

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FAX (202) 424-7643
WWW.SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
(212) 973-0111 FAX (212) 891-9598

August 25, 2003

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket Nos. ER03-407-002 and ER03-407-003**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's July 25, 2003 order in the captioned dockets, 104 FERC ¶ 61,128 ("July 25 Order"), which concerned the compliance filing the ISO submitted on April 11, 2003, as amended on April 16, 2003 ("Compliance Filing"). In the July 25 Order, the Commission conditionally accepted the Compliance Filing as modified by a further compliance filing it directed the ISO to provide. See July 25 Order at ordering paragraph (A). The ISO now provides the required further compliance filing.

In the July 25 Order, the Commission directed the ISO to modify Section 3.2.7.3(d) of the ISO Tariff to state that the full amount of capacity added to the system will be as determined through the regional reliability council process of the Western Electricity Coordinating Council ("WECC") or its successor. July 25 Order at P 10. The ISO now adds language to Section 3.2.7.3(d) to accord with this directive.

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

The ISO agrees that the WECC is the proper agency to determine the rating of the upgraded facility. The WECC follows a thorough process based on accepted engineering practices, including peer review and comment, to establish new ratings. In some cases, however, determining the amount of new capacity added to the system by subtracting the old facility rating from the new rating may not be clear and may not produce a just and reasonable result. WECC's rating process focuses on defined "Paths," while some transmission facility upgrades may not be limited to such Paths. Further, the definitions of WECC-rated Paths may change over time, in some cases, during the process of an ongoing transmission facility upgrade. The ISO's experience with the Blythe Energy upgrade that was the impetus for Amendment No. 48, illustrates the problem.

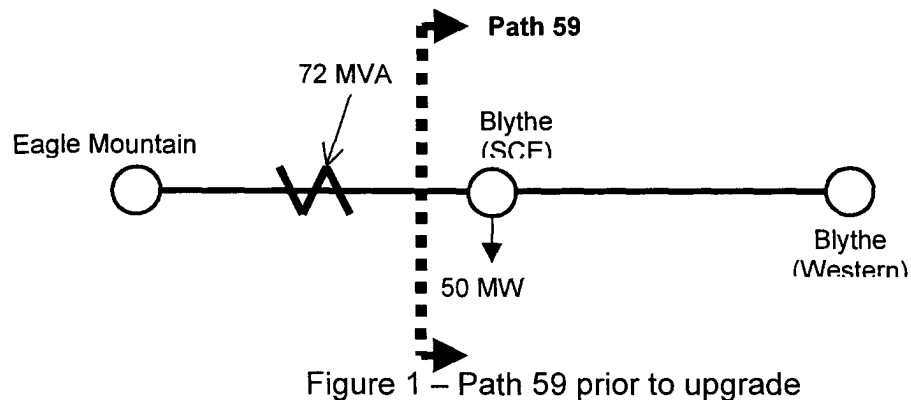


Figure 1 shows how Path 59 was defined prior to the Blythe Energy's upgrade. Path 59 was defined as the path between the Blythe (Southern California Edison ("SCE")) and Eagle Mountain substations. The rating of this path was determined by the 72 MVA 220/161 kV transformer at Eagle Mountain, which limited flow from Blythe (SCE) to Eagle Mountain to 72 MVA.

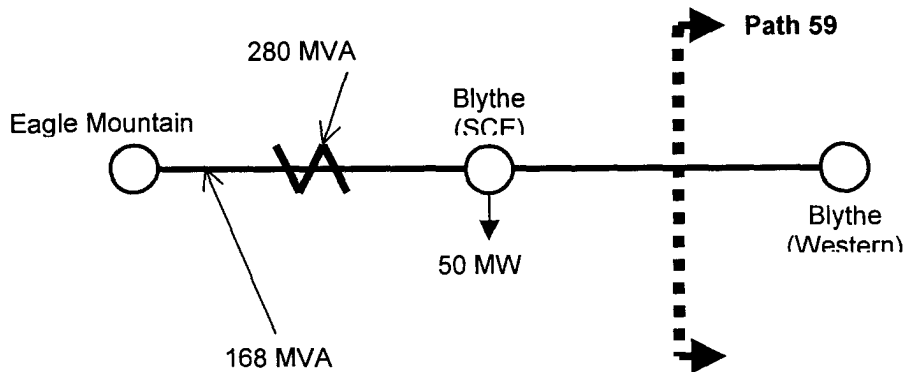


Figure 2 – Path 59 after the upgrade

Blythe Energy replaced the 72 MVA 220/161kV transformer at Eagle Mountain with a 280 MVA transformer. After the upgrade, the transfer capability between Blythe (SCE) and Eagle Mountain was 168 MVA, now limited by the conductor between Blythe (SCE) and Eagle Mountain. At the same time, the definition of Path 59 was changed from the interface between the Eagle Mountain and Blythe (SCE) substations to the interface between the Blythe (SCE) and Blythe (Western) substations. The new rating of the re-defined Path 59 was determined to be 218 MW. The rating was determined by adding the rating of the new limiting factor (now the 168 MVA conductor on the downstream serial connection between Blythe and Eagle Mountain, not the 280 MVA transformer bank) to the amount of power that could be carried from Blythe (Western) to Blythe (SCE) to serve the load at Blythe (SCE) but would not flow from Blythe (SCE) to Eagle Mountain. Said another way, if the load at Blythe (SCE) is 50 MW, 218 MW can flow from Blythe (Western) to Blythe (SCE) without exceeding the 168 MVA limit on the line from Blythe (SCE) to Eagle Mountain.

Through the WECC rating process, Path 59's rating was changed from 72 MW to 218 MW as a result of two factors: the physical upgrading of the 220/161 kV transformer between Blythe and Eagle Mountain, and the redefinition of the path's location. Simply using the change in rating could lead to the conclusion that the amount of capacity added to the system was $(218-72) = 146$ MW. Yet, in the case of Path 59, 96 MW of this capacity (the difference between the old limiting factor – the 72 MVA transformer – and the new limiting factor – the 168 MVA conductor) can be considered to be physically "added to the system," while


The Honorable Magalie R. Salas
August 25, 2003
Page 4


the other 50 MW increase in rating is directly attributed to redefining Path 59 to incorporate the amount of power that can flow across the new Path 59 to serve the load at Blythe into the new rating. This 50 MW increase resulted from re-defining Path 59 and is not capacity "added to the system." The ISO has determined that Blythe is entitled to the 96 MW of capacity added to the system because they upgraded the transformer bank, but Blythe is not entitled to the 50 MW increase resulting only from re-defining the path. An entity should not be allocated capacity that is not created by a physical change to the network but only created on paper.

The modification to the ISO Tariff is shown in the revised Tariff sheet provided in Attachment A to the present filing, and is shown in black-line format in Attachment B to the present filing. Additionally, the ISO submits, in Attachment C to the present filing, a form notice of filing suitable for publication in the Federal Register, along with a computer diskette containing the notice of filing.

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

Respectfully submitted,


Charles F. Robinson
General Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7135


J. Phillip Jordan
David B. Rubin
Bradley R. Miliauskas
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW, Suite 300
Washington, DC 20007
Tel: (202) 424-7500

Attorneys for the California Independent System Operator Corporation

ATTACHMENT A

number that is determined by subtracting the rating of the transmission facility before the upgrade from the new rating for the upgraded transmission facility by the new rating for the upgraded transmission facility. The Participating TO's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by subtracting the Project Sponsor's share from one hundred percent (100%). Such allocated shares shall become effective on the date the new rating takes effect. The full amount of capacity added to the system will be based on the physical addition to the transfer capability as determined through the regional reliability council process of the Western Electricity Coordinating Council or its successor.

3.2.7.4 Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the ISO Grid wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F. The

ATTACHMENT B

3.2.7.3 (d) The Project Sponsor's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by dividing the number that is determined by subtracting the rating of the transmission facility before the upgrade from the new rating for the upgraded transmission facility by the new rating for the upgraded transmission facility. The Participating TO's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by subtracting the Project Sponsor's share from one hundred percent (100%). Such allocated shares shall become effective on the date the new rating takes effect. The full amount of capacity added to the system will be based on the physical addition to the transfer capability as determined through the regional reliability council process of the Western Electricity Coordinating Council or its successor.

ATTACHMENT C

**NOTICE SUITABLE FOR PUBLICATION IN THE
FEDERAL REGISTER**

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

**California Independent System
Operator Corporation**

)
)

**Docket Nos. ER03-407-002 and
ER03-407-003**

Notice of Filing

[]

Take notice that on August 25, 2003, the California Independent System Operator Corporation (ISO), submitted a filing in compliance with the Commission's July 25, 2003 order in the captioned proceeding, 104 FERC ¶ 61,128.

The ISO states that this filing has been served upon all parties in the captioned proceeding, and has been posted on the ISO Home Page.

Any person desiring to be heard or to protest the filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protests must be filed in accordance with § 35.9 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at <http://www.ferc.gov/docs-filing/elibrary.asp> (call 202-502-8400 for assistance).

Comment Date: _____