From: CRCommunications [mailto:CRCommunications@caiso.com]
Sent: Tuesday, June 05, 2001 12:11 PM
To: ISO Market Participants
Subject: CAISO Notification - Supplemental Market Notice Regarding Implementation of FERC's May 25, 2001 Order

Supplemental Market Notice
Regarding Implementation of FERC's May 25, 2001 Order

On May 26, 2001, the ISO sent out a Market Notice explaining its implementation of FERC's May 25, 2001 Order (Order Providing Clarification and Preliminary Guidance, 95 FERC ¶ 61,275). The May 26 Market Notice noted that FERC accepted the ISO's proposal to substitute a $0/MWh bid for all available capacity that is not bid into the ISO's Imbalance Energy market and for which either the ISO has not received heat and emission rate information or the information is not complete.
Under the price mitigation proposal contained in FERC's April 26, 2001 and May 25, 2001 Orders, generation owners selling into the ISO's markets or transmitting power over the ISO Controlled Grid have the responsibility to bid in any available capacity into the real-time Imbalance Energy market. As noted above, if such capacity is not bid into the Imbalance Energy market, the ISO has the authority to create price taker bids for any non-hydro resource that has available capacity. Such price-taker bids will be created by either expanding a submitted Supplemental Energy bid to include the unbid capacity or creating a Supplemental Energy bid of $0 value for that unbid capacity.

Although the ISO has not started inserting the $0 price-taker bids, the ISO will begin doing so for Trade Day June 6, 2001. For resources in which available capacity can not be calculated in real-time due to the lack of relevant information (e.g., resources with significant load behind the meter for which there is no telemetry or separate metering of load and generation or resources that are scheduled on aggregated basis), the ISO will not be inserting price-taker bids.

Resources for which available capacity can not be calculated in real-time generally include Qualifying Facilities ("QFs") under Public Utilities Regulatory Policy Act of 1978. On May 16, 2001, the FERC issued an Order granting, in part, motions for emergency relief filed by entities representing QFs, see, 95 FERC ¶ 61,226. The FERC authorized the sales of "excess" QF power at negotiated rates provided that the power is sold to serve load in California. The FERC stated that excess QF sales may be made pursuant to either bilateral contracts at negotiated rates, or may be bid into the ISO's real-time market. If the QFs choose the real-time market, the FERC required the QFs to be price-takers.

The ISO notes that in all cases where it does not have adequate information to calculate available capacity, the owners still have the responsibility to bid in all available capacity under FERC's Orders.

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