

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

202-756-3300
Fax: 202-756-3333

Bradley R. Miliauskas

Direct Dial: 202-756-3405

Email: bradley.miliauskas@alston.com

September 12, 2007

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

Re: California Independent System Operator Corporation
Compliance Filing
Docket Nos. ER07-1077-___ and ER07-613-___

Dear Secretary Bose:

The California Independent System Operator ("CAISO")¹ hereby submits and original and five copies of the instant filing in compliance with the Commission's "Order Conditionally Accepting in Part and Rejecting in Part Tariff Revisions," 120 FERC ¶ 61,192, issued in the captioned proceeding on August 28, 2007 ("August 28 Order").

I. Compliance with the August 28 Order

On June 22, 2007, as clarified on June 29, 2007, the CAISO filed an amendment to the ISO Tariff in the captioned proceedings governing the credit requirements for Congestion Revenue Rights ("CRRs").² The Commission accepted all of the proposals contained in the ISO Tariff amendment except for the proposal to use a multi-year term in calculating the credit amount required to

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

² The CAISO's June 22, 2007 filing also included the Business Practice Manual ("BPM") for Credit Management, which the CAISO submitted for informational purposes in compliance with the Commission order issued on May 8, 2007 in Docket No. ER07-613, *California Independent System Operator Corporation*, 119 FERC ¶ 61,124.

hold a Long Term CRR.³ With regard to the latter, the Commission directed the CAISO to modify Section 12.6.3.3 of the ISO Tariff to "limit to a term of one year the 'exposure window' for which the CAISO can require credit to be posted for long-term CRRs."⁴ The CAISO has modified Section 12.6.3.3 to comply with this directive. In addition, the CAISO has made similar changes to Sections 6.2.2 and 7.4.3.1 of the BPM for Credit Management, which is posted on the ISO Website.⁵

II. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes Attachments A and B. Attachment A contains a clean ISO Tariff sheet reflecting the modifications to Section 12.6.3.3 of the ISO Tariff described above. Attachment B shows these modifications in red-line format.

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

Respectfully submitted,



Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel –
Tariff and Compliance
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (202) 756-3333

Sean A. Atkins
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 756-3300
Fax: (916) 608-7246

Attorneys for the California Independent System Operator Corporation

³ August 28 Order at P 32. The Commission accepted the ISO Tariff amendment effective August 22, 2007, as requested by the CAISO. *Id.* at P 47.

⁴ *Id.* at P 45.

⁵ The BPM for Credit Management, updated to include the changes described above in red-line format, is posted on the ISO Website at <http://www.caiso.com/1bf5/1bf59b69238e0.html>.

Attachment A – Clean Sheet

CRR Credit Compliance Filing – Docket Nos. ER07-1077 and ER07-613

September 12, 2007

12.6.3.2 Calculation of the Credit Amount Required to Hold a CRR With a Term of One Year or Less.

Each CRR Holder that holds a CRR with a term of one year or less shall be subject to a credit requirement (\$/MW) equal to the negative of the most recent CRR Auction Price of such CRR plus the Credit Margin for such CRR.

12.6.3.3 Calculation of the Credit Amount Required to Hold a Long Term CRR.

Each CRR Holder that holds a Long Term CRR shall be subject to a credit requirement (\$/MW) equal to (i) the negative of the most recent CRR Auction Price of a CRR with the same source and sink as the Long Term CRR but with only a one-year term, plus (ii) the Credit Margin calculated for the one-year CRR. If there is less than one year remaining in the term of a Long Term CRR, the credit requirement shall be determined pursuant to Section 12.6.3.2.

12.6.3.4 Calculation of Credit Margin.

The Credit Margin (\$/MW) for a CRR is equal to (i) the Expected Congestion Revenue minus (ii) the Fifth Percentile Congestion Revenue of such CRR. Both values will be based on the probability distribution of Congestion revenue of such CRR calculated using historical Locational Marginal Price data, when available, and proxy values, including data taken from Locational Marginal Price studies conducted by the ISO, until such time as historical Locational Marginal Price data is available, with the details of such calculation published in a Business Practice Manual. The ISO may reassess its determinations regarding the Credit Margin determination at any time and shall require additional Financial Security if the reassessment results in an increase in a CRR Holder's Estimated Aggregate Liability that is not covered by a CRR Holder's Aggregate Credit Limit (consisting of the CRR Holder's Unsecured Credit Limit and/or Financial Security).

Attachment B – Blacklines

CRR Credit Compliance Filing – Docket Nos. ER07-1077 and ER07-613

September 12, 2007

* * *

12.6.3.3 Calculation of the Credit Amount Required to Hold a Long Term CRR.

Each CRR Holder that holds a Long Term CRR shall be subject to a credit requirement (\$/MW) equal to (i) the negative of the most recent CRR Auction Price of a CRR with the same source and sink as the Long Term CRR but with only a one-year term, multiplied by the number of years remaining in the term of the Long Term CRR, plus (ii) the Credit Margin calculated for the one-year CRR, multiplied by the square root of the number of years remaining in the term of the Long Term CRR. In conducting calculations pursuant to this Section 12.6.3.3, the number of years If there is less than one year remaining in the term of a Long Term CRR, shall be rounded up to the nearest whole number, except when the whole number is one, in which case the credit requirement shall be determined pursuant to Section 12.6.3.2.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents upon the parties listed on the official service lists in the captioned proceedings, 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 12th day of September, 2007.


Sidney M. Davies
Sidney M. Davies