

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

Cities of Anaheim, Azusa, Banning and Riverside, California, and the City of Vernon, California)	
)	
v.)	Docket No. EL03-54-000
)	
California Independent System Operator Corporation)	

**MOTION FOR CLARIFICATION OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), the California Independent System Operator Corporation (“ISO”) hereby requests that the Commission grant clarification of the Notice of Extension of Time issued in the above-captioned proceeding on July 26, 2004 (“Notice”). The ISO interprets the Notice as staying any requirement that the ISO provide refunds in this proceeding until after the Commission has resolved the rehearing request submitted by Southern California Edison Company (“SCE”). The Commission should clarify that this interpretation of the Notice is correct.

On April 20, 2004, the Commission issued an Order On Arbitrator’s Award (“April 20 Order”) in which the Commission reversed an Arbitrator’s Award that affirmed the ISO’s characterization of certain charges as Intra-Zonal Congestion costs that should be allocated to Scheduling Coordinators (“SC”) in the affected Zone, *i.e.*, SP15. The April 20 Order directed the ISO to reallocate the costs from SCs in SP15 to the responsible Participating Transmission Owner, *i.e.*,

SCE, within 60 days of the Order. SCE filed a request for rehearing of the April 20, 2004 Order.

On July 19, 2004, SCE filed an “Emergency Motion to Stay Pending Rehearing of April 20, 2004 Order” (“Emergency Motion to Stay”). SCE requested that the Commission stay its April 20 Order pending rehearing and that the stay be imposed before the ISO issued invoices complying with the directives in the April 20 Order. In the Emergency Motion, SCE had requested “an immediate stay of the effectiveness of the Commission’s April 20 Order pending rehearing,” on grounds that included the following:

A majority of the refunds resulting from the April 20 Order would be provided to the PX [the California Power Exchange], which was an SC [Scheduling Coordinator] at the time of the disputed charges. This fact justifies a stay. First, having the ISO issue new invoices to the PX, which the PX would have to allocate to the entities for which it acted as an SC during the period at issue, is a potentially unnecessary and substantial burden on the PX’s very limited financial and staff resources. Second, and more importantly, the PX, and several other SCs and entities for which the PX serves as SC have gone bankrupt. Refunding monies to bankrupt entities subjects SCE to the risk that if the April 20 Order is reversed, and the ISO must seek the refunds issued back from the SCs or their customers, the ISO will not be paid in full. If the ISO is not returned such funds, it in turn will not be able to make parties whole. At least, the ISO should be entitled to withhold the funds due the PX and any other bankrupt SC, until SCE’s rehearing request is decided.

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Moreover, staying the issuance of credits and charges in accordance with the April 20 Order is consistent with the public interest because it may avoid the need to further revise allocations or require adjustments or surcharges in the future should SCE prevail in its rehearing request. The ISO agrees that a stay would avoid a potential waste of resources and expense to issue invoices now when the charges may have to be re-invoiced upon resolution of SCE’s rehearing request.

Emergency Motion to Stay at 3, 4.

The July 26, 2004 Notice granted “an extension of time for SEC [sic] to comply with the Commission’s April 20 Order...to and until 30 days after SCE’s rehearing request is resolved.” The ISO interprets the Notice as staying any requirement in the April 20 Order that the ISO make refunds until after the Commission resolves SCE’s rehearing request. Accordingly, the ISO does not intend to make any refunds until directed to do so by the Commission in a subsequent order. The CAISO notes that non-payment by SCE would result in the market being shorted by the amount of the non-payment.

Respectfully submitted,

/s Anthony J. Ivancovich

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Dated: July 28, 2004



July 28, 2004

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

**Re: Cities of Anaheim, Azusa, Banning, and Riverside California
and the City of Vernon, California v. California Independent
System Operator Corporation
Docket No. EL03-54-000**

Dear Secretary Salas:

Enclosed for electronic filing, please find a Motion for Clarification of The California Independent System Operator Corporation in the above-referenced docket.

Thank you for your assistance in this matter.

Respectfully submitted,

/s Anthony J. Ivancovich

Anthony J. Ivancovich

Counsel for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

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

Dated at Folsom, California, on this 28th day of July, 2004.

/s Anthony J. Ivancovich
Anthony J. Ivancovich