

May 9, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: *California Independent System Operator Corporation*
Docket No. ER01-1579-____**

Dear Secretary Boergers:

Enclosed please find an original and fourteen copies of a Market Notice ("Notice") issued to Market Participants on May 8, 2001 by the California Independent System Operator Corporation ("ISO") pursuant to Amendment No. 38 to the California Independent System Operator Corporation Electric Tariff ("ISO Tariff").¹

The ISO filed Amendment No. 38 to the ISO Tariff in the above-captioned docket on March 20, 2001. Amendment No. 38 consisted of two proposed modifications to the ISO Tariff, designed to 1) suspend the penalty for underscheduling of Load; and 2) give Market Participants with resources that have been selected to provide Operating Reserves the ability to indicate that their resources should not be dispatched to provide Imbalance Energy unless there is a Contingency or an imminent or actual System Emergency. This would be achieved through splitting the real time Imbalance Energy or "BEEP" stack. The Market Notice submitted in this filing relates to the BEEP stack element of Amendment No. 38.

The tariff changes necessary to implement the BEEP stack proposal involve clarification and modifications to: (1) real time dispatch rules; (2) the information required of bidders for Spinning and Non-Spinning Reserves; and (3)

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

the rules for substitution of Ancillary Services according to the ISO's rational buyer protocol. The Commission has not yet acted on Amendment No. 38.

In its transmittal letter for Amendment No. 38, the ISO requested that the Tariff revision related to the BEEP stack be made effective on the later of May 18, 2001 or at least ten days after the ISO posted notice on the ISO Home Page that the modified software necessary to implement these revisions was ready for use.

The May 8 Market Notice states that, as the necessary software modifications are complete, the ISO will implement the BEEP split function on May 22, 2001 for the May 23, 2001 Day Ahead Trading Day.

The Market Notice is included herewith as Attachment A.²

The ISO states that the enclosed Notice was e-mailed to Market Participants on May 8, 2001 and posted on the ISO web site, www.caiso.com, to satisfy the notice requirements of Amendment No. 38. The ISO further states that it has served the Notice upon each person designated on the official service list for the above-captioned docket, as indicated in the attached certificate of service.

² A subsequent Market Notice also was issued on May 8, clarifying that the Commission has not yet acted on Amendment No. 38, and that the ISO will not implement the BEEP Split unless or until the Commission approves Amendment No. 38. The clarification is included herewith as Attachment B.

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The ISO encloses, as Attachment C, a Notice of Filing suitable for publication in the Federal Register and a copy of that notice of filing in WordPerfect format on a diskette. Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return it to the messenger.

Respectfully submitted,

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Counsel for the California Independent
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Notice upon each person designated on the service list compiled by the Secretary in the above-referenced docket.

Dated at Washington, DC, this 9th day of May, 2001.

Julia Moore
(202) 295-8357