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June 30, 2005

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

**Re: Errata to San Diego Gas & Electric Company v. Sellers of
Energy and Ancillary Services Into Markets Operated by the
California Independent System Operator and the California
Power Exchange, Docket Nos. EL00-95-082**

**Investigation of Practices of the California Independent
System Operator and the California Power Exchange,
Docket Nos. EL00-98-052 and EL00-98-070**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO") respectfully submits this informational filing to correct a clerical error found in the ISO Tariff, specifically, in Tariff Section 5.11.6.1.4. The ISO recently became aware that one of the Tariff pages on file with the Commission for this section does not include language specifically directed by previous Commission orders. Therefore, the ISO herein submits a corrected Tariff sheet relating to current Section 5.11.6.1.4, which became effective October 1, 2004, and the previously effective Tariff sheet relating to Section 5.11.6.1.4, which governed the period from May 29, 2001, through September 30, 2004.

I. BACKGROUND AND EXPLANATION OF NEED FOR CORRECTION

This filing corrects tariff sheets to reflect language that the Commission specifically directed be placed in the ISO Tariff in an order issued on May 15,

2002, in Docket Nos. EL00-95-063, *et al.* ("May 15 Compliance Order"),¹ In that order, the Commission accepted in part and rejected in part a compliance filing made by the ISO on January 25, 2002, pursuant to the Commission's December 19, 2001, order in these dockets.² These orders, and the ISO's January 25 compliance filing, concerned ongoing Commission remedies for dysfunctions in the California wholesale electricity market.

One of the issues addressed in the May 15, 2002, order was payment for Minimum Load Costs for units dispatched pursuant to the Must-Offer obligation.

In the May 15, 2002 Compliance Order, the Commission stated that it had difficulty determining whether the ISO's proposed Tariff language in the January 25 compliance filing concerning Minimum Load Costs conformed to the December 19 Compliance Order, which required the use of gross load as the basis for the in-Control Area assessment of minimum load, emissions, and start-up fuel costs. The Commission directed the ISO to use the language from the ISO's Tariff provision regarding emissions cost charges, which allocates charges "against all Scheduling Coordinators based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area," see ISO Tariff § 2.5.23.3.6.1, in the section for the allocation of Minimum Load Costs.

Pursuant to this directive, the ISO, in the transmittal letter for a compliance filing made on June 24, 2002, ("June 24 Compliance Filing") stated that the filing modified Section 5.11.6.1.4 (entitled "Allocation of Minimum Load Costs") to reflect the allocation "based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area." One of the revisions shown on the black-line tariff sheets amended the phrase "Scheduling Coordinator's Load" to read "Scheduling Coordinator's *Control Area Gross Load*," as the Commission had directed. (emphasis added). The black-line tariff sheets from the filing are provided as Attachment A.

Nonetheless, through a clerical error, this amendment to the tariff language was not effected in the clean tariff sheet provided with the ISO's filing. Accordingly, despite the narrative of the transmittal letter and the blackline, the clean tariff sheets were not entirely in compliance with the Commission's May 15, 2002 Order.

¹ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 99 FERC ¶ 61,158 (2002) ("May 15 Compliance Order").

² *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 97 FERC ¶ 61,293 (2001) ("December 19 Compliance Order").

On October 31, 2002, the Commission issued an order in which it accepted in part and rejected in part the June 24 Compliance Filing.³ In that order, the Commission accepted the ISO's proposed revision to Section 5.11.6.1.4 based on its stated belief that the ISO's revision complied with the Commission's order.

Since the June 24 Compliance Filing, the ISO has twice amended Section 5.11.6.1.4, and once amended the tariff sheet that includes Section 5.11.6.1.4, but the ISO has never corrected the erroneous language. These filings occurred on December 2, 2002, April 14, 2003, March 11, 2004, and May 11, 2004. Most notably, the ISO substantially modified Section 5.11.6.1.4 as part of its Amendment No. 60 filing,⁴ in order to provide for different allocation mechanisms for Minimum Load Costs based on the reason for dispatch of the relevant unit. The result of the modifications made in Amendment No. 60 is that the cost allocation methodology set forth in Section 5.11.6.1.4 prior to Amendment No. 60 has become only one of several possible allocation mechanisms for Minimum Load Costs. Thus, the language that comprised the entirety of Section 5.11.6.1.4 prior to Amendment No. 60 now forms subsection (3)b of that section. Nevertheless, it remains necessary to change the reference from "Load" to "Control Area Gross Load" in Section 5.11.6.1.4(3)b in order to conform that section to the May 15, 2002 Compliance Order.

II. DESCRIPTION OF FILING

In order to effect compliance with the Commission's May 15, 2002, Order, the ISO is submitting two corrected tariff sheets in order to conform the relevant tariff page to the tariff language ordered by the Commission, as described above. The ISO is submitting a corrected Tariff sheet for its May 11, 2004, Amendment 60 filing and another corrected Tariff sheet for the Tariff sheet that Amendment 60 superseded, which was included in the March 11, 2004, filing. The Tariff sheet that was included in the March 11, 2004 filing, which is now being corrected, superseded the other Tariff sheets and governed the entire period from May 29, 2001 (the effective date of the Must Offer requirement) to October 1, 2004. In both corrected Tariff sheets being submitted today, the ISO has corrected the reference to "Scheduling Coordinator's monthly *Load*" in Section 5.11.6.1.4 to read "Scheduling Coordinator's monthly *Control Area Gross Load*" (emphasis added).

³ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 101 FERC ¶ 61,112 (2002) ("October 31 Compliance Order").

⁴ Amendment No. 60 to the ISO Tariff, Docket No. ER04-835-000 (May 11, 2004).

III. EFFECTIVE DATE

It is the ISO's understanding that the corrected reference to "Scheduling Coordinator's monthly *Control Area Gross Load*" will be considered effective as of the effective date originally approved by the Commission for this change. This is consistent with previous Commission orders that have treated corrections as being effective as of the effective date originally approved by the Commission.⁵ However, because, as described above, additional modifications were made to Section 5.11.6.1.4 subsequent to the change from "Scheduling Coordinator's monthly Load" to "Scheduling Coordinator's monthly Control Area Gross Load," the ISO has not modified the "effective date" indicated on the corrected tariff sheets at the time they were originally filed.

IV. SUPPORTING DOCUMENTS

The following documents, in addition to this transmittal letter, support this filing:

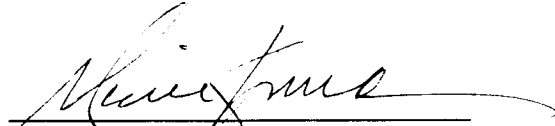
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|--------------|---|
| Attachment A | Blackline tariff sheet from June 24, 2002, compliance filing. |
| Attachment B | Clean tariff sheets incorporating the corrections to Sections 5.11.6.1.4 described above. |
| Attachment C | Blackline tariff sheets showing the corrections to Section 5.11.6.1.4 described above. |

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

⁵ See, e.g., Colorado Interstate Gas Company, 58 FERC ¶ 61,257 (1992) at 61,836; Texaco Pipeline Inc., 57 FERC ¶ 62,247 (1991) at 63,519; Iroquois Gas Transmission System, 78 FERC ¶ 61,135 (1997) at 61,522.

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Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michael Ward", written over a horizontal line.

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Counsel for the California Independent
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ATTACHMENT A

Minimum Load Costs. Scheduling Coordinators who elect to submit data on hours they are eligible to recover Minimum Load Costs must: 1) use the Minimum Load Cost Invoice template posted on the ISO Home Page, and 2) submit the invoice on or before fifteen (15) business days following the last Trading Day in the month in which such costs were incurred, except that Scheduling Coordinators seeking reimbursement for Minimum Load Costs incurred between May 29, 2001, and June 30, 2002 must submit their data to the ISO by August 5, 2002. ~~the day that the ISO posts the Minimum Load Costs Invoice template on the ISO Home Page must submit their data no later than thirty (30) business days after the ISO first posts the template on the ISO Home Page.~~

5.11.6.1.4 Allocation of ~~Unrecovered~~ Minimum Load Costs

~~Unrecovered~~ Minimum Load Costs for each unit's Waiver Denial Period shall be evenly divided over all eligible hours of such Waiver Denial Period. For each such hour, the total ~~unrecovered~~ Minimum Load Costs shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's Load Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

* * *

11.2.12 Creditworthiness Surcharge

Notwithstanding anything to the contrary in the ISO Tariff, and until the FERC issues any order to the contrary, the following payments and charges shall be increased by a surcharge of 10%:

- a) payments for Ancillary Services as determined in accordance with Sections 2.5.27.1 to 2.5.27.4;
- b) charges for Ancillary Services as determined in accordance with Sections 2.5.28.1 to 2.5.28.4; ~~and~~

ATTACHMENT B

submit to the ISO data detailing the hours for which they are eligible to recover Minimum Load Costs. Scheduling Coordinators who elect to submit data on hours they are eligible to recover Minimum Load Costs must: 1) use the Minimum Load Cost invoice template posted on the ISO Home Page, and 2) submit the invoice on or before fifteen (15) Business Days following the last Trading Day in the month in which such costs were incurred, except that Scheduling Coordinators seeking reimbursement for Minimum Load Costs incurred between May 29, 2001, and June 30, 2002 must submit their data to the ISO by August 5, 2002.

5.11.6.1.4 Allocation of Minimum Load Costs

Minimum Load Costs for the total number of eligible hours for each unit shall be evenly divided over all such eligible hours. For each such hour, the total Minimum Load Costs shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

5.11.6.1.5 Payment Of Available Capacity Under The Must-Offer Obligation

Available capacity that is required to be offered to the Real Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Minimum Load Cost compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as defined in Section 5.11.6.1.1, that the unit generated above minimum load in compliance with ISO Dispatch Instructions.

Costs allocated under this part (1) shall be considered Reliability Services Costs.

- 2) if the Generating Unit was operating due to Inter-Zonal Congestion, the Minimum Load Costs shall be allocated on a monthly basis to each Scheduling Coordinator in the constrained Zone based on the ratio of that Scheduling Coordinator's monthly Demand to the sum of all Scheduling Coordinator's monthly Demand in that Zone;
- 3) if the Generating Unit was operating to satisfy an ISO Control Area-wide need, the ISO shall allocate the Minimum Load Costs in the following way:
 - a. first, to the monthly absolute total of all Net Negative Uninstructed Deviation (determined for each Settlement Interval based on Final Hour-Ahead Schedules) at a per-MWh rate that shall not exceed a figure that is determined by dividing the total Minimum Load Cost in that month by the sum of the minimum loads for Generating Units operating under Waiver Denial Periods in that month;
 - b. finally, all remaining costs not allocated per (a) shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's monthly Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the monthly sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

5.11.6.1.5 Payment Of Available Capacity Under The Must-Offer Obligation

Available capacity that is required to be offered to the Real Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Minimum Load Cost compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as

ATTACHMENT C

CORRECTION TO MARCH 11, 2004 COMPLIANCE FILING:

5.11.6.1.4 Allocation of Minimum Load Costs

Minimum Load Costs for the total number of eligible hours for each unit shall be evenly divided over all such eligible hours. For each such hour, the total Minimum Load Costs shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

* * *

CORRECTION TO AMENDMENT 60 FILING:

5.11.6.1.4 Allocation of Minimum Load Costs

For each Settlement Interval, the ISO shall determine that the Minimum Load Costs for each unit operating during a Waiver Denial Period are due to (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each such month, the ISO shall sum the Settlement Interval Minimum Load Costs and shall allocate those costs as follows:

- 1) if the Generating Unit was operating to meet local reliability requirements, the incremental locational cost shall be allocated to the Participating TO in whose PTO Service Territory the Generating Unit is located, or, where the Generating Unit is located outside the PTO Service Territory of any Participating TO, to the Participating TO or Participating TOs whose PTO Service Territory or Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Participating TO receives, as determined by the ISO. Where the costs allocated under this section are allocated to two or

more Participating TOs, the ISO shall file the allocation under Section 205 of the Federal Power Act. For the purposes of this section, the incremental locational cost shall be the additional costs associated with committing and operating a particular unit or units to meet a local reliability requirement over the costs of a less expensive unit or units that would have been committed and operated absent the local reliability requirement. If a unit is committed in real-time for local reliability, its Minimum Load costs shall be considered incremental locational costs. Costs allocated under this part (1) shall be considered Reliability Services Costs.

- 2) if the Generating Unit was operating due to Inter-Zonal Congestion, the Minimum Load Costs shall be allocated on a monthly basis to each Scheduling Coordinator in the constrained Zone based on the ratio of that Scheduling Coordinator's monthly Demand to the sum of all Scheduling Coordinator's monthly Demand in that Zone;
- 3) if the Generating Unit was operating to satisfy an ISO Control Area-wide need, the ISO shall allocate the Minimum Load Costs in the following way:
 - a. first, to the monthly absolute total of all Net Negative Uninstructed Deviation (determined for each Settlement Interval based on Final Hour-Ahead Schedules) at a per-MWh rate that shall not exceed a figure that is determined by dividing the total Minimum Load Cost in that month by the sum of the minimum loads for Generating Units operating under Waiver Denial Periods in that month;
 - b. finally, all remaining costs not allocated per (a) shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's monthly Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the monthly sum of the ISO Control Area Gross Load and the projected Demand within California

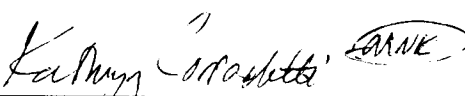
outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

* * *

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 30th day of June, 2005 at Folsom in the State of California.



Kathryn Corradetti
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