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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 20, 2010

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER10-1735-000

California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Attention: Beth Ann Burns, Esq.
Senior Counsel for California Independent System Operator
Corporation

Reference: Revised Processing Timeline for Settlement Recalculations

Dear Ms. Burns:

1. On July 8, 2010, the California Independent System Operator Corporation (CAISO) submitted proposed revisions to its Fifth Replacement FERC Electric Tariff (CAISO tariff) to adopt additional settlement provisions for transactions that occurred from April 1, 2009 (the start-up date of CAISO's Market Redesign and Technology Upgrade (MRTU)) through October 31, 2009 (the last trading day prior the implementation of CAISO's payment acceleration program on November 1, 2009) (bridge period). CAISO explains that the purpose of the proposed revision is to add three additional recalculation settlement windows, consistent with the settlement process applied to transactions already subject to MRTU payment acceleration provisions, in order to provide a definite process and timeline for settling the remaining true-up adjustments. We accept CAISO's proposal to become effective October 6, 2010, as discussed below.

2. CAISO states that it has already completed all of the recalculations in the settlement process specified under the existing CAISO tariff provisions for bridge period transactions. However, CAISO states that CAISO tariff provisions applicable to the bridge period do not contain a defined processing timeline for performing recalculations and publishing settlement statements beyond the recalculation settlement window that happens 76 business days after the trading day.¹ CAISO states that there are over 50 items pending in the settlement queue awaiting reruns for trading days during this period. CAISO initiated a stakeholder process to respond to market participants' request for an additional process and timeline for true-up adjustments for the bridge period.

3. CAISO effectively proposes to apply the same extended settlement process and timeline to the bridge period that currently applies to MRTU transactions. Specifically, CAISO proposes to add CAISO tariff section 11.29.7.1.3 to: (1) extend the settlement timeline for the bridge period to include issuance of a recalculation settlement statement 18 months, 35 months, and 36 months after the trade day, if necessary; (2) apply all other applicable CAISO tariff provisions to any recalculation settlement statement issued under CAISO tariff section 11.29.7.1.3, except interest under CAISO tariff section 11.29.10.2; (3) include on the CAISO payment calendar the publication dates of the recalculation settlement statements and related invoices for trading days during the bridge period; (4) require CAISO to issue a market notice if a recalculation settlement statement is necessary for any trading during the bridge period; and (5) indicate that CAISO tariff section 11.29.7.1.3 will take precedence to the extent any provisions therein are inconsistent or conflict with Appendix H of the CAISO tariff (Grandfathered Metering and Settlement Provisions for Trading Days Prior to November 1, 2009).

4. CAISO requests an effective date of October 6, 2010, which coincides with the first date CAISO may publish any necessary recalculation settlement statements (i.e., 18 months after the April 1, 2009 trading day). However, CAISO requests Commission action by September 20, 2010, so that CAISO has adequate time to implement and comply with the proposed CAISO tariff provisions.

5. Notice of CAISO's filing was published in the *Federal Register*, 75 Fed. Reg. 41844 (2010), with interventions and comments due on or before July 29, 2010. Timely motions to intervene were filed by Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California; City of Santa Clara,

¹ Under CAISO's billing and payment process for the bridge period, each scheduling coordinator was issued an initial settlement statement 38 business days after the trading day and a recalculation settlement statement 76 business days after the trading day. See CAISO tariff section 11.29.7.1

California and the M-S-R Public Power Agency; Modesto Irrigation District; Northern California Power Agency; and Pacific Gas and Electric Company. California Department of Water Resources State Water Project filed a timely motion to intervene and comments in support of CAISO's proposed revisions, including CAISO's decision not to apply interest to any proposed adjusted settlement statements. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

6. We accept proposed CAISO tariff section 11.29.7.1.3, to become effective October 6, 2010, as requested. We recognize that, under existing CAISO tariff provisions, bridge period transactions have already been billed, invoiced and paid and that settlement reruns have already occurred up to the 76 business days after the trading day settlement window. Therefore, adding three additional settlement recalculation windows at 18 months, 35 months, and 36 months, if necessary, after the April 1, 2009 trading day will provide for greater market certainty by creating a definite process and timeline to close out payment adjustments for the remaining recalculations needed for the bridge period.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

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