

From: Woertz, Byron
 Sent: Friday, February 02, 2001 7:54 PM
 To: ISO Market Participants
 Cc: ISO Officers/Managers/Directors
 Subject: CAISO Notice - Pro Rata Payment of November Invoice

ISO Market Participants:

Today, the ISO closed the market on the preliminary invoice for November 2000. Market Participants failed to submit payment for \$666,733,525.86 of the \$684,192,841.46 due. As a result, the ISO is reducing its payments to creditors for this invoice pro rata by approximately 98.2%. We would like to inform you of the actions we are taking in compliance with ISO Tariff Section 11 and Settlements and Billing Protocol ("SABP") Section 6 as a result of this shortfall in receipts. We have included in the discussion below appropriate references to these rules.

The defaulting parties, and the amounts owed compared with amounts remitted to the ISO are listed below:

	Amount Owed	Amount Paid to ISO	Default Market Obligations:
California Power Exchange	\$665,901,646.69	\$0.00	\$665,901,646.69
Pacific Gas & Electric	\$456,055.69	\$68,408.35	\$387,647.34
Non Defaulting Parties: All Others	\$2,915,181.62	\$2,915,181.65	(\$0.03)
Subtotal	\$669,272,884.00	\$2,983,590.00	\$666,289,294.00
Grid Management Charge Obligations ("GMC"):			
California PX	\$11,930,107.98	\$11,930,107.98	\$0.00
Bonneville Power Administration	\$83.00	\$0.00	\$83.00
Koch Energy Trading	\$331.73	\$0.00	\$331.73
Salt River Project	\$326,655.17	\$0.00	\$326,655.17
Southern California Edison	\$117,161.93	\$0.00	\$117,161.93
Non Defaulting Parties: All Others	\$2,545,617.65	\$2,545,617.65	\$0.00
Subtotal	\$14,919,957.46	\$14,475,725.63	\$444,231.83
Total, Market and GMC	\$684,192,841.46	\$17,459,315.63	\$666,733,525.83
Reserve Account Balance	\$9,573,886.12		

As allowed in the ISO Tariff, these parties did not maintain Security postings with the ISO, and accordingly the ISO cannot recover funds from such instruments.

The California Power Exchange ("PX") has advised the ISO that due to multiple defaults in the PX markets, the PX will be unable to remit funds to the ISO until the PX calculations are completed to determine the funds available for distribution to the ISO. The PX has indicated that they will keep the ISO apprised of their progress in these calculations and will remit appropriate funds as soon as possible. The ISO has no

assurances as to the amount of funds the PX will remit to the ISO after the completion of these calculations. The ISO has been advised by the PX that Pacific Gas & Electric has paid the PX \$45 million, San Diego Gas & Electric has paid to the PX their bill of \$11.3 million in full, while Southern California Edison has not remitted any funds to the PX.

The ISO had available in its Reserve Account (see Section 11.14 of the Tariff) a total of \$9,573,886.12. These funds were available to offset, to a minor degree, the short payments noted above and have been used to do so.

As noted above, certain parties have defaulted on their Grid Management Charge ("GMC") obligations to the ISO. The ISO has a priority claim to the collection of its GMC. As a result of non-payment of the GMC by the parties listed above, the ISO reduced the amounts payable to market participants by a total of \$444,231.83 to satisfy the ISO's GMC obligation. This action was consistent with Settlements and Billing Protocol section 6.3.1.3.

Additionally, for those parties who defaulted on their GMC obligation to the ISO, but who were to receive funds from the market, the ISO has reduced their payout to reflect their GMC default.

SABP 6.3.1.3

The ISO is authorized to instruct the ISO Bank to debit the ISO Clearing Account and transfer to the relevant ISO account sufficient funds to pay in full the Grid Management Charge falling due on any Payment Day in priority to any other payments to be made on that or on subsequent days out of the ISO Clearing Account.

As a result of these factors, the ISO has reduced payouts to ISO Creditors pro-rata by approximately 98.2%, according to section 11.16 (and SABP 6.7.4) of the tariff. Payouts at this time are approximately 1.8% of amounts owed.

11.16.1 Pro Rata Reduction of 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.

The calculation is shown below:

Market Default	\$666,289,294.00
Plus: GMC Deficiency recovered from Market	\$ 444,231.83
Total Market Default	\$666,733,525.83
Total Market Accounts Payable	\$668,198,324.97
Funds Available (Market Amount Paid less GMC Deficiency recovered from market)	
Amount Paid to ISO	\$2,983,590.00
Reserve Account	\$9,573,886.12
Less: GMC deficiency recovered from Market	(\$ 444,231.83)
Total Funds Available for payout	\$12,113,244.29

Payout Ratio (Funds Available for payout / Market Accounts Payable) 1.81%

The ISO has today effected a wire transfer for a total of \$12,113,244.29. However, due to delays, the wire transfer will likely have a value date of Monday, February 5.

In accordance with Section 11.12 (and SABP 6.10.5) of the tariff, the ISO will assess the defaulting parties interest at the ISO Default Interest Rate (currently 10.5%: prime plus 2%) commencing today, and will continue charging interest until the amounts are collected.

In accordance with Section 11.20.2, the ISO will provide to market participants, upon request, supporting documentation relating to their claims against defaulting parties. The ISO is currently compiling this documentation.

11.20.2 Evidence of Unpaid Amount.

The ISO shall, on request, certify in writing the amounts owed by an ISO Debtor that remain unpaid and the ISO Creditors to whom such amounts are owed and shall provide certified copies of the relevant Preliminary and Final Settlement Statements, invoices, and other documentation on which the ISO's certificate was based to the ISO Debtor and the relevant ISO Creditors. An ISO certificate given under this Section 11.20.2 may be used as prima facie evidence of the amount due by an ISO Debtor to ISO Creditors in any legal proceeding.

The ISO will report further details on this situation when available.

Phil Leiber
ISO Treasurer and Director of Financial Planning
(916) 351-2168