

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	
v.)	Docket Nos. EL00-95-000, <i>et al.</i>
)	
Sellers of Energy and Ancillary Services)	
Into Markets Operated by the California)	
Independent System Operator and the)	
California Power Exchange,)	
Respondents.)	
)	
Investigation of Practices of the California)	Docket Nos. EL00-98-000 <i>et al.</i>
California Power Exchange)	
)	
)	
California Independent System)	Docket No. ER03-746-000, <i>et al.</i>
Operator Corporation)	

(not consolidated)

**MOTION FOR LEAVE TO FILE REPLY TO CERTAIN REPLY COMMENTS
OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION FOLLOWING THE OCTOBER 7, 2004
TECHNICAL CONFERENCE**

I. INTRODUCTION

Pursuant to the Commission’s Order of October 13, 2004 and the previous request of Commission Staff, the California Independent System Operator (“ISO”)¹ provides the following motion to leave to file reply to the reply comments addressing issues raised at the Technical Conference held in the above captioned dockets on October 7, 2004 (“Conference”) and the comments of the

¹ Capitalized terms not otherwise defined herein shall have the meanings set forth in the Mater Definitions Supplement, Appendix A to the ISO Tariff.

various parties filed with the Commission on Friday, October 15, 2004. The Commission should accept this reply because it is absolutely essential to the Commission's understanding of the ISO's netting proposal as it relates to a certain example offered in the reply comments of one of the parties.

II. COMMENTS IN REPLY

In their reply comments, Reliant and Mirant provide a modified example purporting to show that “when a generator sells only 1 MWh into the PX and purchases a second MWh from the CAISO, MWh netting causes the generator to be short \$100 of net operating revenue before and after the Fuel Cost Adjustment (“FCA”), because the CAISO would net the MWhs to zero and therefore provide no FCA for the transaction, even though the generator’s refund obligation would remain the same.”² The generator’s statement appears to contain a mistake of fact, or an inconsistency between their example and their discussion.

The calculations in Exhibit A of the generator’s filing, cited in support of the above contention, are based on a different example, in which the generator has a 2 MWh sale in the PX and a 1 MWh purchase in the ISO. As indicated in Exhibit A, these calculations are clearly based on a scenario in which the generator has an “Original PX Sale” of 2 MWh (2MWh @ \$500/MWh, MMCP= \$200), combined with a purchase of 1 MWh of decremental energy in the ISO

² Reply Comments of Reliant Energy Power Generation, Inc., Reliant Energy Services, Inc., Mirant Americas Energy Marketing, LP and Mirant California, LLC on Technical Conference Regarding Fuel Cost Allowance Claims, p.6-7.

Real Time Market. In this modified example, the generator's net sales under the ISO's proposal would be 1 MWh (2 MWh PX sales – 1 MWh real time purchase), so that the generator would be eligible to received a FCA for the 1 MWh actually produced from generating Unit A. However, the \$100 of FCA revenue is not shown in the calculation of net operating revenue after mitigation with MWh netting. As shown in Exhibit A of the generator's filing, the result of omitting the \$100 is to erroneously indicate that the generator would incur a \$100 loss under these facts which are meant to portray the ISO's proposal.

III. CONCLUSION

Wherefore, for the reasons stated above, the ISO respectfully asks the Commission to accept this reply to certain of the reply comments on the Technical Conference on Fuel Cost Allocation and Submission of Templates to be used in Refund Calculations held October 7, 2004.

Respectfully Submitted,

/s/ Gene L. Waas

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Date: October 21, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have on this 21st day of October 2004, served copies of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Gene L. Waas

Gene L. Waas