

April 13, 2001

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

**Re: California Independent System Operator Corporation,
Docket No. ER01-836-____**

Dear Secretary Boergers:

Enclosed for filing please find copies of tariff sheets for the California Independent System Operator Corporation ("ISO")¹ FERC Electric Tariff, submitted in compliance with the Commission's March 14, 2001 order in the above-referenced docket.

On December 29, 2000, the ISO filed Amendment No. 35 to the ISO Tariff in the above-referenced docket. Among other things, Amendment No. 35 included revisions to the ISO Tariff to accomplish the following: to clarify the metering and telemetry requirements for distribution-level Generation and reduce the threshold for participation by Generating Units in the ISO's Ancillary Services markets from 10 MW to 1 MW; to enhance the ISO's Reliability Must-Run ("RMR") pre-dispatch provisions; and to add a mechanism for the recovery of FERC Annual Charges from entities receiving transmission service on the ISO Controlled Grid.

A number of parties submitted motions to intervene, comments, and protests concerning Amendment No. 35. On February 5, 2001, the ISO submitted its Answer to Motions to Intervene, Comments, and Protests ("Amendment No. 35 Answer"). On March 14, 2001, the Commission issued an Order accepting Amendment No. 35 with certain modifications and directing the ISO to submit a compliance filing within 30 days of the issuance of the Order. *California Independent System Operator Corp.*, 94 FERC

¹ Capitalized terms not otherwise defined herein have the same meaning as set forth in the ISO Tariff, Appendix A, Master Definitions Supplement.

¶ 61,266 (2001) (“Amendment No. 35 Order”). In compliance with the Amendment No. 35 Order, the ISO now submits the Tariff revisions to comply with the following directives:

- *RMR Pre-Dispatch*: In the Amendment No. 35 Order, the Commission approved the ISO’s proposed “enhancements” to the RMR pre-dispatch procedures, with the exception of provisions that would have permitted “mixed elections” under which an RMR Owner could elect to receive a market payment for part of its instructed reliability Energy and contract payment for the rest of its instructed reliability Energy. The attached Tariff revisions reflect the rejection of that aspect of Amendment No. 35, restoring the applicable Tariff language to the version of that language approved prior to submittal of Amendment No. 35.

The ISO notes that the RMR pre-dispatch Tariff provisions will still need to be modified to account for the cessation of the California Power Exchange (“PX”) spot Energy markets. The Commission recently approved Amendment No. 37 to the ISO Tariff, which exempts RMR Owners from the obligation to bid generation into the PX Day-Ahead Market under certain circumstances, including the unavailability of the PX market. *California Independent System Operator Corp.*, 94 FERC ¶ 61,265 (2001). In that Order, the Commission directed the ISO and interested stakeholders to negotiate revisions to the RMR procedures to reflect the suspension of the PX spot markets. In accordance with that directive, the ISO will work with stakeholders to determine what modifications to the ISO’s RMR procedures may be needed to account for the suspension of the PX markets.²

- *Distributed Generation*: In the ISO’s Amendment No. 35 Answer, the ISO noted that the proposed Tariff revisions related to distribution-level Generation should be modified to clarify the ISO’s intent that “Generating Units under 1 MW that do not participate in the ISO Ancillary Services markets or submit bids for Supplemental Energy are not Participating Generators.” Amendment No. 35 Answer at 10. The Tariff language originally proposed in Amendment No. 35 refers to the ISO’s “Imbalance Energy market” and could create the impression that an involuntary deviation from a schedule would bring a Generating Unit under requirements from which they are intended to be exempt under Amendment No. 35 because these units are “participating” in the Imbalance Energy market. In the Amendment No. 35 Order, the Commission directed the ISO to correct this error in a compliance filing. The necessary changes are included in the instant filing.

² The ISO notes that, in addition to cessation of the PX markets, its proposed Market Stabilization Plan, as filed with the Commission in Docket No. EL00-95 *et al.* on April 6, 2001, may require further modifications to the ISO’s RMR procedures.

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- *FERC Annual Charges*: The Commission approved the ISO's proposed mechanism to recover the costs of FERC Annual Charges from entities making use of the ISO Controlled Grid, subject to the ISO's commitment to develop procedures allowing a transmission customer to submit the MWh volume of transactions that do not use the ISO Controlled Grid so that these volumes can be subtracted from its metered demand prior to the ISO's issuance of invoices for FERC Annual Charges. The Commission further directed the ISO to "post these procedures on its web site and, if necessary, file conforming Tariff language with the Commission." At this time, the ISO does not believe that these procedures will require Tariff revisions; however, the ISO is currently considering a number of issues related to the implementation of its FERC Annual Charge recovery mechanism and may submit revisions to the applicable Tariff provisions in a future filing.

Enclosed please find revised Tariff sheets which incorporate the revisions described above (Attachment A), as well as the black-lined text of the affected Tariff provisions identifying the changes made in this compliance filing (Attachment B). Also enclosed is a notice of filing suitable for publication in the Federal Register (Attachment C) and a computer disk containing the notice in WordPerfect format.

In addition, two extra copies of the filing are enclosed. Please date-stamp the extra copies with the time and date of filing and return them to the messenger. Thank you for your assistance in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 13th day of April, 2001.

Sean A. Atkins