

to assume operational control of the facilities and entitlements being turned over to it by the Southern Cities, subject to certain conditions.⁴ In addition, we grant the requested waivers to permit these amendments to become effective January 1, 2003. This order benefits customers because it will expand the scope of the CAISO and, thereby, enhance the reliability and operation of the transmission grid.

Background

A. Docket No. ER03-219-000: Amendments to the TCA

2. The CAISO seeks to revise its procedure for updating the CAISO's transmission register (Transmission Register)⁵ upon changes in transmission interests under the CAISO's operational control. In particular, revisions to section 4.2.4 provide that only PTOs will have access to the information in the Transmission Register. As a result, the Transmission Register will no longer be made available to the public. In its transmittal letter, the CAISO explains that it seeks to limit the Transmission Register access:

³(...continued)

Cities. On December 23, 2002, the Commission issued an order authorizing the transfer. See California Independent System Operator Corp., 101 FERC ¶ 62,191 (2002) (December 23 Order). However, the Commission issued an order rescinding the December 23 Order and dismissing rehearing of that order. See California Independent System Operator Corporation, Docket No. EC03-27-000 (Jan. 24, 2003) (Order Authorizing Acquisition of Facilities, Granting Waiver, and Rescinding Prior Order).

⁴On October 4, 2002, the Southern Cities filed a petition for declaratory order that the CAISO include a withdrawal provision in the TCA that would allow the Southern Cities to withdraw their transmission facilities and entitlements from the CAISO's operational control if there was an action that would result in the loss of their tax-exempt status for bonds that were used to the acquire their facilities and/or entitlements. See EL03-7-000 (2003). However, on December 4, 2002, the Southern Cities filed a notice of withdrawal of their petition for declaratory order, stating that the parties to the TCA reached an agreement on provisions that address the Southern Cities' concerns and that those provisions are included in the revised TCA that was filed by the CAISO in Docket No. ER03-219-000.

⁵The Transmission Register, which lists facilities under the CAISO's operational control, is currently available to the public by way of the CAISO's web site.

. . . based on safety concerns that have been heightened by recent terrorist activities. The ISO is concerned that public disclosure of the contents of the ISO Register could result in impairment of system operations, unnecessarily reveal sensitive information, and pose significant security problems as to the facilities referenced therein.

In addition, revisions to section 4.2.3 describe the procedures that will be used by the CAISO to ensure that the information entered into the Transmission Register is accurate and consistent with the TCA.

3. The proposed revisions to the TCA also include the following changes. First, appendices⁶ have been added identifying the transmission interests that the Southern Cities propose to transfer to the CAISO's operational control.⁷ Specifically, Appendix A has been added to describe the transmission entitlements⁸ that each of the Southern Cities will turn over to the CAISO's operational control as of January 1, 2003, and Appendix B has been added that describes the encumbrances⁹ associated with the entitlements for

⁶Because the current PTOs already have Appendices A and B to the TCA, they are proposing to "revise" their appendices; whereas, because the prospective PTOs, Southern Cities, do not have Appendices A and B to the TCA, they are proposing "new" Appendices A and B.

⁷The CAISO defines the term "operational control" as: "The rights of the ISO under the Transmission Control Agreement and the ISO Tariff to direct [PTOs] how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities. . . ." See CAISO Tariff, Appendix A, Masters Definitions Supplement.

⁸The CAISO defines the term "entitlements" as: "The right of a [PTO] obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy." See CAISO Tariff, Appendix A, Masters Definitions Supplement.

⁹The CAISO defines the term "encumbrance" as: "A legal restriction or covenant binding on a [PTO] that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the [PTO] is not to risk incurring significant liability." See CAISO Tariff, Appendix A, Masters Definitions Supplement.

each of the Southern Cities with the exception of the city of Banning, which has no encumbrances.

4. PG&E also proposes to revise its Appendix B of the TCA by incorporating changes in PG&E's listing of its encumbrances, because PG&E has determined that certain contracts that were previously listed as encumbrances "out of an abundance of caution" do not contain any restrictions on the CAISO's ability to exercise operational control over PG&E's transmission interests. In addition, a portion of Exhibit B-1 to Appendix B of the TCA describing PGE's operating instructions to the CAISO about Path 15 have been added to the TCA.

5. In addition, a new withdrawal provision has been added to the TCA. This provision allows a tax-exempt PTO to withdraw transmission facilities from the CAISO's operational control upon the occurrence of an adverse tax action, details the steps that must be taken to withdraw such facilities from the CAISO's grid, and explains the financial implications of such a withdrawal.

6. Finally, the TCA has been amended to include a provision that the CAISO will not unreasonably withhold consent to a sale, assignment, release, or transfer of an entitlement;¹⁰ the TCA interconnection provisions have been amended so that they are consistent with Tariff Amendment No. 39 and clarified so that they detail the interconnection obligations of PTOs; SoCal Edison and Vernon have each made revisions to their Appendices A and B that reflect changes in their entitlements and encumbrances; PG&E and SoCal Edison have revised their Appendix E to reflect changes in the requirements for off-site power supply and for PG&E's and SoCal Edison's nuclear generating facilities; and Appendix F of the TCA has been revised and expanded to identify the persons to contact for each party.

B. Docket No. ER03-218-000: Amendments to the Tariff

7. The CAISO filed amendments to the Tariff that make it consistent with the provisions of the TCA that are being amended to allow the Southern Cities to become PTOs in the CAISO. Specifically, the amendments to the Tariff clarify that in order for the CAISO to collect the transmission access charge and reimburse a PTO through the

¹⁰The CAISO's transmittal letter states that the Southern Cities maintain that the absence of such a provision could adversely affect their ability to maintain a tax-exempt status for the financing of their transmission interests.

transmission revenue requirement,¹¹ the transmission facilities of the PTO must be under the CAISO's operational control.

C. Requests for Waiver

8. The CAISO requests waiver of the notice requirements of section 35.3 of the Commission's regulations¹² to permit the proposed changes to the TCA and the Tariff to become effective on January 1, 2003.¹³ According to the CAISO, waiver will permit the Southern Cities to participate in the CAISO's markets as soon as possible, enhance the efficiency of the markets, and expand the CAISO's control grid.

Notice of Filings and Responses

9. Notice of the CAISO's filings in Docket No. ER03-219-000 was published in the Federal Register on November 25, 2002, 67 Fed. Reg. 72,939 (2002), with comments, protests, and motions to intervene due on or before December 16, 2002. Notice of the CAISO's filings in Docket No. ER03-218-000 was published in the Federal Register on November 25, 2002, 67 Fed. Reg. 76,171 (2002), with comments, protests, and motions to intervene due on or before December 16, 2002.

10. In Docket No. ER03-219-000, the following parties filed timely unopposed motions to intervene and comment: Metropolitan Water District of Southern California (Metropolitan Water); SoCal Edison (which also filed an identical filing in Docket Nos. ER03-218-00 and EC03-27-00); the State Water Project of the California Department of Water Resources (DWR); Transmission Agency of Northern California (TANC); Modesto Irrigation District (Modesto); and the City of Redding, California, the City of Santa Clara, California, and the M-S-R Public Power Agency (collectively, Cities/M-S-R). The following parties filed timely unopposed motions to intervene raising no

¹¹Once the transfer of the Southern Cities' facilities and entitlements to the CAISO's operational control is completed, the CAISO will be able to provide transmission service using the transfer capability represented by the Southern Cities' interests in the jointly owned transmission projects. In return, the CAISO will provide the Southern Cities with payments for their transmission revenue requirements through the CAISO's transmission access charge.

¹²See 18 C.F.R. § 35.3 (2002).

¹³See CAISO Tariff, Section 3.1.1 (providing that transmission owners may change their status to PTOs on either January 1 or July 1 of a calendar year).

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substantive issues: the Northern California Power Agency, SDG&E, Vernon, and DWR. Southern Cities and the California Electricity Oversight Board filed motions to intervene out of time.

11. In Docket No. ER03-218-000, SoCal Edison filed a timely unopposed motion to intervene and comment. The following parties filed timely unopposed motions to intervene raising no substantive issues: TANC, Modesto, Cities/M-S-R, Northern California Power Agency, Williams Energy Marketing & Trading Company, and DWR. Southern Cities and the California Electricity Oversight Board filed motions to intervene out of time.

12. In addition, the CAISO filed an answer to the protests in Docket Nos. ER03-218-000 and ER03-219-000, and DWR filed an answer to the CAISO's answer.

13. Substantive issues raised by these pleadings are addressed below.

Discussion

A. Procedural Matters

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2000), the timely, unopposed motions to intervene of the parties listed above serve to make them parties to this proceeding. We find good cause to grant the late, unopposed motions to intervene of Southern Cities and the California Electricity Oversight Board, given the early stage of the proceeding, their interests in the proceeding, and the absence of any undue prejudice or delay. Notwithstanding Rule 213 of the Commission's Rules of Practice and Procedure,¹⁴ we accept the CAISO's answer to these pleadings, because it assists us in understanding the issues in this proceeding.

15. DWR's answer to the CAISO's answer concerns whether the Commission should authorize the CAISO to acquire control of certain of the Southern Cities' facilities. That question has already been decided in an another proceeding,¹⁵ and we will not revisit that matter here. Accordingly, pursuant to Rule 213 of the Commission's Rules of Practice

¹⁴See 18 C.F.R. § 385.213 (a)(2) (2002).

¹⁵See *supra* note 3.

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and Procedure,¹⁶ we reject DWR's answer to the CAISO's answer, because it does not assist us in our understanding of the issues in this proceeding.

B. Docket No. ER03-219-000

I. Public Access to the CAISO's Transmission Register

1. Comments

16. DWR, TANC, Cities/M-S-R, and Metropolitan Water object to the proposed revision of section 4.2.4 of the TCA that removes the listing of the elements of the CAISO's grid and their ratings from public on-line access through the CAISO's internet web site. DWR, TANC, and Metropolitan Water argue that this lack of access to the Transmission Register will impair the ability of transmission ratepayers to obtain information regarding the facilities in the CAISO's grid whose transmission revenue requirements are used as the basis for calculating the transmission revenue requirement for the access charge.

17. In addition, to the extent that the Commission agrees that public access to the Transmission Register is inappropriate, TANC, Cities/M-S-R, and Metropolitan Water state that the Commission should nevertheless require the CAISO to continue to provide access for market participants, because all market participants, not only PTOs, need access to the Transmission Register to participate fairly and equitably in the CAISO's markets. DWR requests that this proposal should be accepted only if it is conditioned upon an express requirement that the CAISO comply with FPA section 203 requirements.

2. CAISO's Answer

18. The CAISO states that while this tariff language may not be clear, it is its intent that a PTO will be able to access information regarding only its own facilities within the CAISO's grid through the CAISO's web site, not information regarding the transmission facilities of other PTOs. As a result, PTOs and non-PTOs will be in exactly the same position with regard to their inability to access information concerning the transmission facilities of other PTOs.

19. Furthermore, the CAISO maintains that these commenters' proposals for market participants to have access to the Transmission Register are unsupported by any assertion of a business need for the information and, thus, should be rejected. The CAISO states

¹⁶See 18 C.F.R. § 385.213 (a)(2) (2002).

that substantial time and cost would be involved in creating a mechanism to screen legitimate market participants from entities and individuals requesting on-line access to the Transmission Register that might pose security risks. In addition, the CAISO explains in further detail the security concerns that caused it to propose withdrawing the Transmission Register from on-line public access.

20. The CAISO also states that DWR's argument concerning section 203 requirements is without merit, because the recent Commission approval of the CAISO's section 203 application to assume operational control of the Southern Cities' facilities and entitlements affirms that it is the Commission's policy to require a section 203 filing for the transfer of operational control of transmission facilities to the CAISO.

3. The Commission's Determination

21. The Commission realizes that the overall security of the grid is a serious concern that will need to be addressed in light of the recent events that have required the reevaluation of the treatment of certain public documents.¹⁷ Accordingly, we believe that the security concerns regarding the public availability of the information in the Transmission Register are legitimate and find that the proposed amendment to section 4.2.2 to restrict public access to the Transmission Register is reasonable.

22. However, although we agree that public access to the Transmission Register is not necessary, we disagree with the CAISO that the commenters have not supported, with a legitimate business need, their request that all market participants should be privy to the Transmission Register. We understand the commenters' concern that limiting the information in the Transmission Register to only PTOs may deny other market

¹⁷The Commission is addressing similar issues regarding the need to restrict public access to certain information regarding electric transmission facilities in the CEII NOPR. See Critical Energy Infrastructure Information, FERC Statutes and Regulations ¶ 32,564 (2002) (CEII NOPR) (proposing to revise its regulations regarding the public availability of critical energy infrastructure information). In addition, on October 11, 2001, the Commission issued a policy statement in Docket No. PL02-1-000, removing from public access previously public documents that detail the specifications of energy facilities licensed or certificated by the Commission. See Statement of Policy on Treatment of Previously Public Documents, 66 Fed. Reg. 52,917 (2001). The Commission is also considering security issues in the Standard Market Design NOPR. See Remedying Undue Discrimination Through Open Access Transmission and Standard Electricity Market Design, Notice of Proposed Rulemaking, 67 Fed. Reg. 55, 452 (Aug. 29, 2002), FERC Stats. & Regs. ¶ 32,563 at PP 575-79 (2002) (Standard Market Design NOPR).

participants information they need to participate equally with the PTOs in the CAISO's markets. Accordingly, we require the CAISO to develop a mechanism for the Transmission Register that will allow market participants to have access to it and, at the same time, not compromise its security.¹⁸ Specifically, the CAISO must implement reasonable screening procedures that will allow it, on a case-by-case basis, to give all legitimate market participants access, if they request it, to the information in the Transmission Register.

23. With regard to DWR's argument that this proposal should be accepted only if it is conditioned upon an express requirement that the CAISO must comply with section 203 requirements, the CAISO has already made such a filing and the Commission has issued an order in that proceeding.¹⁹ Accordingly, DWR's request is moot.

II. Availability of New Entitlements for Use by Market Participants

1. Comments

24. SoCal Edison and DWR express concern that the new transmission entitlements that the Southern Cities are proposing to turn over to the CAISO's operational control will not be made available²⁰ in a timely manner for use by market participants. In this regard, they state that the Southern Cities' transmission revenue requirement filing proposed the inclusion of costs associated with entitlements in facilities that may not be currently usable by all the CAISO's market participants. However, SoCal Edison states that if the CAISO implements its new "network model," as shown on its web site, which includes five new scheduling points, this would eliminate SoCal Edison's concern about new PTO entitlements being unusable by other market participants. In addition, DWR states that many of the new entitlements proposed to be turned over to the CAISO's operational control by the Southern Cities are generation tie lines (Gen Ties) and, therefore, should not be transferred to the CAISO's operational control and accepted for inclusion in the CAISO's transmission access charge rates.

¹⁸Any such proposal would be subject to the Commission's approach to security issues in the final rules of the CEII and the Standard Market Design NOPR.

¹⁹See *supra* note 3.

²⁰According to SoCal Edison, in order for these entitlements to be usable by the CAISO's market participants, the CAISO must establish new scheduling points corresponding to such entitlements that connect them to the CAISO's grid.

2. CAISO's Answer

25. The CAISO acknowledges that delays occurred in the past in its implementation of systems changes necessary to make all of the transmission entitlements available for use by market participants. However, it has engaged in an intensive effort to reconfigure its systems to make all new entitlements of the Southern Cities available for use by market participants by January 1, 2003. Furthermore, on December 16, 2002, the CAISO issued a market notice to all market participants announcing the availability of scheduling rights on the new entitlements of the Southern Cities as of January 1, 2003 and the modifications to the CAISO's system network model.

26. The CAISO states that it considers the function of the Southern Cities' entitlements as providing transmission rights, rather than serving as Gen Ties. Furthermore, the CAISO argues that, regardless of whether these facilities are Gen Ties, the commenters' objections primarily involve the question of whether it is appropriate to include the transmission revenue requirements associated with specific Southern Cities' facilities in the transmission access charge rate, and this concern should be addressed in the settlement proceedings that the Commission has recently established in the consolidated dockets involving the Southern Cities' transmission revenue requirements.²¹

3. The Commission's Determination

27. The Commission has approved the transfer of Southern Cities' facilities and entitlements²² and, as discussed above, will not revisit that decision here. To the extent that SoCal Edison's and DWR's concerns involve whether it is appropriate to include the transmission revenue requirements associated with specific Southern Cities' facilities in the transmission access charge rate charge, we agree with the CAISO that this issue is more appropriately addressed in the pending settlement proceedings involving the rate-related impacts of Southern Cities' participation in the CAISO (including the transmission revenue requirements).²³ In addition, the impact of the implementation of the new market model by the CAISO, which incorporates five new scheduling points, should be considered in that pending settlement proceeding.

²¹See City of Azusa, et al., 101 FERC ¶ 61,352 (2002).

²²See supra note 3.

²³See supra note 19.

III. Revisions to Listing of Encumbrances

1. Comments

28. TANC states that the revisions that the CAISO proposes to Appendix B of the TCA, which reflect PG&E's encumbrances on lines and facilities and entitlements placed under the CAISO's operational control, contain two errors. First, the CAISO proposes revisions to the Path 15 Operating Instructions (which is referenced as Encumbrance # 12 in Appendix B of the TCA) that identifies two different dates in the TCA for the termination of the interim Path 15 Operating Instructions. Therefore, TANC requests that the Commission order the CAISO to correct the date reflected for termination of the interim Path 15 operating instructions, consistent with the January 19, 1999 Path 15 Operating Instructions included in Exhibit B-1 to Appendix B (i.e., 3/31/03).

29. Second, TANC maintains that the CAISO proposes a revision to the termination date for the South of Tesla Principles (which is referenced as Encumbrance # 27) that is inconsistent with its terms.²⁴ According to TANC, the CAISO's description of the termination date of the South of Tesla Principles as the "[s]ame as the COTP Interim Participation Agreement, subject to exception[.]" does not reflect the term provided in the South of Tesla Principles (i.e., the end date for the contract is based upon events that have not occurred and, therefore, precludes assigning a specific termination date at this time) and should be modified so that the termination date is described as "Evergreen, subject to exception."²⁵ In addition, TANC states that the errors and inconsistencies it has identified with the revisions to the TCA should be resolved in a collaborative process between the PTOs and the existing rights holder before the Commission approves the revisions to the TCA.

30. Cities/M-S-R and Modesto state that the CAISO incorrectly deletes in Appendix B of the TCA a reference to the Scheduling Services Contract²⁶ between M-S-R and

²⁴See PG&E Rate Schedule FERC No. 143.

²⁵See TANC's Protest at 8.

²⁶The Scheduling Services Contract requires PG&E to schedule M-S-R's delivery of out-of-state power to serve Modesto's load.

PG&E (which is referenced as Encumbrance # 43).²⁷ Cities/M-S-R and Modesto maintain that this contract is still in effect and, thus, should not have been stricken from the TCA. Modesto states that if the Scheduling Services Contract is removed, the deletion may interfere with the honoring of the rates, terms, conditions, and services performed under it. Therefore, Cities/M-S-R and Modesto request that the Commission order the CAISO and PG&E to put this contract back into Appendix B of the TCA.

3. CAISO's Answer

31. In accordance with the provisions of section 2.4.4.4.1.1 of the Tariff,²⁸ the CAISO states that it has no role in interpreting existing contracts and implements the relevant PTO's operating instructions regarding those existing contracts absent agreed upon operating instructions provided by the parties to the existing contract.²⁹ Specifically, with regard to TANC's proposal that the CAISO be required to consult with existing rights holders prior to implementing any further changes to the TCA, the CAISO states that the interpretation of existing contracts is a matter to be addressed between a PTO and an existing rights holder.

32. The CAISO maintains that TANC correctly points out that there is an inconsistency in the listing of the termination date for the Path 15 Operating Instructions. The listing in the summary table of PG&E's encumbrances includes a typographical error. PG&E indicates that the termination date listed as "3/13/03" for Encumbrance # 12 should actually be listed as "3/31/03." The CAISO proposes to make that correction in a compliance filing with the Commission.

²⁷See PG&E Rate Schedule FERC No. 187.

²⁸Section 2.4.4.4.1.1 states: "The ISO will have no role in interpreting Existing Contracts. The parties to an Existing Contract will, in the first instance, attempt jointly to agree on any operating instructions that will be submitted to the ISO. In the event that the parties to the Existing Contract cannot agree upon the operating instructions submitted by the parties to the Existing Contract, the dispute resolution provisions of the Existing Contract, if applicable, shall be used to resolve the dispute. . . ." See CAISO Tariff.

²⁹The CAISO notes that it has deferred to PG&E in its proposed revisions to its listing of encumbrances in Appendix B of the TCA.

33. In addition, with regard to TANC's contention regarding the revision to the summary description of the termination date for the South of Tesla Principles (Encumbrance # 27), the CAISO asserts that PG&E provided that revised description to the CAISO, and it is not in a position to second-guess PG&E's description of its own contract's terms. In addition, the CAISO notes that in response to the CAISO's inquiries regarding this matter, PG&E stated that the term "evergreen" implies the underlying contract has perpetual life and that the conditions for termination in South of Tesla Principles does not create an evergreen situation. Therefore, the CAISO states that the proposed revision is accurate.

34. In response to Cities/M-S-R's and Modesto's objection to the deletion of the Scheduling Services Contract (Encumbrance # 43), the CAISO maintains that PG&E stated it should be deleted because it does not provide for any transmission service (*i.e.*, M-S-R members obtain transmission service outside the agreement) and, therefore, does not constitute an encumbrance affecting the CAISO's operational control of the grid. Accordingly, the CAISO argues that the Scheduling Services Contract can be removed from the list of encumbrances in Appendix B of the TCA without affecting service to Modesto.

3. The Commission's Determination

35. We agree with the CAISO that section 2.4.4.4.1.1 of the Tariff precludes the CAISO from becoming involved in matters of interpretation of existing contracts that it is not a party to. Furthermore, as that section states, "[i]n the event that the parties to the Existing Contract cannot agree upon the operating instructions submitted by the parties to the Existing Contract, the dispute resolution provisions of the Existing Contract . . . shall be used to resolve the dispute."³⁰ Furthermore, section 15 of the TCA provides that in the event any dispute regarding the terms and conditions of the TCA are not settled, the parties will follow the CAISO's alternative dispute resolution procedures set out in section 13 of the Tariff. We direct the parties to pursue resolution of the issues regarding Encumbrances # 27 and 43 pursuant to section 13 of the Tariff's dispute resolution procedures. In addition, we require the CAISO to revise, as it states it will, the termination date for Encumbrance # 12 so that it is listed as 3/31/03.

IV. Filing of Procedures to Relinquish Operational Control

1. Comments

³⁰See CAISO Tariff, Section 2.4.4.4.1.1.

36. Cities/M-S-R assert that the CAISO should be required to file with the Commission the Procedures to Relinquish Operational Control that are to be developed jointly by the CAISO and the PTOs, pursuant to section 3.4.6 of the TCA.³¹ They believe that such procedures should be filed with the Commission in order to allow market participants the opportunity to comment on these procedures and the Commission to rule on them. They also suggest that section 3.4.6 of the TCA should be revised to refer to "PTOs" (instead of "Parties"), if that is what the CAISO intends.

2. CAISO's Answer

37. The CAISO maintains that these procedures do not need to be filed with the Commission. According to the CAISO, because these are administrative procedures that simply implement the substantive provisions of the new section 3.4 of the TCA, they should be handled on the same basis as the CAISO's operating procedures, which are posted on the CAISO's "home page." In addition, the term "Parties" is the appropriate term to be used in that provision, as that term is defined on page one of the TCA as including the CAISO, while the term "PTOs" does not include the CAISO, and the intention of the parties to the TCA is that the CAISO be involved directly in developing these procedures.

3. The Commission's Determination

38. We require the CAISO to delete the reference to "the FERC" in section 3.4.1 of the TCA (Right to Withdraw to Adverse Tax Action), which states: "The right to Withdraw for Tax Reasons, in accordance with the provisions of this Section 3.4, shall not be subject to any approval by the ISO, the FERC or any other Party." In this regard, the CAISO must revise section 3.4.1 of the TCA so that it states that any notice of withdrawal by a PTO from the CAISO must be filed with the Commission and may become effective only upon the Commission's approval.³² We also note that any

³¹Section 3.4.6 of the TCA (Procedures to Relinquish Operational Control) deals with the procedures that the CAISO will employ in relinquishing operational control of facilities that are being withdrawn due to an adverse tax action and states that: "The ISO shall implement a procedure jointly developed by all Parties to relinquish Operational Control over the affected transmission lines, associated facilities, or Entitlements. . . ."

³²See, e.g., *Midwest Independent Transmission System Operator, Inc., et al.*, 84 FERC ¶ 61,231 (1998), order on reh'g, 85 FERC ¶ 61,372 at 62,151(1996) (authorizing the withdrawal provisions contained in the Midwest ISO agreement, subject to

withdrawal from the CAISO by a PTO will require a FPA section 203 and 205 filing to transfer control over the jurisdictional facilities under the control of the CAISO back to the PTO.³³ In addition, we require the CAISO to file with the Commission the Procedures to Relinquish Operational Control (*i.e.*, what procedures it will use to effectuate a PTO's withdraw from the CAISO) within thirty (30) days after it has developed such procedures.

V. Other Proposed Revisions/Amendments to the TCA

39. With regard to various other revisions and amendments to the TCA that the CAISO proposes, which have not been protested or discussed here, we find them to be reasonable and accept them.

C. Docket No. ER03-218-000

40. As noted, the CAISO filed amendments to the Tariff to make it consistent with the provisions of the TCA that are being amended to allow the Southern Cities to become PTOs in the CAISO. The following definitions in the Master Definitions Supplement³⁴ were changed to make clear that the facilities in question must be placed under the CAISO's operational control. Second, section 8.3 has been added³⁵ that clarifies that the CAISO will not collect the transmission revenue requirement for facilities that have been withdrawn from the CAISO's operational control. Finally, section 9.5.3 has been added that requires that PTOs credit back revenue from firm transmission rights that have been auctioned on a tax-exempt financed transmission path when the path subsequently is withdrawn from the CAISO's operational control due to an adverse tax action during the term of the firm transmission right.

41. None of the parties to this proceeding raised any substantive objections to the amendments to the Tariff. The Commission accepts these revisions to the Tariff.

³²(...continued)

Commission approval of any such withdrawal).

³³See id.

³⁴See CAISO Tariff, Appendix A.

³⁵See CAISO Tariff, Appendix F, Schedule 3.

D. Waiver

42. We find that the CAISO has shown good cause³⁶ for us to grant waivers of the 60-day prior notice requirement. Accordingly, the CAISO's amendments to the TCA and the Tariff are accepted for filing effective as of January 1, 2003, as requested.

The Commission orders:

(A) We hereby conditionally accepts the CAISO's amendments to the TCA and the Tariff, effective January 1, 2003, as discussed in the body of this order.

(B) We direct the CAISO to revise sections 3.4.1 and 4.2.4 of the TCA, as discussed in the body of this order.

(C) We direct the CAISO to revise the termination date for Encumbrance # 12 and to pursue resolution of issues regarding Encumbrances # 27 and 43, as discussed in the body of this order.

(D) We direct the CAISO to file with the Commission the Procedures to Relinquish Operational Control within thirty (30) days after it has developed such procedures.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

³⁶See Central Hudson Gas & Electric Corporation, 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992).