



July 24, 2002

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

In re: San Diego Gas & Electric Company,)
Complainant,)
)
 v.)
)
 Sellers of Energy and Ancillary Services)
 Into Markets Operated by the California)
 Independent System Operator and the)
 California Power Exchange,)
 Respondents)

Docket Nos. EL00-95-058
EL00-95-062
EL00-95-053
EL00-95-031
EL01-68-012
EL01-68-013

Investigation of Practices of the California)
 Independent System Operator and the)
 California Power Exchange)
)
)
)

Docket Nos. EL00-98-051
EL00-98-047
EL00-98-042
EL00-98-038
EL00-98-033
EL00-98-009

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹
respectfully submits six copies of this filing in compliance with the Federal Energy
Regulatory Commission's ("Commission") "Order On Rehearing,

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

Reconsideration, and Clarification”² issued on July 11, 2002 in the above-referenced dockets (“July 11 Order”).³

I. BACKGROUND

On April 26, 2001, the Commission issued an order establishing a prospective mitigation and monitoring plan for the wholesale spot markets operated by the ISO,⁴ prescribing, among other things, a specific method for calculating a mitigated reserve deficiency Market Clearing Price (“MCP”) during periods of reserve deficiency.⁵ On June 19, 2001, the Commission acted on requests for rehearing and clarification of the April 26 Order, and Commission expanded the mitigation plan to encompass the whole Western Systems Coordinating Council (“WSCC”) (now, the Western Electric Coordinating Council) at all times.⁶ On December 19, 2001, the Commission issued an Order requiring “the ISO to modify its Tariff to make recalculation of the mitigated prices triggered when reserves in California fall below 7 percent.”⁷ Finally, in the July 11 Order, the Commission discontinued the mitigated MCP system of the April 26 Order, and imposed a \$91.87/MWh “hard cap”. 100 FERC, slip op. at 11.

² 100 FERC ¶ 61,050 (2002) (“July 11 Order”).

³ The ISO filed a Motion For Clarification and Request For Expedited Consideration of the July 11 Order on July 18, 2002.

⁴ San Diego Gas & Electric Co. *et al.*, 95 FERC ¶ 61,115 (2001) (“April 26 Order”).

⁵ April 26 Order at 61,359. The Commission stated that its plan would “establish price mitigation for available capacity in real time when there is a reserve deficiency during emergency stages beginning with Stage 1” which it defined as “applicable to all conditions defined by the ISO as beginning when reserves fall below 7.5%.” 95 FERC at 61,358.

⁶ San Diego Gas & Electric Co. *et al.*, 95 FERC ¶ 61,418 (2001) (“June 19 Order”).

⁷ San Diego Gas & Electric Co. *et al.*, 97 FERC ¶ 61,293 at 62,364 (2001) (“December 19 Order”).

The instant filing complies with the July 11 Order requirement that the ISO to make a compliance filing by July 25, 2002 to include the hard cap of \$91.87 in the ISO Tariff.

II. PROPOSED TARIFF CHANGES

In compliance with the July 11 Order, the ISO now proposes to modify the ISO Tariff to provide that, all other Tariff provisions notwithstanding, as of the first Trade Hour on Trade Day July 12, 2002 through the last Trade Hour on Trade Day September 30, 2002, inclusive, a mitigated MCP hard cap of \$91.87/MWh will be in effect for all ISO spot markets.

The ISO Tariff Sections 2.5.23.3.1 and 2.5.27.7, as set forth in Attachments hereto, have been revised to reflect the above detailed change.

III. EFFECTIVE DATE

As directed in the July 11 Order, the effective date of the proposed Tariff modifications is July 12, 2002 through September 30, 2002, inclusive.

IV. SUPPORTING DOCUMENTS

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

- | | |
|--------------|---|
| Attachment A | Revised Tariff sheets incorporating the changes described above. |
| Attachment B | "Black-lined" Tariff provisions showing the additions to and deletions from existing Tariff provisions. |
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Attachment C A form notice of filing suitable for publication in the
Federal Register, and a computer diskette containing
the notice in WordPerfect format.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Margaret A. Rostker" followed by a stylized flourish that appears to be "C.F.R." or similar initials.

Charles F. Robinson
Margaret A. Rostker
Counsel for the California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
(916) 608-7147

Dated: July 24, 2002

ATTACHMENT A

If the ISO declares a System Emergency, e.g. during times of supply scarcity, and involuntary load shedding occurs during the real time Dispatch, the ISO shall set the Hourly Ex Post Price at the Administrative Price.

2.5.23.3 Temporary Limitation on BEEP Interval Ex Post Prices

2.5.23.3.1 Limitation. Notwithstanding any other provision of the ISO Tariff, the BEEP Interval Ex Post Price shall not exceed \$91.87 effective in all hours for Trade Days July 12, 2002 through September 30, 2002 inclusive. Scheduling Coordinators for Generating Units, System Units, and System Resources that submit bids above \$91.97 for the supply of Imbalance Energy shall be paid in accordance with their bids if accepted for Dispatch by the ISO.

2.5.23.3.2 Charges for Certain Instructed Imbalance Energy. Amounts paid to Scheduling Coordinators in accordance with Section 2.5.23.3.1 for Instructed Imbalance Energy from Generating Units, System Units and System Resources at bids above \$150 shall be charged to Scheduling Coordinators such that the charge to each Scheduling Coordinator shall be pro rata based upon the same proportion as the Scheduling Coordinator's Net Negative Uninstructed Deviations for the BEEP Interval bears to the total Net Negative Uninstructed Deviations of all Scheduling Coordinators for the BEEP Interval. Such charge shall apply in lieu of any charge specified in the ISO Tariff for such Instructed Imbalance Energy based on the BEEP Interval Ex Post Price.

2.5.23.3.3 [Not Used]

2.5.24 Verification of Performance of Ancillary Services.

Availability of both contracted and self provided Ancillary Services shall be verified by the ISO by unannounced testing of Generating Units, Loads and System Resources, by auditing of

Payments.

Scheduling Coordinators for owners of Reliability Must-Run Units (or Black Start Generators, as the case may be) shall receive the following payments for Energy output from Black Start facilities:

$$BSEN_{ijt} = (EnQBS_{ijt} * EnBid_{ijt}) + BSSUP_{ijt} Adjustment$$

where BSSUP_{ijt} is the start-up payment for a Black Start successfully made by Generating Unit i of Scheduling Coordinator j (or Black Start Generator j) in Trading Interval t calculated in accordance with the applicable Reliability Must-Run Contract (or the Interim Black Start agreement as the case may be).

2.5.27.7 Temporary Limitation on Ancillary Service Prices.

Notwithstanding any other provision of the ISO Tariff, the Market Clearing Prices for Regulation Up, Regulation Down, Spinning Reserves, Non-Spinning Reserves, and Replacement Reserves shall not exceed \$91.87 for all hours in Trade Days July 12, 2002 through September 30, 2002 inclusive. Scheduling Coordinators for Generating Units, System Units, Loads, and System Resources that submit bids above \$91.87 for the supply of these Ancillary Services shall be paid in accordance with their bids if accepted by the ISO.

2.5.28 Settlement for User Charges for Ancillary Services.

(a) The ISO shall determine a separate hourly user rate for Regulation, Spinning Reserve, Non-Spinning Reserve and Replacement Reserve for each Settlement Period purchased in the Day-Ahead market, and in the Hour-Ahead Market. Each rate will be charged to Scheduling Coordinators on a volumetric basis applied to each Scheduling Coordinator's obligation for the Ancillary Service concerned which it has not self provided, as adjusted by any Inter-Scheduling Coordinator Ancillary Service Trades.

ATTACHMENT B

2.5.23.3 Temporary Limitation on BEEP Interval Ex Post Prices

2.5.23.3.1 Limitation. Notwithstanding any other provision of the ISO Tariff, the BEEP Interval Ex Post Price shall not exceed \$91.87 effective in all hours for Trade Days July 12, 2002 through September 30, 2002 inclusive.~~150~~. Scheduling Coordinators for Generating Units, System Units, and System Resources that submit bids above \$91.87~~150~~ for the supply of Imbalance Energy shall be paid in accordance with their bids if accepted for Dispatch by the ISO.

* * *

2.5.27.7 Temporary Limitation on Ancillary Service Prices.

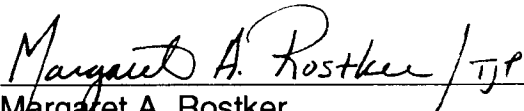
Notwithstanding any other provision of the ISO Tariff, the Market Clearing Prices for Regulation Up, Regulation Down, Spinning Reserves, Non-Spinning Reserves, and Replacement Reserves shall not exceed \$91.87~~150~~ for all hours in Trade Days July 12, 2002 through September 30, 2002 inclusive. Scheduling Coordinators for Generating Units, System Units, Loads, and System Resources that submit bids above \$91.87~~150~~ for the supply of these Ancillary Services shall be paid in accordance with their bids if accepted by the ISO.

ATTACHMENT C

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the Compliance Filing upon each person designated on the official service list compiled by the Secretary in the above-captioned dockets.

Dated at Folsom, California, on this 24th day of July, 2002.


Margaret A. Rostker
Counsel for The California Independent
System Operator Corporation

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

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

San Diego Gas & Electric Company,)	Docket Nos. EL00-95-058
Complainant,)	EL00-95-062
v.)	EL00-95-053
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)	EL00-98-038
)	EL00-98-033
)	EL00-98-009

Notice of Filing

[]

Take notice that on July 24, 2002, the California Independent System Operator Corporation (ISO) submitted a filing in compliance with the Commission's July 11, 2002, "Order on Rehearing, Reconsideration and Clarification" 100 FERC ¶ 61,050. The ISO states that it has served copies of this filing upon all parties listed on the official service list for this proceeding.

Any person desiring to be heard or to protest said filing should file a motion to intervene and protest with the Federal Energy Regulatory Commission, 88 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, 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. This filing may also be viewed on the Internet at <<http://www.ferc.gov>> using the "RIMS" link, select "Docket#" and follow the instructions (call 202-208-2222 for

assistance). Comments, protests, and interventions may be filed electronically via the Internet in lieu of paper. See 18 C.F.R. § 385.2001(a)(1)(iii) and the instructions on the Commission's Internet site under the "e-Filing" link.