

From: Woertz, Byron
Sent: Wednesday, August 01, 2001 7:43 PM
To: ISO Market Participants
Subject: CAISO NOTICE: Proposed Rates for Funding the Emission and Start- up Uplift Accounts Associated with FERC June 19th Order
Importance: High

Market Participants:

Attached is a notice from the CAISO with regard to proposed rates for funding the Emission and Start-up uplift accounts associated with the FERC June 19th Order.

Thank you,

Byron Woertz, Director
Client Relations
California ISO

MARKET NOTICE

In Re: Federal Energy Regulatory Commission June 19, 2001 "Order On Rehearing Of Monitoring And Mitigation Plan For The California Wholesale Electric Markets, Establishing West-Wide Mitigation, And Establishing Settlement Conference"

Emission and Start-Up Fuel Charge Rates

In the Federal Energy Regulatory Commission ("FERC") June 19 order, referenced-above, the California Independent System Operator Corporation ("ISO") was directed to eliminate NOx emission costs from its calculation of the mitigated market clearing price, and instead, to pay generators for mitigation fees associated with NOx emissions as incurred by generators required to run in accordance with ISO Dispatch instructions.¹ The ISO specifically was ordered to develop an emission allowance charge assessed against all in-state load served on or through the ISO Controlled Grid in order to recover NOx emission mitigation costs which would be used to pay eligible generators for such mitigation costs. In compliance, the ISO filed, on July 10, 2001, proposed Tariff revisions to develop 1) a rate for the emission allowance charge, 2) an escrow account for monies collected, 3) a process through which generators would submit to the ISO invoices for emission mitigation fees, and 4) a payment process through which the ISO would pay for such mitigation costs. Below, this Market Notice sets forth the emission allowance charge rate at which all in-state load will be charged.

The FERC June 19 order also directed the ISO to exclude start-up fuel costs from the calculation of the mitigated market clearing price, and instead, to pay generators for such start-up fuel costs, in the same manner as the ISO paid generators' emission mitigation fees. Accordingly, the ISO filed, on July 10, Tariff revisions setting forth a definition of "start-up fuel costs," and a process by which the ISO will collect a start-up fuel charge from all Scheduling Coordinators based upon each Scheduling Coordinator's in-state load served on or through the ISO Controlled Grid. The ISO also proposed Tariff revisions to facilitate a trust account to hold such monies collected through the start-up fuel charge and a process through which Scheduling Coordinators could invoice the ISO and be paid for such costs. Below, this Market Notice sets forth the start-up fuel charge rate to be assessed against Scheduling Coordinators, as detailed above and in the ISO compliance filing and Tariff revisions of July 10, 2001.

Emission Cost Charge

The rate at which the ISO will assess the Emission Cost Charge will equal that of the forecasted annual total of all Emission Costs incurred by all generators subject to the must-offer obligation as a direct result of ISO Dispatch Instructions,

¹ Capitalized terms are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

adjusted for interest as may accrue in the Emissions Cost Trust Account, divided by the sum of the forecasted ISO Control Area Gross Load and the Demand within California but outside the ISO Control Area which is served by exports from the ISO Control Area. Demand within California but outside the ISO Control Area which is served by exports from the ISO Control Area will equal the real time gross export at the intertie locations between the ISO and other ISO-interconnected Control Areas serving load in California (the only current such Control Areas ISO being the Los Angeles Department of Water and Power and the Imperial Irrigation District Control Areas). The rate may be adjusted monthly as required and will be posted on the ISO Home Page.

This charge will be assessed beginning with Trading Day June 21, 2001, and will appear as a monthly sum in the Scheduling Coordinator's settlement statement for the last day of the trade month. Daily charges will be detailed in the statement for that day.

The initial rate for the Emission Cost Charge will be \$0.03418/MWh.

Start-Up Fuel Cost Charge

Consistent with the rate and cost assessment method for Emission Costs, the rate at which the ISO will assess the Start-Up Fuel Cost Charge will equal the forecasted annual total of all Start-Up Fuel Costs incurred by generators subject to the must-offer obligation as a direct result of ISO Dispatch Instructions, adjusted for interest as may accrue in the Emissions Cost Trust Account, divided by the sum of the forecasted ISO Control Area Gross Load and the Demand within California but outside the ISO Control Area which is served by exports from the ISO Control Area. Demand within California but outside the ISO Control Area which is served by exports from the ISO Control Area will equal the real time gross exports at the intertie locations between the ISO and other ISO-interconnected Control Areas serving load in California (the only current such Control Areas being the Los Angeles Department of Water and Power and the Imperial Irrigation District Control Areas). The rate may be adjusted monthly as required and will be posted on the ISO Home Page.

This charge will be assessed beginning with Trading Day June 21, 2001, and will appear as a monthly sum in the Scheduling Coordinator's settlement statement for the last day of the trade month. Daily charges will be detailed in the statement for that day.

The initial rate for the Start-Up Fuel Cost Charge will be \$0.00733/MWh.