

108 FERC ¶ 61,006
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

California Independent System Operator
Corporation

Docket Nos. ER04-1087-000

ORDER ON TARIFF AMENDMENT NO. 62

(Issued October 1, 2004)

1. In this order, we accept in part and reject in part proposed tariff revisions the California Independent System Operator Corporation (CAISO or ISO) filed as Amendment No. 62 to its open access transmission tariff (ISO Tariff) and direct the CAISO to make a compliance filing. In its filing, the ISO proposes tariff revisions that relate to the implementation of Phase 1B of its comprehensive market design. This order benefits customers by clarifying certain provisions of the ISO Tariff and by implementing measures to improve market efficiency.

I. Background

A. MD02

2. On May 1, 2002, the CAISO submitted its Comprehensive Market Design 2002 (MD02) to be implemented in three Phases: Phase 1 - market power mitigation measures, real-time economic dispatch and the use of a single energy bid curve; Phase 2 - an integrated forward market, including an energy market and procedures for procurement of ancillary services; and Phase 3 - implementation of the full network model, redesigned firm transmission rights, and the integration of congestion management with energy and ancillary services markets.

3. In an order issued July 17, 2002,¹ the Commission approved certain elements proposed for implementation in Phase 1 and directed the CAISO to hold technical conferences to further develop the longer-term elements of MD02. Specifically, the

¹ *California Independent System Operator Corp.*, 100 FERC ¶ 61,060 (2002), *order on reh'g*, 101 FERC ¶ 61,061 (2002), *order on reh'g*, 102 FERC ¶ 61,050 (2003), *order on reh'g*, 105 FERC ¶ 61,316 (2003) (July 17 Order).

Commission approved the continued use of a West-wide “must offer” provision, implementation of automatic mitigation procedures, a safety net bid cap set at \$250/MWh, a cap on decremental bids set at -\$30/MWh, and the use of a single energy bid curve and real-time economic dispatch. The Commission also approved penalties on uninstructed deviation, subject to the condition that the CAISO implement software improvements which would allow more accurate representation of ramp rates at various operating points of a generating unit and would allow real-time communication of a generator’s outages, derates, and operating problems.

4. On August 16, 2002, the CAISO filed a request for rehearing of certain aspects of the July 17 Order, including the Commission’s decision authorizing the CAISO to implement real-time economic dispatch. In an order issued October 11, 2002,² the Commission granted the CAISO’s request to delay the implementation of real-time economic dispatch until such time as the CAISO could also impose penalties for uninstructed deviation.

5. To reflect the staged implementation of the market design elements, the CAISO then divided Phase 1 of MD02 into two sub-Phases: Phase 1A, consisting of the market design elements of Phase 1 which had been approved by the Commission without conditions, and Phase 1B, real-time economic dispatch and penalties for uninstructed deviation.

6. On July 8, 2003, the CAISO filed with the Commission Amendment No. 54 to the CAISO Tariff. The CAISO sought approval for the implementation of the Phase 1B elements of the Real Time Imbalance Energy Market, including approval of Uninstructed Deviation Penalties, real-time economic dispatch, and inclusion of multiple ramp rates and other operational constraints into dispatch decisions. The implementation of the Phase 1B elements of the Real Time Imbalance Energy Market would complete the implementation of all the elements of Phase 1 of the CAISO’s MD02 that have been approved by the Commission. On October 22, 2003, the Commission accepted in part and rejected in part the ISO Tariff revisions proposed in Amendment No. 54 and ordered the CAISO to make a compliance filing.³ On November 21, 2003, the CAISO submitted a compliance filing revising substantive provisions of Amendment No. 54, as directed in the October 22 Order.

² *California Independent System Operator Corp.*, 101 FERC ¶ 61,084 (2002), *order on reh’g*, 102 FERC ¶ 61,050 (2003), *order on reh’g*, 105 FERC ¶ 61,316 (2003).

³ *California Independent System Operator Corp.*, 105 FERC ¶ 61,091 (2003), *order on reh’g*, 108 FERC ¶ 61,142 (2004), *reh’g pending* (October 22 Order).

7. On March 2, 2004, as amended March 19, 2004, pursuant to section 205 of the Federal Power Act (FPA)⁴, the CAISO filed as Amendment No. 58 to the ISO Tariff proposed revisions regarding the implementation of a Real-Time Market Application and application of Uninstructed Deviation Penalties previously approved by the Commission in the October 22 Order. On August 5, 2004, the Commission issued an order accepting in part and rejecting in part the Amendment No. 58 filing.⁵

B. Amendment No. 62 Filing

8. On August 3, 2004, pursuant to section 205 of the FPA, the ISO filed Amendment No. 62, which proposes additional tariff revisions that relate to Phase 1B of MD02. The ISO states that its proposal would modify the ISO Tariff provisions regarding the implementation of a Real-Time Market Application and application of Uninstructed Deviation Penalties previously approved by the Commission. Specifically, the ISO proposes to: (1) modify the definition of “Start-Up Costs” to provide compensation to generating units during start-up and shut-down; (2) suspend financial settlement of Uninstructed Deviation Penalties for a two month period following implementation to provide market participants an opportunity to determine how their units react to the new Real-Time Market Application and Uninstructed Deviation Penalties; (3) use the maximum ramp rate specified for a unit in the ISO’s Master File⁶ for a generating unit when a Scheduling Coordinator fails to submit an operational ramp rate function for that unit; and (4) change the number of ramp rate segments that a generator can specify in the operational ramp rate from ten to nine to reflect that the Real-Time Market Application uses one of these segments.

9. According to the ISO, these modifications will: (1) provide greater clarity for market participants; (2) provide more equitable compensation when a generating unit is starting up or shutting down; (3) provide more reliable Imbalance Energy dispatch for the ISO; and (4) reduce the possibility of error or dispute. The ISO requests an effective date coincident with implementation of the previously-approved Phase 1B Tariff modifications. The effective date is currently scheduled for October 1, 2004 for Phase 1B.

⁴ 16 U.S.C. § 824d (2000).

⁵ *California Independent System Operator Corp.*, 108 FERC ¶ 61,141 (2004).

⁶ Appendix A of the ISO Tariff defines “Master File” as a file containing information regarding generating units, load and other resources.

II. Notices and Interventions

10. Notice of the CAISO's filing in Docket No. ER04-1087-000 was published in the *Federal Register*, 69 Fed. Reg. 50,186 (2004). Comments, protests, and interventions were due on August 24, 2004. The parties that filed timely interventions, protests or comments are listed in Appendix A to this order.

11. On September 10, 2004, the CAISO filed an answer to comments and protests.

III. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2004), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept the CAISO's answer because it has provided information that assisted us in our decision-making process.

B. Compensation to Generating Units During Start-Up and Shut-Down

1. CAISO Proposal

14. The current definition of "Start-Up Costs" in Appendix A of the ISO Tariff currently comprises the costs incurred by a generating unit from the time the boilers are lit until the time the generating unit is synchronized or resynchronized to the grid. However, as soon as a generating unit is lit, it produces energy from the moment the unit is synchronized to the grid, even though the unit may not be available for dispatch until it reaches its minimum operating level.⁷ The ISO states that when Uninstructed Deviation Penalties are implemented either (1) the generating unit will be charged Uninstructed Deviation Penalties for any energy produced during this period that is less than its minimum operating level minus the Tolerance Band⁸ (if the generating unit reaches its

⁷ Currently, a generating unit is paid an uninstructed imbalance energy price for energy produced between synchronization and when the unit reaches its stable minimum operating level.

⁸ The Tolerance Band is equal to the greater of 5 MW or 3 percent of the unit's maximum operating level.

minimum operating level after an interval in which it has a final hour ahead schedule) or (2) Uninstructed Deviation Penalties will eliminate payment in excess of the Tolerance Band if the unit produces energy in an interval in which the unit has no final hour-ahead schedule. For this reason, the ISO proposes to change the definition of Start-Up Costs to include the costs incurred by a generating unit from the time boiler fires are lit until the time the generating unit reaches its minimum operating level so that generation owners that operate their units pursuant to the must-offer obligation can recover costs incurred between synchronization and the time such units reach their minimum operating level.

15. The ISO also proposes the addition of a new section 11.2.4.1.2(v) that would provide generating units with conditional exemptions from Uninstructed Deviation Penalties during specific portions of their start-up and shut-down sequences. Specifically, the proposal would not apply Uninstructed Deviation Penalties during the time from synchronization to the earlier of (a) the settlement interval in which the generating unit produces a quantity of energy that represents an average rate of delivery in excess of the generating unit's minimum operating level plus the applicable tolerance band, or (b) the start-up time that is specified in the Master File after synchronization. Further, the proposal would exempt generating units from Uninstructed Deviation Penalties during the two settlement intervals that immediately follow either: (a) the last settlement interval of an hour in which a generating unit had a non-zero final hour-ahead schedule, or (b) an ISO instruction to shut down.

16. The ISO proposes to modify ISO Tariff section 2.5.23.3.7.7, which provides that the ISO will pay scheduling coordinators for Start-Up Costs, to state that the ISO will deduct from Start-Up Costs all ISO payments for Imbalance Energy produced between the time the unit was synchronized with the grid to and the time the unit reaches its minimum operating level from any invoiced amounts for that same start-up. According to the ISO, this provision will ensure that unit owners are not paid twice for the same costs, once by invoicing the ISO for costs incurred from synchronization to the minimum operating level, and a second time by suspending Uninstructed Deviation Penalties during the start-up sequence, thereby allowing payment for Imbalance Energy produced in excess of the tolerance band during this phase of start-up.

17. The ISO further notes that in Amendment No. 54, the Commission directed the ISO to pay both minimum load costs and the uninstructed Imbalance Energy payment for the same energy produced by a unit operating at its minimum operating level in accordance with the must offer obligation. The ISO states that during stakeholder discussions, no market participant questioned the ISO's stated intention to subtract Imbalance Energy payments for energy produced from synchronization to the minimum operating level from any invoices submitted to avoid double payment for the same energy.

18. In its answer, the ISO suggests that, if the Commission decides to modify or reject the ISO's proposal, the Commission should require the ISO to maintain the status quo by: (1) restoring the existing definition of Start-Up Costs as those costs incurred from first fire to synchronization; (2) paying the Imbalance Energy price for energy delivered from synchronization to minimum operating level; and (3) suspending Uninstructed Deviation Penalties from synchronization to (a) the time the generating units reaches its minimum operating level or (b) the maximum start-up time specified for that generating unit elapses, whichever is first. The ISO asserts that there is no justification for the ISO to pay both the fuel cost from first fire to minimum operating level and pay the market clearing price for energy between synchronization and the minimum operating level.

2. Comments

19. The California Electricity Oversight Board (EOB) requests that the Commission clarify that the proposed exemption of generating units from Uninstructed Deviation Penalties during the period between the time when units are synchronized and when units reach their minimum operating level, and during shutdown, does not apply to generation brought on-line to serve load under bilateral contracts.

20. Reliant protests the CAISO's proposal to deduct ISO payments for Imbalance Energy from Start-Up Costs. Reliant argues that the proposed language is not just and reasonable and is inconsistent with the Commission's finding in the Amendment No. 54 proceeding, in which the Commission directed the CAISO to continue to pay both minimum load costs and the uninstructed Imbalance Energy payment for energy produced by a unit operating at minimum load pursuant to the must-offer obligation. Reliant maintains that there is no reasonable basis to depart from this precedent with respect to the must-run reliability service provided prior to a unit reaching minimum load status.

21. While generally supportive of the CAISO's proposal, WCP/Williams suggest a modification with respect to the suspension of Uninstructed Deviation Penalties during shut-down. According to WCP/Williams, prudent industry practice requires operators to maintain unit availability as recommended by manufacturers and adhere to a proper sequence when shutting a unit down. They maintain that, for some units, shut-down cannot be accomplished within the proposed two-interval (*i.e.*, 20-minute) Uninstructed Deviation Penalties suspension period. Consequently, these units will continue to face Uninstructed Deviation Penalties risk during shut-down, even under the instant proposal.⁹

⁹ Under Uninstructed Deviation Penalties, generation produced during shut-down outside the tolerance band, *i.e.*, the greater of 5 MW or 3 percent of the units' maximum operating level, will be considered over-generation and will receive no compensation from the CAISO.

22. Further, WCP/Williams suggest that Uninstructed Deviation Penalties should also be suspended when generating units are automatically and dynamically responding to a severe system disturbance (including the loss of a large generating unit or intertie) inside the Western Electricity Coordinating Council (WECC) or CAISO control area. They contend that, since these units are reacting dynamically to system changes to stabilize the system by altering generation levels (which is outside the control of operators), it would be unreasonable to penalize the units for attempting to resolve the problem. Accordingly, they request that the Commission direct the CAISO to propose Tariff language suspending Uninstructed Deviation Penalties during an emergency dynamic response until the system is fully stabilized or restored and generators are able to perform per their pre-established schedules.

3. Commission Determination

a. Compensation for Start-Up Costs

23. In response to the EOB, the ISO clarifies that generating units starting up under bilateral contracts receive the same compensation as that prior to Amendment No. 62, *i.e.*, the generator receives an Imbalance Energy price for the energy produced between synchronization and minimum operating level.

24. The ISO recognizes that the Commission rejected its proposal in Amendment No. 54 to treat minimum operating level energy as instructed Imbalance Energy, pay that energy the instructed Imbalance Energy price and pay an uplift to ensure that the unit recovers its minimum load costs.¹⁰ In response to a call from market participants to modify the Tariff revisions proposed in Amendment No. 62, the ISO states that time constraints prevented discussions with market participants and the ISO Governing Board. The ISO defends its proposal to subtract Imbalance Energy payments made for energy produced from synchronization to the generating unit's minimum operating level from any invoices received for that same start-up to ensure that the unit owner is not paid twice for the energy produced during start-up.

25. Currently, generators receive minimum load compensation costs and the uninstructed Imbalance Energy price for minimum load energy while operating under the must-offer obligation. The ISO states that, upon implementation of Uninstructed Deviation Penalties, generators will be subject to penalties for any energy produced prior to reaching minimum load status and during an ISO directed shut down of a unit. Thus, the level of compensation paid to a generating unit operating as a result of an ISO instruction could be less than the ISO currently provides. For this reason, the ISO

¹⁰ ISO's answer at 4, citing *California Independent System Operator Corp.*, 108 FERC ¶ 61,142 at P 76-78. The ISO states that it is seeking clarification of this issue.

proposes to: (1) suspend the application of Uninstructed Deviation Penalties during start-up and for the two settlement intervals after shut down for all generating units that are operating at or below their minimum operating level; (2) modify its definition of Start-Up Costs to include those costs incurred up to the time the unit reaches its minimum operating level; and (3) deduct from Start-Up Costs, payments for Imbalance Energy produced between synchronization to the units' minimum operating level from any invoiced amounts for that same start-up.¹¹

26. We find that the ISO's proposal nets energy revenues for Imbalance Energy against Start-Up Costs, which is inconsistent with our prior rulings. The Commission has consistently determined that must-offer generators must be compensated for their actual minimum load costs, and that netting under the existing must-offer process compromises this recovery.¹² For this reason, we will reject the ISO's proposal to revise its definition of Start-Up Costs and its proposal to deduct payments for Imbalance Energy from invoiced amounts. However, we find that the ISO's alternate proposal to maintain the status quo is acceptable because it does not net energy revenues against Start-Up Costs. Therefore we direct the ISO to modify its tariff sheets to reflect its alternative proposal to: (1) restore the existing definition of Start-Up Costs as those costs incurred from first fire to synchronization; (2) pay the Imbalance Energy price for energy delivered from synchronization to minimum operating level; and (3) suspend Uninstructed Deviation Penalties from synchronization to (a) the time the generating units reaches its minimum operating level or (b) the maximum start-up time specified for that generating unit elapses, whichever comes first.

b. Other Issues Raised

27. The ISO agrees with WCP/Williams that if a unit cannot physically disconnect from the grid within two intervals of reaching its minimum operating level, it should not be subject to Uninstructed Deviation Penalties during that time. The ISO proposes to amend its originally filed tariff language to reflect this in section 11.2.4.1.2(v) and we direct the ISO to submit its revised tariff language in its compliance filing.

28. In addition, WCP/Williams suggest that Uninstructed Deviation Penalties be

¹¹ In its answer at 8, the ISO states that this provision will provide greater certainty for generating units starting up at the ISO's direction while maintaining the status quo for generating units starting up under a bilateral agreement.

¹² *San Diego Gas & Elec. Co., et al.*, 99 FERC ¶ 61,158 at 61,631; *San Diego Gas & Elec. Co., et al.*, 99 FERC ¶ 61,159 at 61,641 (2002). See also *California Independent System Operator Corp.*, 108 FERC ¶ 61,142 at P 77-78; *San Diego Gas & Elec. Co., et al.*, 97 FERC ¶ 61,293 at 62,363 (2001).

suspended when generating units are automatically and dynamically responding to a system disturbance. In its answer, the ISO agrees, recognizing that deviations attributable to compliance with WECC standards, including those regarding governor response capabilities and including remedial action schemes should not incur Uninstructed Deviation Penalties.¹³ The ISO proposes to amend its originally filed tariff language to add new section 11.2.4.1.2(w) to the ISO Tariff to provide an exemption. We direct the ISO to submit this revised tariff language in its compliance filing.

C. Suspension of Financial Settlement of Uninstructed Deviation Penalties

1. CAISO Proposal

29. The CAISO proposes to suspend financial settlement of Uninstructed Deviation Penalties for the first two months after implementation of Real-Time Market Application and Uninstructed Deviation Penalties. The CAISO states that, during this two month interval, it will provide market participants with data identifying the energy on which Uninstructed Deviation Penalties would have been assessed. This will allow market participants to familiarize themselves with the new systems and give them time to take appropriate action before they are assessed Uninstructed Deviation Penalties.

2. Comments

30. While Duke agrees with the two month suspension period, it asks that the Commission require the CAISO to make a compliance filing demonstrating that the software improvements on which its implementation of Uninstructed Deviation Penalties are conditioned have been fully tested and found to be accurate before Uninstructed Deviation Penalties are implemented. WCP/Williams state that the suspension of the financial settlement of Uninstructed Deviation Penalties should not be arbitrarily limited to a two-month period but, rather, should be extended as necessary until the CAISO's computations, systems, settlements and software are in proper working order.

3. Commission Determination

31. The ISO explains in its answer that the proposed two-month suspension period is not a testing period to ensure that the Phase 1B performs as designed and approved. Rather, the two month period allows market participants to review how their generating units and market software systems perform with the new ISO software in place, and to explore any necessary changes to their market software systems prior to the Uninstructed Deviation Penalties becoming financially binding.

¹³ Generating unit governors adjust the MW output of units in the power system in response to frequency deviations.

32. We agree that a two month period is a sufficient amount of time for generators to make adjustments to reflect the ISO's implementation of Phase 1B modifications. With respect to Duke's request, we previously conditioned our approval of Uninstructed Deviation Penalties, subject to the ISO's implementation of software improvements that would allow more accurate representation of ramp rates at various operating points of a generating unit, and real-time communication of a generator's outages, derates and operating problems. Although we accepted the CAISO's proposed changes in Amendment No. 54, our October 22 Order directed the ISO to provide notice to the Commission and market participants that the software necessary to implement the tariff changes is ready for implementation.¹⁴ This notice is adequate and we reject Duke's requests that the Commission direct the ISO to make a more detailed filing.

D. Using the Maximum Ramp Rate Specified in the Master File as the Default Ramp Rate if No Operational Ramp Rate is Submitted

1. CAISO Proposal

33. In Amendment No. 62, the CAISO proposes to modify section 6.5 of the Schedules and Bid Protocol to provide that, when a scheduling coordinator does not submit an operational ramp rate for a generating unit for a day, the CAISO will use the maximum ramp rate set forth in the Master File as the ramp rate for that unit for that same operating range for that day. It explains that, while the current provision uses the minimum ramp rate as a default, it is concerned that many units have specified in the Master File very small minimum ramp rates, often 0.1 MW, for various operating ranges. The ISO believes that these ramp rates may represent an arbitrary placeholder and not reflect actual ramping capability. It is concerned that, if a significant number of units submit small default ramp values, the Real-Time Market Application software may not effectively respond to normal Imbalance Energy requirements. The ISO states that, while the maximum ramp rate for an operating range may not accurately reflect a unit's actual ramping capability on a given day, unit owners can mitigate their risk by submitting a reasonable operation ramp rate that reflects the unit's true ramping capabilities.

2. Comments

34. Duke requests that the Commission reject the CAISO's proposal to use the maximum ramp rate as a default ramp rate. Duke states that the CAISO's request is both unjustified on the merits and constitutes an untimely request for rehearing of the Commission's October 22 Order on Amendment No. 54 to the CAISO Tariff.

¹⁴ October 22 Order, 105 FERC ¶ 61,091 at Ordering Paragraph (B).

35. WCP/Williams state that the Commission should reject this proposal as unreasonable because it will negatively impact system reliability and will cause generators to bear undue risk of incurring Uninstructed Deviation Penalties. They contend that defaults set at either the minimum or maximum ramp rate will create faulty schedules. According to WCP/Williams, a default rate set at the maximum ramp rate will set a high schedule and cause under-generation in real-time that, in turn, will cause under-frequency reliability problems and require additional units to be committed in the day-ahead to anticipate under-generation. Further, use of a maximum ramp rate will result in under-generation and generators being subject to Uninstructed Deviation Penalties. Accordingly, WCP/Williams recommend that generators with a single ramp rate in each segment should use the unit's Resource Data Template ramp rate unless there is an entry on the ISO's scheduling and logging program (SLIC)¹⁵ that indicates a temporary ramp rate impairment. Further, they recommend that, for generators with a range of ramp rates in each ramp rate segment, the ISO should use the average of the minimum and maximum ramp rates.

36. In its answer, the ISO states that a market participant can avoid having its maximum ramp rate used as the default if the market participant bids its operational ramp rate into the ISO on a daily basis. It contends that, although the compromise offered by WCP/Williams to use the average rate would serve to reduce the generating unit's exposure to Uninstructed Deviation Penalties and provide the ISO with a better idea of the balancing energy response available to the ISO, it would require three person-weeks and a cost of approximately \$20,000 to re-code the Real-Time Market Application to use the average of the maximum and the minimum ramp rates as the default. The ISO further states that if a market participant knows it will be liable for Uninstructed Deviation Penalties that may accrue because the ISO will dispatch and calculate the expected energy from the generating unit using the maximum ramp rate, the market participant will become diligent in informing the ISO of its generating unit's real capability and the default ramp rate will become irrelevant.

3. Commission Determination

37. We recognize that the ISO, in Amendment No. 54, agreed with Duke that it had erred in proposing to use the maximum ramp rate and the operational ramp rate default and the ISO agreed to use the minimum ramp rate.¹⁶ Here, the ISO has reconsidered the

¹⁵ The "Scheduling and Logging for the ISO of California," known as SLIC, is a computer-based logging program the CAISO uses for recording all operations data.

¹⁶ See CAISO answer in Amendment No. 54, Docket No. ER03-1046-000, August 27, 2003, at 9. The ISO's compliance filing in Amendment No. 54 reflected use of the minimum ramp rate as the default, if a scheduling coordinator did not submit an operational ramp rate for a generating unit for the day.

use of a minimum default ramp rate as a result of operational testing of the Phase 1B software and has now proposed to change the default ramp rate to reflect the maximum rate.¹⁷ In proposing this change, the ISO states that many units have specified in the Master File very small minimum ramp rates, often 0.1 MW, for various operating ranges and that these ramp rates may represent an arbitrary placeholder and not reflect actual ramping capability. The ISO is concerned that if the placeholder ramp rate values remain, the Real-Time Market Application software will not effectively respond to normal Imbalance Energy requirements because it will not have enough units to call on with sufficient combined ramp rate. By using the maximum ramp rate as the default, the ISO will create an incentive for market participants to reflect the actual ramping capability of their generating units through their bids and through the SLIC web client. Because market participants have the ability to modify the operational ramp rate of the unit, we will accept their proposal to use the maximum ramp rate as the default.

E. Other Proposed Tariff Revisions

38. Our review indicates that the remaining proposed revisions to the ISO Tariff not discussed above appear to be just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful.

F. Effective Date

1. CAISO Proposal

39. The CAISO requests that the provisions of Amendment No. 62 be put into effect when the Phase 1B modifications are put into service. The ISO states that it will provide written notice to the market and the Commission at least ten days prior to the implementation of the Phase 1B modifications.

40. To put these provisions into effect when the Phase 1B systems are put into service, as currently expected on October 1, 2004, the CAISO requests a two-day waiver of the 60-day effective date requirement. The CAISO points out that October 1, 2004 is 59 days from the date of their instant filing, August 3, 2004, and under Commission policy, the provisions of Amendment No. 62 would normally be put into effect on the 61st day after filing, which is October 3, 2004.

¹⁷ While the Commission accepted the Amendment No. 54 compliance filing in which the ISO agreed to use the minimum ramp rate, the ISO, in Amendment No. 62, has proposed a change back to maximum as a result of operational testing of its software. This does not constitute an impermissible rehearing request of Amendment No. 54 as claimed by Duke.

2. Commission Determination

41. On September 17, 2004, the ISO filed a notice of its intent to implement the Phase 1B market changes starting on September 30, 2004 at 23:00 for the October 1, 2004 Real-Time market. The Commission will waive the prior notice requirements and make the tariff sheets effective with the start-up of the Phase 1B modifications, as requested by the ISO.

The Commission orders:

(A) The CAISO is hereby directed to submit a compliance filing, as discussed in the body of this order, within 30 days of the date of this order.

(B) The CAISO's proposed tariff changes, as modified in Ordering Paragraph (A), are hereby accepted for filing, without suspension or hearing, to become effective with the start-up of the Phase 1B modifications.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

Appendix A

Motions to Intervene, Protests, and/or Comments

California Department of Water Resources State Water Project
California Electricity Oversight Board (EOB)
California Public Utilities Commission (CPUC)¹⁸
Cities of Redding and Santa Clara, California, and the M-S-R Public
Power Agency
Cogeneration Association of California and the Energy Producers and Users
Coalition
Duke Energy North America LLC and Duke Energy Trading and Marketing
L.L.C. (collectively, Duke)
Mirant Americas Energy Marketing, LP; Mirant California LLC; Mirant Delta
LLC; and Mirant Potrero LLC
Modesto Irrigation District
Northern California Power Agency
Powerex Corp.
Reliant Energy Power Generation, Inc. and Reliant Energy Services, Inc.
(collectively, Reliant)
Southern California Edison Company
West Coast Power, LLC, El Segundo Power, LLC, Long Beach Generation LLC,
Cabrillo Power I LLC and Cabrillo Power II LLC (collectively WCP) and
Williams Power Company, Inc. (Williams) (and collectively,
Williams/WCP)

¹⁸ The CPUC filed a notice of intervention.