California ISO
Your Link to Power

California Independent
System Operator Corporation

May 29, 2008

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER08-628-000**

Dear Secretary Salas:

The California Independent System Operator Corporation ("CAISO")[1] submits an original and five copies of the instant filing in compliance with the Commission's "Order Conditionally Accepting Tariff Revisions," 123 FERC ¶ 61,097, issued on April 29, 2008 in the captioned docket ("April 29 Order"). This filing reflects the changes directed by the Commission.

The April 29 Order conditionally accepts a tariff amendment that the CAISO filed on February 29, 2008. The amendment establishes a settlements charge that will be assessed to Scheduling Coordinators who fail to deliver on bids for imports and exports that have been accepted in the CAISO's real-time markets for energy. The amendment will revise both the currently effective tariff and the MRTU tariff when it becomes effective.

Compliance with April 29 Order

The April 29 Order directed the CAISO to submit a compliance filing within 30 days to clarify the tariff language in two respects.

The first change concerns possible exceptions to the settlement charge. The Commission noted that, in contrast to the CAISO's transmittal letter, the tariff language did not specifically state that the settlement charge would apply to all

[1] Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

pre-dispatched bids that are declined for any reason, without exceptions based on the circumstances of a particular decline. *See* April 29 Order ¶ 35. The Commission directed the CAISO to clarify "that no exceptions from the charges in section 11.31 for particular declined dispatches will be allowed." *Id.* Accordingly, the CAISO has revised Section 11.31 of the MRTU tariff to add, after the explanations that the charges "shall apply to any HASP Intertie Schedule for an Energy export [or import that] . . . is not delivered for any reason," the following parenthetical statement: "*(with no exceptions based on the circumstances of a particular failure to deliver)*." Corresponding changes were made to the sheets for the currently effective tariff.

A second set of changes concerns the relation between the settlement charge and Section 37 of the CAISO Tariff, a.k.a. the "Enforcement Protocol." The Commission agreed with Dynegy that the tariff language failed to clarify that "section 11.31 penalties are the only penalties that will apply under section 37.3.1.1 for failure to deliver energy on pre-dispatched import or export bids." In addition, the Commission directed the CAISO to clarify

> that section 37.3.1.1 on "Expected Conduct" is not applicable (i.e., the section 11.31 charge would be applied solely for purposes of determining that a market participant has not met the decline threshold level and would not mean that a market participant would be subject to some other sanction under CAISO's "Enforcement Protocol").

Finally, the Commission "require[s] that CAISO clarify, on compliance, that the anti-manipulation provisions remain in full force."

Accordingly, the CAISO added the following sentence at the end of Section 37.1.1 of the MRTU tariff: "HASP Intertie Schedules for import or export Energy are not subject to the foregoing requirement, but failure to deliver on such HASP Intertie Schedules can violate the anti-manipulation provisions in Section 37.7 and in any regulations issued by FERC." A corresponding change was made to the sheets for the currently effective tariff. This is of course not to say that any failure to deliver amounts to manipulation, only that failure to deliver on HASP Intertie Schedules for import or export Energy can be penalized or sanctioned if the conduct otherwise violates the prohibition on market manipulation.

In addition, the CAISO modified Section 37.3.1.2 to add the language requested by Dynegy, modified slightly to conform to the Commission's directive about other provisions of Section 37 and the anti-manipulation rule (Section 37.7). Specifically, the CAISO has added the following italicized language to the conclusion of that section: "If a Market Participant fails to deliver on HASP Scheduled Energy for imports or exports, it shall be subject to any charge that may apply in Section 11.31 *and to any penalty or sanction FERC may impose for* *violation of Section 37.7, but shall not be subject to Sanctions under any other provision of Section 37, including this Section 37.3."*

Conclusion

The changes described above are shown in attached tariff sheets, as follows:

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|---|---|
| Attachment A | Currently Effective Tariff Clean Sheets |
| Attachment B | Currently Effective Tariff Blacklines |
| Attachment C | 4th Replacement CAISO Tariff (MRTU) Clean Sheets |
| Attachment D | 4th Replacement CAISO Tariff (MRTU) Blacklines |

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning the filing, please contact the undersigned.

Respectfully submitted,

May 29, 2008

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**Attachment A – Clean Sheets**

**Declined Predispatched Intertie Bids Compliance Filing [Docket ER08-628]**

**Currently Effective ISO Tariff**

**May 29, 2008**

**11.31 Decline Charge for Hourly Pre-Dispatch Supplemental Energy.**

The Decline Potential Charge – Imports shall apply to any portion of an Hourly Pre-Dispatch Supplemental Energy bid for an import that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). The Decline Potential Charge – Exports shall apply to any portion of an Hourly Pre-Dispatch bid for an export that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). For any Settlement Interval, the Decline Potential Charge – Imports or Decline Potential Charge – Exports, as the case may be, shall equal the MWh quantity of the import or export not delivered multiplied by the greater of $10/MWh or fifty percent (50%) of the bid price. The Decline Potential Charge – Imports and Decline Potential Charge - Exports will be calculated for each Hourly Pre-Dispatch bid that is not delivered, provided that only the Decline Monthly Charge – Imports and Decline Monthly Charge - Exports shall be payable by the Scheduling Coordinator as described in Section 11.31.1.

**11.31.1 Decline Monthly Charge – Imports.**

The Decline Monthly Charge – Imports shall be applied to each Scheduling Coordinator on the Settlement Statements issued for the last Trading Day of each trading month, and shall be the sum of the Scheduling Coordinator's Decline Potential Charges – Imports for each Settlement Interval during that trading month multiplied by a ratio. The ratio will represent the portion of the Scheduling Coordinator's declined Hourly Pre-Dispatch Supplemental Energy bids for imports that exceed the applicable exemption threshold during the trading month.

(a) The ratio will be calculated as follows:

(i) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that were not delivered during that Trading Month minus the applicable exemption threshold, divided by

(ii) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that were not delivered during the trading month.

**37.3 Submit Feasible Energy and Ancillary Service Bids and Schedules.**

**37.3.1 Bidding Generally.**

**37.3.1.1 Expected Conduct.**

Market Participants must bid and schedule Energy and Ancillary Services from resources that are reasonably expected to be available and capable of performing at the levels specified in the bid and/or schedule, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of bidding or scheduling. Hourly Pre-Dispatched bids for import or export of Supplemental Energy are not subject to the foregoing requirement, but failure to deliver on such pre-dispatched bids can violate the anti-manipulation rule in Section 37.7 and in any regulations issued by FERC.

**37.3.1.2 Consequence for Non-Performance.**

A Market Participant that fails to perform in accordance with the expected conduct described in Section 37.3.1.1 above shall be subject to having the payment rescinded for any portion of an Ancillary Service that is unavailable. If a Market Participant fails to deliver on an Hourly Pre-Dispatch bid for import or export of Supplemental Energy, it shall be subject to any charge that may apply in Section 11.31 and to any penalty or sanction FERC may impose for violation of Section 37.7, but shall not be subject to Sanctions pursuant to any other provision of Section 37, including this Section 37.3.

**37.3.2 Exceptions.**

Violations of Section 37.3.1 that result in circumstances in which an Uninstructed Deviation Penalty under Section 11.2.4.1.2 of the ISO Tariff may be assessed or for which payments have been eliminated under Section 8.10.2 of the ISO Tariff are not subject to Sanction under this section. The submission of a Schedule that causes, or that the ISO expects to cause Intra-Zonal Congestion shall not, by itself, constitute a violation of Section 37.3.1 unless the Market Participant fails to comply with an obligation under the ISO Tariff to modify Schedules as determined by the ISO to mitigate such congestion or such Schedules violate another element of this Rule.

**37.4 Comply with Availability Reporting Requirements.**

**37.4.1 Reporting Availability.**

**Attachment B – Blacklines**

**Declined Predispatched Intertie Bids Compliance Filing [Docket ER08-628]**

**May 29, 2008**

**Currently Effective ISO Tariff**

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**11.31 Decline Charge for Hourly Pre-Dispatch Supplemental Energy.**

The Decline Potential Charge – Imports shall apply to any portion of an Hourly Pre-Dispatch Supplemental Energy bid for an import that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). The Decline Potential Charge – Exports shall apply to any portion of an Hourly Pre-Dispatch bid for an export that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). For any Settlement Interval, the Decline Potential Charge – Imports or Decline Potential Charge – Exports, as the case may be, shall equal the MWh quantity of the import or export not delivered multiplied by the greater of $10/MWh or fifty percent (50%) of the bid price. The Decline Potential Charge – Imports and Decline Potential Charge – Exports will be calculated for each Hourly Pre-Dispatch bid that is not delivered, provided that only the Decline Monthly Charge – Imports and Decline Monthly Charge – Exports shall be payable by the Scheduling Coordinator as described in Section 11.31.1.

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**37.3 Submit Feasible Energy and Ancillary Service Bids and Schedules.**

**37.3.1 Bidding Generally.**

**37.3.1.1 Expected Conduct.**

Market Participants must bid and schedule Energy and Ancillary Services from resources that are reasonably expected to be available and capable of performing at the levels specified in the bid and/or schedule, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of bidding or scheduling. Hourly Pre-Dispatched bids for import or export of Supplemental Energy are not subject to the foregoing requirement, but failure to deliver on such pre-dispatched bids can violate the anti-manipulation rule in Section 37.7 and in any regulations issued by FERC.

**37.3.1.2 Consequence for Non-Performance.**

A Market Participant that fails to perform in accordance with the expected conduct described in Section 37.3.1.1 above shall be subject to having the payment rescinded for any portion of an Ancillary Service that is unavailable. ~~, or i~~If ~~the~~a Market Participant fails to deliver on an Hourly Pre-Dispatch bid for import or export of Supplemental Energy, it shall be subject to any charge that may apply in Section 11.31 and to any penalty or sanction FERC may impose for violation of Section 37.7, but shall not be subject to Sanctions pursuant to any other provision of Section 37, including this Section 37.3.

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**Attachment C – Clean Sheets**

**Declined Predispatched Intertie Bids Compliance Filing [Docket ER08-628]**

**4th Replacement CAISO Tariff (MRTU)**

**May 29, 2008**

**11.31 HASP Intertie Schedules Decline Charges.**

The Decline Potential Charge – Imports shall apply to any HASP Intertie Schedule for an Energy import when the HASP Intertie Schedule is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). The Decline Potential Charge – Exports shall apply to any HASP Intertie Schedule for an Energy export when the HASP Intertie Schedule is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). For any Settlement Interval, the Decline Potential Charge – Imports or Decline Potential Charge – Exports, as the case may be, shall equal the MWh quantity of the import or export not delivered multiplied by the greater of $10/MWh or fifty percent (50%) of the HASP Intertie LMP. The Decline Potential Charge – Imports and Decline Potential Charge – Exports will be calculated for each HASP Intertie Schedule that is not delivered, provided that only the Decline Monthly Charge – Imports and Decline Monthly Charge – Exports shall be payable by the Scheduling Coordinator as described in Section 11.31.1.

**11.31.1 Decline Monthly Charge – Imports.**

The Decline Monthly Charge – Imports shall be applied to each Scheduling Coordinator on the Settlement Statements issued for the last Trading Day of each Trading Month, and shall be the sum of the Scheduling Coordinator's Decline Potential Charges – Imports for each Settlement Interval during that Trading Month multiplied by a ratio. The ratio will represent the portion of the Scheduling Coordinator's declined HASP Intertie Schedules for Energy imports that exceed the applicable exemption threshold during the Trading Month.

(a) The ratio will be calculated as follows:

(i) the Scheduling Coordinator's total MWh quantity of HASP Intertie Schedules for Energy imports that were not delivered during that Trading Month minus the applicable exemption threshold, divided by

(ii) the Scheduling Coordinator's total MWh quantity of HASP Intertie Schedules for Energy imports that were not delivered during the Trading Month.

**37.2.6 Per Day Limitation on Amount of Sanctions.**

The amount of Sanctions that any Market Participant will incur for committing two or more violations of Section 37.2.1 through Section 37.2.4 on the same day will be no greater than $10,000 per day.

**37.3 Submit Feasible Energy Bids, RUC Capacity Bids, Ancillary Service Bids, and Submissions to Self-Provide an Ancillary Service.**

**37.3.1 Bidding Generally.**

**37.3.1.1 Expected Conduct.**

Market Participants must submit Bids for Energy, RUC Capacity and Ancillary Services and Submissions to Self-Provide an Ancillary Service from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of submission. HASP Intertie Schedules for import or export Energy are not subject to the foregoing requirement, but failure to deliver on such HASP Intertie Schedules can violate the anti-manipulation provisions in Section 37.7 and in any regulations issued by FERC.

**37.3.1.2 Consequence for Non-Performance.**

A Market Participant that fails to perform in accordance with the expected conduct described in Section 37.3.1.1 above shall be subject to having the payment rescinded for any portion of an Ancillary Service or RUC Capacity that is unavailable. If a Market Participant fails to deliver on a HASP Intertie Schedule for import or export Energy, it shall be subject to any charge that may apply in Section 11.31 and to any penalty or sanction FERC may impose for violation of Section 37.7, but shall not be subject to Sanctions pursuant to any other provision of Section 37, including this Section 37.3.

**37.3.2 Exceptions.**

Violations of Section 37.3.1 that result in circumstances in which an Uninstructed Deviation Penalty under Section 11.23 may be assessed or for which payments have been eliminated under Section 8.10.8 are not subject to Sanction under this section. The submission of a Bid or of a Submission to Self-Provide Ancillary Services that causes, or that the CAISO expects to cause Congestion shall not, by itself, constitute a violation of Section 37.3.1 unless the Market Participant fails to comply with an obligation under the CAISO Tariff to modify Bids as determined by the CAISO to mitigate such Congestion or such Bids violate another element of this rule.

**37.4 Comply with Availability Reporting Requirements.**

**Attachment D – Blacklines**

**Declined Predispatched Intertie Bids Compliance Filing  [Docket ER08-628]**

**May 29, 2008**

**4th Replacement CAISO Tariff (MRTU)**

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### 11.31 HASP Intertie Schedules Decline Charges.

The Decline Potential Charge – Imports shall apply to any HASP Intertie Schedule for an Energy import when the HASP Intertie Schedule is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). The Decline Potential Charge – Exports shall apply to any HASP Intertie Schedule for an Energy export when the HASP Intertie Schedule is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). For any Settlement Interval, the Decline Potential Charge – Imports or Decline Potential Charge – Exports, as the case may be, shall equal the MWh quantity of the import or export not delivered multiplied by the greater of $10/MWh or fifty percent (50%) of the HASP Intertie LMP. The Decline Potential Charge – Imports and Decline Potential Charge - Exports will be calculated for each HASP Intertie Schedule that is not delivered, provided that only the Decline Monthly Charge – Imports and Decline Monthly Charge – Exports shall be payable by the Scheduling Coordinator as described in Section 11.31.1.

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### 37.3.1 Bidding Generally.

### 37.3.1.1 Expected Conduct.

Market Participants must submit Bids for Energy, RUC Capacity and Ancillary Services and Submissions to Self-Provide an Ancillary Service from resources that are reasonably expected to be available and capable of performing at the levels specified in the Bid, and to remain available and capable of so performing based on all information that is known to the Market Participant or should have been known to the Market Participant at the time of submission. HASP Intertie Schedules for import or export Energy are not subject to the foregoing requirement, but failure to deliver on such HASP Intertie Schedules can violate the anti-manipulation provisions in Section 37.7 and in any regulations issued by FERC.

### 37.3.1.2 Consequence for Non-Performance.

A Market Participant that fails to perform in accordance with the expected conduct described in Section 37.3.1.1 above shall be subject to having the payment rescinded for any portion of an Ancillary Service or RUC Capacity that is unavailable. ~~, or i~~If ~~the~~a Market Participant fails to deliver on a HASP Intertie

Schedule for import or export Energy, it shall be subject to any charge that may apply in Section 11.31 and to any penalty or sanction FERC may impose for violation of Section 37.7, but shall not be subject to Sanctions pursuant to any other provision of Section 37, including this Section 37.3.

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## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-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 Washington, D.C. this 29th day of May 2008.

Michael Kunselman