



April 14, 2003

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Service Into Markets Operated by the California Independent System Operator and the California Power Exchange, Docket Nos. EL00-95-071

Investigation of Practices of the California Independent System Operator and the California Power Exchange, Docket Nos. EL00-98-060

Public Meeting in San Diego, California, Docket Nos. EL00-107-013

Reliant Energy Power Generation, Inc., Dynegy Power Marketing, Inc., and Southern Energy California, L.L.C. v. California Independent System Operator Corporation, Docket Nos. EL00-97-007

California Electricity Oversight Board v. All Sellers of Energy and Ancillary Services Into the Energy and Ancillary Services Markets Operated by the California Independent System Operator and the California Power Exchange, Docket Nos. EL00-104-012

California Municipal Utilities Association v. All Jurisdictional Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, Docket Nos. EL01-1-013

CAIifornians for Renewable Energy, Inc. (CARE) v. Independent Energy Producers, Inc., and All Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange; All Scheduling Coordinators Acting on Behalf of the Above Sellers; California Independent System Operator Corporation; and California Power Exchange Corporation, Docket Nos. EL01-2-007

**Investigation of Wholesale Rates of Public Utility Sellers of Energy
and Ancillary Services in the Western Systems Coordinating Council,
Docket Nos. EL01-68-026**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's March 13, 2003 "Order On Compliance Filing" 102 FERC ¶ 61,285 ("March 13, 2003 Compliance Order"), issued in the above-referenced dockets.

BACKGROUND

The instant filing is one of a series of ISO compliance filings containing proposed Tariff revisions in response to Commission orders in the above-referenced dockets addressing the California bulk power markets. Specifically, the ISO submitted compliance filings on: (1) January 2, 2001 ("January 2, 2001 Compliance Filing") in response to the Commission order issued on December 15, 2000;² (2) May 11, 2001 ("May 11, 2001 Compliance Filing") in response to the Commission order issued on April 26, 2001;³ (3) July 10, 2001 ("July 10, 2001 Compliance Filing") in response to the Commission order issued on June 19, 2001;⁴ (4) July 30, 2001 ("July 30, 2001 Compliance Filing") as an amendment to the May 11, 2001 and July 10, 2001

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 93 FERC ¶ 61,294 (2000).

³ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 95 FERC ¶ 61,115 (2001).

⁴ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 95 FERC ¶ 61,418 (2001).

Compliance Filings; (5) January 25, 2002 (“January 25, 2002 Compliance Filing”) in response to the Commission order issued on December 19, 2001 accepting in part and rejecting in part the January 2, May 11, July 10, and July 30, 2001 Compliance Filings;⁵ (6) June 24, 2002 (“June 24, 2002 Compliance Filing”) in response to the Commission order issued on May 15, 2002;⁶ (7) and December 2, 2002 (“December 2, 2002 Compliance Filing”) in response to the Commission order issued on October 31, 2002.⁷ The instant filing, in response to the Commission’s March 13, 2003 Compliance Order continues the series of compliance filings addressing the high prices and inadequate supply of electricity in California, and specifically, the Must-Offer Obligation.

PROPOSED TARIFF CHANGES

As described below, the ISO proposes changes to the ISO Tariff to comply with the March 13, 2003 Compliance Order. The following section headings reflect the relevant headings in the March 13, 2003 Compliance Order.

1. Treatment of Generators Running at Minimum Load and Dispatched for Instructed Energy

In the March 13, 2003 Compliance Order, the Commission directed the ISO to pay Minimum Load Costs to generators who were operating at Minimum Load under the Must-Offer Obligation and subsequently Dispatched by the ISO in the ISO Imbalance

⁵ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 97 FERC ¶ 61,293 (2001) (“December 19, 2001 Compliance Order”).

⁶ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 99 FERC ¶ 61,158 (2002) (“May 15, 2002 Compliance Order”).

⁷ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 101 FERC ¶ 61,112 (2002) (“October 31, 2002 Compliance Order”).

Energy Market. The Commission directed generators continue to be compensated for the Minimum Load Energy delivered to the ISO Controlled Grid at the prescribed Minimum Load Cost Compensation ("MLCC") formula and that the ISO also settle the Instructed Imbalance Energy delivered as a result of the ISO Dispatch Instruction and that is above the Minimum Load at the applicable Instructed Imbalance Energy price. This payment is to be retroactively applied to all such settlements beginning with Trade Day July 1, 2002, which marks the beginning of ISO use of Real Time Market Dispatch as an ineligibility check for MLCC.

Given that the ISO has understood the Commission's multiple previous orders to exclude generating units operating under ISO Dispatch from the operation of the Must Offer Obligation, and thus not eligible for MLCC,⁸ the ISO now must propose modifications to the ISO Tariff to provide for such payments. Moreover, inasmuch as the Commission has approved application of a Tolerance Band to a unit's output at Minimum Load as an eligibility criteria for MLCC, the ISO now proposes Tariff modifications to apply the same Tolerance Band to a unit's Dispatch Operating Point as the corresponding eligibility requirement for a unit to receive MLCC when operating above Minimum Load in compliance with an ISO Dispatch Instruction. The Tolerance Band will be a simultaneous measurement at the end of the Operating Hour. As a result of these modifications, the ISO will compensate Must-Offer Generators for Minimum Load Costs for all hours such generators operate at Minimum Load under a Waiver

⁸ See, e.g., December 19, 2001 Compliance Order at slip op. 8 providing that "a generator must be compensated for its actual costs during each hour when that generator is: (1) not scheduled to run under a bilateral agreement; (2) not on a planned or forced outage; and (3) running in compliance with the must-offer requirement **but not dispatched by the ISO.**" Emphasis added.

Denial from the ISO in compliance with the Must Offer Obligation or operate above Minimum Load in compliance with an ISO Dispatch Instruction; are not awarded Ancillary Services; do not have a Final Hour-Ahead Schedule; are not on a planned or forced Outage; are not under an ISO Waiver; and/or are not generating outside the unit-specific Tolerance Band of the absolute value of 5 MW or 3% of the maximum output capacity of the unit as applied to the unit's Minimum Load operating level if the unit is operating at Minimum Load or as applied to the unit's total expected hourly Energy output if the unit is operating above Minimum Load in compliance with an ISO Dispatch Instruction.

Accordingly, Attachments A and B hereto contain Section 5.11.6 of the Tariff, modified as detailed *supra*. Attachment C contains a Market Notice relating to the ISO intentions to make retroactive payments of MLCC to generating units who were previously not paid MLCC for otherwise eligible hours within Waiver Denial Periods in which such units generated above Minimum Load in compliance with an ISO Dispatch Instruction.

2. Definitions of Self-Commitment Period

In the March 13, 2003 Compliance Order, the Commission found reasonable ISO proposed Tariff Section 5.11.6 which states "Self-Commitment Periods determined from Day-Ahead Schedules shall be extended by the ISO as necessary to accommodate generating unit minimum up and down times such that scheduled operation is feasible." In the March 13, 2003 Compliance Order at ¶ 12, the Commission provided an example of its understanding of the operation of this sentence in Section 5.11.6 and the ISO now

acknowledges the accuracy of that example. On the other hand, the Commission noted that Section 5.11.6 also provides that "The Waiver Denial Period shall be extended as necessary to accommodate generating unit minimum up and down times." The Commission directed the ISO to explain the operation of the above-detailed two sentences within Section 5.11.6 in the context of Minimum Up and Minimum Down Times.

The ISO now clarifies the operation of ISO Tariff Section 5.11.6 as related to Self-Commitment and Waiver Denial Periods. As a preliminary matter, the ISO determines a Waiver Denial Period whereas a generating unit, through its scheduling, determines its Self-Commitment Period, to which the ISO will add on any applicable Minimum Up and Minimum Down Times as needed to ensure the Self-Commitment Period is feasible.⁹

In determining a Waiver Denial Period for a specific generating unit, the ISO takes into account the unit's Minimum Down Time when revoking a Waiver and instructing the unit to come on-line and begin a Waiver Denial Period. The ISO will not instruct a unit that is off-line to come on-line within a time period that is less than that unit's Minimum Down Time. Similarly, the ISO will ensure that a Waiver Denial Period is not less than the unit's Minimum Up Time. Similarly, the generating unit identifies its basic Self-Commitment Period through its Final Day-Ahead or Final Hour-Ahead

⁹ Definitions of Minimum Up and Minimum Down Times, and Self-Commitment, Waiver and Waiver Denial Periods are set forth in the ISO compliance filing on January 25, 2002, filed in response to the December 19, 2001 order, in the above-referenced dockets.

Schedule. The ISO will add on to such schedules the Minimum Down and Minimum up Times that the unit must observe to fulfill such schedules.

The following examples illustrate the Waiver Denial Period and Self-Commitment Periods as are provided for in Section 5.11.6 of the ISO Tariff.

Assumptions: Generating Unit Minimum Down Time = 8 hours
 Generating Unit Minimum Run Time = 6 hours

Example 1

The Generating Unit is granted a Waiver and goes off-line at 12:00 P.M. The ISO requires the Generating on-line at 6:00 A.M., but because the Generating Unit cannot come back on-line until 8:00 A.M., the earliest time that the ISO will instruct the Generating Unit to begin a Waiver Denial Period will be 8:00 A.M.

Example 2

The Generating Unit is on-line under a Waiver Denial Period that began at 8:00 A.M. The ISO will not end the Waiver Denial Period before 2:00 P.M. Note: the Generating Unit must meet applicable eligibility requirements to recover Minimum Load Costs for each hour of this Waiver Denial Period.

Example 3

The Generating Unit is on-line under a Waiver Denial Period that began at 8:00 A.M. and ends at 2:00 P.M. The Generating Unit has a Final Hour-Ahead Schedule for Hours 10:00 A.M. to 11:00 A.M. and Hours 5:00 P.M. to 10:00 P.M. The ISO will not pay Minimum Load Cost Compensation for the Hours of 10:00 A.M. to 11:00 A.M. Also, the ISO will not extend the Waiver Denial Period beyond 2:00 P.M. The Generating Unit, in making its Final Hour-Ahead Schedule of 5:00 P.M. to 10:00 P.M. must remain on-line at its own expense to be able to perform its schedule.

Example 4

The Generating Unit is on-line under a Waiver Denial Period that began at 8:00 A.M. and ends at 2:00 P.M. The Generating Unit has a Final Hour-Ahead Schedule for Hours 1:00 P.M. to 7:00 P.M. The ISO needs the unit on-line under a Waiver Denial Period beginning at 9:00 P.M. The ISO will not pay Minimum Load Cost Compensation for the hour of 1:00 P.M. to 2:00 P.M. of the Waiver Denial Period and the ISO also will extend the Waiver Denial Period from 9:00 P.M. back to 7:00 P.M. to honor the Minimum Down Time that prevents the unit from going off-line after its schedule was performed.

EFFECTIVE DATE

In the March 13, 2003 Order, the Commission denied proposed Tariff Section 5.11.6.1 as regards payment of Minimum Load Costs. In compliance, the ISO now submits modified Tariff Section 5.11.6.1 reflecting the Commission direction and requests an effective date of May 29, 2001.

SUPPORTING DOCUMENTS

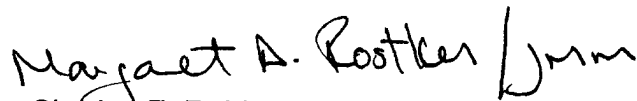
The following documents, in addition to this transmittal letter, support this filing:

- | | |
|--------------|--|
| Attachment A | Revised Tariff sheets incorporating the changes described above. |
| Attachment B | “Black-lined” Tariff provisions showing the additions to and deletions from existing Tariff provisions. |
| Attachment C | March 27, 2003 Market Notice, titled “Minimum Load Cost Compensation Update – March 13 th FERC Order” |
| Attachment D | A form notice of filing suitable for publication in the Federal Register, and a computer diskette containing the notice in WordPerfect format. |

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

Respectfully submitted,

A handwritten signature in black ink that reads "Margaret A. Rostker" followed by a stylized flourish.

Charles F. Robinson
Margaret A. Rostker
Counsel for the California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
(916) 608-7021

ATTACHMENT A

hours outside Self-Commitment Periods. The ISO shall grant waivers so as to: 1) provide sufficient on-line generating capacity to meet operating reserve requirements; and 2) account for other physical operating constraints, including generating unit minimum up and down times. The hours outside of Self-Commitment Periods for which waivers are not granted shall constitute Waiver Denial Periods. The Waiver Denial Period shall be extended as necessary to accommodate generating unit minimum up and down times. Units shall be on-line in real time during both Self-Commitment and Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The must-offer obligation will remain in effect for a unit's Self-Commitment Period even if the Must-Offer Generator nullifies its Day-Ahead Energy Schedules or buys back its Day-Ahead Schedules for a unit in the Hour-Ahead market. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). The ISO shall inform a Must-Offer Generator that its Waiver request has been accepted, denied, or revoked, and shall provide the Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 6:00 p.m. (beginning of Hour Ending 19) no later than 8:00 p.m. (beginning of Hour Ending 21) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 8:00 p.m. on the following day, notify Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 6:00 p.m. (beginning of Hour Ending 19) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to time a unit would be required to be on-line generating at its Pmin.

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Units from Must-Offer Generators that incur Minimum Load Costs during Self-Commitment Periods or during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator is awarded Ancillary Services in the Hour-Ahead market or has a Final Hour-Ahead Schedule, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at Minimum Load in compliance with the Must-Offer Obligation, produces a quantity of Energy that varies by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at above Minimum Load in compliance with an ISO Dispatch Instruction, produces a quantity of Energy that varies from the total expected hourly Energy output by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall pay to an otherwise eligible Must-Offer Generator the Minimum Load Costs for each hour within a Waiver Denial Period that the generating unit runs at Minimum Load in compliance with the Must-Offer Obligation and for each hour that an otherwise eligible Must-Offer Generator generates in compliance with an ISO Dispatch Instruction.

5.11.6.1.2 Minimum Load Costs

The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: 1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 2.5.23.3.3) at the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and the proxy figure for natural gas costs posted in the ISO Home Page in effect at the time, and the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and 2) the product of the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and the FERC-approved Operations and Maintenance adder (\$/MWh) in effect at the time.

5.11.6.1.3 Invoicing Minimum Load Costs

The ISO shall determine each Scheduling Coordinator's Minimum Load Costs and make payments for these costs as part of the ISO's market settlement process. Scheduling Coordinators may

submit to the ISO data detailing the hours for which they are eligible to recover Minimum Loadsubmit to the ISO data detailing the hours for which they are eligible to recover Minimum Load Costs. Scheduling Coordinators who elect to submit data on hours they are eligible to recover Minimum Load Costs must: 1) use the Minimum Load Cost Invoice template posted on the ISO Home Page, and 2) submit the invoice on or before fifteen (15) business days following the last Trading Day in the month in which such costs were incurred, except that Scheduling Coordinators seeking reimbursement for Minimum Load Costs incurred between May 29, 2001, and June 30, 2002 must submit their data to the ISO by August 5, 2002.

5.11.6.1.4 Allocation of Minimum Load Costs

Minimum Load Costs for the total number of eligible hours for each unit shall be evenly divided over all such eligible hours. For each such hour, the total Minimum Load Costs shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's Load and Demand within California outside the ISO Control Area that is served by exports to the sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

5.11.6.1.5 Payment Of Available Capacity Under The Must-Offer Obligation

Available capacity that is required to be offered to the Real Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Minimum Load Cost Compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as defined in Section 5.11.6.1.1, that the unit generated above Minimum Load in compliance with ISO Dispatch Instructions.

ATTACHMENT B

5.11.6 Waiver of Must-Offer Obligation

Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 5.11.4 of this ISO Tariff, for one or more of their generating units for periods other than Self-Commitment Periods, which are defined as the hours when Must-Offer Generators submit Energy Schedules or are awarded Ancillary Services bids or self-provision schedules. Self-Commitment Periods determined from Day-Ahead Schedules shall be extended by the ISO as necessary to accommodate generating unit minimum up and down times such that the scheduled operation is feasible. All other Must-Offer Generators obligated under the Must-Offer Obligation will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all available capacity. If conditions permit, and at the ISO's non-discriminatory and sole discretion, the ISO may grant waivers and allow a Must-Offer Generator to remove one or more generating units from service during hours outside Self-Commitment Periods. The ISO shall grant waivers so as to: 1) provide sufficient on-line generating capacity to meet operating reserve requirements; and 2) account for other physical operating constraints, including generating unit minimum up and down times. The hours outside of Self-Commitment Periods for which waivers are not granted shall constitute Waiver Denial Periods. The Waiver Denial Period shall be extended as necessary to accommodate generating unit minimum up and down times. Units shall be on-line in real time during both Self-Commitment and Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The must-offer obligation will remain in effect for a unit's Self-Commitment Period even if the Must-Offer Generator nullifies its Day-Ahead Energy Schedules or buys back its Day-Ahead Schedules for a unit in the Hour-Ahead market. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). The ISO shall inform a Must-Offer Generator that its Waiver request has been accepted, denied, or revoked, and shall provide the Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 6:00 p.m.

(beginning of Hour Ending 19) no later than 8:00 p.m. (beginning of Hour Ending 21) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 8:00 p.m. on the following day, notify Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 6:00 p.m. (beginning of Hour Ending 19) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to time a unit would be required to be on-line generating at its ~~Minimum Load~~P_{min}.

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Units from Must-Offer Generators that incur Minimum Load Costs during Self-Commitment Periods or during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator is awarded Ancillary Services in the Hour-Ahead market or has a Final Hour-Ahead Schedule, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at Minimum Load in compliance with the Must-Offer Obligation, produces a quantity of Energy that varies by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at above Minimum Load in compliance with an ISO Dispatch Instruction, produces a quantity of Energy that varies from the total expected hourly Energy output by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall pay to an otherwise eligible Must-Offer Generator the Minimum Load Costs for each hour within a Waiver Denial Period that the generating unit runs at Minimum Load in compliance with the Must-Offer

Obligation and for each hour that an otherwise eligible Must-Offer Generator generates in compliance with an ISO Dispatch Instruction.

5.11.6.1.2 Minimum Load Costs

The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: 1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 2.5.23.3.3) at the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and the proxy figure for natural gas costs posted in the ISO Home Page in effect at the time, and the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and 2) the product of the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and the FERC-approved Operations and Maintenance adder (\$/MWh) in effect at the time.~~\$6/MWh.~~

5.11.6.1.3 Invoicing Minimum Load Costs

The ISO shall determine each Scheduling Coordinator's Minimum Load Costs and make payments for these costs as part of the ISO's market settlement process. Scheduling Coordinators may submit to the ISO data detailing the hours for which they are eligible to recover Minimum Load Costs. Scheduling Coordinators who elect to submit data on hours they are eligible to recover Minimum Load Costs must: 1) use the Minimum Load Cost Invoice template posted on the ISO Home Page, and 2) submit the invoice on or before fifteen (15) business days following the last Trading Day in the month in which such costs were incurred, except that Scheduling Coordinators seeking reimbursement for Minimum Load Costs incurred between May 29, 2001, and June 30, 2002 must submit their data to the ISO by August 5, 2002.

5.11.6.1.4 Allocation of Minimum Load Costs

Minimum Load Costs for the total number of eligible hours for each unit ~~each unit's Waiver Denial Period~~ shall be evenly divided over all such eligible hours, ~~of such Waiver Denial Period.~~ For each such hour, the total Minimum Load Costs shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's Load and Demand within California

outside the ISO Control Area that is served by exports to the sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

5.11.6.1.5 Payment Of Available Capacity Under The Must-Offer Obligation

Available capacity that is required to be offered to the Real Time Market, if ~~accepted for~~ dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy ~~accepted bid~~ shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price, ~~and the underlying Minimum Load Energy shall be settled at the Uninstructed Imbalance Energy Market Clearing Price.~~ Minimum Load Cost Compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as defined in Section 5.11.6.1.1, that the unit generated above Minimum Load in compliance with ISO Dispatch Instructions.

ATTACHMENT C

MARKET NOTICE

March 27, 2003

MINIMUM LOAD COST COMPENSATION UPDATE- March 13th FERC Order

SC Settlement Contacts:

As communicated in a Market Notice on March 21st, 2003, a cross-departmental ISO team met to discuss the actions necessary on the ISO's part to properly implement the FERC Order issued on March 13th, 2003 regarding Minimum Load Cost Compensation. The timing of the FERC Order, the time required for the ISO to interpret the Order, analyze the business and system impacts, make and test the necessary software, process and procedural changes, and the timing associated with our current Settlements Processes precluded the possibility of implementing the direction of the FERC Order in question with the December 2002 Minimum Load Cost payments issued on Monday, March 17th, 2003.

In an effort to ensure accuracy when producing Minimum Load Cost settlements in compliance with the March 13th FERC Order regarding eligibility based on Real Time ISO Instructions, the decision has been made to postpone the posting of payments and charges for Minimum Load Costs associated with the Trade Month of January 2003 from the January 31st, 2003 Preliminary Settlement Statement to the February 24th, 2003 Preliminary Settlement Statement. This change in the MLCC Payment Schedule has been reflected in the file posted on our website under Market Services/Minimum Load Compensation, (<http://www.caiso.com/docs/2002/05/02/2002050215450112004.html>). Please note that this postponement will also result in some additional changes to the MLCC Payment Schedule for other months. The new Payment Schedule also indicates when adjustments based on the March 13th FERC Order to the previously settled months of October, November and December of 2002 will appear.

If you have any other questions regarding Minimum Load Cost Compensation, please contact your Account

Manager or send an e-mail to MinimumLoadCost@caiso.com
<<mailto:MinimumLoadCost@caiso.com>>.

Client Relations Communications.0921
CRCommunications@caiso.com

ATTACHMENT D

**NOTICE OF FILING SUITABLE FOR PUBLICATION
IN THE FEDERAL REGISTER**

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System)	Docket Nos. ER00-95-071,
Operator Corporation)	EL00-98-060,
)	EL00-107-013,
)	EL00-97-007
)	EL00-104-012,
)	EL01-1-103,
)	EL01-2-007,
)	and EL01-68-026

Notice of Filing

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Take notice that on April 14, 2003, the California Independent System Operator Corporation (ISO) submitted a filing in compliance with the Commission's March 13, 2003 "Order on Compliance Filing," 102 FERC ¶ 61,285 (2003), issued in the above-referenced dockets. The ISO has also served copies of this filing upon all entities that are on the official service list for the docket.


Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211, 385.214). Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <<http://www.ferc.gov>> using the "FERRIS" link. Comments, protests, and interventions may be filed electronically via the Internet in lieu of paper. See 18 C.F.R. § 385.2001(a)(1)(iii) and the instructions on the Commission's Internet site under the "e-Filing" link.

Comment Date: _____

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the Compliance Filing upon each person designated on the official service list compiled by the Secretary in the above-captioned dockets.

Dated at Folsom, California, on this 14th day of April 2003.


Margaret A. Rostker
Counsel for The California Independent
System Operator Corporation