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January 15, 2003

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket Nos. ER03-942-000
ER03-942-001**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's December 15, 2003 order in the captioned docket concerning Amendment No. 53 to the ISO Tariff, 105 FERC ¶ 61,284 ("Amendment No. 53 Order"). Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger.

In the Amendment No. 53 Order, the Commission accepted in part, modified in part, and rejected in part Amendment No. 53. Amendment No. 53 Order at P. 1. The Commission directed the ISO to submit, within 30 days, a compliance filing containing amended Tariff sheets as discussed in the body of that order. The revisions ordered by the Commission are detailed below.

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

Change to Section 11.16.2 of the ISO Tariff

In the Amendment No. 53 Order, the Commission concluded that proposed Section 11.16.2 to the ISO Tariff was reasonable with one modification. The Commission noted that it was unclear from the language of 11.16.2 when the ISO intends to actually distribute receivable payments. Therefore, the Commission required the ISO to articulate in this section that the distribution of these funds would occur in accordance with Section 11.13 of the ISO Tariff (Payment to ISO Creditors). Consistent with this directive, the ISO has added explicit language to Section 11.16.2 to make clear that funds disbursed pursuant to the mechanism set forth in 11.16.2 would be disbursed in accordance with the timeframes specified in Section 11.13.

Change to Definition of ISO Creditor and ISO Debtor

In the Amendment No. 53 Order, the Commission found that the ISO Tariff's definition of "ISO Creditor" appears to exclude entities that are not Participating Transmission Owners or Scheduling Coordinators. Based on the ISO's explanation that it routinely includes such entities in its billing processes, the Commission stated that the ISO must revise the definition of ISO Creditor to include such entities. The ISO therefore proposes that ISO Creditor be defined as "A Scheduling Coordinator, Participating TO, or other Market Participant to which amounts are payable under the terms of the ISO Tariff." In order to ensure consistency with this new definition, the ISO proposes to similarly modify the definition of ISO Debtor to "A Scheduling Coordinator, or Participating TO, or other Market Participant that is required to make a payment to the ISO under the Tariff."

Change to Section 6.10.5 of the ISO Scheduling and Billing Protocol

The Commission concluded that the ISO's proposed revision to Section 6.10.5 of the ISO Scheduling and Billing Protocol ("SABP") to modify the period for which an ISO Debtor that fails to make a timely payment is assessed interest was unreasonable. Consistent with the Amendment No. 53 Order, the ISO has removed this proposed language from SABP 6.10.5.

Removal of Proposed Sections 11.16.3 and 11.16.4

In the Amendment No. 53 Order, the Commission rejected proposed Sections 11.16.3 and 11.16.4 to the ISO Tariff. The ISO has therefore removed the Tariff language relating to these two sections.

Removal of Proposed Section 11.20.3

In response to protests concerning proposed Section 11.20.3, the ISO requested that the Commission defer ruling on this section until such time as the ISO could consult with Market Participants and file a revised version of this section. In response to this request, the Commission, in the Amendment No. 53 Order, deferred action on proposed Section 11.20.3, and ordered the ISO to remove this section and any related provisions. The ISO has done so, and this change is reflected in the Tariff language submitted with this filing.

Removal of References to "Default" Interest

In the Amendment No. 53 Order, the Commission approved the ISO's proposal to eliminate the definition of ISO Default Interest Rate and use the Commission's methodology for calculating interest. Consistent with this approval, the ISO proposes to delete the term "default" from several sections of the ISO Tariff and Protocols, so that those provisions refer to "Interest" instead of "default Interest." The affected sections are 11.16.2, SABP 6.7.3, SABP 6.8, and SABP 6.9.

Materials Included in the Present Filing

In addition to this transmittal letter, the present filing includes the following attachments:

- | | |
|--------------|---------------------------|
| Attachment A | Revised Tariff Sheets |
| Attachment B | Black-lined Tariff Sheets |

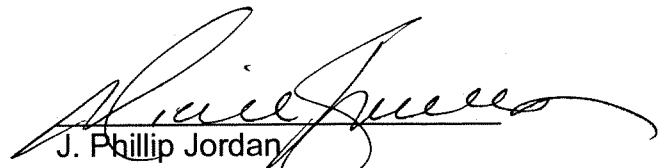
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Attachment C A form notice of filing, suitable for publication in the
Federal Register, along with a computer diskette
containing the notice in WordPerfect format.

If there are questions concerning this filing, please contact the
undersigned.

Respectfully submitted,

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ATTACHMENT A

Reserve Account including drawing on any credit support provided by the defaulting Scheduling Coordinator pursuant to Section 2.2.3.2 of this ISO Tariff or serving demands on any defaulting Scheduling Coordinators with an Approved Credit Rating.

11.15 Prohibition on transfers.

The ISO shall at no time instruct the ISO Bank to transfer any sum from an ISO Account to another account (not being an ISO Account) unless that account is a Settlement Account or the amount is owed to the ISO under this ISO Tariff.

11.16 Alternative Payment Procedures.

11.16.1 Pro Rata Reduction to Payments.

If it is not possible to clear the ISO Clearing Account on a Payment Date because of an insufficiency of funds available in the ISO Reserve Account or by enforcing any guarantee, letter of credit or other credit support provided by a defaulting Scheduling Coordinator, the ISO shall reduce payments to all ISO Creditors proportionately to the net amounts payable to them on the relevant Payment Date to the extent necessary to clear the ISO Clearing Account. The ISO shall account for such reduction in the ISO ledger accounts as amounts due and owing by the non-paying ISO Debtor to each ISO Creditor whose payment was so reduced.

11.16.2 Payment of Defaulted Receivables.

Collections of defaulted receivables (other than Interest) will be distributed pro rata to ISO Creditors for the month of default.

- (1) If the total collected in that closing related to the past due trade month is less than \$5,000, then the funds shall accumulate in an Interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.

- (2) If all ISO Creditors for that trade month have been paid, then the proceeds will be paid pro rata to the ISO Creditors in the oldest unpaid trade month.
- (3) This provision is also applicable to the amounts netted against ISO Creditor balances related to prior defaulted receivables.
- (4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.13.

11.17 [DELETED]

11.18 Payment Errors.

11.18.1 Overpayments.

If for any reason, including the negligence of the ISO Bank or the ISO, an ISO Creditor receives an overpayment on any Payment Date, the ISO Creditor shall within two (2) Business Days from the date of receipt of the funds into its Scheduling Coordinator

ISO Controlled Grid

The system of transmission lines and associated facilities of the Participating TOs that have been placed under the ISO's Operational Control.

ISO Creditor

A Scheduling Coordinator, Participating TO, or other Market Participant to which amounts are payable under the terms of the ISO Tariff.

ISO Debtor

A Scheduling Coordinator, Participating TO, or other Market Participant that is required to make a payment to the ISO under the ISO Tariff.

ISO Documents

The ISO Tariff, the ISO Protocols, ISO bylaws, and any agreement entered into between the ISO and a Scheduling Coordinator, a Participating TO or any other Market Participant pursuant to the ISO Tariff.

ISO Governing Board

The Board of Governors established to govern the affairs of the ISO.

ISO Home Page

The ISO internet home page at <http://www.caiso.com/> or such other internet address as the ISO shall publish from time to time.

- SABP 6.7.1 Enforcing the Security of a Defaulting Scheduling Coordinator**
- Subject to SABP 6.8 the ISO shall make reasonable endeavors to enforce the defaulting Scheduling Coordinator's Security (if any) to the extent necessary to pay the Default Amount. If it is not practicable to obtain clear funds in time to effect payment to ISO Creditors on the same day the ISO shall proceed in accordance with SABP 6.7.2 or 6.7.4 as applicable.
- SABP 6.7.2 Use of ISO Reserve Account**
- If there are funds standing to the credit of the ISO Reserve Account (including the proceeds of drawings under banking facilities described in SABP 2.2.5) the ISO shall debit the ISO Reserve Account with the Default Amount in order to clear the ISO Clearing Account and effect payment to the ISO Creditors.
- SABP 6.7.3 Action against a Defaulting Scheduling Coordinator**
- The ISO shall as soon as possible after taking action under SABP 6.7.2 take any steps it deems appropriate against the defaulting Scheduling Coordinator to recover the Default Amount (and any Interest as set out in SABP 6.10.5) including enforcing any Security pursuant to Section 11.14 of the ISO Tariff, exercising its rights of recoupment or set-off pursuant to SABP 6.10.2 and/or bringing proceedings against the defaulting Scheduling Coordinator pursuant to Section 11.20.1 of the ISO Tariff.
- SABP 6.7.4 Reduction of Payments to ISO Creditors**
- If there are insufficient funds standing to the credit of the ISO Reserve Account, the ISO shall reduce payments to ISO Creditors on that Payment Date pursuant to Section 11.16.1 of the ISO Tariff to the extent necessary to clear the ISO Clearing Account by the close of banking business on the Payment Date.
- SABP 6.8 Default to be Remedied Promptly**
- In the event that the ISO reasonably believes that an outstanding amount which has not been paid by 10:00 am on the relevant Payment Date, is likely to be paid no later than close of banking business on the next Business Day then the ISO may, but shall not be obliged to, delay enforcing that ISO Debtor's Security or taking other measures to recover payment until after the close of banking business on the next Banking Day but Interest shall nonetheless accrue pursuant to SABP 6.10.5.
- SABP 6.9 Replenishing the ISO Reserve Account Following Payment Default**
- If the ISO has debited the ISO Reserve Account as provided in SABP 6.7.2 then:
- (a) If, after the ISO has debited the ISO Reserve Account on a Payment Date, the ISO Bank receives a remittance from an ISO Debtor which has not been (but should have been, if it

had been received on a timely basis) credited to the ISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the ISO Reserve Account, such remittance shall be credited to the ISO Reserve Account.

- (b) The proceeds of any enforcement of Security referred to in SABP 6.8.2 and/or amounts recovered under proceedings shall be credited to the ISO Reserve Account.
- (c) If after taking reasonable action the ISO determines that the Default Amount (or any part) and/or Interest referred to in SABP 6.10.5 cannot be recovered, such amounts shall be deemed to be owing by those Market Participants who were ISO Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date and shall be accounted for by way of a charge in the next Settlement Statements of those ISO Creditors. Such charge shall be credited to the Reserve Account.

SABP 6.10 Application of Funds Received

Amounts credited to the ISO Clearing Account in payment of a Default Amount (as set out in SABP 6.9(a)) or as a result of enforcing the defaulting ISO Debtor's Security shall be applied to the ISO Reserve Account pursuant to SABP 6.9 to reduce amounts outstanding under any ISO banking facilities used to fund the ISO Reserve Account on the relevant Payment Date and the balance (if any) shall be applied to reimburse pro rata any ISO Creditors whose payments were reduced pursuant to SABP 6.7.4.

SABP 6.10.1 Termination of SC Agreement and Limitation on Trading

The provisions of Section 2.2.4.5 and 2.2.7.3 of the ISO Tariff shall apply.

SABP 6.10.2 Set-Off

The ISO is authorized to recoup, set off and apply any amount to which any defaulting ISO Debtor is or will be entitled, in or towards the satisfaction of any of that ISO Debtor's debts arising under the ISO Settlement and billing process. Each ISO Creditor and each ISO Debtor expressly acknowledges the following application of funds: first to the current month's Grid Management Charge, and then as described in SABP 6.10.4 unless otherwise specified in accordance with Section 11.16.

SABP 6.10.3 Defaulting SCs and Eligible Customers

If the ISO intends to terminate the SC Agreement of a Scheduling Coordinator (the "Defaulting SC") pursuant to Section 2.2.4.5 of the ISO Tariff, the ISO shall give written notice to the UDC or UDCs on whose service territory the customers of that Defaulting SC are located and shall post such notification on the ISO Home Page pursuant to Section 2.2.4.6 of the ISO Tariff.

- SABP 6.10.4 Order of Payments**
- Unless otherwise specified in accordance with Section 11.16, the ISO shall apply payments received in respect of amounts owing to ISO Creditors to repay the relevant debts in the order of the creation of such debts.
- SABP 6.10.5 Interest on Defaulted Payments**
- Unless the ISO is able to enforce the Security (if any) provided by the defaulting ISO Debtor, such ISO Debtor shall pay Interest on the Default Amount for the period from the relevant Payment Date to the date on which the payment is received by the ISO together with any related transaction costs incurred by the ISO pursuant to SABP 6.7.2.
- The ISO shall apply all such Interest payments on the Default Amount on a pro rata basis to ISO Creditors in relation to amounts past due in the order of the creation of such debts.
- SABP 6.10.6 Interest Accruing while Enforcing the Security**
- If the ISO has debited the Reserve Account as provided in SABP 6.7.1, 6.7.2 or 6.8 and it subsequently succeeds in enforcing the Security provided by the defaulting Scheduling Coordinator, the ISO shall be entitled to withdraw from such Security in addition to the Default Amount, all costs incurred and interest accrued to the ISO as a result of debiting the Reserve Account from the date of such debit to the date of enforcement of the said Security.
- SABP 7 PAYMENT ERRORS**
- SABP 7.1 Overpayments**
- SABP 7.1.1 Notification**
- If an ISO Creditor receives an overpayment on any Payment Date, it shall notify the ISO of such overpayment in accordance with the provisions of Section 11.18.1 of the ISO Tariff.
- SABP 7.1.2 Overpayment held on Trust**
- Until an ISO Creditor refunds the overpayment to the ISO, the ISO Creditor shall be deemed to hold the amount of such overpayment on trust for any ISO Creditor which may have been underpaid in consequence of such overpayment, pro rata to the amount of the underpayment.
- SABP 7.1.3 Interest on Overpayment**
- (a) If an overpayment is repaid by an ISO Creditor in accordance with Section 11.18.1 of the ISO Tariff, the ISO shall be entitled to Interest on the amount of the overpayment at the prime rate of the bank where the

ATTACHMENT B

ATTACHMENT B

11.16.2 Payment of Defaulted Receivables.

Collections of defaulted receivables (other than Default-Interest) will be distributed pro rata to ISO Creditors for the month of default.

(1) If the total collected in that closing related to the past due trade month is less than \$5,000, then the funds shall accumulate in an Interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.

(2) If all ISO Creditors for that trade month have been paid, then the proceeds will be paid pro rata to the ISO Creditors in the oldest unpaid trade month, ~~unless the provisions of Section 11.16.3 are in effect.~~

(3) This provision is also applicable to the amounts netted against ISO Creditor balances related to prior defaulted receivables.

(4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.13.

11.16.3 Payment of Defaulted Receivables for Months in Which all Creditors Have Been Paid.

~~Collections of defaulted receivables (other than Interest) for which (a) there is at least one ISO Debtor in bankruptcy proceedings in which no full and final distribution has been made, and (b) the default receivable is from a trade month for which all ISO Creditors for that trade month have been paid, shall be distributed as follows:~~

~~(1) All ISO Creditor balances shall be combined for purposes of calculation of the pro rata distribution of default collections.~~

~~(2) If the total collected in that closing related to the past due trade month is less than \$5,000, then the funds shall accumulate in an Interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.~~

~~(3) This provision is also applicable to the amounts netted against ISO Creditor balances.~~

~~11.16.4 Excess Funds and Reserves for Future Months.~~

~~Excess Funds are funds that have been withheld and not distributed for billing amounts and that have "rolled over" to an upcoming trade month.~~

~~(1) Any Excess Funds not otherwise distributable to ISO Creditors for any prior trade month shall be deposited in the Market Reserve Account. If there are Excess Funds and unpaid ISO Creditors, then the funds will be distributed to the oldest unpaid ISO Creditors unless the conditions described in Section 11.16.3 exist, in which case the proceeds will be paid pro rata to all unpaid creditors in accordance with Section 11.16.3.~~

~~(2) Any amounts in the Market Reserve Account in excess of future liabilities shall be distributed to the market no less frequently than annually using the same methodology as rounding.~~

* * *

ISO TARIFF APPENDIX A

Master Definitions Supplement

ISO Creditor

- ~~(i) A Scheduling Coordinator to which amounts are payable pursuant to the terms of the ISO Tariff with respect to the amounts standing to the credit of its account; or amounts owing to it by another Scheduling Coordinator; or~~
- ~~(ii) A Participating TO to which amounts are payable pursuant to the terms of the ISO Tariff with respect to Access Charges or Wheeling Access Charges.~~

A Scheduling Coordinator, Participating TO, or other Market Participant to which amounts are payable under the terms of the ISO Tariff.

ISO Debtor

A Scheduling Coordinator, or a Participating TO, or other Market Participant that is required to make a payment to the ISO under the ISO Tariff.

* * *

SETTLEMENT AND BILLING PROTOCOL

SABP 6.7.3 Action against a Defaulting Scheduling Coordinator

The ISO shall as soon as possible after taking action under SABP 6.7.2 take any steps it deems appropriate against the defaulting Scheduling Coordinator to recover the Default Amount (and any default-Interest as set out in SABP 6.10.5) including enforcing any Security pursuant to Section 11.14 of the ISO Tariff, exercising its rights of recoupment or set-off pursuant to SABP 6.10.2 and/or bringing proceedings against the defaulting Scheduling Coordinator pursuant to Section 11.20.1 of the ISO Tariff.

* * *

SABP 6.8 Default to be Remedied Promptly

In the event that the ISO reasonably believes that an outstanding amount which has not been paid by 10:00 am on the relevant Payment Date, is likely to be paid no later than close of banking business on the next Business Day then the ISO may, but shall not be obliged to, delay enforcing that ISO Debtor's Security or taking other measures to recover payment until after the close of banking business on the next Banking Day but default-Interest shall nonetheless accrue pursuant to SABP 6.10.5.

SABP 6.9 Replenishing the ISO Reserve Account Following Payment Default

If the ISO has debited the ISO Reserve Account as provided in SABP 6.7.2 then:

- (a) If, after the ISO has debited the ISO Reserve Account on a Payment Date, the ISO Bank receives a remittance from an ISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the ISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the ISO Reserve Account, such remittance shall be credited to the ISO Reserve Account.
- (b) The proceeds of any enforcement of Security referred to in SABP 6.8.2 and/or amounts recovered under proceedings shall be credited to the ISO Reserve Account.
- (c) If after taking reasonable action the ISO determines that the Default Amount (or any part) and/or default-Interest referred to in SABP 6.10.5 cannot be recovered, such amounts shall be deemed to be owing by those Market Participants who were ISO Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date and shall be accounted for by way of a charge in the next

Settlement Statements of those ISO Creditors. Such charge shall be credited to the Reserve Account.

* * *

SABP 6.10.5 Interest on Defaulted Payments

Unless the ISO is able to enforce the Security (if any) provided by the defaulting ISO Debtor, such ISO Debtor shall pay Interest on the Default Amount for the period from the relevant Payment Date to the date on which the payment is received by the ISO if that date is a Payment Date or to the next Payment Date if the payment is not received on a Payment Date together with any related transaction costs incurred by the ISO pursuant to SABP 6.7.2.

The ISO shall apply all such Interest payments on the Default Amount on a pro rata basis to ISO Creditors in relation to amounts past due in the order of the creation of such debts. Any payments of default Interest received after the appropriate payment date as set forth in the ISO Payments Calendar will be deemed to be received on the next payment date as set forth in the ISO Payments Calendar.

* * *

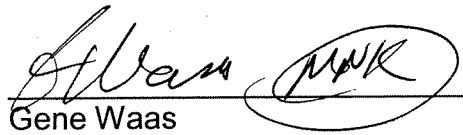
ATTACHMENT C

Comment Date: _____

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Folsom, CA, this 15th day of January, 2004.


Gene Waas