

August 13, 1999

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. ER98-3594**

Dear Secretary Boergers:

Enclosed for filing please find copies of tariff sheets for the California Independent System Operator Corporation ("ISO") FERC Electric Tariff, Original Volume I, submitted in compliance with the Commission's August 2, 1999 Order in the above-captioned docket.

On June 6, 1998, in compliance with the Commission's direction in earlier orders,<sup>1</sup> the ISO filed Amendment No. 9 to the ISO Tariff in the above-captioned docket, adding Sections 9.1 through 9.8 to govern the creation, distribution and use of Firm Transmission Rights ("FTRs"). As defined in the amendment, FTRs will have attributes both of financial contracts and of physical transmission rights. FTRs will entitle their owners to share in the distribution of Usage Charge revenues received by the ISO in connection with Inter-Zonal Congestion during the calendar year for which the FTR is issued and will entitle the registered holder to priority for the transmission of Energy across a congested Inter-Zonal Interface in the circumstances described in the amendment.

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<sup>1</sup> *Pacific Gas & Electric Co., et al.*, 81 FERC ¶ 61,122 at 61,486 (1997); *Pacific Gas & Electric Co., et al.*, 80 FERC ¶ 61,128 at 61,427 (1997).

On September 29, 1998, the ISO filed a motion for an extension of time for the implementation of FTRs to March 31, 1999, which the Commission subsequently approved.<sup>2</sup>

On December 4, the ISO tendered a revised version of Amendment No. 9, expanding Section 9.4 to include a detailed description of the auction process which was developed with the assistance of independent consultants. The revision also incorporated a number of other changes in response to comments received on the initial filing. In the revised Amendment No. 9 filing, the ISO also requested Commission guidance on a number of questions associated with the operation of secondary markets for FTRs.

On May 3, 1999, the Commission issued an order conditionally accepting Amendment No. 9.<sup>3</sup> In the May 3 Order, the Commission directed both the ISO and the Market Surveillance Committee ("MSC") to file reports by October 1, 1999, addressing the initial operation of the ISO's FTR program. The May 3 Order did not address a March 10, 1999 letter and a March 26, 1999 motion filed with the Commission by the ISO which indicated that, due to software and Y2K compliance concerns, the ISO would be unable to implement FTRs during the 1999 peak season if the Commission had not approved Amendment No. 9 (without substantial modification) by mid-April 1999.

A number of parties, including the ISO, submitted requests for clarification and/or rehearing of the May 3 Order. In the ISO's Request for Rehearing and Clarification filed in this proceeding on June 2, 1999, the ISO requested rehearing of the Commission's timing directives in the May 3 Order to permit the ISO to implement its initial release of FTRs effective February 1, 2000 and to adjust the filing of ISO and MSC reports accordingly. The ISO also requested clarification that the ISO's plan to release 100% of unsubscribed capacity calculated by using historic capacity availability curves with a 99.5 percent availability level (and net of existing contract rights ("ETCs")) met the Commission's requirement that the ISO calculate FTRs in a way that protects ETCs and offers a high degree of firmness.

On August 2, 1999, the Commission issued an order acting on the requests for rehearing and clarification in this proceeding.<sup>4</sup> In the August 2 Order, the Commission granted the ISO's request for rehearing regarding the timing and implementation deadlines and the ISO's request for clarification regarding the appropriate measure of available capacity for FTRs. The

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<sup>2</sup> *California Independent System Operator Corp.*, 85 FERC ¶ 61,405 (1998).

<sup>3</sup> *California Independent System Operator Corp.*, 87 FERC ¶ 61,143 (1999) ("May 3 Order")

<sup>4</sup> *California Independent System Operator Corp.*, 88 FERC ¶ 61,156 (1999) ("August 2 Order")

Commission also directed the ISO to make the following clarifying change to the ISO Tariff:

. . . we clarify that any Participating Transmission Owner that has no transmission customers need not develop a Transmission Revenue Balancing Account, a Transmission Revenue Requirement, nor an Access Charge. We direct the ISO to modify its tariff accordingly.<sup>5</sup>

The Commission directed the ISO to submit these Tariff modifications within 14 days of the date of the August 2 Order. The Commission denied all other requests for clarification and rehearing.

Although the ISO now submits revised Tariff sheets to comply with the Commission's directive, the ISO intends to request rehearing of this aspect of the August 2 Order. Under the ISO Tariff, a Transmission Revenue Requirement is used to apportion Access Charge revenues to Participating TOs. In addition, the Commission has long accepted the framework under which "congestion charge revenues will be credited against the revenue requirement used to determine the access fee of each Participating TO."<sup>6</sup> Moreover, the establishment of an Access Charge for the recovery of a Participating TO's Transmission Revenue Requirement for both FERC jurisdictional and non-FERC jurisdictional entities is integral to many provisions of the ISO Tariff already approved by the Commission. The ISO will address this issue in greater detail in a request for rehearing to be submitted in this proceeding.

Enclosed are revised Tariff sheets which incorporate the modifications ordered by the Commission (Attachment A) as well as the 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 3½ inch diskette containing the notice in WordPerfect format.

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<sup>5</sup> August 2 Order, 88 FERC ¶ 61,156, slip op. at 10.

<sup>6</sup> *Pacific Gas & Electric Co., et al.*, 80 FERC at 61,428-29

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In addition, an extra copy of the filing is enclosed. Please date-stamp the extra copy with the time and date of filing and return it 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 13<sup>th</sup> day of August, 1999.

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Sean A. Atkins