

125 FERC ¶ 61,262
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System) Docket Nos. ER08-367-000 and
) ER06-615-016
Operator Corporation)

ORDER ON CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION'S FOURTH REVISED VERSION OF
FERC ELECTRIC TARIFF

(Issued December 4, 2008)

1. In this order, the Commission responds to the fourth revised version of the FERC Electric Tariff filed by the California Independent System Operator Corporation (CAISO) on December 21, 2007 (Revised MRTU Tariff or December 2007 Filing).¹ The Commission accepts the preponderance of the proposed tariff that is to be effective upon MRTU implementation. Additionally, the Commission conditionally accepts certain revised tariff sheets subject to the outcome of matters pending before the Commission or acted on by the Commission since the instant filing, and orders that the CAISO make certain compliance filings.

I. Background

2. On February 9, 2006, the CAISO submitted a revised tariff to the Commission designed to reflect the Market Redesign and Technology Upgrade (MRTU) changes to its existing tariff (hereinafter referred to as the MRTU Tariff).² The February 9, 2006

¹ Cal. Indep. Sys. Operator Corp. December 21, 2007 Filing of Fourth Replacement Version of FERC Electric Tariff at 2 (CAISO Filing).

² Cal. Indep. Sys. Operator Corp. February 9, 2006 California Independent System Operator's Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade.

MRTU Tariff was submitted as a replacement of the currently effective tariff (the CAISO Tariff).

3. On September 21, 2006, the Commission issued an order conditionally accepting the MRTU Tariff (the September 21 Order).³ However, the CAISO Tariff is currently in effect until MRTU implementation.

4. The CAISO originally requested a March 31, 2008 effective date for the Revised MRTU Tariff.⁴ However, the CAISO has withdrawn that request because the projected implementation date for the MRTU has been postponed notwithstanding the proposed effective date contained in the filed tariff sheets.⁵

A. The CAISO Tariff, the MRTU Tariff and the Proposed Revised MRTU Tariff

5. The CAISO states that since the February 9, 2006 submission of the MRTU Tariff, the currently effective version of the CAISO Tariff has been revised repeatedly.⁶ The CAISO asserts that the Revised MRTU Tariff is a comprehensive, conformed version of the MRTU Tariff that incorporates all relevant amendments to the currently effective CAISO Tariff that have been filed subsequent to the initial filing of and conditional acceptance of the MRTU Tariff on September 21, 2006.⁷

6. The CAISO adds that it did not attempt to include parallel amendments to the MRTU Tariff each time it filed a revision to the current version of the CAISO Tariff since the February 9, 2006 filing of the MRTU Tariff. Therefore, the MRTU Tariff does

³ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 1 (2006), *order on reh'g*, 119 FERC ¶ 61,076 (2007); *see also Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,313 (2007).

⁴ *Id.* P 4.

⁵ *See Cal. Indep. Sys. Operator Corp. January 14, 2008 Monthly Status Report Re: MRTU*; *see also Cal. Indep. Sys. Operator Corp. February 29, 2008 Motion to Modify Effective Date of Tariff Sheets*; *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,284 (2008) (letter order).

⁶ CAISO Filing at 11.

⁷ *Id.*

not contain any of the proposed or accepted amendments to the CAISO Tariff that were submitted after the MRTU Tariff was initially filed.⁸

7. The CAISO further contends that if the MRTU Tariff went into effect in the form that the Commission conditionally approved on September 21, 2006, the subsequent amendments, some accepted and some pending action by the Commission, would be lost.⁹

8. The CAISO claims that the bulk of the revisions included in the Revised MRTU Tariff are ministerial changes designed to incorporate provisions into the MRTU Tariff that were previously submitted for Commission approval.¹⁰

9. The CAISO states that the Revised MRTU Tariff contains the following:

- Amendment filings pending a Commission order in the currently effective CAISO Tariff and not previously filed for inclusion in the MRTU Tariff;
- Amendment filings being submitted for the first time in the December 2007 Filing for inclusion in the MRTU Tariff;
- Amendment filings pending a Commission order and previously filed for inclusion in the MRTU Tariff;
- Amendment filings accepted by the Commission in the currently effective CAISO Tariff and not previously filed for inclusion in the MRTU Tariff;
- Compliance filings pending a Commission order in the currently effective CAISO Tariff and not previously filed for inclusion in the MRTU Tariff;
- Compliance filings pending a Commission order and previously filed for inclusion in the MRTU Tariff;
- Tariff language accepted by the Commission and previously filed for inclusion in the MRTU Tariff; and

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 2.

- Ministerial revisions to the tariff language of the MRTU Tariff proposed in the December 21, 2007 filing.¹¹

10. The CAISO maintains that in addition to ministerial changes, many of the proposed revisions contained in the Revised MRTU Tariff are closely related to the updating of the MRTU Tariff. The CAISO acknowledges that these revisions may include substantive changes that could be considered more than simple updates to the MRTU Tariff.¹²

11. The CAISO adds that the December 2007 filing represents the bulk of the enhancements to the MRTU Tariff anticipated prior to MRTU implementation. However, the CAISO does anticipate that there will be additional modifying filings.¹³

B. Relief Requested

12. The CAISO requests that the proposed changes to the MRTU Tariff contained in the Revised MRTU Tariff be approved without modification, suspension, or hearing.¹⁴

13. The CAISO requests waiver of the requirement of Order No. 614¹⁵ and other applicable requirements of Part 35 of the Commission's regulations to the extent the filing may not fully comport with those requirements.¹⁶

II. Notices of Filing and Responsive Pleadings

14. Notice of the CAISO's Revised MRTU Tariff filing was published in the *Federal Register*, 73 Fed. Reg. 1219 (2007) with interventions and protests due on or before January 11, 2008. On January 4, 2008, the CAISO filed a Motion for Extension of Time.

¹¹ *Id.* at 12-13 (citations omitted, emphasis in original).

¹² *Id.* at 2-3.

¹³ *Id.* at 4.

¹⁴ *Id.*; Cal. Indep. Sys. Operator Corp. February 29, 2008 Motion to Modify Effective Date of Tariff Sheets (CAISO Motion to Modify Effective Date).

¹⁵ CAISO Filing at 4 (citing *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs., Regs. Preambles July 1996-December 2000 ¶ 31,096 (2000)).

¹⁶ CAISO Filing at 4, 5.

Timely motions for clarification or extension of time were filed by the Western Power Trading Forum (WPTF) and the Southern California Edison Company (SoCal Edison).

15. The Northern California Power Agency (NCPA) filed a timely motion to intervene and filed an answer in support of the motion for extension of time on its behalf and on behalf of the California Municipal Utility Association and the cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California.¹⁷

16. The CAISO filed an Answer to WPTF's Motion for Clarification or Motion for Extension.

17. On January 10, 2008, the Commission ordered an extension of time to file comments to February 1, 2008.¹⁸

18. The Metropolitan Water District of Southern California and the California Department of Water Resources State Water Project; Golden State Water Company; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; Mirant Energy Trading, LLC; Mirant California, LLC; Mirant Delta, LLC; and Mirant Potrero, LLC; the Sacramento Municipal Utility District; Pacific Gas and Electric Company; Epic Merchant Energy and SESCO Enterprises, LLC; the California Public Utilities Commission; the Cogeneration Association of California and the Energy Producers and Users Coalition; NRG Companies; Powerex Corp.; Imperial Irrigation District; Citadel Energy Products LLC; Citadel Energy Strategies LLC; and Citadel Energy Investments Ltd. filed motions to intervene in this proceeding.

19. Also, the NCPA filed "Further Comments" requesting to participate in any further proceedings and reiterating its previously filed pleadings; the Transmission Agency of Northern California (TANC) filed its Motion to Intervene, Comments and Protest; SoCal Edison filed an Intervention and Comment on the Fourth Replacement Version of the

¹⁷ NCPA included in its January 9, 2008 motion to intervene, a request that the Commission order the CAISO to withdraw the portions of its filing awaiting consideration in other dockets. Since the Commission accepts certain revised tariff sheets subject to the outcome of matters pending before the Commission or acted on by the Commission since the instant filing, the Commission declines to direct the CAISO as NCPA requests.

¹⁸The Commission also ordered, "[i]ssues presented in the above-captioned proceeding that are also pending before the Commission in the other proceedings, are subject to the outcome of those proceedings." *Cal. Indep. Sys. Operator Corp.*, Docket Nos. ER08-367-000, ER06-615-016 (Jan. 10, 2008) (unpublished letter order).

MRTU Tariff; the California Department of Water Resources State Water Project (State Water Project) filed its Comments; WPTF filed Protests and Comments to the CAISO's Fourth Replacement Version of FERC Electric Tariff; the Modesto Irrigation District (Modesto) filed its Motion to Intervene, Comments and Protest; the Alliance for Retail Energy Markets filed its Motion to Intervene and Comment; the City of Santa Clara, California and the M-S-R Public Power Agency filed a Motion to Intervene, Comments and Protest.

20. On February 19, 2008, the CAISO filed an Answer to Motions to Intervene, Comments and Protest.

21. On March 25, 2008, Heartland Consumers Power District and Mid-West Electric Consumers Association filed out-of-time motions to intervene in this proceeding.

III. Procedural Matters

22. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

23. Pursuant to Rule 214(d) of the Commission's Rules of Practice and procedure, 18 C.F.R. § 385.214(d) (2008), the Commission will grant the late-filed motions to intervene of Heartland Consumers Power District and Mid-West Electric Consumers Association, given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

24. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) (2008), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We find that good cause exists in this proceeding to allow the CAISO's answer because it aids us in our understanding of the issues raised in this proceeding.

IV. Proposals and Comments

A. Proposals that have not been Commented on or Protested by Intervenors

25. The CAISO's December 2007 Filing includes non-ministerial changes to the MRTU Tariff including: incorporation of revised definitions, modifications to the CAISO's station power protocol to reflect the MRTU pricing design, establishment of the priority in the CAISO settlements system for FERC annual charges and for amounts less than \$5,000, reduction of outage reporting requirements for generating units less than 40 MW, establishment of greater consistency in the terms of *pro forma* agreements, and modifications to the tariff credit provisions. The Commission accepts those provisions submitted by the CAISO in the December 2007 Filing that are not specifically discussed

below, subject to the outcome of matters pending before the Commission or acted on by the Commission since the instant filing.

B. Proposals that have been Commented on or Protested by Intervenors

26. Intervenor request additional information regarding certain items in the CAISO's Revised MRTU Tariff including: (1) an explanation of the changes to the Revised MRTU Tariff concerning the use of the terms "bid" and "scheduling;" (2) an explanation of the purported "ministerial" changes that the CAISO proposes; (3) a clarification that no substantive change was intended from the use of the term "Transmission Interface;" (4) an explanation of the use of the terms "Trading Day" and "Operating Day;" (5) an explanation of the substitution of the term "Aggregated Unit" with "Physical Scheduling Plant;" (6) an explanation of the failure to replace all instances of the term "Control Area" with the term "Balancing Authority;" (7) a clarification of the use of the term "Feedback;" (8) a revision of the use of the term "Energy Bid price;" (9) a clarification of the use of the term "Zones."

27. Intervenor also raise concerns about the CAISO's Revised MRTU Tariff including: (1) whether provisions proposed to be included in the Business Practice Manuals (the Manuals) should be included in the Revised MRTU Tariff; (2) whether the CAISO should be permitted authority to revert to the CAISO Tariff; (3) whether the CAISO may limit the availability to certain operating procedures; (4) whether the "survival clause" the CAISO proposes to include in the *pro forma* scheduling coordinator agreement is reasonable; (5) whether the CAISO should address alleged inconsistencies in the Revised MRTU Tariff concerning the cost allocation formulas; (6) whether the CAISO should modify the Revised MRTU Tariff concerning participating transmission owners; (7) whether the CAISO should be required to provide a stakeholder process for the development of a scope for the annual operations compliance review; (8) whether the CAISO should include a five year historical average for determining a load metric for congestion revenue rights; and (9) whether the CAISO should add detail to the Revised MRTU Tariff's settlement provision.

1. "Bid" and "Scheduling" Changes

28. Intervenor request that the CAISO clarify the basis for and explain whether any substantive implication was intended from the changes in the Revised MRTU Tariff concerning the terms "bid" and "schedule."¹⁹ TANC cites specific instances concerning

¹⁹ Transmission Agency of Northern California February 1, 2008 Motion to Intervene, Comment and Protest at 9-10 (TANC Comments). In their February 1, 2008 Motions to Intervene, Comment and Protest, Modesto Irrigation District, City of Santa

(continued...)

the use of “bid” or “schedule” in the Revised MRTU Tariff.²⁰ Modesto also requests that the CAISO clarify if schedules are intended to be a subset of bids in the Revised MRTU Tariff.²¹

29. The CAISO explains that under the terminology of the MRTU Tariff, scheduling coordinators submit “bids” to offer to buy or sell energy or ancillary services and the term “bid” is defined to include “self-schedules” of energy. Under the terminology of the MRTU Tariff, when a scheduling coordinator desires to self-provide an ancillary service, it submits a “Submission to Self-Provide an Ancillary Service.” The CAISO continues that under the MRTU Tariff, the CAISO issues day-ahead “schedules” after running the integrated forward market. In contrast, under the CAISO Tariff, it is scheduling coordinators that submit “schedules” for energy and can self-provide ancillary services through submission of a “schedule” while also submitting “bids” for ancillary services or energy in the real-time imbalance energy market.²² The CAISO also addresses TANC’s specific instances in its answer, primarily contending that the proposed changes are made to conform to the terminology of the MRTU Tariff.²³

2. “Ministerial” Changes

30. Intervenors request that the CAISO provide clarification and confirm that no substantive changes are intended by certain of the “ministerial” and other proposed changes provided in the Revised MRTU Tariff.²⁴ TANC provides specific items that it claims require explanation.²⁵

31. In its answer, the CAISO states that the ministerial changes consist of (i) updates to the MRTU Tariff to incorporate tariff provisions that have previously been submitted for Commission approval, including revisions to improve the use of defined terms and

Clara, Cal. and MSR Public Power Agency state that they support and adopt the TANC Comments.

²⁰ *Id.* at 9-10.

²¹ Modesto Irrigation District February 1, 2008 Motion to Intervene, Comment and Protest at 8 (Modesto Comments).

²² Cal. Indep. Sys. Operator Corp. February 19, 2008 Answer at 4-5 (CAISO Answer).

²³ *Id.* at 5-8.

²⁴ TANC Comments at 8, 11.

²⁵ *Id.* at 11.

their definitions, (ii) revisions to the *pro forma* contracts in Appendix B of the MRTU Tariff to ensure consistency of these standard agreements with the terms and conditions of the MRTU Tariff, and (iii) revisions to the MRTU Tariff to reflect the revised defined terms and conditions in Appendix A of the MRTU Tariff.²⁶ In its answer, the CAISO also addresses the specific items raised by TANC, largely stating that the ministerial changes were minor clarifications or corrections.²⁷

3. Use of the Term “Transmission Interface”

32. Intervenors request that the CAISO clarify that no substantive change is intended from the use of the term “Transmission Interface.”²⁸ TANC cites specifically to certain sections of the Revised MRTU Tariff where the term is used.²⁹

33. The CAISO responds that it defined the new term “Transmission Interface” to capture the essence of the previously used term “Branch Group” and has substituted this new term where the prior term might otherwise have been carried over into the MRTU Tariff. The term “Branch Group” is not a defined term in the MRTU Tariff. The CAISO states that it determined that an alternative term reflecting the new market design should be used instead of continuing to use the term “Branch Group.”³⁰

4. The Terms “Trading Day” and “Operating Day”

34. Intervenors request that the CAISO explain why in certain sections of the Revised MRTU Tariff the CAISO proposes to replace the term “Trading Day” with “Operating Day,” but in other sections the CAISO proposes to replace the term “Operating Day” with “Trading Day.”³¹

35. Also, WPTF claims that the CAISO’s changes to the definition of “Trading Day” are not appropriate and should be rejected. WPTF states that the CAISO changed the definition of “Trading Day” to imply that if the day-ahead trading and/or the real-time market cannot be run then there is no “Trading Day.” WPTF states that the CAISO

²⁶ CAISO Answer at 3.

²⁷ *Id.* at 12-13.

²⁸ TANC Comments at 10.

²⁹ *Id.*

³⁰ CAISO Answer at 10.

³¹ TANC Comments at 11.

should be directed to remove its ministerial changes until it explains how the definition of Trading Day is affected by events that preclude running the day-ahead market or the real-time market.

36. In its answer, the CAISO responds that it concluded that the terms “Trading Day” and “Operating Day” were not always used precisely in the MRTU Tariff to refer to the actual calendar day on which the specified activity was intended to occur.

37. Also, the CAISO states that since on a given “Operating Day,” it is operating a day-ahead market for the next “Trading Day” that falls on the next calendar day, and a real-time market for the “Trading Day” that falls on the same calendar day as does the “Operating Day,” the CAISO states that it made the noted changes to ensure that the settlements and operational language track to the same day on which the real-time market is executed and to track the settlement time intervals for which each day-ahead and real-time market is executed.³² The CAISO continues that section 7.7.4 of the MRTU Tariff already includes specific requirements for what the CAISO will do in the event that it must intervene in its market operations.³³ The CAISO argues that the change proposed in the December 2007 Filing does not change these procedures in any way. Also, the CAISO, in its answer, directly explains the specific changes raised by TANC.³⁴

5. The Terms “Aggregated Unit” and “Physical Scheduling Plant”

38. Modesto requests that the CAISO explain the basis for other revisions to the Revised MRTU Tariff to ensure that the proposed modifications will not result in substantive changes. Specifically, Modesto requests that the CAISO explain the basis for the replacement of the term “Aggregated Unit” with “Physical Scheduling Plant” in section 9.3.6.8 of the Revised MRTU Tariff.³⁵

39. The CAISO responds that since “Aggregated Unit” is not a defined term in the MRTU Tariff it had to be replaced with the appropriate MRTU Tariff term. The CAISO states that the defined term that most closely reflects the concept of an aggregated unit is

³² CAISO Answer at 11.

³³ *Id.* at 16-17.

³⁴ *Id.* at 10-12.

³⁵ Modesto Comments at 9.

the term "Physical Scheduling Plant." Physical Scheduling Plant is defined as an aggregation of related generating units subject to certain conditions.³⁶

Commission Determination

40. The Commission finds that the CAISO's above explanations adequately addressed the concerns raised by the intervenors. It has explained that the various changes are ministerial in nature and merely serve to clarify and conform terms in the MRTU Tariff. As such, we find the proposed tariff changes just and reasonable. Finally, we decline to require the CAISO to state that no substantive change is intended from any of the above changes.

6. Replacing the Term "Control Area" with the Term "Balancing Authority Area"

41. The CAISO proposes to update the term "Control Area" in the MRTU Tariff with the term "Balancing Authority Area," which is found in the NERC and WECC glossaries of terms.³⁷ The CAISO claims the new term "Balancing Authority Area" will be defined consistent with the definition used on a national basis and will address the same concept as the current definition of "Control Area" in the MRTU Tariff. The CAISO adds that its use will not change the intent or meaning of the provisions of the MRTU Tariff in which the substitutions have been made.

42. The CAISO also proposes to revise the MRTU Tariff to replace the relatively infrequent uses of the term "Control Area Operator" or "control area operator" with the term "Balancing Authority" from the NERC and WECC glossaries of terms, to be defined consistent with the definition in those glossaries.³⁸ Also, the CAISO proposes to modify related terms that include the term "Control Area" within them, such as: "Out-of-Control Area Load Serving Entity," "Host Control Area," "Intermediary Control Area," "Interconnected Control Area Operating Agreement," "Dynamic Scheduling Host Control Area Operating Agreement," and "Control Area Gross Load," to replace "Control Area" in those terms with "Balancing Authority Area" or "Balancing Authority," as applicable. The CAISO states that with regard to the term "Metered Control Area Load," any revisions to that term, like other provisions related to the Grid Management Charge, will be deferred for consideration in a separate filing.

³⁶ CAISO Answer at 9.

³⁷ CAISO Filing at 23.

³⁸ *Id.* at 24.

43. Intervenors claim that in various sections of the Revised MRTU Tariff, the CAISO has not replaced the term “Control Area” with “Balancing Authority Area.” TANC cites to specific examples in the Revised MRTU Tariff.³⁹ TANC states that it understood the CAISO intended to make such changes throughout the Revised MRTU Tariff and requests that the CAISO be required to make conforming substitutions in all appropriate sections.

44. In its answer, the CAISO responds that it deferred the replacement of the terms “Embedded Control Area,” “Adjacent Control Area,” and “Metered Control Area Load” to subsequent revisions to be made to the MRTU Tariff.⁴⁰

45. The CAISO states that “Embedded Control Area” and “Adjacent Control Area” will be replaced in a forthcoming set of tariff revisions addressing the substance of the provisions of the MRTU Tariff for which they were created. The CAISO states that it is engaged in a stakeholder process regarding these proposed amendments, and it is premature to submit revisions to their use in the MRTU Tariff.⁴¹

46. The CAISO also states that the term “Metered Control Area” and its uses in the MRTU Tariff are proposed to be revised in the comprehensive set of revisions to the MRTU Tariff provisions related to the CAISO’s Grid Management Charge.⁴² The CAISO states that the Commission should address the revision of these terms in the separate proceedings.⁴³

47. Also, the CAISO states that it left some of the more commonly used of the terms related to “Control Area” in Appendix A of the MRTU Tariff in the December 2007 Filing. The CAISO states that it did this to minimize any confusion that might be created as a result of the use of the term “Control Area” and related terms in agreements and other documents that rely on the incorporation of the CAISO Tariff defined terms by reference.

48. Regarding the other terms containing “Control Area” that have yet to be replaced with “Balancing Authority Area,” the CAISO claims that it will revise the definitions of

³⁹ TANC Comments at 8.

⁴⁰ CAISO Answer at 27-28.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

the prior “Control Area” terms to have them simply reference the appropriate replacement term related to the new “Balancing Authority Area” terminology.

Commission Determination

49. With respect to the CAISO’s substitution of the term “Balancing Authority Area” for “Control Area,” we find that the use of this term is reasonable and accept the substitution where noted. However, where such terminology is reflected on sheets that are pending in other proceedings or acted on by the Commission since the instant filing, our acceptance of these sheets is subject to Commission action on the merits of those proceedings. Further, for the “Control Area” terms that the CAISO acknowledges have not been revised, and are not pending in other dockets, the Commission directs the CAISO to make the necessary revisions to the terms and/or their definitions for them to conform to the new “Balancing Authority Area” terminology within 30 days of the date of this order. This will eliminate potential confusion over the use of multiple terms.

7. The Term “Feedback”

50. WPTF requests that the CAISO provide more specificity in place of the word “feedback” as it is used in the Revised MRTU Tariff.⁴⁴ WPTF claims that the term “feedback” is unclear and ambiguous and requests clearer language about the kind of feedback scheduling coordinators can expect.

51. In its answer, the CAISO states that the proposed language is sufficient to describe the information that the CAISO will provide to scheduling coordinators pursuant to the tariff sections, and further details are provided in the relevant Manuals.⁴⁵

52. The CAISO also states that WPTF’s assertion is made well past the deadline for comments on the relevant language in the tariff sections, which was originally provided in the prior filings.⁴⁶

Commission Determination

53. The Commission agrees with the CAISO that the term is sufficiently clear. Accordingly, we deny WPTF’s request for additional clarification of this term.

⁴⁴ Western Power Trading Forum February 1, 2008 Protest and Comments at 8-9 (WPTF Comments) (citing sections 6.5.3.1.1, 6.5.3.1.3, 6.5.4.1.2.).

⁴⁵ CAISO Answer at 32.

⁴⁶ *Id.*

8. The Term “Energy Bid price”

54. WPTF claims that the phrase “Energy Bid price” is ambiguous and that it should be revised.⁴⁷ WPTF claims the CAISO makes several changes that attempt to clarify how it will settle exceptional dispatches and the phrase “and for energy that does not have an Energy Bid price” should be replaced with “and for energy that does not have an energy bid,” throughout the tariff. WPTF claims this change is necessary because an Energy Bid must, by definition, include a quantity and a price. Further, WPTF claims that in section 11.5.6.1(a) the term “Energy Bid Price” is undefined and should be changed to “Energy Bid price.”

55. The CAISO responds that although WPTF is correct that the provisions would be accurate if edited as WPTF proposes, WPTF’s revisions are unnecessary as the current form is not incorrect or ambiguous. However, the CAISO does agree that the term “Energy Bid Price” in section 11.5.6.1(b) (which WPTF identifies as 11.5.6.1(a)) should be revised to read “Energy Bid price.” The CAISO proposes to make this latter change to section 11.5.6.1(b) on compliance.

Commission Determination

56. The Commission directs the CAISO to make the change from “Energy Bid Price” to “Energy Bid price” in section 11.5.6.1(b) in a compliance filing within 30 days of the issuance of this order. Also, the Commission finds that the CAISO’s use of “Energy Bid price” is not ambiguous or incorrect. Further, much of the “Energy Bid price” language has already been accepted as part of the MRTU Tariff, and as such any concerns regarding its use should have been raised when it was first proposed.

9. The Term “Zones”

57. WPTF claims that several of the settlement equations in section 11.10.7 of the Revised MRTU Tariff incorrectly include references to a “Zone.”⁴⁸ WPTF states that since, zones will not exist under the MRTU, and it is not defined, that the references to “Zones” should be clarified and that the CAISO should clarify the spatial basis for voltage support payments and make the necessary changes to the Revised MRTU Tariff.

58. In its answer, the CAISO acknowledges that “Zones” will not exist under MRTU. The CAISO responds that it will file, on compliance, MRTU Tariff language that

⁴⁷ WPTF Comments at 9 (citing sections 11.5.6.1, 11.5.6.2.1, 11.5.6.2.4).

⁴⁸ *Id.*

preserves the cost allocation in the currently effective CAISO Tariff at section 8.12.4, which is substantially the same as section 11.10.7 of the MRTU Tariff, to the extent possible.⁴⁹ To do this, the CAISO proposes to calculate user rates to allocate short-term and long term market voltage support to measured demand, which is a component of the MRTU locational marginal pricing system that replaces zones and which includes exports, excluding demand inside a metered subsystem.⁵⁰

59. Similarly, the CAISO notes that it has not modified the substance of the provisions of MRTU Tariff section 11.10.8 relating to black start cost allocation, the essence of which is identical to section 8.12.5 in the currently effective CAISO Tariff.⁵¹ Therefore, the CAISO also proposes to file, on compliance, revised tariff language to preserve the cost allocation in the currently effective tariff for black start to the extent possible. The CAISO proposes to allocate black start costs to measured demand excluding exports and excluding demand inside a metered subsystem.⁵²

60. According to the CAISO, these proposed changes preserve the cost allocation to demand, but the costs will be allocated more broadly under the Revised MRTU Tariff than under the currently effective tariff as there is no equivalent to today's zonal cost allocation under MRTU.⁵³

Commission Determination

61. The Commission agrees that the changes the CAISO proposes to make on compliance with respect to the allocation of short-term and long-term voltage support and black start allocation seem reasonable. Accordingly, we direct the CAISO to make the changes it proposes above to address the issues raised regarding the use of "Zones" in the MRTU in a compliance filing within 30 days of the issuance of this order.

⁴⁹ CAISO Answer at 14-15.

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

10. The Business Practice Manuals

a. Moving Formulas from the Tariff to the Manuals

62. Intervenors claim that the Commission should reject any proposed revision in the Revised MRTU Tariff that deletes provisions from the Tariff and moves such provisions to the Manuals.⁵⁴

63. The WPTF and TANC protest the CAISO's removal of certain details concerning the way in which charges for wheeling-through transactions are determined.⁵⁵ They protest the removal of the formula from appendix H of the Revised MRTU Tariff that explains exactly how the weighted average rate for wheeling service is computed. WPTF states that it has no objection to moving the detailed formula to the Manual but claims that the Revised MRTU Tariff should still contain a sentence that describes how the weighted average rate for wheeling service is calculated since the calculation affects prices and terms of service.⁵⁶ WPTF proposes additional language to explain the calculation.

64. In its answer, the CAISO responds that it acknowledges that its proposed change leaves the Revised MRTU Tariff in section 14.4 of schedule 3 of appendix F without a clear explanation of the principles on which this allocation is based.⁵⁷ Therefore, the CAISO states that it considers WPTF's proposed approach of adding an explanation of the relevant allocation principles to section 14.4 to be appropriate.⁵⁸

65. However, the CAISO submits that the language suggested by WPTF is not clear and proposes to make similar revisions to capture the essence of WPTF's proposed revisions to section 14.4 of schedule 3 of appendix F on compliance.⁵⁹

⁵⁴ TANC Comments at 11-12.

⁵⁵ *Id.* at 12 (citing *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 1358 (2006)); WPTF Comments at 9-10.

⁵⁶ WPTF Comments at 10.

⁵⁷ CAISO Answer at 19.

⁵⁸ *Id.*

⁵⁹ *Id.*

66. The CAISO further states that consistent with the Commission's rule of reason, the Commission should not require both principles and the implementing formulas to be in the MRTU Tariff.

Commission Determination

67. We find that the formula for weighted average rate for wheeling service should remain in the tariff because it significantly affects rates, terms and conditions of service. The first sentence of appendix H reads: "The weighted average rate payable for Wheeling over joint facilities at each Scheduling Point shall be calculated as follows: *[the formula follows]*." This sentence clearly indicates that the formula is used to calculate a rate. As we have stated in previous orders,

[w]hether provisions included in the Business Practice Manuals must be filed under section 205 of the Federal Power Act (FPA) and made part of the CAISO's MRTU tariff is determined through the 'rule of reason,' which discerns those provisions significantly affecting rates, terms and conditions of service, which therefore must be filed for Commission approval.⁶⁰

This formula is used to calculate the weighted average rate for wheeling service and significantly affects rates, terms and conditions of service and, therefore, should be included in the tariff.⁶¹ Accordingly, we direct the CAISO to return the formula for weighted average rate for wheeling service to the MRTU Tariff in a compliance filing within 30 days of the issuance of this order.

b. Additional Manual Issues

68. Intervenors claim that numerous provisions already contained in the Manuals significantly affect bids, rates, terms and conditions under the MRTU regime, and the Commission should direct that those provisions be added to the Revised MRTU Tariff.⁶²

69. The CAISO responds to the issues regarding the content of the Manuals, stating that other Commission proceedings addressed which materials should be included in the Manuals.⁶³ The CAISO states that it would be inappropriate to rehash the same Manual

⁶⁰ *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271, at P 16 (2008).

⁶¹ *Id.* P 23

⁶² TANC Comments at 13.

⁶³ CAISO Answer at 17 (citing Post-Technical Conference Response of the California Independent System Operator Corporation on Business Practice Manual

issues in the present proceeding. The CAISO also states that its allocation of provisions between the Manuals and the Revised MRTU Tariff is consistent with the Commission's rule of reason discussed at length in the comments to the proceedings concerning the Manuals.⁶⁴

Commission Determination

70. Stakeholders, including TANC, have previously been afforded an opportunity to raise the issue of whether information contained within the Manuals belongs in the MRTU Tariff. The Commission convened a technical conference and accepted several rounds of stakeholder comments detailing specific provisions contained within the Manuals, which stakeholders argued should be filed with the Commission as part of the MRTU Tariff. The Commission issued an order in which it accepted and rejected various proposed changes to the CAISO's MRTU Tariff as well as directed the CAISO to submit a compliance filing.⁶⁵ In addition, in that order the Commission directed staff to convene a technical conference six months following MRTU implementation to provide parties with a final opportunity to identify remaining provisions contained only in the Manuals that should be included in the MRTU Tariff.⁶⁶

71. Therefore, it would be inappropriate for the Commission to revisit in the instant proceeding issues already raised by intervenors and addressed in prior orders. Thus, we reject the request that various Manual provisions should be incorporated into the MRTU Tariff. To the extent intervenors believe that any new or revised Manual language should be included in the MRTU Tariff, they may identify those provisions to the Commission

Issues, Docket Nos. ER06-615-012 and ER07-1257-000 (Nov. 15, 2007); Post-Technical Conference Reply Comments of the California Independent System Operator Corporation on Business Practice Manual Issues, Docket Nos. ER06-615-012 and ER07-1257-000 (Dec. 7, 2007)).

⁶⁴ *Id.* at 17-18.

⁶⁵ *Cal. Indep. Sys. Operator Corp.*, 122 FERC ¶ 61,271, at P 122, 123 (2008).

⁶⁶ *Id.* (“[T]he CAISO, other participants and Commission staff agreed that an additional technical conference should be convened approximately six months after MRTU implementation. This technical conference will provide all parties with a final opportunity to identify any details in new or revised Business Practice Manual language developed after November 15, 2007, which commenters believe should be included in the MRTU tariff”).

in the technical conference to be convened six months following MRTU implementation.⁶⁷

11. Reversion to the CAISO Tariff

72. The CAISO states that it includes in its filing a provision for authority to temporarily suspend the effectiveness of all or a portion of the MRTU Tariff and revert to pre-MRTU market operations if, during the first 30 days after MRTU implementation, events occur that preclude the proper operation of the MRTU software and systems.⁶⁸

73. The CAISO continues that the provision would allow it to suspend operation of the MRTU Tariff and revert to the pre-MRTU Tariff if it determines that hardware or software failure or other event has compromised the ability of the CAISO to reliably and accurately operate.⁶⁹

74. The tariff provision in the December 2007 Filing includes only the high-level authority for the reversion plan, and the CAISO states that it will file an informational statement certifying the readiness of the MRTU markets at least 60 days prior to the MRTU implementation date.⁷⁰

75. WPTF maintains that such authority is unnecessary because the CAISO has sufficient authority under several provisions of the MRTU Tariff to address almost any conceivable circumstance.⁷¹ Further, WPTF claims that the CAISO is only required to prepare a contingency plan.⁷² WPTF also claims that the CAISO's proposal would allow it to pick and choose provisions of the MRTU Tariff to include or exclude from operation.

76. SoCal Edison requests that language be added to the Revised MRTU Tariff to include a minimum period of time that market participants must operate on the pre-

⁶⁷ *Id.*

⁶⁸ CAISO Filing at 19.

⁶⁹ *Id.* at 20.

⁷⁰ *Id.*

⁷¹ WPTF Comments at 3 (citing sections 7.7.4, 11.9.10.1, 31.6.1, 31.6.3, 34.9, 35.4).

⁷² *Id.* (citing *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 246 (2007)).

MRTU systems if a reversion is necessary.⁷³ Also, SoCal Edison suggests that when the system returns to the MRTU Tariff it begin at the beginning of a month, and that there be at least 10 days of operation on the pre-MRTU Tariff before transitioning back to the MRTU Tariff. Also, if the system correction requires changes to market participant processes or systems, SoCal Edison requests a minimum of 35 days of operation on the pre-MRTU Tariff.

77. SoCal Edison further requests that the Commission require the CAISO to conduct a tabletop walk-through of the MRTU reversion plan and to require the CAISO to add details of how the reversion should be handled to the CAISO's Reversion Plan.⁷⁴

78. In its answer, the CAISO responds that the provisions of the Revised MRTU Tariff that allow it to revert to the CAISO Tariff if circumstances not contemplated in the current MRTU Tariff arise will be employed only as a last resort.⁷⁵

79. The CAISO states that the reversion provisions are consistent with a Commission directive that the CAISO include a contingency plan that addresses any failure of MRTU software and systems to function as designed.⁷⁶ The CAISO also states that it believes that a 10 day minimum notice period is reasonable. However, in the event that system correction requires changes to market participant processes or systems, the CAISO contends that a minimum 30 day notice period, rather than a 35 day notice period is appropriate and could avoid needlessly deferring MRTU re-launch by a month. The CAISO also states that it would not re-launch MRTU unless both the CAISO and market participants were ready.⁷⁷ Also, the CAISO states that it is willing to conduct a tabletop walk-through of the plan.⁷⁸

⁷³ Southern California Edison Company February 1, 2008 Comments at 3 (SoCal Edison Comments).

⁷⁴ The Commission understands a tabletop walk-through is a detailed review of the plan attended by key stakeholders that includes simulated testing and drills.

⁷⁵ CAISO Answer at 23.

⁷⁶ *Id.* (citing *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076 at P 246).

⁷⁷ *Id.* at 21.

⁷⁸ *Id.* at 22.

Commission Determination

80. The Commission finds the CAISO's proposal for suspension of MRTU and for reversion to MRTU including 10 day and 30 day minimum notice periods to be acceptable. Although WPTF states that the current MRTU Tariff allows the CAISO "to deal with almost any conceivable circumstance," there must be an available option if a situation arises that the tariff does not address. As the CAISO has stated, reversion to the existing CAISO Tariff option is a last resort.

81. The Commission finds that the CAISO should rely on the existing provisions in the MRTU Tariff for mitigating significant operational issues. Only if the MRTU Tariff fails to address an issue at hand, then, and only then, should the CAISO use its authority to revert to the existing CAISO Tariff.⁷⁹

82. SoCal Edison does not provide a reason why it requests a 35 day minimum period to be on the pre-MRTU Tariff if a reversion is necessary. Thus, the Commission agrees with the CAISO that a 30 day minimum period for a pre-MRTU Tariff reversion if market participants are required to change systems or processes may help to avoid an additional month delay on the MRTU re-launch.

83. Therefore, the Commission directs the CAISO to make a compliance filing within 30 days of the issuance of this order that includes that the new period after a re-launch of MRTU must start at the beginning of the month, that there be at least 10 days of operation on the pre-MRTU Tariff before transitioning back to the MRTU, and if the system correction requires changes to market participant processes or systems there be a minimum of 30 days of operation in the pre-MRTU Tariff.

84. The Commission also finds that a "tabletop walk-through" with market participants prior to the implementation of the MRTU concerning the reversion plan would be a prudent business practice. To the extent the CAISO has not already conducted such a walk-through, it should do so.

⁷⁹ This sentiment is expressed in the CAISO Filing in section 44.3, "[t]he CAISO shall not declare a suspension under Section 44.1 unless it has determined that there are no viable automated or manual work-around or other options that would restore the ability of the CAISO to reliably and accurately operate the CAISO Controlled Grid and CAISO Balancing Authority Area. . . ."

12. The Availability of Operating Procedures

85. The CAISO proposes to revise the MRTU Tariff to provide the CAISO with authority to maintain restricted distribution of its operating procedures or portions thereof.⁸⁰ The CAISO claims that it will isolate sensitive information in separate attachments so that as much of the operating procedures as possible can be made publicly available.

86. WPTF protests the CAISO's proposal, stating that there is no justification for restricting access to the CAISO operating procedures if they have any bearing on the obligations of market participants or if they have any commercial impact.⁸¹ WPTF contends that limiting availability of operating procedures to a select group of market participants provides that group with unjust and unreasonable information and commercial advantages over market participants that do not own similar kinds of assets. WPTF also asserts that since operating procedures have a fundamental bearing on the rights, obligations, prices, terms and conditions faced by users of the grid, they cannot contain "proprietary information." WPTF claims that market participants and their advisors must have unrestricted access to operating procedures in order to conduct their business reasonably and satisfy their obligations. Thus, WPTF maintains all operating procedures should be made available on the CAISO's website.⁸²

87. WPTF contends that to the extent the Commission does grant the CAISO's request to impose confidentiality restrictions on one or more operating procedure, it should direct the CAISO to make changes to the Revised MRTU Tariff. WPTF argues that the Commission should require the CAISO to list on its website which operating procedures are not posted and why, and make any non-posted operating procedures available to parties that have executed a non-disclosure agreement. Also, WPTF adds that a market participant should be exempt from any sanction that would otherwise apply if it violates an operating procedure that it was unable to obtain in accordance with the terms of the tariff.⁸³

88. In its answer, the CAISO responds that the provisions concerning the website in the Revised MRTU Tariff simply set forth the CAISO's existing practice, which it has employed since the CAISO first posted operating procedures on it. The CAISO's policy

⁸⁰ CAISO Filing at 23.

⁸¹ WPTF Comments at 5.

⁸² *Id.* at 6.

⁸³ *Id.*

is to not make confidential information regarding operating procedures publicly available.⁸⁴

89. The CAISO claims that it identifies all operating procedures on the CAISO website and indicates which portions are confidential. Thus, the CAISO contends that there is sufficient transparency as to what is not publicly available and why.⁸⁵ Also, the CAISO states that it is possible for market participants to obtain access to some of the operating procedures based on necessity by requesting such access and signing a non-disclosure agreement.⁸⁶

90. The CAISO maintains that the proposed criteria for maintaining the confidentiality of certain operating procedures were filed for Commission review in a previous filing to comply with the Commission's Order No. 890.⁸⁷ Therefore, according to the CAISO, any issues concerning the criteria for maintaining confidentiality of operating procedures should be addressed in that docket and not in this proceeding.⁸⁸

Commission Determination

91. The CAISO's October 11, 2007 Filing mentioned the process for handling confidential operating procedures, however that filing did not include the changes to the MRTU Tariff at issue.⁸⁹ Therefore, the Commission addresses those changes here.

92. The confidentiality procedures the CAISO proposes allow market participants to obtain access to some of the operating procedures based on necessity and by signing a non-disclosure agreement. Therefore, the Commission does not require the CAISO to alter the proposed confidentiality procedures but does direct the CAISO to include a provision in the MRTU Tariff that outlines how a market participant receives access to confidential operating procedures through the non-disclosure agreement process within 30 days of the issuance of this order. The Commission declines to grant a blanket exemption to market participants from any sanctions that would otherwise apply if the

⁸⁴ CAISO Answer at 25-26.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ Cal. Indep. Sys. Operator Corp. October 11, 2007 Order 890 Compliance Filing, Docket No. OA08-12 (October 11, 2007 Filing).

⁸⁸ CAISO Answer at 26.

⁸⁹ October 11, 2007 Filing at 39-40.

market participant violates an operating procedure that it was unable to obtain in accordance with the terms of the Tariff. The Commission encourages the CAISO to provide all of the operating procedures necessary to the market participants that request them and that satisfy the other requirements. We find that there may be facts relevant to each particular situation that should be considered before an exemption is warranted. Thus, if such situations arise, the market participants are free to bring the issue and specific facts to the Commission in the form of a complaint.⁹⁰

13. The “Survival Clause”

93. The CAISO proposes to add an express survival clause to the *pro forma* scheduling coordinator agreement that states, "any outstanding financial right or obligation or any other right or obligation under the CAISO Tariff of the Scheduling Coordinator that may have arisen under [the scheduling coordinator agreement], and any provision of [the scheduling coordinator agreement] necessary to give effect to such right or obligation, shall survive such termination until satisfied."⁹¹

94. The CAISO contends that this survival clause is appropriate because it ensures that scheduling coordinators will continue to be accountable for the results of settlements "re-runs" and that other scheduling coordinators are not required to absorb settlement impacts of former scheduling coordinators.⁹²

95. WPTF claims that the survival clause in the *pro forma* scheduling coordinator agreement proposed by the CAISO imposes an open-ended obligation that is unjust and unreasonable.⁹³ WPTF requests that the Commission reject the CAISO's proposed survival clause and require that any survival clause in the scheduling coordinator agreement include a finite time certain of no more than 12 calendar months beyond which a departing scheduling coordinator's financial rights and obligations are deemed satisfied.⁹⁴

96. The CAISO responds that its policy is to require a scheduling coordinator whose scheduling coordinator agreement is terminating to remain obligated to satisfy

⁹⁰ Rule 206 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.206 (2008).

⁹¹ CAISO Filing at 24.

⁹² *Id.* at 25.

⁹³ WPTF Comments at 6.

⁹⁴ *Id.* at 8.

outstanding settlement obligations following the termination of its agreement. The CAISO contends that the survival clause proposed by the CAISO simply clarifies this existing policy and includes it in the *pro forma* agreement. The CAISO notes that the New England Independent System Operator (ISO-NE) employs a survival clause that is similar to the one contained in the December 2007 Filing. The CAISO argues that the Commission approved the ISO-NE provision as just and reasonable, and therefore should also approve the similar CAISO provision.

97. Also, the CAISO contends that WPTF ignores the fact that the open-ended nature of the survival clause in the December 2007 Filing is a two-way street. The survival clause obligates a scheduling coordinator to satisfy outstanding settlement obligations following the termination of its scheduling coordinator agreement, but that scheduling coordinator is also eligible to receive revenues from future re-settlements. Thus, the survival clause ensures equitable treatment of all scheduling coordinators after termination of the scheduling coordinator agreement, whether re-settlements result in payments due to the scheduling coordinator or in re-settlement obligations.⁹⁵

Commission Determination

98. We find that all financial obligations should be satisfied even after the termination of the agreement. If the survival clause was not open-ended, parties could eventually avoid liability for financial and other obligations that occurred prior to the termination of a scheduling coordinator agreement. In addition, we agree with the CAISO that the survival clause is equitable as it also preserves the rights of the subject scheduling coordinator. Therefore, we find the proposed survival clause to be a reasonable and fair method to ensure that financial obligations are honored.

14. The Cost Allocation Formulas

99. The WPTF claims in its protest that elements of the cost allocation formulas set forth in the Revised MRTU Tariff contain concepts that are not consistent with the MRTU and appear to be holdovers from the existing CAISO Tariff.⁹⁶ WPTF offers as an example the concept of measuring or calculating an explicit quantity of energy for transmission losses. WPTF claims that this concept is not a part of the MRTU Tariff

⁹⁵ CAISO Answer at 28.

⁹⁶ WPTF Comments at 10 (citing sections 11.20-11.20.3).

except in the context of the definition of NERC/WECC Metered Demand.⁹⁷ Rather, the loss impacts are embedded within the locational marginal prices. The WPTF states that the CAISO should be directed to correct the inconsistencies of this language with MRTU.⁹⁸

100. In its answer, the CAISO responds that it cannot identify any aspect of the proposed provisions that contain concepts that are inconsistent with MRTU. Therefore, the CAISO submits that no revisions to these provisions are necessary or appropriate.⁹⁹

101. Addressing the definition of “NERC/WECC Metered Demand,” the CAISO states that the explicit inclusion of “Transmission Losses for metered CAISO Demand” will continue to be appropriate under MRTU. The CAISO states that just as under the current CAISO Tariff, NERC/WECC charges will be settled under the Revised MRTU Tariff based on an effective or allocation price which is derived from the WECC invoice to the CAISO and the total NERC/WECC Metered Demand in the CAISO Balancing Authority Area. NERC/WECC charges will not be settled using Locational Marginal Prices under the MRTU. Thus, according to the CAISO, WPTF is incorrect that the definition of NERC/WECC Metered Demand needs to be modified to delete the reference to Transmission Losses.¹⁰⁰

Commission Determination

102. The Commission finds that no changes are necessary because, as the CAISO notes, NERC/WECC charges will not be settled using locational marginal pricing under MRTU. Therefore, the use of “transmission losses” in the definition of NERC/WECC Metered Demand is appropriate.

15. Participating Transmission Owners

103. State Water Project protests the CAISO’s proposed changes in the Revised MRTU Tariff concerning participating transmission owners.¹⁰¹ State Water Project claims that

⁹⁷ WECC refers to Western Electricity Coordinating Council and NERC refers to the North American Electric Reliability Corporation.

⁹⁸ *Id.*

⁹⁹ CAISO Answer at 32-33.

¹⁰⁰ *Id.*

¹⁰¹ California Department of Water Resources State Water Project February 1, 2008 at 1-2 (State Water Project Comments).

under the proposed Revised MRTU Tariff, if State Water Project were to become a participating transmission owner by converting existing contract rights, State Water Project would not be covered by the Revised MRTU Tariff.¹⁰² Therefore, State Water Project requests that the CAISO modify its proposed changes involving Participating Transmission Owner rates to avoid impairing State Water Project's ability to become a Participating Transmission Owner, if it so elects, through contract conversion.¹⁰³

104. In its answer, the CAISO states that the proposed change was previously accepted by the Commission for inclusion in the CAISO Tariff in a different docket and is beyond the scope of this filing.¹⁰⁴

Commission Determination

105. The Commission agrees with the CAISO that the changes protested by State Water Project in the present matter are identical to the changes previously accepted by the Commission on October 18, 2006.¹⁰⁵ State Water Project did not offer any protests to the original proposal. Therefore, we find State Water Project's current protest untimely.

16. The Annual Operations Compliance Review

106. The CAISO proposes to revise the requirements for an annual review of the CAISO's compliance with its operations policies and procedures, to clarify the manner in which these requirements may be fulfilled.¹⁰⁶ The revisions are to (1) substitute the term "report" for "audit report," (2) substitute the term "review" for "audit" and (3) delete references suggesting that this review must be done by an "accounting" firm.¹⁰⁷

107. The CAISO contends that these revisions are necessary because otherwise the tariff could be misunderstood to imply a set of rules and liabilities concerning audits and accounting that are not applicable.¹⁰⁸ Also, the current language of the tariff specifies as

¹⁰² *Id.* at 2.

¹⁰³ *Id.* at 3.

¹⁰⁴ CAISO Answer at 4 (citing *Cal. Indep. Sys. Operator Corp.*, Docket No ER06-1395-000 (Oct. 18, 2006) (unpublished letter order)).

¹⁰⁵ *Cal. Indep. Sys. Operator Corp.*, Docket No. ER06-1395-000 (Oct. 18, 2006).

¹⁰⁶ CAISO Filing at 21.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

its primary requirement that there be an annual "*review* [of] the CAISO management's compliance with its operations policies and procedures." Thus, the review process described should be clarified to refer consistently to such a review and the term audit report changed to refer simply to a report. The CAISO maintains that the proposed deletion of the reference to an "accounting" firm is intended to allow competent firms, organizations, or other persons that are not certified public accountants to conduct the review.

108. The CAISO adds that it intends to post the results of the compliance review on the CAISO website if permitted by the independent party conducting the review, which would not be possible for an "audit" by an accounting firm.¹⁰⁹ If the report is conducted by an accounting firm, the CAISO would not post the report on the CAISO website but would make the reports available subject to a non-disclosure agreement.

109. SoCal Edison requests that the CAISO be required to initiate a stakeholder process for the development of a scope for the annual operations compliance review. Once the scope is established, a monthly progress report should be presented to the CAISO Governing Board, the CAISO Audit Committee, and market participants. SoCal Edison requests that the monthly progress report should include the findings of operational issues, recommended solutions and timetables for issue resolutions.¹¹⁰

110. In its answer, the CAISO responds that the requested changes are not needed because the CAISO already employs a fully responsive process for obtaining and responding to stakeholder input, and the process does not need to be included in the tariff.¹¹¹ This process includes issuing a market notice requesting input from market participants regarding areas they would like to see reviewed in the annual operations compliance review. Based in part on this input, the CAISO management prepares a report that is discussed by the CAISO Audit Committee at a public meeting. Then the CAISO responds to recommendations with an action plan and timetable, and the CAISO reports back to the CAISO Audit Committee when the action has been finalized.¹¹²

¹⁰⁹ *Id.*

¹¹⁰ SoCal Edison Comments at 2.

¹¹¹ CAISO Answer at 24.

¹¹² *Id.*

Commission Determination

111. The Commission finds that existing processes are sufficient to address SoCal Edison's concerns regarding the annual operations compliance review. Therefore, the Commission will not require SoCal Edison's requested changes. The Commission finds the CAISO's proposed revisions to be just and reasonable as they will allow more flexibility in the selection of which firm performs the review, make the report widely available and make the language of the tariff more consistent.

17. The Load Metric for Congestion Revenue Rights

112. State Water Project states that there should be language in the Revised MRTU Tariff that clarifies the way in which State Water Project pumping load is evaluated.¹¹³ State Water Project cites an August 27, 2007 filing in which the CAISO reported that State Water Project supports the CAISO's modifications to allow the use of a five year historical load average for CRR (Congestion Revenue Rights) allocations. In that same filing, State Water Project claims, the CAISO stated, "[T]he CAISO proposes to include in its tariff clarifying language which would implement the five year historical average in determination of State Water Project's Load Metric."¹¹⁴ State Water Project requests that the CAISO include in the Revised MRTU Tariff clarifying language that would implement the five year historical average in its determination of State Water Project's Load Metric for purposes of CRR allocations.

113. In its answer, the CAISO responds that it will include detail in its tariff regarding CRR allocations and intends to do so in response to any compliance requirement FERC issues in Docket No. ER07-869. The CAISO further states that it has already provided State Water Project with the option to use the five year historical load information and will include this option in its Manuals. Also, the CAISO states it agreed that loads such as State Water Project's can use a five year historical average in its load metric without the opportunity to elect on a year-to-year basis whether to use five year or most recent year information.¹¹⁵

¹¹³ State Water Project Comments at 2-3.

¹¹⁴ *Id.* at 3 (citing *Cal. Indep. System Operator Corp.*, August 27, 2007 Motion For Leave To File Answer Of The California Independent System Operator Corporation, Docket Nos. ER07-869-000; ER07-475-000 and ER06-615-001 at 24-26).

¹¹⁵ CAISO Answer at 31-32.

Commission Determination

114. The Commission does not reach the above load metric issue because, as the CAISO notes, the issue is addressed in another docket.¹¹⁶ Our acceptance of the revised tariff sheets in this proceeding is subject to the outcome of pending proceedings and matters acted on by the Commission since the instant filing.

18. The Settlement Section

115. SoCal Edison opposes the CAISO's proposed settlement provision because it lacks detailed description.¹¹⁷ SoCal Edison requests that the Commission require the CAISO to provide detailed settlement descriptions for all applicable charge groups under both the MRTU operational system and reversions to the pre-MRTU systems. SoCal Edison further requests that the Commission require the CAISO to conduct a tabletop walk-through of the settlement plans for market participants.

116. In its answer, the CAISO states that there are too many scenarios to be able to provide detailed settlement descriptions for all applicable charge groups. The CAISO also agrees to conduct a "tabletop walk-through" of the plan.¹¹⁸

Commission Determination

117. The Commission notes that while SoCal Edison lists seven charge groups for which the CAISO could list detailed descriptions, SoCal Edison also states that there are more applicable charge groups. SoCal Edison does not state why detailed descriptions in the tariff are necessary for all of the charge groups, or how a lack of additional clarity could lead to unjust and unreasonable results. For the reasons cited by the CAISO, the Commission finds additional definition of the settlement section is unnecessary.

118. Nonetheless, the Commission finds that a "tabletop walk-through" with market participants prior to the implementation of the MRTU concerning the settlement plans for market participants to explain the settlement functions would be a prudent business practice. To the extent the CAISO has not already done this in its pre-market simulation process, it should do so.

¹¹⁶ See *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,095, at P 53 (2008) (finding that the CAISO's proposed modification to the MRTU Tariff clarifies how State Water Project's load metric will be determined).

¹¹⁷ SoCal Edison Comments at 3.

¹¹⁸ CAISO Answer at 22.

V. Waiver requests

119. The Commission also notes that the CAISO's filing requests waiver of the requirements of Order No. 614 and section 35.9 of the Commission's regulations. Order No. 614 requires accurate tariff sheet designation, including the effective date, and section 35.9 concerns identification and numbering of tariffs. The CAISO states that a waiver is justified because the portions of the currently effective tariff that serve as the basis of the MRTU Tariff are likely to be amended in the normal course of business between the filing date and the proposed MRTU implementation date. In light of the recent change in the MRTU implementation date and further modifications to the MRTU Tariff, we will grant waiver of the requirements of Order No. 614 and section 35.9 and direct the CAISO to make an informational filing specifying the effective dates of the tariff sheets being accepted herein prior to the implementation of MRTU. Further, we grant the CAISO's request for a waiver of section 35.13.

The Commission orders:

(A) The CAISO's revised tariff is hereby accepted, as modified, subject to required modifications and additional filings, as discussed in the body of this order.

(B) The CAISO is hereby directed to submit a compliance filing, within 30 days from the date of issuance of this order, as discussed in the body of this order. In order to ensure that any comments regarding the compliance filing are received prior to the implementation of MRTU, we direct any comments to the compliance filing be filed within 15 days of the date of the compliance filing.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.