

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System)	Docket No. ER03-746-000
Operator Corporation)	Docket No. ER03-830-000
		(Not Consolidated)

**ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO
JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY AND
SOUTHERN CALIFORNIA EDISON COMPANY FOR CLARIFICATION
REGARDING DISPUTE PROCEDURES, AND COMMENT ON THE ANSWER
OF THE CALIFORNIA POWER EXCHANGE CORPORATION TO THE JOINT
MOTION**

Pursuant to 18 C.F.R. § 385.213(d), the California Independent System Operator Corporation ("ISO") responds to the March 26, 2004 Joint Motion of Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE") by which these entities request clarification of the dispute procedures and timelines associated with the preparatory re-run now being processed by the ISO, and comments on the April 1, 2004 Answer of the California Power Exchange Corporation ("CalPX") to the Joint Motion.

I. BACKGROUND

On January 13, 2004, the ISO suspended publication of settlement statements to Market Participants¹ in connection with the preparatory re-run. The last trade date processed as of the date of suspension was December 5, 2000. On March 16, 2004, the ISO resumed publication of settlement statements and processing of transactions.

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

On or about March 24, 2004, the CalPX issued Market Notice No. 16, attached to the Joint Motion, in which it stated that it must stop processing and publishing settlement statements to its participants, including SCE and PG&E, because of the CalPX's failure to receive transactional detail from the ISO for the trade dates December 6 through 15, 2000. On March 26, 2004, the CalPX issued another market notice, attached to the CalPX Answer, indicating that it had received the information needed to continue processing and publishing settlement statements and that such activity would resume on that date. The CalPX in this market notice indicated that the dispute period would not begin for its participants until the March 26, 2004 notice date. In its Answer, the CalPX states that three days later it issued a revised dispute calendar reflecting an extension of the dispute date for such settlement data.

Prior to March 30, 2004, the ISO provided all of the settlement detail and transactional data to the CalPX for processing through January 16, 2001. At this point the ISO has suspended further re-run transaction processing pending certain further actions by the Commission.

II. ARGUMENT: THE ISO HAS PROVIDED ALL NORMAL TRANSACTIONAL DATA TO THE CALPX AND HAS PROVIDED ADDITIONAL INFORMATION TO HELP THE CALPX DEAL WITH ITS SYSTEM LIMITATIONS. THE ISO WILL ALLOW ADDITIONAL TIME TO PROCESS THE DECEMBER DATA, BUT NO GENERAL TOLLING AUTHORITY IS NEEDED.

In their Joint Motion, PG&E and SCE seek to establish a rule, via clarification from the Commission, that the ISO dispute deadline is tolled for any

period in which CalPX has suspended processing settlement statements from the ISO due to a disagreement between the CalPX and the ISO over whether the CalPX has received from the ISO the information necessary to process settlement statements. Joint Motion at 1, 3. In its Answer, the CalPX seems to ask the Commission to clarify that the ISO's dispute deadline is tolled if the CalPX, in its subjective opinion, does not have all of the information it needs to process settlement statements for its participants. The CalPX adds the request that the dispute deadline for certain trade dates be extended even when the CalPX does have the information necessary to process settlement statements for those trade dates, if it lacks the information necessary to process one or more previous trade dates; the reason for the request is a limitation of the CalPX's processing system, which requires that it process all dates sequentially. CalPX Answer at 4-5.

The ISO is aware that the trade month of December 2000 has been a difficult month for all in terms of the processing of transactional re-run information. It was, as all will recall, a very difficult month for the actual operation of the markets. The CalPX is quite right that the ISO has been flexible where absolutely necessary with respect to dispute deadlines.² However, the ISO submits that it is not appropriate and it is not practical for the ISO's dispute deadline to be effectively controlled by the CalPX, which would be the result if the

² See CalPX Answer at 3, where the CalPX notes the ISO has not objected to extending the ISO's dispute deadline to take into account the CalPX's suspension of its processing for trade dates December 6 through 15, 2000 prior to the CalPX's market notice of March 26, 2004. In that market notice, attached to the CalPX's Answer, the CalPX noted that it considered the necessary information for processing to have arrived that day and therefore the dispute period would start then, *i.e.*, March 26.

Commission “clarified” that the deadline is extended any time there is a dispute between the ISO and CalPX over sufficiency of data (as requested by PG&E and SCE) or whenever the CalPX *thinks* it lacks sufficient data (as appears to be the CalPX’s request in its Answer).

The pitfalls with such an “automatic” tolling of the ISO’s dispute window are illustrated by the very episode that apparently led PG&E and SCE to file the Joint Motion. As a general matter, the ISO provides the CalPX the same data that the ISO provides to other Market Participants, and it did so concerning trade dates December 6 through 15, 2000. When the ISO inquired of the CalPX about the data that the CalPX claimed in its Market Notice No. 16 not to have received, it was found that some of that data was actually in the possession of the CalPX, but had not been opened. The ISO also worked with the CalPX to provide additional detailed information requested by the CalPX, beyond that given to other Market Participants, to help accommodate the CalPX’s system constraints.³ In fact, the ISO has engaged additional personnel to specifically work with the CalPX to maintain close communication and see that the re-run goes as smoothly as possible.

In the conclusion to its Answer, the CalPX states that it must receive from the ISO detail reflecting all prior reversals during the rerun process. While it is the case that the ISO has reprocessed certain data during the course of this difficult preparatory re-run, it has timely provided to the CalPX the detail of any reprocessing and will continue to do so.

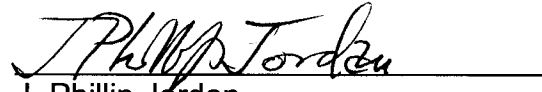
³ As the CalPX notes in its Answer, the CalPX’s settlement system is limited to processing transactions sequentially. While this is not an issue caused by the ISO, the ISO has worked to assist the CalPX in dealing with this constraint.

The ISO believes the CalPX now has received all preparatory rerun information necessary for it to process statements for the CalPX's participants. The ISO is willing to extend the dispute period for the trade month of December 2000 to allow the CalPX and its participants to "catch up" with the ISO in terms of the processing of preparatory re-run information. This "catch up" can be accommodated, as the ISO has suspended transaction processing while waiting for direction from the Commission on certain CERS issues.

III. CONCLUSION

The ISO submits there is no reason for the Commission to announce any specific policy as to the tolling of dispute deadlines during the preparatory re-run, since the CalPX has now received all of the information that it needs to process preparatory re-run information and the ISO is willing to grant additional dispute time to accommodate the needs of the CalPX's participants during the difficult trade month of December 2000. The ISO is concerned that any blanket "tolling" rule would only open the way to unnecessary delays in the overall rerun timetable; the ISO is as anxious as the Commission and the ISO's Market Participants to complete the reruns, and strict dispute windows are necessary to reach that goal.

Respectfully Submitted,

A handwritten signature in cursive script, reading "J. Phillip Jordan", is written over a solid horizontal line.

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Dated: April 9, 2004

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 the above-captioned proceedings, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA, on this 9th day of April, 2004.

/s/ Gene L. Waas
Gene L. Waas