



Memorandum

To: Market Issues/ADR Committee
Grid Reliability/Operations Committee

From: Kellan Fluckiger, Vice President, Operations
Roger E. Smith, Senior Regulatory Counsel

CC: ISO Board, ISO Officers

Date: October 20, 1999

Re: *Alternative Pricing for Out-Of-Market Calls*

At the August Board meeting, the Governing Board approved an alternative pricing proposal for generators that are called Out-of-Market (OOM) and authorized Management to file a Tariff amendment implementing the proposal. The August Board Memorandum to the Grid Reliability / Operations Committee and the Market Issues / ADR Committee is provided as **Attachment A** to this Memorandum.

In an October 7, 1999, Memorandum, Management provided draft tariff language to the Board and to market participants for their review and comment prior to filing the proposal at FERC. The October 7, 1999 Board Memorandum and draft tariff language are provide as **Attachment B** and **Attachment C**, respectively.

On October 15, 1999 and October 18, 1999, Management received comments on the draft tariff language. Commenters included Investor-Owned Utilities, generation owners, municipal entities, and individual Board Members. A summary of the comments is provided in **Attachment D**. The comments can be grouped into the following areas: objections to the use of OOM calls to resolve Intra-Zonal Congestion, questions as to the relationship between OOM calls and RMR generation, concerns about how the alternative pricing option will be implemented, and concerns about the proposed cost allocation for OOM calls.

Given the nature of the comments, Management decided to withhold filing the proposal at FERC in order to discuss the comments at the October Board meeting. Management continues to believe the OOM proposal should be implemented and will provide a response to the comments for discussion at the October Board meeting.