

September 25, 2009

**VIA OVERNIGHT DELIVERY**

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20246

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket Nos. ER08-1113-04; ER08-1113-05**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) <sup>1</sup> hereby submits an original and five copies of this filing in compliance with the Commission’s July 30, 2009 Order on Rehearing and Clarification in the above-referenced proceeding.<sup>2</sup> Please also find enclosed two additional copies of this filing to be date-stamped and returned to our office via the self-addressed, postage prepaid envelope contained herein.

**I. Discussion**

On July 30, 2009, the Commission issued its *Order on Rehearing and Clarification* in this matter, which rejected Requests for Rehearing of the Commission’s September 19, 2008 Order conditionally approving the ISO’s Integrated Balancing Authority Area (“IBAA”) structure.<sup>3</sup> As part of its *Order on Rehearing and Clarification*, the Commission directed the ISO to amend its IBAA tariff provisions to address the possibility of duplicative losses charges imposed on exports from the ISO to the IBAA over the California Oregon Transmission Path (“COTP”) and imports into the ISO from the IBAA using non-COTP transmission facilities of the Western Area Power Administration (“Western”). Specifically, the Commission directed the ISO to modify its tariff as follows:

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the currently effective ISO tariff.

<sup>2</sup> *Ca. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,103 (2009) (“*Order on Rehearing and Clarification*”).

<sup>3</sup> *Ca. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,271 (2008).

- (A) Allow customers that use the COTP to accept exports from the ISO to the IBAA and that can demonstrate that they face duplicative charges for losses from the Transmission Agency of Northern California or Western for service over the COTP, to receive a marginal cost of losses adjustment for such export schedules;<sup>4</sup> and
- (B) Allow customers that use Western's transmission system within the IBAA to deliver imports to the ISO at the Tracy intertie scheduling point and that demonstrate that they face duplicative charges for losses from Western to receive a marginal cost of losses adjustment at Tracy.<sup>5</sup>

The ISO has amended Appendix C, Section G.1.2 of its tariff to reflect these directives.

## II. Materials Provided In This Compliance Filing

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

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|--------------|--|
| Attachment A | Clean sheets of the currently effective tariff showing revisions described in this filing                    |
| Attachment B | Sheets showing, in black-line format, the changes to the currently effective tariff described in this filing |

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<sup>4</sup> *Order on Rehearing and Clarification* at P 81. For these schedules, the Commission directed that the ISO use the marginal cost of losses at the Tracy intertie scheduling point as if there were an actual physical generation facility at the Tracy intertie scheduling point. *See e.g.*, Attachment A hereto (Appendix C, Section G.1.2 of the ISO Tariff).

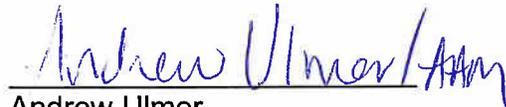
<sup>5</sup> *Order on Rehearing and Clarification* at P 89. In its *Order on Rehearing and Clarification*, the Commission directed that the ISO apply this losses adjustment at "the Western-CAISO intertie point." The record reflects that Santa Clara and NCPA seek this adjustment for Western Base Resource schedules delivered at the ISO-Western Tracy scheduling point. *Order on Rehearing and Clarification* at PP 85 and 86. *See also*, Exhibit SVP-2, Panel Affidavit of Doug Boccignone, Kevin Wright and Dr. Pushkar Wagle supporting Santa Clara's Amended Protest dated July 16, 2008 at pp. 38-39.

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### III. Conclusion

The ISO respectfully requests that the Commission accept this filing as complying with the directives of the Commission's *Order on Rehearing and Clarification*. Please do not hesitate to contact the undersigned if you have any questions.

Respectfully submitted,

A handwritten signature in blue ink that reads "Andrew Ulmer" followed by a stylized flourish.

Andrew Ulmer  
Senior Counsel  
Nancy Saracino  
General Counsel  
Anthony Ivancovich  
Assistant General Counsel - Regulatory  
Anna Mckenna  
Senior Counsel  
The California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 608-7209  
Fax: (916) 608-7296  
E-mail: [aulmer@caiso.com](mailto:aulmer@caiso.com)

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for 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 this 25th day of September, 2009.

  
Susan L. Montana

**Attachment A – Clean Sheets**  
**IBAA Compliance**  
**Fourth Replacement CAISO Tariff**  
**September 28, 2009**

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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA ,

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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA. 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.

For export Schedules from the CAISO Balancing Authority Area at the southern terminus of the California-Oregon Transmission Project at the Tracy substation 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 sink 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 sink 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  
IBAA Compliance  
Fourth Replacement CAISO Tariff  
September 28, 2009**

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## CAISO TARIFF APPENDIX C Locational Marginal Price

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### 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA, 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 or other transmission facilities owned by the Western Area Power Administration within the SMUD/TID IBAA 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

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For export Schedules from the CAISO Balancing Authority Area at the southern terminus of the California-Oregon Transmission Project at the Tracy substation 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 sink 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 sink 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.

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