJM Manuals), pricing will revert to the applicable import or export pricing point that would otherwise be assigned to such external area or sub-area.

<sup>38</sup> *September 2008 Order* at P 42.

same congestion management challenges posed by flows from beyond the Captain Jack location assumed in the IBAA default pricing. The position that the ISO does not need the information it has identified in proposed Section 27.5.3.2.2 disregards the Commission's *September 2008 Order* and *Order on Compliance*, which provide that "an entity may receive a more favorable pricing structure if it is willing to provide the ISO with information that allows it verify the *location and operation of resources* used in interchange transactions between the CAISO Controlled Grid and the SMUD-Turlock IBAA." (Emphasis added.)<sup>39</sup>

The ISO provides the following simple example to illustrate the potential adverse impact that MEEA pricing would have without the data requested by the ISO.



In this example, an MEEA signatory purchases 100 MW from another Balancing Authority Area at A to serve its 100 MW load at B. At the same time, the MEEA signatory seeks to sell 100 MW to the ISO Balancing Authority Area as reflected in the Bid. The ISO is willing to pay the MEEA-LMP for 100 MW import so long as the ISO can verify that the import is support from an *incremental* generation dispatch from location B.

However, this example illustrates that it is inappropriate to pay the MEEA signatory the MEEA-specific price under these conditions because:

<sup>39</sup> *Id.* at P 6.

1. The simultaneous purchase by the MEEA signatory is equal to or greater than the amount the MEEA signatory wants to sell to ISO Balancing Authority Area. Therefore, the ISO cannot verify that the ISO is really getting the benefit of the incremental power coming from the resources located within the IBAA that are identified in the MEEA and are expected to relieve congestion on the ISO grid.
2. The ISO has demonstrated in its previously submitted testimony that purchases at A are actually contributing to congestion on the ISO system between C and D.<sup>40</sup> If the ISO were to pay the MEEA-specific price for the import at D, the ISO would be sending a signal to the MEEA signatory that it should import more from A, which would thereby cause more congestion on the ISO grid. As a result, the ISO would need to redispatch internal generation to accommodate the parallel flow coming from the C at the expense of ISO market.

The above example demonstrates that the ISO is not attempting to limit the ability of entities that operate within the IBAA to engage in interchange transactions with the ISO Balancing Authority Area. Instead, it is seeking to offer more favorable pricing than the IBAA default price, if it is possible to identify the location and operation of resources identified in an MEEA, when those resources are used to implement interchange transactions.

In response to submitted comments, the ISO clarifies that it is not seeking to require MEEA signatories to provide “forward-looking/*real time* data” in order to receive more favorable pricing under an MEEA. The ISO’s proposed tariff language only seeks after-the-fact information for this purpose and only for the settlement interval in which an MEEA signatory seeks an MEEA-specific LMP. The after-the-fact information requirements appear to raise stakeholder concerns regarding the timeline for data submission under an MEEA. For example, stakeholders submitted comments that the proposed verification process results in price uncertainty. This concern appears overstated because an MEEA signatory is in the best position in real time to know whether resources identified in the MEEA are available to operate to implement an interchange transaction. Of course, if like PJM’s interface pricing proposal the ISO were to receive real-time data after the fact verification would not be a factor because the ISO could actually produce an LMP that more accurately reflects the actual price. Given the limitations of the after-the-fact data, the ISO has committed to instead to verify whether a resource identified in an MEEA is operated to implement an interchange transaction as part of its Settlements process. For ease of implementation, the ISO has tied the timeline for the submission of after-the-fact data under an MEEA to its timeframe for settling transactions in its markets. The purpose of submitting after-the fact information under an MEEA is to settle interchange transactions at the MEEA-specific price. For this reason,

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<sup>40</sup> See, e.g., Exhibit ISO-1, Panel Testimony of Mark Rothleder and Dr. Price at 33-35; and *September IBAA Order* at P 35.

the ISO's proposed tariff language is reasonable and complies with the *Order on Compliance*.

During the stakeholder call on May 8, 2009, a number of stakeholders asserted that the MEEA pricing structure continues to discourage parties in the IBAA to dispatch their generation with IBAA for the benefit of the ISO. The concern raised by stakeholders relates to the ISO's inability to verify an MEEA resource is necessarily operating to implement an interchange transaction when an MEEA signatory is simultaneously receiving "cheaper" power from the Pacific Northwest to serve its own load in the IBAA. Under this fact pattern, the MEEA entity would be precluded from the more favorable MEEA-specific price up to the volume of imports. Stakeholders argued that the MEEA signatory would have no incentive to operate its internal generation for purposes of providing an import to the ISO Balancing Authority Area. The ISO explained that because of the adverse pricing incentives and impact on the ISO market described above, the verification is necessary to minimize such an outcome. The ISO agrees, however, that were the external entities willing to provide cost information so that like PJM the ISO could verify the marginal cost of each unit that is online when calculating the external interface prices, the ISO like PJM could provide marginal cost pricing for the MEEA signatory that provides them with more incentive to sell their higher power to the ISO.<sup>41</sup> In the absence of such detailed information, the revised tariff language is reasonable.

The ISO's proposed tariff language is based on the principles described above; specifically, resources identified in the MEEA may be operated for purposes other than implementing interchange transactions, and the resources identified in the MEEA should receive MEEA-specific pricing if the ISO can verify their operation to implement an interchange transaction. While the ISO recognizes that external entities will be required to maximize their own portfolio of generation sources, including access to "cheaper" Pacific Northwest power, the ISO should not be required through an MEEA to erode the congestion management benefits that underlie the IBAA proposal.

**E. The proposed tariff language clarifies the format and timeline for submission of data to the ISO by MEEA signatories.**

In its November 25, 2008 compliance filing, the ISO proposed that it would request information from an entity seeking to negotiate an MEEA in "standard electronic format."<sup>42</sup> The ISO also proposed a MEEA signatory would need to submit after-the fact data in a "standard electronic format."<sup>43</sup> In its *Order on Compliance*, the Commission directed the ISO to modify its tariff provision to specify that data submission consistent

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<sup>41</sup> See *PJM Order* at P 23.

<sup>42</sup> See, Proposed Tariff Section 27.5.3.2.1, submitted on November 25, 2008.

<sup>43</sup> *Id.* at Section 27.5.3.2.2, submitted on November 25, 2008.

with Western Electricity Coordinating Council format is acceptable.<sup>44</sup> The Commission also directed that the ISO specify the timeline it will require for data submitted under an MEEA.

During the course of this proceeding, no party has explained what data format is meant by the reference to “WECC format.” On the ISO’s May 8, 2009 conference call to discuss its proposed tariff language, stakeholders were not able to identify what meter data format they use themselves. In the proposed tariff language submitted in this compliance filing, the ISO has clarified that it will request meter data from entities seeking to negotiate an MEEA and MEEA signatories in a format that complies with one of the ISO’s existing meter data exchange formats: Meter Data Exchange Format or Comma Separated Value file format. The ISO understands that these data formats are commonly used by entities operating in the WECC region.<sup>45</sup> The ISO also understands that WECC itself accepts data in Comma Separated Value file format, which is format often used to exchange meter data.

With respect to the timeline for data submissions, the ISO will require MEEA signatories to meet the timelines for the ISO’s payments calendar as provided in the applicable Business Practice Manual. The current payment calendar can be found at page 33 in the ISO’s Business Practice Manual for Settlement and Billing. The ISO is working to accelerate its payment calendar and therefore has not included specific dates for meter data submission in its proposed tariff language as these dates will change once the ISO implement payment acceleration.

**F. The proposed tariff language ensures information provided by an entity to the ISO during the negotiation of an MEEA or under an executed MEEA is treated as confidential.**

In its November 25, 2008 compliance filing, the ISO proposed that it would treat information submitted by an entity seeking to negotiate an MEEA or an MEEA signatory as confidential pursuant to Section 20 of the ISO Tariff. In its *Order on Compliance*, the Commission stated that the ISO must ensure that any information provided by an entity to the ISO during the negotiation of a MEEA or under an executed MEEA is kept confidential.<sup>46</sup> The Commission also directed the ISO to amend Section 27.5.2.5 of its tariff to include language that ISO will either return or destroy information provided by an entity during the negotiation of an MEEA, if the market participant does not execute an MEEA.

In the proposed tariff language submitted with this compliance filing, the ISO has specified that it will maintain information submitted by an entity seeking to negotiate an

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<sup>44</sup> *Order on Compliance* at PP 72, 82.

<sup>46</sup> *Order on Compliance* 91.

MEEA or an MEEA signatory as confidential and, consistent with applicable law, will take all reasonable steps necessary to protect against the disclosure of this information outside of ISO personnel with a need to know this information as part of their work-related responsibilities.<sup>47</sup> This language reflects input the ISO received from stakeholders in their comments on the ISO's draft tariff language. The ISO has also specified that in the event a disclosing entity does not execute an MEEA, the ISO will return the confidential data to the disclosing entity if the ISO can physically return the data and shall destroy the confidential data that if the ISO cannot physically return the confidential data to the disclosing entity. This language also reflects input the ISO received from stakeholders in their comments on the ISO's draft tariff language.<sup>48</sup>

**G. The proposed tariff language complies with the Commission's direction related to audit rights under an MEEA.**

In its November 25, 2008 compliance filing, the ISO proposed the following language related to audit rights under an MEEA:

The CAISO reserves the right to audit data supplied under an MEEA by giving written notice at least 10 Business Days in advance of the date that the CAISO wishes to initiate such audit, with completion of the audit occurring within 180 days of such notice. The audit shall be for the limited purposes of verifying that the MEEA signatory has accurately represented available resources and has met the maximum requirements specified for MEEA pricing. Upon request of the CAISO as part of such audit, any signatory to an MEEA shall provide information to support the hourly information provided under Section 27.5.3.2. An MEEA signatory may audit the price for any transaction entered into under an MEEA through the CAISO's Settlement and billing process set forth in Section 11 and through data provided to the MEEA signatory as a Market Participant under the CAISO Tariff. Each party will be responsible for its own expenses related to any audit.

In its Order on Compliance, the Commission directed that the CASIO delete the term *maximum* in the description of the limited the purpose of an MEEA audit.<sup>49</sup> The ISO agrees that this term is unnecessary. In its proposed tariff language submitted as part of this filing, the ISO has modified the sentence in question to read: "The audit shall be for the limited purposes of verifying that the MEEA signatory has accurately represented

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<sup>47</sup> See, Proposed Tariff Section 27.5.2.5.

<sup>48</sup> *Id.*

<sup>49</sup> *Order on Compliance* at P 118.

available resources and has met the maximum requirements specified for MEEA pricing.”<sup>50</sup>

**H. The proposed tariff language complies with the Commission’s direction regarding losses adjustment for specific transactions.**

In its November 25, 2008 compliance filing, the ISO proposed to replace the Marginal Cost of Losses at the otherwise applicable source with the Marginal Cost of Losses at the Tracy substation for those import Schedules to the ISO at the southern terminus of the COTP at the Tracy substation that (a) use the California-Oregon Transmission Project, and (b) pay the Western or TANC for losses for the use of the California-Oregon Transmission Project. This tariff language squarely tracked the Commission *September 2008 Order*.<sup>51</sup>

In its *Order on Compliance*, the Commission directed the ISO to modify its tariff language to authorize a similar losses adjustment for COTP imports for which losses compensation has been charged by TANC or Western.<sup>52</sup> The Commission adopted this approach in response to concerns raised by the City of Santa Clara that for some imports in other ISO, TANC or Western may receive payment from a third party for use of the COTP.<sup>53</sup> The ISO does not oppose this directive and has made conforming changes in the tariff language submitted with this filing.<sup>54</sup>

**I. The proposed tariff language complies with the Commission’s direction regarding specifying the frequency with which the ISO may request information to verify losses adjustments**

In its *Order on Compliance*, the Commission directed the ISO to clarify how frequently it would need to verify that schedules originating from transactions that (a) use the COTP and (b) are charged losses by the Western or TANC for the use of the COTP. In the proposed tariff language submitted with this compliance filing, the ISO has specified that it may request such information no more frequently than once a month.<sup>55</sup> The ISO has also clarified that any such request shall be limited to transactions during the six-month period prior to the date of the request.<sup>56</sup> In comments on the ISO’s proposed tariff language, one stakeholder requested that the ISO reduce the timeframe for which it

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<sup>50</sup> See, Proposed Tariff Section 27.5.3.7.

<sup>51</sup> *September 2008 Order* at P 106.

<sup>52</sup> *Order on Compliance* at PP 140, 163.

<sup>53</sup> *Id.*

<sup>54</sup> See, Proposed Section G.1.2 in Appendix C of CASIO Tariff.

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

may request information to verify that schedules originating from transactions that (a) use the COTP and (b) are charged losses by the Western or TANC for the use of the COTP may obtain the Marginal Cost of Losses at the Tracy substation. However, no alternative time periods were offered. The ISO believes its proposal is reasonable and balances the interests of the need to request this information from Scheduling Coordinators form time to time but also provide Scheduling Coordinators with certainty.

#### **IV. Materials Provided in this Compliance Filing**

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

- Attachment A      Clean Tariff sheets incorporating the red-lined changes
- Attachment B      Red-lined changes to the Tariff to implement the Commission's  
*Order on Compliance.*

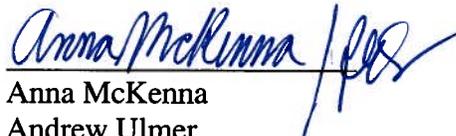
#### **V. Conclusion**

The ISO respectfully requests that the Commission accept the enclosed tariff revisions as complying with the directives of the *Order on Compliance*. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,



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Attorneys for the California Independent  
System Operator Corporation

Dated: May 12, 2009

**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, California this 12<sup>th</sup> day of May, 2009.

/s/

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**Attachment A – Clean Sheets**  
**Integrated Balancing Authority Area Modeling and Pricing Compliance Filing**  
**Fourth Replacement CAISO Tariff**  
**May 12, 2009**

**27.5.3.1 Currently Established Integrated Balancing Authority Areas.**

The FNM includes the established IBAA's listed below. Additional details regarding the modeling specifications for these IBAA's are provided in the Business Practice Manuals.

- (1) The Sacramento Municipal Utility District (SMUD) IBAA including the transmission facilities of the following entities:
  - (a) Western Area Power Administration – Sierra Nevada Region
  - (b) Modesto Irrigation District
  - (c) City of Redding
  - (d) City of Roseville
- (2) Turlock Irrigation District IBAA

**27.5.3.2 Information Required to Develop and Obtain Pricing under a Market Efficiency Enhancement Agreement.**

The CAISO shall enter into an MEEA with an entity controlling supply resources within an IBAA to provide modeling and pricing for imports or exports between the IBAA and the CAISO Balancing Authority Area if the entity agrees to provide the information as specified herein. These information requirements apply to all entities seeking to enter into and having entered into an MEEA, including external Balancing Authorities within the IBAA or sub-entities therein such as Scheduling Coordinators or sub-Balancing Authority Areas in control of specific resources. For these purposes, control includes ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource. In order to obtain non-default, location-specific pricing for interchange transactions with the CAISO Balancing Authority Area, an MEEA signatory must provide the information described in this section 27.5.3.2. The information is necessary to: (i) establish the location of the resources that will be used to calculate location-specific prices under the MEEA, (ii) verify that the resources operating to implement an interchange transaction are the same as the resources identified in the MEEA, (iii) verify the amount of an interchange transaction that was implemented by the dispatch of resources identified in the MEEA, and (iv) settle all charges and payments for interchange transactions under the MEEA.

The CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets, if the CAISO can verify that the resources identified in the MEEA, or a portion of those resources, were operated to implement the interchange transaction reflected in the Bid. This MEEA-specific LMP shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located.

**27.5.3.2.1 Information Required to Develop a Market Efficiency Enhancement Agreement.**

An entity seeking to enter into an MEEA with the CAISO will provide the CAISO with historical hourly metered generation data for the supply resources to be identified in the MEEA and the historical hourly metered load data within the IBAA for the load served by the MEEA signatory, if any. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats, Meter Data Exchange Format or Comma Separated Value file format. All executed MEEAs between the CAISO and an entity with resources within the IBAA must include:

- (a) a list of the external supply resources and loads within the IBAA over which the MEEA signatory has control or serves (for these purposes control includes ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource);

- (b) the location of the resources identified in the MEEA for which non-default LMPs will be calculated;
- (c) the injection and withdrawal points for the resources identified in the MEEA; and
- (d) the appropriate Resource IDs that apply for the MEEA transactions.

**27.5.3.2.2 Information Needed to Determine Application of MEEA-Specific Pricing in any Settlement Interval or Settlement Period.**

If an MEEA signatory submits a Bid in the CAISO Market and seeks to obtain an MEEA-specific LMP for an interchange transaction, the CAISO must be capable of verifying what portion (output in megawatt hours) of the resources identified in the MEEA, if any, were dispatched to implement the interchange transaction. To the extent that the resources identified in the MEEA, or portion thereof, were dispatched and operated for purposes other than the interchange transaction submitted in the CAISO Market, the Schedule or Imbalance Energy associated with the Bid submitted and cleared in the CAISO Market will not receive an MEEA-specific LMP, and will instead receive the default IBAA price specified in Appendix C, Section G.1.1. To the extent that the CAISO cannot verify that resources identified in the MEEA were dispatched and operated to implement the interchange transaction submitted in the CAISO Market, the portion of the Schedule or Imbalance Energy associated with the submitted and cleared Bid in the CAISO Market that was implemented by resources not identified in an MEEA will not receive an MEEA-specific LMP, and will instead receive the default IBAA price specified in Appendix C, Section G.1.1.

In order to verify: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, an MEEA signatory must provide the following information for the Settlement Interval in which the MEEA signatory seeks an MEEA-specific LMP:

- (a) total hourly metered generation owned or under the control of the MEEA signatory within the IBAA;
- (b) total hourly metered load served by the MEEA signatory within the IBAA;
- (c) total gross Energy scheduled by the MEEA signatory into the IBAA from other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).
- (d) total gross Energy purchases made by the MEEA signatory within the IBAA, including:
  - (i) purchases from third parties, and
  - (ii) exchanges acquiring Energy from third parties;
- (e) total gross Energy sales made by the MEEA signatory within the IBAA, including:
  - (i) sales to third parties, and
  - (ii) exchanges providing Energy to third parties;
- (f) total gross Energy sales by the MEEA signatory out of the IBAA into other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

This information in (a) through (f) may be submitted after-the-fact but must be provided for the MEEA signatory itself and any of its Affiliates or any other organization under its control. The CAISO shall use the information described in this section to verify what portion of the resources identified in an MEEA, if any, were dispatched to implement the interchange transactions submitted to and cleared through the CAISO Markets between the CAISO Balancing Authority Area and the IBAA. Data submitted shall meet all Settlement Quality Meter Data requirements as specified in the CAISO Tariff Section 10.3.2.2. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats, Meter Data Exchange Format or Comma Separated Value file format. Data submitted shall meet the timelines established in the CAISO payments calendar as provided in the applicable Business Practice Manual. In addition, in the event that there is a Dynamic Resource-Specific System Resource in the IBAA, the MEEA may further provide that the MEEA signatory in control of such resource may also obtain pricing under the MEEA for imports to the CAISO Balancing Authority Area from the Dynamic Resource-Specific System Resource. For any portion of an interchange transaction for which the CAISO cannot verify that the resources that were dispatched and operated to implement the interchange transaction are the resources identified in the MEEA, the default IBAA price specified in Appendix C, Section G.1.1 will apply for the corresponding volume and time period.

**27.5.3.2.2.1 Application of MEEA-Specific LMPs for Import Bids into the CAISO Balancing Authority Area Cleared through the CAISO Market.**

The CAISO shall verify the portion of the resources identified in an MEEA, if any, supported an Import Bid submitted and cleared through the CAISO Market submitted pursuant to the MEEA. The CAISO will provide MEEA-specific LMPs as follows:

- (a) MEEA-specific LMPs will apply only to that portion of Import Bids to the CAISO Balancing Authority Area where the CAISO can verify that the resources identified in the MEEA supported the Import Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Import Bid to the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Import Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also importing from an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Import Bid or portion thereof may be supported by other resources not identified in the MEEA.

To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA to implement the Import Bid, the Schedule or Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's purchases and exchanges within the IBAA and an MEEA signatory's purchases from and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

(b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Import Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Import Bid or portion thereof will be settled at the default IBAA price specified in Appendix C, Section G.1.1

**27.5.3.2.2.2 Application of MEEA-Specific LMPs for Export Bids from the CAISO Balancing Authority Area Cleared through the CAISO Market.**

The CAISO shall verify the portion of the resources identified in an MEEA, if any, that were dispatched to implement supported an Export Bid submitted and cleared through the CAISO Market. The CAISO will provide MEEA-specific LMPs as follows:

- (a) MEEA-specific LMPs will apply only to that portion of Export Bids from the CAISO Balancing Authority Area where the CAISO can verify that resources identified in the MEEA supported the Export Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Export Bid from the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Export Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also exporting to an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Export Bid or portion thereof may be supported by other resources not identified in the MEEA. To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA to implement the Export Bid, the Schedule or Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's sales and exchanges within the IBAA and an MEEA signatory's sales to and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

- (b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Export Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Export Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA were dispatched to implement the Export Bid associated with the submitted and cleared Schedule or Dispatch Instruction, the Export Bid or portion thereof will be settled at the default IBAA price specified in Appendix C, Section G.1.1.

**27.5.3.5 Measures to Preserve Confidentiality of Data under a Market Efficiency Enhancement Agreement.**

Subject to the provisions of Section 27.5.3.4, data provided to the CAISO by any entity under an MEEA or in connection with negotiations to develop an MEEA shall be treated as confidential data. Consistent with applicable law, the CAISO shall take all steps reasonably necessary to limit disclosure of this information to CAISO personnel that need to review such information as part of their work-related responsibilities. In the event a disclosing entity does not execute an MEEA, the CAISO shall return the confidential data to the disclosing entity if the CAISO can physically return the data and shall destroy the confidential data if the CAISO cannot physically return the confidential data to the disclosing entity.

**27.5.3.6 Dispute Resolution under Market Efficiency Enhancement Agreements.**

Any disputes arising out of or in connection with an MEEA shall be subject to the CAISO ADR Procedures of Section 13.

**27.5.3.7 Audit Rights under Market Efficiency Enhancement Agreements.**

The CAISO reserves the right to audit data supplied under an MEEA by giving written notice at least ten (10) Business Days in advance of the date that the CAISO wishes to initiate such audit, with completion of the audit occurring within 180 days of such notice. The audit shall be for the limited purposes of verifying that the MEEA signatory has accurately represented available resources and has met the requirements specified for MEEA pricing. Upon request of the CAISO as part of such audit, any signatory to an MEEA shall provide information to support the hourly information provided under Section 27.5.3.2. An MEEA signatory may audit the price for any transaction entered into under an MEEA through the CAISO's Settlement and billing process set forth in Section 11 and through data provided to the MEEA signatory as a Market Participant under the CAISO Tariff. Each party will be responsible for its own expenses related to any audit.

effective MEEA, the default pricing for all imports from the IBAA(s) to the CAISO Balancing Authority Area will be based on the SMUD/TID IBAA Import LMP and all exports to the IBAA(s) from the CAISO Balancing Authority Area will be based on the SMUD/TID IBAA Export LMP. The SMUD/TID IBAA Import LMP will be calculated based on modeling of supply resources that assumes all supply is from the Captain Jack substation as defined by WECC. The SMUD/TID IBAA Export LMP will be calculated based on the Sacramento Municipal Utility District hub that reflects Intertie distribution factors developed from a seasonal power flow base case study of the WECC region using an equivalencing technique that requires the Sacramento Municipal Utility District hub to be equivalenced to only the buses that comprise the aggregated set of load resources in the IBAA, with all generation also being retained at its buses within the IBAA. The resulting load distribution within each aggregated set of load resources within the IBAA defines the Intertie distribution factors for exports from the CAISO Balancing Authority Area.

#### **G.1.2 Applicable Marginal Losses Adjustment**

For import Schedules to the CAISO Balancing Authority Area at the southern terminus of the California-Oregon Transmission Project at the Tracy substation that originate from transactions that (a) use the California-Oregon Transmission Project, and (b) are charged losses by the Western Area Power Administration or Transmission Agency of Northern California for the use of the California-Oregon Transmission Project, the CAISO will replace the Marginal Cost of Losses at the otherwise applicable source for such Schedules with the Marginal Cost of Losses at the Tracy substation. The CAISO will establish Resource IDs that are to be used only to submit Bids, including Self-Schedules, for the purpose of establishing Schedules that are eligible for this loss adjustment. Prior to obtaining such Resource IDs, the relevant Scheduling Coordinator shall certify that it will only use this established Resource ID for Bids, including Self-Schedules, that originate from transactions that (a) use the California-Oregon Transmission Project,

and (b) are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California for the use of the California-Oregon Transmission Project. Further, by actually using such Resource ID, the Scheduling Coordinator represents that such Bids, including Self-Schedules, originate from transactions that (a) use the California-Oregon Transmission Project and (b) are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California for the use of the California-Oregon Transmission Project. Schedules and Dispatches settled under such Resource IDs shall be subject to an LMP which has accounted for the Marginal Cost of Losses as if there were an actual physical generation facility at the Tracy Scheduling Point as opposed to the Marginal Cost of Losses under the IBAA LMPs specified in Section G.1.1 of this Appendix. The CAISO may request information on a monthly basis from such Scheduling Coordinators to verify that schedules for such Resource IDs originate from transactions using the California-Oregon Transmission Project and are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California. Any such request shall be limited to transactions that use the designated Resource IDs during the six month prior period to the date of the request. The CAISO will calculate a re-adjustment of the Marginal Cost of Losses at the Tracy substation to reflect the otherwise applicable source for such Schedules for any Settlement Interval in which the CAISO has determined that the Scheduling Coordinator's payments did not reflect transactions that (a) use the California-Oregon Transmission Project, and (b) are charged losses by the Western Area Power Administration or Transmission Agency of Northern California for the use of the California-Oregon Transmission Project. Any amounts owed to the CAISO for such Marginal Cost of Losses re-adjustments will be recovered by the CAISO from the affected Scheduling Coordinator by netting the amounts owed from payments due in subsequent Settlements Statements until the outstanding amounts are fully recovered.

**Attachment B - Blacklines**  
**Integrated Balancing Authority Area Modeling and Pricing Compliance Filing**  
**Fourth Replacement CAISO Tariff**  
**May 12, 2009**

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### **27.5.3.2 Information Required to Develop and Obtain Pricing under a Market Efficiency Enhancement Agreement.**

The CAISO shall enter into an MEEA with an entity controlling supply resources within an IBAA to provide modeling and pricing for imports or exports between the IBAA and the CAISO Balancing Authority Area if the entity agrees to provide the ~~required~~ information as specified herein. These information requirements apply to all entities seeking to enter into and having entered into an MEEA, including external Balancing Authorities within the IBAA or sub-entities therein such as Scheduling Coordinators or sub-Balancing Authority Areas in control of specific resources. For these purposes, control includes ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource. In order to obtain non-default, location-specific pricing for interchange transactions with the CAISO Balancing Authority Area, an MEEA signatory must provide the information described in this section 27.5.3.2. The information is necessary to: (i) establish the location of the resources that will be used to calculate location-specific prices under the MEEA, (ii) verify that the resources operating to implement an interchange transaction are the same as the resources identified in the MEEA, (iii) verify the amount of an interchange transaction that was implemented by the dispatch of resources identified in the MEEA, and (iv) settle all charges and payments for interchange transactions under the MEEA. The CAISO will provide an LMP to an MEEA signatory for an interchange transaction between the CAISO Balancing Authority Area and the IBAA at the Scheduling Point at which the actual Import or Export Bid is submitted to the CAISO Markets, if the CAISO can verify that the resources identified in the MEEA, or a portion of those resources, were operated to implement the interchange transaction reflected in the Bid. This MEEA-specific LMP shall be calculated for each such Scheduling Point and reflect the nodes where the specific import or export is demonstrated in the MEEA to actually be located.

### **27.5.3.2.1 Information Required to Develop a Market Efficiency Enhancement Agreement.**

~~During the process of establishing an MEEA, the CAISO will request from the An entity seeking to negotiate enter into an MEEA with the CAISO will provide the CAISO with historical hourly metered generation data for the entity's supply resources within to be identified in the IBAA MEEA and the entity's historical hourly metered load data within the IBAA in a standard electronic format. This data will be used to determine the following details of the specific MEEA:~~

~~(a) the injection and withdrawal points to model the IBAA for the purposes of the MEEA entity's imports and exports with the CAISO Balancing Authority Area under the MEEA; load served by the MEEA signatory, if any. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats, Meter Data Exchange Format or Comma Separated Value file format. All executed MEEAs between the CAISO and an entity with resources within the IBAA must include:~~

- ~~(a) the a list of the external supply resources and loads within the IBAA over which the MEEA signatory has control or serves (for these purposes control includes ownership or any contractual arrangements that provide authority to schedule and/or receive the financial benefits of a resource);~~
- ~~(b) the location of the resources identified in the MEEA for which non-default LMPs will be calculated;~~
- ~~(c) the injection and withdrawal points for the resources identified in the MEEA; and~~
- ~~(e) the appropriate Resource IDs that apply for the MEEA transactions; and~~
- ~~(d) how the LMPs for transactions under the MEEA will be calculated.~~

~~Unless the parties otherwise agree, after the establishment of an MEEA, the CAISO or MEEA signatory may request updates of this historical data to update the modeling and pricing details under the MEEA.~~

**27.5.3.2.2 Information ~~Required to for~~ Needed to Determine Application of MEEA-Specific Pricing Under a Market Efficiency Enhancement Agreement in any Settlement Interval or Settlement Period.**

~~The MEEA signatory controlling supply resources or serving load under the MEEA must provide the following historical hourly information in order for the MEEA pricing rules as further specified below and in the MEEA to take effect: If an MEEA signatory submits a Bid in the CAISO Market and seeks to obtain an MEEA-specific LMP for an interchange transaction, the CAISO must be capable of verifying what portion (output in megawatt hours) of the resources identified in the MEEA, if any, were dispatched to implement the interchange transaction. To the extent that the resources identified in the MEEA, or portion thereof, were dispatched and operated for purposes other than the interchange transaction submitted in the CAISO Market, the Schedule or Imbalance Energy associated with the Bid submitted and cleared in the CAISO Market will not receive an MEEA-specific LMP, and will instead receive the default IBAA price specified in Appendix C, Section G.1.1. To the extent that the CAISO cannot verify that resources~~

identified in the MEEA were dispatched and operated to implement the interchange transaction submitted in the CAISO Market, the portion of the Schedule or Imbalance Energy associated with the submitted and cleared Bid in the CAISO Market that was implemented by resources not identified in an MEEA will not receive an MEEA-specific LMP, and will instead receive the default IBAA price specified in Appendix C, Section G.1.1.

In order to verify: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, an MEEA signatory must provide the following information for the Settlement Interval in which the MEEA signatory seeks an MEEA-specific LMP:

- (a) total hourly metered generation owned or under the control of the MEEA signatory within the IBAA;
- (b) total ~~gross Energy scheduled~~ hourly metered load served by the MEEA signatory ~~into~~ within the IBAA ~~from other Balancing Authority Areas (excluding the CAISO Balancing Authority Area);~~
- (c) total gross Energy scheduled by the MEEA signatory into the IBAA from other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).
- (~~e~~) total gross Energy purchases made by the MEEA signatory ~~at delivery points~~ within the IBAA, including:
  - (i) purchases from third parties, and
  - (ii) exchanges acquiring Energy from third parties;
- (~~e~~) total ~~metered load served by the MEEA signatory within the IBAA;~~ gross Energy sales made by the MEEA signatory within the IBAA, including:
  - (i) sales to third parties, and
  - (ii) exchanges providing Energy to third parties;

(ef) total gross Energy ~~scheduled sales~~ by the MEEA signatory out of the IBAA into other Balancing Authority Areas (~~excluding exclusive of~~ the CAISO Balancing Authority Area); and

(f) ~~total gross Energy sales made by the MEEA signatory for delivery points within the IBAA, including:~~

~~(i) sales to third parties, and~~

~~(ii) exchanges providing Energy to third parties.~~

~~This information is necessary for the purposes of verifying the location and operation of the supply resources within an IBAA dispatched to implement an import Interchange transaction into the CAISO Balancing Authority Area or reduced as the result of an export Interchange transaction from the CAISO Balancing Authority Area.~~

~~This information in (a) through (f) may be submitted after-the-fact but must be provided. This hourly data shall include the data for the MEEA signatory itself and any of its Affiliates or any other organization under its control. Data shall be provided in standard electronic format in a manner and timeline that is consistent with the rules for the submission of meter data submissions timeline specified in Section 40.3.6. The CAISO shall use the information described in this section to verify what portion of the resources identified in an MEEA, if any, were dispatched to implement the interchange transactions submitted to and cleared through the CAISO Markets between the CAISO Balancing Authority Area and the IBAA. Data submitted shall meet all Settlement Quality Meter Data requirements as specified in the CAISO Tariff Section 10.3.2.2. The data shall be formatted to comply with one of the CAISO's existing meter data exchange formats, Meter Data Exchange Format or Comma Separated Value file format. Data submitted shall meet the timelines established in the CAISO payments calendar as provided in the applicable Business Practice Manual. In addition, in the event that there is a Dynamic Resource-Specific System Resource in the IBAA, the MEEA may further provide that the MEEA signatory in control of such resource may also obtain pricing under the MEEA for imports to the CAISO Balancing Authority Area from the Dynamic Resource-Specific System Resource. Based on the historical hourly data identified above, if during For any Trading Hour in which portion of an interchange transaction for which the CAISO has determined cannot verify that an MEEA signatory (or any of its Affiliates or any other organization under~~

~~its control) imports the resources that were dispatched and operated to and exports from implement the CAISO Balancing Authority Area, all of interchange transaction are the MEEA signatory's imports to and exports from resources identified in the CAISO Balancing Authority Area will be settled using MEEA, the default IBAA price specified in Appendix C, Section G.1.1 will apply for the corresponding volume and time period.~~

**27.5.3.2.3.2.1 Application of MEEA-Specific LMPs for Imports Bids into the CAISO Balancing Authority Area Cleared through the CAISO Market.**

~~Under the MEEA, eligible imports into the CAISO Balancing Authority Area at Scheduling Points that are part of an IBAA will be paid pursuant to the MEEA price as opposed to the IBAA default pricing specified in Appendix C, Section G.1.1, subject to the following requirements:~~

- ~~(a) — During each Trading Hour, the volume of imports from the IBAA into the CAISO Balancing Authority Area by the MEEA signatory that would be eligible for MEEA pricing each Trading Hour is limited to the MEEA maximum eligible imports to CAISO Balancing Authority Area.~~
- ~~(b) — The MEEA maximum eligible imports to the CAISO Balancing Authority Area is determined as the MEEA metered generation within the IBAA less (i) the MEEA metered load, (ii) MEEA gross exports from the IBAA to other Balancing Authority Areas other than the CAISO Balancing Authority Area, (iii) and the MEEA gross sales within the IBAA.~~
- ~~(c) — The MEEA metered generation is the total metered output of the generating resources within the IBAA under the control of the MEEA signatory.~~
- ~~(d) — The MEEA metered load is the total metered load served by the MEEA signatory in the IBAA.~~
- ~~(e) — The MEEA gross exports from the IBAA to other Balancing Authority Areas includes all Energy exports scheduled and delivered (as identified in the e-tags) by the MEEA signatory on interchanges between the IBAA and other Balancing Authority Areas (excluding the CAISO Balancing Authority Area).~~
- ~~(f) — MEEA gross sales within the IBAA include all Energy sales or exchanges made by the MEEA signatory at delivery points within the IBAA.~~

~~(g) — For any Energy imports into the CAISO Balancing Authority Area in excess of this maximum limit, the MEEA signatory will be paid the default IBAA price specified in Appendix C, Section G.1.1 for the corresponding volume and time period.~~

**~~27.5.3.2.4 — Exports from the CAISO Balancing Authority Area into the IBAA.~~**

~~Under the MEEA, eligible exports from the CAISO Balancing Authority Area into the IBAA at Scheduling Points that are part of an IBAA will be charged pursuant to the MEEA price as opposed to the IBAA default pricing specified in Appendix C, Section G.1.1, subject to the following requirements.~~

- ~~(a) — During any other Trading Hour in which an MEEA signatory exports from the CAISO Balancing Authority Area into the IBAA, the MEEA signatory will be charged the MEEA price for any exports from the CAISO Balancing Authority Area into the IBAA up to the MEEA maximum eligible exports from the CAISO Balancing Authority Area.~~
- ~~(b) — The MEEA maximum eligible exports from the CAISO Balancing Authority Area is the MEEA metered load less the (i) MEEA metered generation, (ii) MEEA gross imports into the IBAA, and (iii) MEEA gross purchases within IBAA.~~
- ~~(c) — MEEA metered generation includes the total metered output of generating resources within the IBAA under the control of the MEEA signatory.~~
- ~~(d) — MEEA metered load includes the total metered load served by the MEEA signatory in the IBAA.~~
- ~~(e) — MEEA gross imports into the IBAA from other Balancing Authority Areas include all Energy imports by the MEEA signatory into the IBAA scheduled and delivered on interchanges as identified in the e-tags between the IBAA and other Balancing Authority Areas (excluding the CAISO Balancing Authority Area).~~
- ~~(f) — MEEA gross purchases within the IBAA include all Energy purchases or exchanges made by the MEEA signatory at delivery points within the IBAA.~~
- ~~(g) — For any Energy exports from the CAISO Balancing Authority Area in excess of this maximum limit, the MEEA signatory will be charged the default IBAA price specified in Appendix C, Section G.1.1 for the corresponding volume and time period.~~

The CAISO shall verify the portion of the resources identified in an MEEA, if any, supported an Import Bid submitted and cleared through the CAISO Market submitted pursuant to the MEEA. The CAISO will provide MEEA-specific LMPs as follows:

- (a) MEEA-specific LMPs will apply only to that portion of Import Bids to the CAISO Balancing Authority Area where the CAISO can verify that the resources identified in the MEEA supported the Import Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Import Bid to the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Import Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also importing from an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Import Bid or portion thereof may be supported by other resources not identified in the MEEA. To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA to implement the Import Bid, the Schedule or Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's purchases and exchanges within the IBAA and an MEEA signatory's purchases from and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).
- (b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch

Instruction, the Import Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA supported the Import Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Import Bid or portion thereof will be settled at the default IBAA price specified in Appendix C, Section G.1.1

**27.5.3.2.2 Application of MEEA-Specific LMPs for Export Bids from the CAISO Balancing Authority Area Cleared through the CAISO Market.**

The CAISO shall verify the portion of the resources identified in an MEEA, if any, that were dispatched to implement supported an Export Bid submitted and cleared through the CAISO Market. The CAISO will provide MEEA-specific LMPs as follows:

- (a) MEEA-specific LMPs will apply only to that portion of Export Bids from the CAISO Balancing Authority Area where the CAISO can verify that resources identified in the MEEA supported the Export Bid submitted and cleared in the CAISO Market. The CAISO will verify whether the MEEA resources supported the Export Bid from the CAISO Balancing Authority Area consistent with the MEEA using the data provided as required in Section 27.5.3.2.2. The verification will evaluate: (i) what portion of the resources identified in the MEEA, if any, were dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market, (ii) what portion of the resources identified in the MEEA, if any, were dispatched and operated for purposes other than the interchange transaction submitted and cleared in the CAISO Market, and (iii) whether resources other than resources identified in the MEEA, if any, may have been dispatched and operated to implement the interchange transaction submitted and cleared in the CAISO Market. The CAISO cannot verify that resources identified in the MEEA were dispatched to support the Export Bid if the MEEA signatory in any Settlement Interval seeking the MEEA LMP is also exporting to an external Balancing Authority Area (exclusive of the CAISO Balancing Authority Area) because the MEEA Export Bid or portion thereof may be supported by other resources not identified in the MEEA. To the extent that the CAISO determines that the MEEA signatory operates resources other than resources identified in the MEEA to implement the Export Bid, the Schedule or

Dispatch Instruction will not receive the MEEA-specific LMP. Resources not identified in the MEEA include, but are not limited to, resources from an MEEA signatory's sales and exchanges within the IBAA and an MEEA signatory's sales to and exchanges with other Balancing Authority Areas (exclusive of the CAISO Balancing Authority Area).

(b) If the CAISO verifies as described above in (a) that the resources identified in the MEEA supported the Export Bid associated with a submitted and cleared Schedule or Dispatch Instruction, the Export Bid or portion thereof will be settled at the MEEA-specific LMP. If the CAISO cannot verify as described above in (a) that the resources identified in the MEEA were dispatched to implement the Export Bid associated with the submitted and cleared Schedule or Dispatch Instruction, the Export Bid or portion thereof will be settled at the default IBAA price specified in Appendix C, Section G.1.1.

\* \* \*

#### **27.5.3.5 Measures to Preserve Confidentiality of Data under a Market Efficiency Enhancement Agreement.**

Subject to the provisions of Section 27.5.3.4, data provided to the CAISO by any entity under an MEEA or in connection with negotiations to develop an MEEA shall be treated as confidential data ~~under Section 20.~~ Consistent with applicable law, the CAISO shall take all steps reasonably necessary to limit disclosure of this information to CAISO personnel that need to review such information as part of their work-related responsibilities. In the event a disclosing entity does not execute an MEEA, the CAISO shall return the confidential data to the disclosing entity if the CAISO can physically return the data and shall destroy the confidential data if the CAISO cannot physically return the confidential data to the disclosing entity.

\* \* \*

#### **27.5.3.7 Audit Rights under Market Efficiency Enhancement Agreements.**

The CAISO reserves the right to audit data supplied under an MEEA by giving written notice at least ten (10) Business Days in advance of the date that the CAISO wishes to initiate such audit, with completion of the audit occurring within 180 days of such notice. The audit shall be for the limited purposes of verifying that the MEEA signatory has accurately represented available resources and has met the ~~maximum~~ requirements specified for MEEA pricing. Upon request of the CAISO as part of such audit,

any signatory to an MEEA shall provide information to support the hourly information provided under Section 27.5.3.2. An MEEA signatory may audit the price for any transaction entered into under an MEEA through the CAISO's Settlement and billing process set forth in Section 11 and through data provided to the MEEA signatory as a Market Participant under the CAISO Tariff. Each party will be responsible for its own expenses related to any audit.

\* \* \*

## CAISO TARIFF APPENDIX C

### Locational Marginal Price

\* \* \*

#### G.1.2 Applicable Marginal Losses Adjustment

For import Schedules to the CAISO Balancing Authority Area at the southern terminus of the California-Oregon Transmission Project at the Tracy substation that originate from transactions that (a) use the California-Oregon Transmission Project, and (b) pay are charged losses by the Western Area Power Administration or Transmission Agency of Northern California for ~~losses for~~ the use of the California-Oregon Transmission Project, the CAISO will replace the Marginal Cost of Losses at the otherwise applicable source for such Schedules with the Marginal Cost of Losses at the Tracy substation. The CAISO will establish Resource IDs that are to be used only to submit Bids, including Self-Schedules, for the purpose of establishing Schedules that are eligible for this loss adjustment. Prior to obtaining such Resource IDs, the relevant Scheduling Coordinator shall certify that it will only use this established Resource ID for Bids, including Self-Schedules, that originate from transactions that (a) use the California-Oregon Transmission Project, and (b) pay are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California for ~~losses for~~ the use of the California-Oregon Transmission Project. Further, by actually using such Resource ID, the Scheduling Coordinator represents that such Bids, including Self-Schedules, originate from transactions that (a) use the California-Oregon Transmission Project and (b) pay are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California for ~~losses for~~ the use of the California-Oregon Transmission Project. Schedules and Dispatches settled under such Resource IDs shall be subject to an LMP which has accounted for the Marginal Cost of Losses as if there ~~is~~ were an actual

physical generation facility at the Tracy Scheduling Point as opposed to the Marginal Cost of Losses under the IBAA LMPs specified in Section G.1.1 of this Appendix. The CAISO may ~~from time-to-time~~ request information on a monthly basis from such Scheduling Coordinators to verify ~~the legitimate use of that schedules for~~ such Resource IDs originate from transactions using the California-Oregon Transmission Project and are charged for losses by the Western Area Power Administration or Transmission Agency of Northern California. Any such request shall be limited to transactions that use the designated Resource IDs during the six month prior period to the date of the request. The CAISO will calculate a re-adjustment of the Marginal Cost of Losses at the Tracy substation to reflect the otherwise applicable source for such Schedules for any Settlement Interval in which the CAISO has determined that the Scheduling Coordinator's payments did not reflect transactions that (a) use the California-Oregon Transmission Project, and (b) ~~pay~~ are charged losses by the Western Area Power Administration or Transmission Agency of Northern California ~~for losses~~ for the use of the California-Oregon Transmission Project. Any amounts owed to the CAISO for such Marginal Cost of Losses re-adjustments will be recovered by the CAISO from the affected Scheduling Coordinator by netting the amounts owed from payments due in subsequent Settlements Statements until the outstanding amounts are fully recovered.

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