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October 6, 2004

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

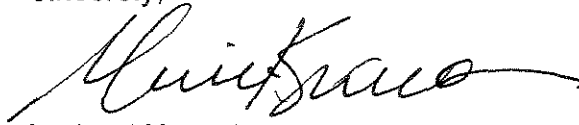
**Re: California Independent System Operator Corporation
Docket Nos. ER03-746-000**

Dear Secretary Salas:

Enclosed please find one original and five copies of the Compliance Report of the California Independent System Operator Corporation Concerning Preparatory Rerun Activity. Please note that we are requesting privileged treatment of Attachment D to this filing pursuant to C.F.R. Section 388.112. We are requesting this treatment because Attachment D contains financial settlement information pertaining to individual market participants that is kept confidential by the California ISO in the normal course of business.

Also enclosed are two extra copies of this cover letter to be time/date stamped and returned to us by the messenger. Thank you for your assistance. Please contact the undersigned if you have any questions regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Kunselman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Kunselman

Counsel for the California
Independent System Operator Corporation

Enclosures

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System)
Operator Corporation)
)
)

Docket No. ER03-746-000

COMPLIANCE REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION CONCERNING
PREPARATORY RERUN ACTIVITY

Pursuant to the Commission’s Order Granting Clarification and Granting and Denying Rehearing of the Federal Energy Regulatory Commission (“Commission” or “FERC”) issued on February 3, 2004, in the above captioned docket (“February 3 Order”),¹ the California Independent System Operator Corporation (“ISO”)² hereby submits this compliance report detailing the “preparatory rerun” process described by the ISO in Amendment No. 51 to the ISO Tariff.

At this time, the ISO is requesting that the Commission treat this filing as submitted for informational purposes only. The ISO recognizes that parties may wish to comment on or protest certain aspects of the ISO’s preparatory rerun process or results. However, pursuant to its schedule for completing the Commission-mandated Settlements rerun in the California Refund Proceeding (Docket Nos. EL00-95-000, et al.), the ISO is preparing to go forward with the

¹ 106 FERC ¶ 61,099 (2004).

² Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

refund portion of the rerun process, which will utilize the data obtained through the adjustments described herein. Therefore, if the Commission were to consider and rule on the correctness of the ISO's preparatory rerun process and results, and require changes thereto, the ISO would need to cease work on the refund rerun in order to implement those modifications. The ISO submits that a more sensible alternative would be for the Commission to defer ruling on the preparatory rerun process and results until such time as the ISO files with the Commission its refund rerun compliance filing.³ At that time, the Commission will have a complete picture of all of the adjustments made by the ISO during the entire rerun process. Moreover, it will be more efficient and less time-consuming for the ISO to implement any modifications ordered by the Commission as a whole, rather than piecemeal. In summary, the ISO believes deferring action on the preparatory rerun process until after the ISO files its refund rerun compliance filing will expedite the Commission's (and the ISO's) ultimate goal of concluding the California Refund Proceeding, and settling all accounts for the relevant period.

I. BACKGROUND

A. Need for the Preparatory Rerun

On March 26, 2003, the Commission issued an order in the California Refund Proceeding (Docket Nos. EL0095-045, *et al.*) in which it approved, with

³ Pursuant to its most current schedule for completion of rerun activities, the ISO plans to submit its refund rerun compliance filing in late December 2004 or early January 2005. See Eighth Status Report of the California Independent System Operator Corporation on Preparatory Rerun and Other Rerun Activity, Docket Nos. EL03-746-000, *et al.* (September 10, 2004).

certain modifications, findings of fact made by Presiding Administrative Law Judge Birchman concerning the calculation of refunds, and the process of reaching a final accounting of “who owes what to whom” with respect to transactions made in spot markets operated by the ISO and California Power Exchange (“PX”) during the period October 2, 2000 through June 20, 2001 (the “Refund Period”).⁴ In that order, the Commission directed the ISO to commence a final rerun of its settlements and billing system in order to apply the Commission-mandated refund methodology.

While the hearing process in the California Refund Proceeding was ongoing, however, it became clear to the ISO that, prior to this “final” rerun of its settlements and billing system, it would be desirable to establish an accurate “baseline” transaction database against which to apply the Commission-mandated mitigation methodology. That is, the ISO believed that it would be most efficient and accurate to perform the Commission-mandated refund rerun against a transactional baseline that reflected the most recent and accurate information available to the ISO. In order to establish such an accurate baseline database, the ISO determined that a number of “preparatory” settlement adjustments and reruns should be performed prior to beginning the refund rerun. These adjustments and reruns would be aimed at incorporating into the ISO’s transactional database a number of outstanding items.

B. Amendment No. 51 and The Need for Wall-Off

⁴ San Diego Gas & Electric Co., *et al.*, 102 FERC ¶ 61,317 (2003) (“March 26 Order”).

On April 25, 2003, the ISO filed proposed Amendment No. 51 to the ISO Tariff.⁵ Therein, the ISO explained that, in order to ensure that the data used in the refund rerun was the most accurate available, as well as to ensure proper cost responsibility for the period prior to the dates covered by the Refund Proceeding, it planned to conduct preparatory adjustments and reruns of its settlements system, in which it would account for approximately 18 issues. These issues included, among others, correcting under-reported meter data, implementing the effect of settlements reached in several Good Faith Negotiations (“GFNs”), and implementing corrections relating to energy exchange transactions entered into with other control areas during the Refund Period.⁶

The ISO explained, however, that certain amendments to the ISO Tariff were necessary in order to accomplish this goal, because the current structure of the ISO Tariff, which stipulates that charges and adjustments for past Trading Days are added to current trade month Settlement Statements and invoices, was not compatible with the resolution of the preparatory adjustments and reruns. The ISO explained that placing on current trade month statements the charges from past periods that it planned to address in these preparatory reruns and adjustments would cause several problems:

- (1) some of the Scheduling Coordinator debtors associated with the

⁵ A copy of Amendment No. 51 is included with this filing as Attachment A.

⁶ Amendment No. 51 to the ISO Tariff, Transmittal Letter at 2. Although all of the issues proposed in Amendment No. 51 involve adjustments to *Trading Days during the Refund Period*, some of the issues also involve adjustments to Trading Days prior to the Refund Period, in certain instances as far back as 1998. Therefore, the period covered by the preparatory rerun is larger than the Refund Period.

recalculated charges might no longer be active in the ISO Market, and therefore, the ISO could not properly assess charges to those entities using the standard Tariff mechanisms;

(2) application of old charges to current invoices might expose new market entrants to charges that occurred before they were involved in the ISO Market, and it would be most equitable to keep such charges separate from current market charges so that a mismatch between cost causers and cost payers would not result;

(3) including the complexity and extensive nature of the preparatory rerun and the resulting large dollar amounts on current Settlement Statements would add significant confusion to the clearing of current market transactions.

To avoid these problems, the ISO proposed several Tariff modifications in order to completely separate (*i.e.*, “wall off”) the invoicing and Settlement processes for the preparatory rerun from the invoicing and Settlement process that is used to clear the current ISO Markets. Also, in order to address concerns that the eight-business-day deadline for filing disputes under the ISO Tariff would not allow Market Participants sufficient time to review the extensive number of statements that they would receive during the preparatory rerun process, the ISO proposed to (1) provide Market Participants with Settlement detail files for all Settlement Statements produced in the preparatory rerun; and (2) communicate regularly with Market Participants regarding the issues that would be included in the preparatory rerun. In answers to comments and protests on Amendment No. 51, the ISO also proposed to extend the dispute period for preparatory rerun statements from eight to 15 business days. In addition, in some instances, Market Participants requested, and were given, additional time by the ISO to complete their review of the individual settlement statements.

C. June 13 Order

On June 13, 2003, the Commission issued an order in which it concluded that the ISO had not shown Amendment No. 51, as presented, to be just and reasonable. 103 FERC ¶ 61,331 (2003) (“June 13 Order”). Specifically, the Commission expressed concern that the ISO had not fully explained and clarified the preparatory rerun process, along with the adjustments involved therein. The Commission therefore conditionally accepted and suspended Amendment No. 51 for five months, and directed the ISO to submit a compliance filing, in which the ISO was to explain and justify each issue that it proposed to adjust in the preparatory rerun, as well as to explain in greater detail how it intended to allocate any amounts it could not recover from one customer to other customers, detail the separation process that it planned to implement regarding the walling-off of invoices, and provide a detailed explanation of how Market Participants could dispute the re-run assessments, including when the dispute period would begin.

D. July 3 Compliance Filing

On July 3, 2003, the ISO filed the compliance filing required by the June 13 Order. Therein, the ISO provided detailed information with respect to each of the 17 issues⁷ that it planned to address in the preparatory rerun.⁸ This

⁷ Although the ISO originally planned to address 18 issues in the preparatory rerun,

information consisted of, for each issue, an explanation of the proposed change, the Trading Days range affected, the estimated dollar impact of the issue, the ISO charge types that would potentially be affected, and the method of allocating the effects of the change. The ISO explained that some of the adjustments would involve automated, full Settlement system recalculations, while others would consist of manual uploads into the Settlements system, and that although the ISO would be able to isolate the impacts of the manual uploads from the automated uploads, as well as to isolate the impact of each of the manual uploads from other manual uploads, it could not separate or isolate the effects of one automated calculation from another automated calculation. With respect to amounts resulting from the modifications in the preparatory rerun that it could not recover from certain customers, the ISO explained that, as with current invoices and billing practices under the ISO Tariff, any shortfalls for a particular period involving the preparatory rerun would be pro-rated among ISO Creditors for that same period.

On the issue of wall-off, the ISO noted that due to bankruptcies of Scheduling Coordinators in the ISO Markets that affected the Refund Period, a number of Scheduling Coordinators that were owed money during this period became creditors in those bankruptcy proceedings. The ISO explained that each of the 17 issues that it planned to address in the preparatory rerun involved at

subsequent to the filing of Amendment No. 51, the ISO determined that one of the changes was a *de minimis* manual adjustment that only applied to one hour, and therefore, did not need to be included in the preparatory rerun.

⁸ For ease of reference, included with this filing as Attachment B is a copy of Attachment A to the July 3 compliance filing, which provides details on each of the 17 issues that the ISO planned to address in the preparatory rerun.

least one Scheduling Coordinator that declared bankruptcy on a date during the period affected by the rerun relating to that issue. The ISO maintained that it would not be appropriate to commingle charges to a Scheduling Coordinator that are affected by a bankruptcy date with Settlements covering current trade months. Moreover, as the ISO explained in its original Amendment No. 51 filing, the large sums of money involved in the preparatory rerun would likely disrupt the current month's and subsequent months' market clearing.

With respect to disputes, the ISO explained that Market Participants would be permitted to dispute preparatory rerun statements using the existing provisions of the ISO Tariff. However, because of the large volume of statements that the ISO planned to publish during the preparatory rerun, the dispute deadline would be extended from eight business days to 15 business days. The ISO maintained that this dispute window should begin to run upon the publishing of statements by the ISO to Scheduling Coordinators, instead of the date on which Scheduling Coordinators' clients receive their statements.

E. November 14 Order

On November 14, 2003, the Commission issued an order addressing the ISO's July 3 compliance filing. 105 FERC ¶ 61,203 (2003) ("November 14 Order"). Therein, the Commission accepted the ISO's wall-off proposal, as well as all of the issues that the ISO proposed to include in the preparatory rerun, except for two. Specifically, the Commission denied the ISO's proposed adjustment relating to the issue of revision of unavailable ancillary services

(Issue No. 13), ruling that such adjustment concerned the “double billing” issue set for resolution in the Commission’s Show Cause proceeding.⁹ The Commission also deferred ruling on the ISO’s proposed billing adjustment relating to disputes filed by Williams concerning improper payment for dispatched energy and miscalculation of energy settlements (Issue No. 9) until after the Commission assessed the November 11, 2002, settlement agreement entered into between Williams and certain California entities, and its possible impact on rates, terms and conditions of service. The Commission accepted the ISO’s proposal to extend the dispute deadline for preparatory rerun Settlement Statements, but concluded that a 30-business-day deadline was more appropriate than the 15 business days proposed by the ISO. The Commission agreed with the ISO that the dispute window should begin to run upon the publishing of those statements by the ISO. The Commission directed the ISO to complete the preparatory rerun and submit a compliance filing by January 30, 2004.

F. February 3 Order

On February 3, 2004, the Commission issued its order on rehearing and clarification of the November 14 Order. 106 FERC ¶ 61,099 (2004) (“February 3 Order”). In that order, the Commission accepted requests for rehearing filed by Williams and the ISO and permitted the ISO to incorporate Issue No. 9 into the preparatory rerun. The Commission also granted the ISO’s request to modify the

⁹ Enron Power Marketing, *et al.*, 102 FERC ¶ 61,316 (2003).

deadline for the completion of the preparatory rerun to “as soon as possible.” *Id.* at P 21. Finally, the Commission required the ISO to report to it on a monthly basis, beginning on February 10, the status of the preparatory rerun and the dates that it then expected to complete both the preparatory and refund reruns.

II. PREPARATORY RERUN PROCESS

A. In General

As described in the July 3 Compliance Filing, some of the adjustments made during the preparatory rerun were processed through automated, full Settlement system recalculations, while others were made via manual uploads into the Settlement system. The specific methodological processes used by the ISO in performing the adjustments for the various issues that make up the preparatory rerun are fully set forth in Attachment A to its July 3 Compliance Filing, and the Re-Run Process Overview Manual that it posted to the ISO Web site (see below). Although the contents of these filings will not be repeated in the body of this report, both of these documents are included as attachments to this filing.¹⁰

B. Timeline

In the February 3 Order, the Commission granted the ISO’s request that the deadline for completing the preparatory rerun be “as soon as practicable” rather than a specific date certain. Pursuant to the Commission’s direction in

¹⁰ Attachment A to the July 3 Compliance Filing is included as Attachment B. The Re-Run Process Overview documents are included as Attachment C.

that order, the ISO has, in its status reports filed with the Commission each month, set forth its most up-to-date estimate for completion of the preparatory rerun (as well as activities involved in the refund rerun).

The ISO commenced the preparatory rerun on December 15, 2003, and continued rerun processing until January 13, 2004. During this period, the ISO published to Market Participants Settlement Statements and Settlement detail files associated with the Trading Days October 2, 2000, through December 5, 2000. On January 14, 2004, the ISO suspended preparatory rerun activities pending the Commission's decision on rehearing of whether the ISO should incorporate adjustments relating to Williams (Issue No. 9, as described above). The ISO decided on this pause because the Williams issue affected the ISO Markets beginning after December 5, 2000, and incorporating the changes associated with the Williams issue after the ISO had already rerun dates affected by this issue would have been far more time consuming than awaiting the Commission's decision on rehearing.¹¹

As noted above, the Commission granted rehearing on the Williams issue in the February 3 Order, and instructed the ISO to include Issue No. 9 in the preparatory rerun. The ISO therefore re-commenced rerun processing on February 9, 2004, and informed the Commission in its first monthly status report¹² that after this resumption, the preparatory rerun production phrase would take

¹¹ See Answer of the California Independent System Operator Corporation in Support of Motion for Expedited Clarification, or, in the Alternative, Request for Rehearing of Williams Power Company, Inc., Docket Nos. ER03-746-001, *et al.* (Nov. 26, 2003).

¹² The ISO has not included all of the monthly status reports that it has filed in this docket pursuant to the February 3 Order. However, the ISO has attached, as Attachment E, a list of all of the status reports, and the date on which they were filed.

approximately nine to nine-and-a-half weeks of production activity to complete, and that, therefore, the ISO planned to conclude this phase on April 14, 2004. However, the ISO also explained that preparatory rerun production could only proceed for an additional two weeks after restarting on February 9, pending a Commission decision on the issue of the ISO Settlements treatment of energy provided by CERS during the Refund Period.

In its second status report, filed with the Commission on March 10, 2004, the ISO explained that it had, as indicated in the first status report, resumed preparatory rerun processing on February 9, 2004, but that, two days later, based on the need to update certain meter data templates and the reassessment of the pricing of certain OOM transactions, the ISO suspended publication of additional rerun statements until such issues had been thoroughly investigated. The ISO resumed publishing on February 23, 2004, for October 2000 data. The ISO explained that temporary pauses would delay the schedule for the completion of the preparatory rerun by four weeks, resulting in a May 12, 2004 target date for the conclusion of preparatory rerun production.

In its third status report, filed with the Commission on April 12, 2004, the ISO indicated that it had continued with preparatory rerun production, and, on March 26, 2004, had completed the production and distribution of statements through January 16, 2001. The ISO stated that it had halted further rerun production pending clarification on the proper treatment of CERS transactions, which took place beginning on January 17, 2001, and had not resumed processing up until the date of filing of this status report because no decision on

the CERS issue had been received. The ISO explained that this delay would have a comparable impact on the completion of the preparatory re-run as well as the final completion date. The ISO estimated that preparatory rerun production could not be completed until June 2004.

In the ISO's fourth status report, filed with the Commission on May 7, 2004, the ISO explained that it had published no additional settlement statements during that reporting period because the "hold" begun during the previous reporting period, pending clarification of the CERS accounting issue, had continued. The ISO noted that it could not, at that time, predict with any degree of certainty what the final impact of the hold would be on the schedule, nor the final completion dates for the preparatory and the refund reruns. However, the ISO extended the projected dates in its schedule for one month to at least reflect the known hold period. This resulted in an estimated completion date for preparatory rerun production of July 2004. Since the fourth status report, the ISO has not revised its estimate for completing the preparatory rerun, and on July 16, 2004, the ISO completed preparatory rerun production. Additionally, as of September 17, 2004, the ISO has resolved and closed all disputes related to the preparatory rerun.

C. Corrections

During the preparatory rerun process, several errors or omissions were detected in the rerun data distributed by the ISO to Market Participants. In each of these instances, the ISO made appropriate corrections and, if necessary, re-

issued a new set of data to Market Participants. Moreover, the ISO, through market notices, the monthly status reports, and conference calls, kept Market Participants fully informed concerning the nature of these errors, and the steps being taken by the ISO to address them.

D. Results

The most tangible “results” of the preparatory rerun are the revised Settlement Statements and associated Settlement detail files that consist of the individual records reflecting Market Participant transactions in the ISO Markets, and the incremental changes made as a result of resolving the various issues from Amendment No. 51 (as well as a limited number of other, minor changes, see Section VI below). As described in Section III, the ISO provided all of this data directly to Market Participants, on an ongoing basis, during the preparatory rerun process. The ISO is not, however, including this data with the current filing. Because of the detailed nature of this data (literally, millions of automated and manual Settlements records), the ISO does not believe that it would be of great use to the Commission. In lieu thereof, included as Attachment D is a spreadsheet that displays the financial impact of the preparatory rerun for each Scheduling Coordinator. That is, for each Scheduling Coordinator, it shows the difference (“delta”) between the amount originally invoiced by the ISO for each month covered by the preparatory rerun, and the amount that would be invoiced by the ISO taking into account the adjustments made in the preparatory rerun.

III. INTERACTION WITH MARKET PARTICIPANTS DURING THE RERUN PROCESS

Throughout the preparatory rerun process, the ISO has engaged in extensive efforts to keep Market Participants fully informed of the nature of the adjustments that it has made in the preparatory rerun, as well as the process for performing those adjustments, and the results thereof. Moreover, the ISO has responded to numerous queries by Market Participants, both on an individual level and through various multi-party forums, such as postings on its Web site, telephone and internet conferences and face-to-face meetings. Finally, pursuant to the February 3 Order, the ISO has filed with the Commission and served on parties to this proceeding a status report each month, beginning with February 2004.

The ISO expressed its commitment to conduct an open and transparent preparatory rerun process long before beginning the preparatory rerun calculations.¹³ This commitment was reinforced by the Commission, which emphasized, in the February 3 Order, the need for a transparent process so that the ISO "can reach a final baseline expeditiously and without subsequent objection by market participants." February 3 Order at P 9. The ISO believes that it has fully met this commitment. ISO Staff has spent an enormous amount of time and effort to ensure that Market Participants have the most accurate and up-to-date information and data available. The following is a more detailed description of the various tools used by the ISO in communicating and coordinating with Market Participants during the preparatory rerun process:

¹³ See, e.g., Motion for Leave to File Answer and Answer of the California Independent System Operator Corporation to Comments and Protests, Docket No. EL03-746-000 (August 8, 2003) at 12-15.

1) Market Notices – The ISO issued over fifty Market Notices during the preparatory rerun process in order to keep Market Participants abreast of current issues, milestones, and upcoming meetings relevant to the preparatory rerun. Many of the items detailed below were prefaced by an ISO Market Notice, in order that Market Participants be directly and expeditiously informed of important preparatory rerun events. Copies of these Market Notices were also distributed via the email Listserv established for the California Refund Proceeding.¹⁴

2) Provision of Settlement Statements and Settlement Detail Files –

For each Trade Date covered by the preparatory rerun, the ISO has provided Market Participants with data that allows Market Participants to not only understand the individual changes made by the ISO in the preparatory rerun, but also to validate those changes. First, the ISO provided electronically to Market Participants a revised statement for each Trading Day affected by the preparatory rerun, which consisted of a summary of dollar amounts due (aggregated by charge type), along with all of the records relating to manual Settlement adjustments made for that date. Additionally, the ISO distributed to all Market Participants, via compact disc, Settlement detail files covering all of the dates in the preparatory rerun. The Settlement detail files contain detailed records of charges by trading interval, location, zone and charge type as appropriate. These records contain the billable quantity, price, and amount due

¹⁴ These market notices are available on the ISO's Web site at <http://www.caiso.com/docs/2004/01/16/200401161414093653.html>

as well as a number of other fields which uniquely identify the charge (such as location, zone, trading interval) or represent the terms used in deriving the charge. Moreover, the ISO provided to each Market Participant Settlement detail files covering the activity of *all* Market Participants during the preparatory rerun period. In previous reruns, the ISO has not provided these detail files. However, because these files are necessary in order to validate the changes made by the ISO during the preparatory rerun, in particular, the allocation of charges among Market Participants, the ISO committed to providing these files so as to better ensure a transparent process and improve accuracy.

3) Posting of Manuals and Other Information on Preparatory Rerun Procedures – The ISO has provided Market Participants and other interested parties, through its Web site, a great deal of information on the preparatory rerun process. The ISO has maintained all of this information under the Market Services/Settlements link on the ISO's Web site for easy access.

Early in the preparatory rerun process, the ISO posted an overview of the entire preparatory rerun. This series of documents details the methodology and process adopted by the ISO for resolving each of the seventeen issues that the ISO proposed to rerun in Amendment No. 51. These documents also describe the estimated impact and the ISO Charge Types that would be affected by the adjustments relating to each of these issues. These documents are all included with this filing as Attachment C.

At about the same time that the ISO posted the overview documents, the

ISO also posted on its Web site a document that provided answers to frequently asked questions from Market Participants concerning the preparatory rerun process (“FAQ”). This FAQ covers numerous topics, from the dispute timeline to how to read the Settlement Statement discs distributed by the ISO. The FAQ is included with this report as Attachment F.

4) Calendar of Important Preparatory Rerun Dates – Throughout the preparatory rerun process, the ISO has maintained on its Web site a calendar displaying the progress of the preparatory rerun along with the relevant publishing dates for Settlements data and associated deadlines for submitting disputes. For each day of the preparatory rerun, this calendar shows the Refund Period Trading Days that were processed, the statements published to Market Participants on that date, and the dispute deadline associated with those statements. This calendar also displays any adjustments made to the original schedule, and the updated dispute deadlines. A copy of this calendar is included as Attachment G to this filing.

5) Conference Calls with Market Participants – During the preparatory rerun, the ISO hosted a number of conference calls with Market Participants, in order to keep Market Participants abreast of the progress of the preparatory rerun, as well as to respond to Market Participant questions (both those submitted in advance of the calls, and those that came up during the calls). These calls were held approximately once a month during the rerun, beginning in

December, 2003.

6) Monthly Status Reports – As noted above, the ISO has complied with the Commission's requirement in the February 3 Order to file with the Commission each month a status report detailing the progress and current schedule for completion of the preparatory and refund reruns. In addition to keeping the Commission up to date on the status of its rerun efforts, the ISO has also used the status reports as another tool to alert Market Participants to important issues that have arisen during the preparatory rerun. In order to better reach Market Participants, the ISO has, in addition to filing with the Commission, distributed these status reports via the e-mail Listserv established for the Refund Proceeding. An attachment listing these reports, and the dates on which they were filed, is included with this filing as Attachment E.

7) Other Conferences – On February 5, 2004, ISO Settlements Staff conducted an on-line training program for Market Participants. The purpose of this training session was to familiarize Market Participants with the format of the Settlement Statements issued by the ISO during the preparatory rerun, and to assist Market Participants that wished to validate the preparatory rerun statements received from the ISO. The presentation associated with this conference is included as Attachment H to this filing. The ISO held another on-line training session to assist Market Participants with validating their Settlement Statements in late June, 2004.

On July 26, 2004, several members of the ISO Settlements Staff attended a technical conference hosted by FERC Staff. At that conference, the ISO gave a presentation which contained information on the status of dispute processing for the preparatory rerun, the ISO's plan for addressing ongoing disputes of preparatory rerun data, and an explanation of the type of information that would be included in this compliance filing.¹⁵

8) Dispute Processing and Resolution – The ISO's extensive dispute resolution activities related to the preparatory rerun are described in Section IV. below.

IV. DISPUTE RESOLUTION

During the preparatory rerun, ISO Staff has processed, researched, and resolved over 5,000 disputes submitted by Market Participants relating to rerun Settlement Statements.¹⁶ As noted above, the last preparatory rerun-related disputes were processed and closed by ISO Staff on September 17, 2004. Of these, 520, or approximately 10%, were approved by the ISO, and appropriate changes were made to implement the approval of these disputes. ISO Staff has devoted extensive time and effort to researching and correctly resolving these disputes, within the tight timeframe that the schedule has allowed. However, the ISO recognizes that some parties may wish to continue to pursue their disputes

¹⁵ A copy of the ISO's PowerPoint presentation from that conference is included with this filing as Attachment I.

¹⁶ See ISO Tariff Section 11.7.2 (the provisions of the ISO Tariff relevant to initial disputes of Settlement Statements).

through the alternative dispute resolution (“ADR”) mechanisms provided for under the ISO Tariff.¹⁷ Originally, the ISO had intended to request from the Commission a waiver of the ADR provisions of the ISO Tariff with respect to preparatory rerun disputes, with all such disputes instead being handled through comments and protests to the Commission. However, the ISO has since come to the conclusion that allowing parties to pursue their ADR rights under the ISO Tariff with respect to preparatory rerun disputes would be the most efficient and equitable solution. This will free the Commission from the burden of trying to understand and rule on what could potentially be a host of detailed, technical disputes, which it has neither the training nor the necessary data to resolve as expeditiously as the ISO.¹⁸

V. INTERNAL VERIFICATION PROCEDURES

From the beginning of the preparatory rerun process, the ISO recognized the importance of having a robust process to internally verify the results of the preparatory rerun. Therefore, ISO Management formed, in December 2003, a verification team that was comprised of selected ISO staff members who had settlement, finance, or review and auditing experience. Contractor and consultant support were also provided as needed. Contractors provided needed review support while the consultants provided auditing experience as well as

¹⁷ See ISO Tariff Section 13.

¹⁸ The ISO wishes to emphasize, as it has in previous pleadings, that parties should contact the ISO as soon as possible if they are planning to pursue their ADR rights under the ISO Tariff with respect to any preparatory rerun disputes. This will allow the ISO to deal with and resolve these issues earlier. As of the filing of this report, the ISO has received no notice that any party plans to pursue ADR with respect to preparatory rerun disputes.

guidance on the checklists and verification guidelines. This team reported directly to the ISO's Chief Financial Officer.

The verification was performed by reviewing and evaluating a sample of rerun activities for compliance with procedures (both internal procedures and the external overviews posted on the ISO Web site), processes, and controls. Depending on the particulars of the Settlement activity, the verification team performed an independent test of the Settlement calculations or verified the results using appropriate auditing techniques. If the Settlement activity included steps for results validation (by the Settlement team members), the reviewer attempted to verify and document the completeness of these activities.

Verification activities included the following steps:

- Verification planning and checklist development,
- Performance of the verification and completion of the checklist,
- Follow-up action identification,
- Issuance of periodic status reports on the progress of verification activities, and

These procedures resulted in valuable feedback to the Settlements personnel who were responsible for implementing the preparatory rerun, as well as in important corrections being made, thus ensuring the most accurate results possible.

VI. ITEMS ADDRESSED IN THE PREPARATORY RERUN BUT NOT DESCRIBED IN AMENDMENT NO. 51

During the preparatory rerun process, several issues arose that the ISO

had not previously contemplated dealing with during the preparatory rerun, and thus, that were not described in Amendment No. 51 filing, or in the June 3 compliance filing. These items were all originally noticed and described by the ISO in its monthly rerun status reports to the Commission.

A. Adjustment for CDWR Settlement

An adjustment was made for trade date December 8, 2000, in the amount of \$177,000. This amount was paid to the California Department of Water Resources ("CDWR") and charged to the ISO Market based on Control Area Load and Exports. This change represents the resolution of Good Faith Negotiations with respect to an item that was originally disputed in early 2001.

B. Settlement of Instructed Energy Relating to Certain OOM Transactions

During the refund period, certain Participating Generators were paid a negotiated price for energy delivered pursuant to ISO OOM dispatches, rather than the two-option payment mechanism that is provided for in the ISO Tariff for OOM dispatches from Participating Generators (generally referred to as "Option A/B" pricing). See ISO Tariff Section 11.2.4.2. During the early portions of the preparatory rerun, the ISO changed the prices paid for these transactions during the period November 2, 2000 through December 15, 2000 from the negotiated price to the price provided for under Section 11.2.4.2 of the ISO Tariff. After receiving questions from Market Participants with respect to these transactions,

the ISO concluded that the most appropriate treatment under the Amendment No. 51 filing would be to leave these negotiated prices “as is” for the purposes of the preparatory rerun.¹⁹ Therefore, the ISO reversed the changes that had been made from the negotiated price to the “Option A/B” price.

C. Correction of Overpayment of Certain OOM/OOS Transactions

Prior to the preparatory rerun processing, some transactions included small amounts of ramping energy or residual energy that were paid as-bid, rather than at the Market Clearing Price. Because the ISO’s current Settlement software automatically corrects these situations, these prices were corrected in the preparatory rerun. The ultimate impact of these corrections will be minimal once the mitigated Market Clearing Prices (“MMCPs”) are applied in the refund rerun. The ISO did not reverse these automated corrections, and does not believe that such reversal is warranted in the future.

D. Correction of Certain OOM and RMR Records

During the ISO’s internal validation process for the preparatory rerun, the ISO discovered certain errors in various OOM and Reliability Must Run (“RMR”) records, caused primarily by manual adjustments made in earlier Settlement Statements. These errors included records that had been double-counted, or, in some cases, records that lacked adequate information. Corrections were made during the preparatory rerun process in order to resolve these errors.

¹⁹ Of course, these transactions, to the extent that they are otherwise subject to mitigation, will be mitigated via application of the MMCP during the refund portion of the rerun.

E. Energy Exchanges


The Re-run Procedure Overview document on Energy Exchange (included as part of Attachment C to this filing) discusses the collection of charges and credits in BA ID 2970. This ISO account is used in the Settlement process to collect charges and credits in the receive period (when energy was brought into the Control Area) and return period (when energy was “paid back” to the other Control Area), and allocates resulting net costs to net negative deviators in the receive period. At the end of the preparatory rerun, it was discovered, through the ISO’s internal validation process, that BA ID 2970 held a positive balance of approximately \$9 million, meaning that “the market” was overcharged by this amount. Extensive investigation occurred during the months of August and September to analyze the transaction records to determine the cause of this imbalance. The ISO concluded that certain special transactions referred to internally as “memoties” did not settle properly. Memoties were a mechanism that the ISO during the Refund Period to contract with third parties to “pay back” energy exchange transactions. This anomaly resulted in approximately \$9 million being charged to metered demand and deposited in the BAID 2970. Because the ISO did not recognize and understand this improper accounting until the end of preparatory rerun production, it could not be corrected in the preparatory rerun. Instead, the ISO will correct this oversight during refund rerun processing.

VI. CONCLUSION

The ISO respectfully requests that the Commission accept this compliance report for informational purposes, and defer ruling on the merits of the preparatory rerun process and results until such time as the ISO files with the Commission its compliance filing detailing the results of the refund rerun.

Respectfully Submitted,

Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel
The California Independent System
Operator Corporation
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Folsom, CA 95630


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Counsel for the California Independent
System Operator Corporation

Dated: October 6, 2004

ATTACHMENT A

4/15/03

ORIGINAL

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April 15, 2003

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

FILED
OFFICE OF THE
SECRETARY
2003 APR 15
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FEDERAL ENERGY
REGULATORY COMMISSION

Re: **California Independent System Operator Corporation**
Docket No. ER03-~~746~~-000
Amendment No. 51 to the ISO Tariff

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Sections 35.11 and 35.13 of the Federal Energy Regulatory Commission's ("Commission") rules and regulations, 18 C.F.R. §§ 35.11, 35.13, the California Independent System Operator Corporation ("ISO")¹ respectfully submits for filing an original and six copies of an amendment ("Amendment No. 51") to the ISO Tariff. As described below, Amendment No. 51 relates to Settlement Statement re-runs and adjustments to Scheduling Coordinator invoices. Expeditious action on this matter is imperative if the ISO is to complete a series of preparatory market re-runs that are prerequisites for the major re-run necessary in the California refund proceeding in Docket Nos. EL00-95, *et al.* (the "Refund Proceeding"). For this reason, the ISO is requesting an effective date of May 1, 2003 for this amendment.

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A, as filed August 15, 1997, and subsequently revised.

I. PROPOSED TARIFF CHANGES

On March 26, 2003, the Commission issued an order in the Refund Proceeding stating that it expected that refunds in the Refund Proceeding would be distributed by the end of the summer.² The ISO has determined that before it even can begin to conduct the Refund Proceeding re-run, though, the ISO must ensure that the data needed for the Refund Proceeding re-run are accurate. In order to obtain accurate data, the ISO must complete certain "preparatory" adjustments and re-runs described below.

The preparatory adjustments and re-runs encompass over 18 major issues, including:

Adjustments needed to correct several cases of meter data under-reporting spanning the time period from April 1998 through June 2001.

Adjustments needed to collect and distribute settlements reached in several proceedings to resolve Good Faith Negotiations ("GFN").

Adjustments needed to collect and disburse the settlement issued by the Commission on April 30, 2001 concerning AES Southland, Inc. and Williams Energy Marketing & Trading Company.³

Adjustments needed to collect and disburse corrections required by Energy Exchange contracts with other control areas.

Adjustments identified by the ISO Compliance Department to eliminate payments for scheduled Ancillary Service capacity that was unavailable due to uninstructed deviations, and to correct certain adjustments to payments for Regulation Reserve.

The ISO needs to complete these re-runs in order to "re-baseline" its systems in preparation for the significant re-run associated with the Refund Proceeding. One significant reason for the need for these preparatory re-runs involves the California Power Exchange ("Cal PX"). The Cal PX represented a significant portion of the market prior to ceasing operations in 2001. The Cal PX is in bankruptcy and may wind up its affairs following the conclusion of the Refund Proceeding. To ensure proper cost responsibility for the period prior to the dates covered by the Refund Proceeding, the ISO must complete, to the best of its ability, any re-runs associated with the earlier period of operations.

Efforts to conduct these preparatory adjustments and re-runs must, however, overcome the hurdle that currently, under the ISO Tariff, charges and adjustments for *past* Trade Dates are added to *current* trade month Settlement Statements and

² *San Diego Gas & Electric Co., et al.*, 102 FERC ¶ 61,317, at P 1 (2003) ("March 26 Order").

³ *AES Southland, Inc. and Williams Energy Marketing & Trading Company*, 95 FERC ¶ 61,167 (2001).

invoices. This arrangement is not compatible with the resolution of the preparatory adjustments and re-runs. The preparatory adjustments and re-runs involve a high level of complexity due to bankruptcies in the ISO Market, the large sums of money potentially involved, and the length of time covered by the re-runs. Further, many of the preparatory adjustments and re-runs span the dates of the refund period in the Refund Proceeding – October 2, 2000 to June 20, 2001. Additionally, re-runs and major adjustments stemming from litigation or GFN/Alternative Dispute Resolution (“ADR”) results, or from directives in Commission orders, often involve payment adjustments for trade dates that are months or years prior to current trade months. Collection of these past charges on current month invoices will cause several problems:

1. Some of the Scheduling Coordinator debtors associated with the recalculated charges may be no longer active in the ISO Market. Thus, they cannot properly be assessed charges using the ISO Market mechanism.
2. Application of old charges to current invoices can expose new market entrants to charges that occurred before they were involved in the ISO Market. Equity thus requires that any such charges be kept separate from the current market charges so that a mismatch of cost causers and cost payers does not result.
3. The complexity and the extensive nature of the re-run adjustments on current Settlement Statements and large dollar invoices would add significant confusion to the clearing of current market transactions.

It is also important that adjustments to past charges do not assess improper charges to Scheduling Coordinators that were not in the market at the time of the transactions that are being adjusted.

Because of these complexities and potential difficulties, the ISO Market would benefit from having the invoicing and Settlement process for the preparatory adjustments and re-runs completely separated (*i.e.*, “walled off”) from the invoicing and Settlement process that currently is used to clear the ISO Market.⁴ Moreover, the ISO is mindful of the need to finish the preparatory adjustments and re-runs as quickly as practicable, in light of the expectation expressed in the March 26 Order that refunds in the Refund Proceeding would be distributed by the end of the summer.⁵

⁴ In Attachment C to the present filing, the ISO provides the affidavit of Donald Fuller, Director Billing & Settlements, which explains further the need for the ISO to wall off the preparatory adjustments and re-runs (“Fuller Affidavit”).

⁵ The ISO estimates that completing both the preparatory adjustments and re-runs and the Refund Proceeding re-run will require a total of about 5-6 calendar months, assuming that no other issues must be accounted for in the re-runs. Fuller Affidavit at ¶ 6. The ISO plans to be ready to begin the preparatory adjustments and re-runs by May 5, 2003.

Therefore, the ISO respectfully requests that the Commission approve the proposed modifications to the ISO Tariff included in Attachment B to the present filing,⁶ effective May 1, 2003. The first of these modifications, to Section 11.6.3.2 of the ISO Tariff, provides that the ISO Governing Board may order the cost of a Settlement Statement re-run to be borne by the Scheduling Coordinator requesting it, unless the circumstances described apply. Further, the ISO proposes to modify Section 11.6.3.3 to remove the last sentence of the section, which provides that the net balance of all adjustments shall go into a balancing account, as a debit or credit, to the Grid Management Charge. Another proposed change is the addition of Section 11.6.3.4, providing that re-runs and the financial outcomes of dispute resolution may be invoiced separately from monthly market activities, and that the ISO will give a market notice at least 30 days prior to such invoicing identifying the components of such invoice. Finally, the ISO proposes that Section 11.9 be modified to reiterate that re-runs and the financial outcomes of dispute resolution may be invoiced separately from market activities, and that the ISO will provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

Adjustments to the invoices of Scheduling Coordinators affected by the ISO Tariff modifications described above will be done separately from current month invoices in the following manner. Late payments are subject to normal ISO credit practice, including the possibility of a late payment penalty and interest charges at the default interest rate, application of posted credit to satisfy the late payment, etc. Funds received from debtors will be distributed to creditors on a pro rata basis.

II. TIME PERIOD FOR THE FILING OF DISPUTES

While not directly related to the "wall-off" of invoices, the ISO wishes to note another issue related to the complexity noted earlier. This relates to the dispute window in the ISO Tariff that provides SCs eight business days to file a dispute on their Settlement Statements. Some Market Participants have stated that the current Tariff requirement allowing eight business days to file disputes will not allow for a successful review of the extensive number of statements they will receive during the rerun processes. The ISO appreciates this issue and has agreed to take steps to assist Scheduling Coordinator review of the statements. The ISO will provide Settlement Detail Files for all settlement statements in the rerun, whereas in the past they have not been provided. Also, the ISO will provide regular communications to SCs regarding the issues that will be included in the preparatory rerun. This additional information will greatly assist SCs in their statement analysis.

The ISO opposes a change in the dispute window based on its understanding of the Commission's schedule to implement the California refunds. A change in the

⁶ On March 27, 2003, the ISO Governing Board authorized ISO Management to file Tariff amendments to allow major re-run invoicing to occur separately from the current Tariff invoicing provisions.

dispute window would have a day-for-day impact on the ISO's schedule to complete the rerun work. It even could have a doubling effect, meaning a change in the dispute window would add that amount of time to the schedule after the preparatory rerun and again after the refund rerun. If, however, the refund timeline is delayed for any reason, allowing more time for review of preliminary statements would provide SCs a more thorough and detailed analysis of their statements. If this extra time is available in the schedule, the ISO would not oppose allowing SCs 12-15 business days at the end of each month's statements in the reruns to file disputes on those statements, rather than the current eight-day period.

III. EFFECTIVE DATE

For the reasons described above, the ISO respectfully requests that the Commission issue an order concerning the present filing as soon as possible, and make the modifications proposed in this filing effective as of May 1, 2003. In this regard, the ISO requests that the Commission shorten the period for comments on this filing, to allow their resolution as quickly as possible. Due to the urgency of the re-runs to be performed, the ISO submits that good cause exists, in accordance with Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, for the Commission to approve the requested effective date. Approval by the Commission by May 1, 2003 will facilitate the current re-run schedule, which calls for the preparatory re-runs to begin on May 5, 2003.

IV. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel
The California Independent System
Operator Corporation
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V. SERVICE

The ISO has served copies of this letter, and all attachments, on the Public Utilities Commission of the State of California, the California Energy Commission, the

California Electricity Oversight Board, and on all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting this transmittal letter and all attachments on the ISO Home Page.

VI. ATTACHMENTS

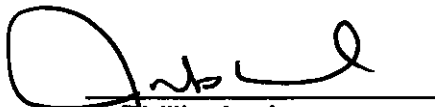
The following documents, in addition to this letter, support this filing:

- | | |
|--------------|---|
| Attachment A | Revised Tariff sheets to implement Amendment No. 51 to the ISO Tariff, if necessary as described above |
| Attachment B | Black-lined Tariff provisions showing the proposed changes contained in Amendment No. 51 |
| Attachment C | Affidavit of Donald L. Fuller |
| Attachment D | Notice of this filing, suitable for publication in the Federal Register (also provided in electronic format). |

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

Please feel free to contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,



Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel
The California Independent System
Operator Corporation
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Washington, DC 20007

Attorneys for the California Independent System Operator Corporation

Enclosures

ATTACHMENT A

11.6.2 Basis for Billing and Payment.

The Preliminary and the Final Settlement Statements shall constitute the basis for billing and associated automatic funds transfers in accordance with this ISO Tariff. The Preliminary Settlement Statement shall constitute the basis for billing and associated automatic funds transfers for all charges in the first instance. The Final Settlement Statement shall constitute the basis for billing and associated automatic funds transfers for adjustments to charges set forth in the Preliminary Settlement Statement. Each Scheduling Coordinator shall pay any net debit and shall be entitled to receive any net credit shown in an invoice on the Payment Date, whether or not there is any dispute regarding the amount of the debit or credit.

11.6.3 Settlement Statement re-runs and post final adjustments.

The ISO is authorized to perform Settlement Statement re-runs following approval of the ISO Governing Board. A request to perform a Settlement Statement re-run may be made at any time by a Scheduling Coordinator by notice in writing to the ISO Governing Board. The ISO Governing Board shall, in considering whether to approve a request for a Settlement Statement re-run, determine in its reasonable discretion, whether there is good cause to justify the performance of a Settlement Statement re-run.

11.6.3.1 If a Settlement Statement re-run is ordered by the ISO Governing Board, the ISO shall arrange to have the Settlement Statement re-run carried out as soon as is reasonably practicable following the ISO Governing Board's order, subject to the availability of staff and computer time, compatible software, appropriate data and other resources.

11.6.3.2 The Governing Board may order the cost of a Settlement Statement re-run to be borne by the Scheduling Coordinator requesting it, unless the Settlement Statement re-run was needed due to a clerical oversight or error on the part of the ISO staff.

11.6.3.3 Where a Settlement Statement re-run indicates that the accounts of Scheduling Coordinators should be debited or credited to reflect alterations to Settlements previously made under this ISO Tariff, for those Scheduling Coordinators affected by the statement re-run, the ISO shall reflect the amounts to be debited or credited in the next Preliminary Settlement Statements that it issues following the Settlement Statement re-run to which the provisions of this Section 11 apply.

11.6.3.4 Reruns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

11.7 Confirmation and Validation.

11.7.1 Confirmation.

It is the responsibility of each Scheduling Coordinator to notify the ISO if it fails to receive a Preliminary Settlement Statement or a Final Settlement Statement on the date specified for the publication of such Settlement Statement in the ISO Payments Calendar. Each Scheduling Coordinator shall be deemed to have received its Settlement Statement on the dates specified, unless it notifies the ISO to the contrary.

11.7.2 Validation.

Each Scheduling Coordinator shall have the opportunity to review the terms of the Preliminary Settlement Statements that it receives. The Scheduling Coordinator shall be deemed to have validated each Preliminary Settlement Statement unless it has raised a dispute or reported an exception within eight (8) Business Days from the date of issuance. Once validated, a Preliminary Settlement Statement shall be binding on the Scheduling

11.8.4 No Co-Mingling.

The ISO shall not co-mingle any funds standing to the credit of an ISO Account with its other funds and shall promptly withdraw any amounts paid into an ISO Account representing amounts paid for the account of the ISO.

11.9 Invoices.

The ISO shall prepare and send to each Scheduling Coordinator two invoices for each calendar month. The first invoice will be based on the Preliminary Settlement Statements and the second invoice will be based on the Final Settlement Statement(s). Each invoice will show amounts which are to be paid by or to each Scheduling Coordinator, the Payment Date, being the date on which such amounts are to be paid or received and details of the ISO Clearing Account to which any amounts owed by Scheduling Coordinators are to be paid. Returns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

11.10 Instructions for Payment.

Each Scheduling Coordinator shall remit to the ISO Clearing Account the amount shown on the invoice as payable by that Scheduling Coordinator for value not later than 10:00 a.m. on the Payment Date.

11.11 ISO's Responsibilities.

On the due date for payment of amounts shown in an invoice, the ISO shall ascertain whether all amounts required to be remitted to the ISO Clearing Account have been credited to it. If any such amount has not been so credited, it shall ascertain which Scheduling Coordinators have failed to pay the amount owed by them and it may take steps to recover any overdue amount.

ATTACHMENT B

Amendment 51 Tariff Changes
Black-Line Version

11.6.3 Settlement Statement re-runs and post final adjustments.

The ISO is authorized to perform Settlement Statement re-runs following approval of the ISO Governing Board. A request to perform a Settlement Statement re-run may be made at any time by a Scheduling Coordinator by notice in writing to the ISO Governing Board. The ISO Governing Board shall, in considering whether to approve a request for a Settlement Statement re-run, determine in its reasonable discretion, whether there is good cause to justify the performance of a Settlement Statement re-run.

11.6.3.1 If a Settlement Statement re-run is ordered by the ISO Governing Board, the ISO shall arrange to have the Settlement Statement re-run carried out as soon as is reasonably practicable following the ISO Governing Board's order, subject to the availability of staff and computer time, compatible software, appropriate data and other resources.

11.6.3.2 The Governing Board may order tThe cost of a Settlement Statement re-run shall to be borne by the Scheduling Coordinator requesting it, unless the Settlement Statement re-run was needed due to a clerical oversight or error on the part of the ISO staff.

11.6.3.3 Where a Settlement Statement re-run indicates that the accounts of Scheduling Coordinators should be debited or credited to reflect alterations to Settlements previously made under this ISO Tariff, for those Scheduling Coordinators affected by the statement re-run, the ISO shall reflect the amounts to be debited or credited in the next Preliminary Settlement Statements that it issues following the Settlement Statement re-run to which the provisions of this Section 11 apply. ~~The net balance of all adjustments shall go into a balancing account, on a debit or credit, to the Grid Management Charge.~~

11.6.3.4 Reruns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

* * *

11.9 Invoices.

The ISO shall prepare and send to each Scheduling Coordinator two invoices for each calendar month. The first invoice will be based on the Preliminary Settlement Statements and the second invoice will be based on the Final Settlement Statement(s). Each invoice will show amounts which are to be paid by or to each Scheduling Coordinator, the Payment Date, being the date on which such amounts are to be paid or received and details of the ISO Clearing Account to which any amounts owed by Scheduling Coordinators are to be paid. Reruns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

ATTACHMENT C

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

California Independent System)
Operator Corporation) Docket No. ER03-____-000

**AFFIDAVIT OF MR. DONALD FULLER CONCERNING THE NEED TO
INITIATE IMMEDIATELY CERTAIN CHANGES IN THE ISO TARIFF TO
ALLOW FOR THE COMPLETION OF SPECIAL SETTLEMENT RERUNS**

1. My name is Mr. Donald Fuller and I am currently employed by the California Independent System Operator (ISO) as the Director of Billing and Settlements. My business address is 151 Blue Ravine Road, Folsom, California 95630.

2. I oversee the operation of the ISO's financial settlement systems to ensure that sellers, buyers and other parties interacting with the ISO markets are paid and charged appropriately according to the settlement provisions of the ISO Tariff. In my current position I oversee a staff of 33 professionals and analysts who are responsible for settling the wholesale electricity activities for all of the ISO's participants, and producing preliminary and final settlement statements and invoices. In addition, my staff is often called upon to produce estimates of the impacts of various hypothetical changes in the ISO's Settlement procedures or in various inputs to the settlement process and to develop the algorithms and processes required to implement changes to the ISO Tariff. I am also responsible for the

billing and settlements activity that will be required of the ISO in order to implement the final order of the Commission as related to refunds in Docket No. EL00-95 and the associated proceedings (collectively, the Refund Proceeding).

3. In my previous position with the ISO, I was Director of Client Relations for 4 years where my responsibilities included working directly with Scheduling Coordinators on settlement disputes and a broad range of business and operational issues involving clients. During this time, I was also involved in the ISO settlement and billing systems and effects of the ISO tariff and other regulatory provisions.
4. Prior to joining the ISO, I was employed for over twenty years at Westinghouse Electric Corporation in its power generation businesses. I held various management positions during this time, most recently as Manager of Subsidiary Operations where I had direct profit/loss responsibility. I hold a B.S. degree in Electrical Engineering from Oregon State University in Corvallis, Oregon and an MBA, with an emphasis in finance, from Widener University in Chester, Pennsylvania.
5. I expect the Refund Proceeding will result in System recalculations for every day from October 2, 2000 to June 20, 2001 (the Refund Period). In addition to the Refund Proceeding rerun, the ISO has begun work on additional adjustments and a preparatory production rerun that must precede the Refund Proceeding recalculations. These preparatory adjustments and reruns are required so that the Refund Proceeding rerun

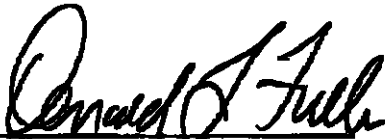
will proceed with the most accurate and complete information. The ISO also anticipates that it will perform a compliance rerun as a result of the final FERC order on the refund matter, which means that unrelated adjustments can not be included during the actual Refund Proceeding rerun. As a part of the preparatory rerun process the ISO also intends to perform manual adjustments to resolve several open issues that occurred prior to the Refund Period. Claims and adjustments relative to the California Power Exchange (PX) are best dealt with, if they can be totally identified, and charged in production prior to the end of the Refund Proceeding rerun as it is anticipated that the PX may not continue to exist after that time. Finally, we are placing a high priority on resolution of all Good Faith Negotiations (GFN) in this period so that most, if not all, of the adjustment activity through mid-2001 will be accomplished when the preparatory adjustments/reruns and the Refund Proceeding rerun are completed. In total, the preparatory reruns/adjustments encompass over 18 issues with financial and other impacts.

6. The ISO estimates that the preparatory reruns/adjustments and the Refund Proceeding rerun will require a total of 5-6 calendar months to complete. This estimate assumes: that no other issues will be included in the rerun, that adequate computing capability is available, and a consistent and intensive effort from ISO staff, likely requiring evening and weekend work.

7. Based on my experience, and consistent with the views of my staff, the complexity and volume of the charges during the preparatory and Refund Proceeding reruns demand that they be invoiced separately from current trading activity. Scheduling Coordinators will receive settlement statements for over 260 days in each of the preparatory and Refund Proceeding reruns and invoices in aggregate totaling billions of dollars. Separating this invoicing from current market invoicing will reduce complexity and confusion. For this reason, I strongly support the fact that the ISO is seeking approval to modify its tariff to allow for financially clearing the preparatory rerun/adjustments separately from current market clearing requirements.
8. This matter was presented to the ISO Governing Board on March 26, 2003 and received its approval.
9. I anticipate that the proposed Tariff language also will provide flexibility to utilize this approach for similar situations in the future, permitting the "walling off" of future reruns/adjustments, including bankruptcies, with appropriate notice to the Market.

10. Further, the timing of this proposed change to the Tariff is critical to completion of the Refund Proceeding rerun. This change is needed to begin the preparatory rerun, so accelerated consideration of the change is requested to prevent delay in implementation of the Refund Proceeding rerun.

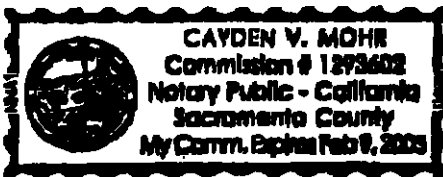
I swear that the facts contained in the affidavit provided above are true to the best of my knowledge, information, and belief.


Donald L. Fuller

Subscribed and sworn to before
me on this 15th day of April, 2003.

Notary Public: 

My Commission Expires: 2/9/05



ATTACHMENT D

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

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

**California Independent System Operator) Docket No. ER03-_____-000
Corporation)**

**Notice of Filing
[]**

Take notice that on April 15, 2003 the California Independent System Operator Corporation ("ISO") tendered for filing with the Commission Amendment No. 51 to the ISO Tariff. The purpose of Amendment No. 51 is to modify the Tariff to facilitate conducting market re-runs necessary in anticipation of the major market re-run required by the Commission in Docket Nos. EL00-95, *et al.*

The ISO states that this filing has been served on the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, and all parties with effective Scheduling Coordinator Agreements under the ISO Tariff.

The ISO is requesting waiver of the 60-day notice requirement to allow Amendment No. 51 be made effective May 1, 2003.

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.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

ATTACHMENT B

ATTACHMENT A

DESCRIPTION OF PREPARATORY RE-RUN ISSUES

No.	Issue	Date Range	Estimated Impact (MW)	Estimated Impact (\$)	Potential CT's Affected	Allocation Method	Reason
1.	PG&E under-reported Meter data	1A 10/2/00 – 6/1/01 1B 4/1/98 to 10/1/00	Total for 1A and 1B – 530,700 MWh	NA	406, 407, 1010	Load and Export	Original meter data was mis-reported, resulting in extra charges to market participants. This will correct those charges.
2.	PG&E under-reported Meter data	2A 10/2/00 – 6/20/01 2B 4/1/98 to 10/1/00	Total for 2A and 2B – 30,800 MWh	NA	406, 407, 1010	Load and Export	Original meter data was mis-reported, resulting in extra charges to market participants. This will correct those charges.
3.	Meter Data Mapping Error	3A 10/2/00 – 6/20/01 3B 4/1/98 to 10/1/00	Total for 3A and 3B – 195,300 MWh	NA	406, 407, 1010	Load and Export	Original meter data was mis-reported, resulting in extra charges to market participants. This will correct those charges.
4.	CDWR distribution loss factor allocation error	4A 10/2/00 – 2/6/01 4B 4/1/98 to 10/1/00	Total for 4A and 4B – 173,500 MWh	NA	406, 407, 1010	Load and Export	Original meter data was mis-reported, resulting in extra charges to market participants. This will correct those charges.
5.	ISO Master file correction	11/6/00 – 1/28/01	Approx 100 MW per Day	NA	401,406, 407, 1010	Load and Export	Adjustment required because Master file did not update properly with correct end dates.
6.	ISO Master file correction	3/1/01 – 6/20/01	5,800 MWh	NA	401,406, 407, 1010	Load and Export	Load data was not associated to a SC after PX left the market.
7.	Energy Exchange	11/14/00 – 6/20/01	NA	\$100 – 200 million	487, 1010, 1487	Net Negative Deviation	Initially the Energy Exchange Program (EEP) settled these exchange volumes when the power was returned to the neighboring control area. This change will properly allocate those charges to the period and to the entities that caused the need for the power. This will shift approximately \$100 - \$200 million in charges.
8.	Bilateral Contract with Dynegy (GFN)	12/5/00 – 12/15/00	NA	NA	401, 407, 481, 487, 1010	Load and Export and Net Negative Deviation	OOM volumes being adjusted for consistency with the contract.
9.	Williams (GFN)	12/1/00 – 6/20/01	NA	\$20 - \$22 million	401, 481, 487, 1010	Load and Export and Net Negative Deviation	Williams disputed trade days where they believed they were not paid appropriately, for mislogging of dispatched energy and miscalculation of energy settlements.
10.	PX (GFN)	1998 – Oct 99	NA	\$2.5 million	1003	Load and Export	The resolution is being included as a manual adjustment during the preparatory re-run because of its impact on PX transactions.

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No.	Issue	Date Range	Estimated Impact (MW)	Estimated Impact (\$)	Potential CT's Affected	Allocation Method	Reason
11.	Intra-zonal Congestion	10/2/00 – 6/20/01	NA	NA	401, 451, 452, 1010	Load and Export and TO %	ISO is implementing an automated tool to correct manual adjustments for intra-zonal congestion.
12.	Reallocation of CT 1030 allocations	1999 – 6/20/01	NA	\$500,000	1030	Load and Export	Adjustments will be made to the incremental data received between Prelim and Final.
13.	Rescission of Unavailable A/S	1998 – 9/9/00	NA	\$47 million	141, 142, 144, 1030	Load and Export	Proposed adjustment to recover approximately \$47 million of A/S capacity payments for services that were not available, and to redistribute those amounts.
14.	Regulation Non Compliance	7/00 – 6/7/01	NA	\$500,000	131, 145, 146, 1030	Load and Export	ISO discovered an error in the manual Settlements processing of non-compliance charges for approximately ten days, thus resulting in overcharging or undercharging the SCs.
15.	A/S Obligation	1/1/01 – 6/20/01	NA	NA	NA	Load and Export	System fix of manual adjustments.
16.	Williams	4/25/00 – 5/11/00	NA	\$8 million	1010	Load and Export	Adjustment needed to collect and disburse the settlement issued by FERC on 4/30/01 concerning AES Southland, Inc. and Williams Energy Marketing & Trading Company.
17.	Mislogging	11/1/00 - 6/20/01	NA	NA	401, 481, 487, 1010	Load and Export and Net Negative Deviation	OOS non-congestion imbalance energy supplement, spin, non-spin, replacement reserve are eligible to set the MCP based on the FERC finding fact.

Note: NA = Not available

Details for the above-mentioned issues:

PG&E under-reported Load meter data (Issue Nos. 1 and 2): At the request of ISO, PG&E performed an internal review to identify cases of under-reported Load for the existing contracts under the Transmission Wholesale Customer portfolio. In October 2001, it was determined that PG&E under-reported the Load of a certain Market Participant by approximately 539,700 MWh from the start of the Market, April 1, 1998, through June 1, 2001.

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In response to the issue described above, PG&E completed a review in January 2002, identifying a similar situation that resulted in PG&E under-reporting another Market Participant's Load by approximately 30,800 MWh from April 1, 1998 through November 1, 2001. In each case, PG&E corrected the logical meter calculations by adding in the internal Qualifying Facility (QF) generation scheduled and reported by the Utility Portfolio Group. Under-reported Load affects the settlement of the ISO Market by causing cost shifting due to Unaccounted for Energy (UFE) charges as well as a reduction in the Load-based charges incurred by PG&E. The ISO understands that this miscalculation was corrected at that time, on a going forward basis.

The preparatory re-run will include corrected data in each day's system recalculation of the period 10/2/00 to 6/20/01. The impact of the under-reported data for the period 4/1/98 to 10/1/00 will be estimated and corrected using a manual adjustment that will be applied during the preparatory re-run.

Meter data mapping error (Issue No. 3): In March 2003, it was determined that a programming error at PG&E cross-referenced a particular meter's Channel 1 data (load) with Channel 4 data (Generation), thus impacting the Settlement Quality Meter Data (SQMD) for the O'Neil Generator/Pump facility. This occurred from trade date July 9, 1999 through February 15, 2002. During this period, PG&E reported approximately 11,000MWh of load when the actual load was approximately 206,300 MWh. Concurrently, PG&E reported approximately 206,300 MWh of generation when the actual amount generated was approximately 11,000 MWh. The estimated impact of the meter data mapping error is approximately 195,300 MWh (i.e., 206,300 MWh minus 11,000 MWh). The over-reporting of generation implies that PG&E received payment for the over-generation and the under reporting of load implies that PG&E was under-billed for energy consumed. The preparatory re-run will include corrected data in each day's system recalculation of the period 10/2/00 to 6/20/01. The impact of the under-reported data for the period 7/9/99 to 10/1/00 will be estimated and corrected using a manual adjustment that will be applied during the preparatory re-run.

CDWR distribution loss factor allocation error (Issue No. 4): In conjunction with the Annual SC SQMD self-audit in 2001, CDWR identified a systemic error in the meter data management system, relative to the application of Distribution Loss Factors to CDWR's raw Lateral pump meter reads. Typically, as part of the Validating Estimating and Editing (VEE) process, each SC modifies its actual meter data to correct that data for distribution system losses from the ISO grid to the physical load site, prior to submission to the ISO as SQMD. In attempting to apply these DLFs, CDWR inadvertently programmed its meter data management system to multiply the end use data by a DLF that essentially resulted in multiplying by zero. A 3% loss factor should convert to a 1.03 multiplier. However, the CDWR system was programmed to multiply by an erroneous factor of 0.03, essentially a zero multiplier.

As a result, CDWR under-reported its lateral pump meter data automatically at zero, rather than at the actual usage plus an adder for distribution losses. This error was not readily apparent as the CDWR main Aqueduct pump loads are significantly larger. The CDWR Aqueduct pumps were correctly reported as they are automatically and directly read by the ISO Meter system. CDWR has corrected the DLF factor programming error in its meter data management system, prospectively and is in the process of re-submitting its under-reported lateral pump data retrospectively, in preparation for ISO Settlement system re-runs, to correct the settlement with the Market. This error primarily manifested as UFE charges to the balance of the system.

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The total under-reported was approximately 167,400 MWh for 1999 and 2000. For 2001, the total MWh underreported was approximately 6,100, for a total of approximately 173,500 MWh. The time frame affected was July 16, 1999 to February 6, 2001.

The preparatory re-run will include corrected data in each day's system recalculation of the period 10/2/00 to 6/20/01. The impact of the under-reported data for the period 7/16/99 to 10/1/00 will be estimated and corrected using a manual adjustment that will be applied during the preparatory re-run.

ISO Master file correction (Issue No. 5): The resource NUEVO_7_UNIT 1 has been scheduled by APX since 5/15/00. Typically, however, the unit has not in fact scheduled; rather, it has deviated without being instructed to do so and has collected UIEpayers. This unit generated approximately 100 MW per day. From 11/6/00 through 1/28/01, the meter data collected by the ISO were not included in the Settlements calculations. The preparatory re-run will cover this time period. Up until 11/5/00 and starting again on 1/29/01 the meter data were included in the Settlements calculations.

For NUEVO_7_UNIT1, the data were sent to the ISO on time, but due to an incorrect entry in the Master File the data did not load into the ISO system. The data in the Master File were corrected and the changes were transmitted to the system, allowing the data to be loaded.

ISO Master file correction (Issue No. 6): When the PX shut down the HNTGBH_6_V600LD resource, its load contract was not assigned to another SC. As a result, the load contributed to UFE during this time, was approximately 5,800 MWh. On 5/1/2002, the contract was assigned to WESC for the affected trade dates, which are the dates are from 3/1/01 to 4/30/02 (and to 6/20/01 in the refund period).

Energy Exchange (Issue No. 7): During the energy crisis at the end of 2000 and the beginning of 2001, there was a general shortage of energy. To maintain the reliability of the ISO Grid during system emergencies, the ISO arranged energy exchanges to acquire needed energy, in accordance with the ISO Tariff. This arrangement was called the Energy Exchange Program (EEP). Under the EEP, the ISO receives energy in one time period, and later returns the energy in another time period. The amount of energy being returned is the amount of energy obtained, multiplied by an EEP Ratio. Since incoming and outgoing EEP quantities differ, are dispatched in different time periods, and usually have different market-clearing prices associated with them, there will be a cost mismatch. Also, EEP Schedules, as a reliability component of the ISO grid, are exempt from the Grid Management Charge ("GMC"), Wheeling, UFE, Neutrality, and Ancillary Service ("A/S") charges.

The ISO allocates the costs of energy exchanges to SCs participating in the ISO Markets during the "receiving" EEP Schedules. Whenever an energy exchange account is closed or reaches a zero balance, the incurred costs are calculated and allocated to the SCs based on their total negative uninstructed imbalance energy over those intervals in which the "receiving" EEP Schedules took place. In the California refund proceeding in Docket Nos. EL00-95, *et al.*, the Presiding Judge's December 12, 2003 Proposed Findings of Fact approved this methodology for allocating the costs of energy exchanges, and the Commission summarily adopted the Presiding Judge's conclusion in its March 26, 2003 order.

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Typically, incoming energy creates a positive cash flow for the ISO while the outbound energy creates a negative cash flow. These transactions were originally allowed to flow through market neutrality accounts. This approach benefits the loads by undercharging them for the true cost of the EEP transaction in the incoming timeframe, and penalizes the fully procured market participants during the return period. In light of the allocation method described above and the large volume of energy obtained under EEP, the true cost needs to be shifted to EEP Users.

When the energy was originally obtained, the load was charged, but since there was no payment made at that time for the generation, the extra money collected was distributed through neutrality. Later when the energy was returned, the cost incurred to procure the energy in the market was assigned to participants in the return period. It instead should have been charged to the participants that were not fully sourced in the original time period. During the preparatory re-run, the steps will include:

1. Removing the positive cash flow from market participants in the “receiving” period and placing it in the ISO EEP Holding Account (BA_ID 2970).
2. Removing the negative cash flow from market participants in the “returning” period and placing it in the ISO EEP Holding Account (BA_ID 2970).
Note: Steps one and two have actually occurred for the months November 2000, December 2000 and June 2001.
3. Allocating, under Charge Type (“CT”) 487, the net costs of the exchange to the users with negative imbalance energy during the receiving period (CT 1487).

Note: Step three has not yet been done for any period.

Bilateral Contract with Dynegy (GFN) (Issue No. 8): For an eleven-day period, December 5-15, 2000, the ISO entered into a bilateral contract with Dynegy for out of market (OOM) energy, in accordance with Section 2.3.2.2 of the tariff. During the contract period, some of the volumes were incorrectly associated with uninstructed energy or ancillary services. The re-run will correctly allocate all volumes to OOM. The GFN centers around gas price justification. Because of the range of outcomes it is difficult to predict whether the resolution will involve additional payments to Dynegy or refunds of amounts already paid under the contract.

Williams (GFN) (Issue No. 9): This GFN relates to previously denied Williams disputes for transactions in December 2000 and January through June, 2001. For reasons of mislogging of dispatched energy and errors in the Settlements formula, Williams was not properly compensated for energy provided. The issues are, principally, allocation of energy transactions between instructed and uninstructed and the different settlement prices for instructed energy (higher Out of Sequence (OOS) prices as opposed to lower OOM prices. Williams’ claims under these issues amount to approximately \$20-22 million.

PX (GFN) (Issue No. 10): The PX, on behalf of its participant, SDG&E, filed four Good Faith Negotiations in 1999 covering various issues during 1998 and 1999. The ISO has reached a Good Faith Negotiation Settlement with the PX and SDG&E for all GFNs, which will include an adjustment to SDG&E of approximately \$2.5 million for Regulation Energy Payment Adjustment (REPA) payments. The adjustment will be applied to the SC (i.e., to the PX) for credit to SDG&E. This item will be applied manually during the preparatory re-run since it involves PX transactions.

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Intra-Zonal Congestion (Issue No. 11): The ISO must reallocate Intra-Zonal Congestion charges in order to charge parties correctly. Intra-Zonal Congestion charges had been incorrectly allocated as described below; these charges are in CT 401, 1010, 451, and 452

After reviewing the data for the Reliability call types for OOS and OOM, the following were identified:

- 1.) All of the INC Bid charges for the Reliability call types per resource were paid in CT 401 until 12/12/00.
- 2.) All of the DEC Bid charges for the Reliability call types per resource were paid in CT 401 until 10/29/02.

The above methodology for CT 401 is incorrect, considering the excess cost charge types for Reliability (CT 451 & CT 452) were effective as of 9/1/00. The ISO is implementing an automated tool to correct these adjustments. Even though CT 451 and CT 452 will be internally automated for the re-runs, these two charge types will continue to be classified as manual charge types in the Charge Matrix and Settlement File Specification. The correct allocation methods the ISO will use with regard to CT 451 and CT 452 are as follows:

CT 451 (Real-time Intra-Zonal Congestion Inc/Dec Settlement)

A manual charge type utilized to pay the portion of the OOS or OOM bid that is in excess of MCP.

Manual CT 452 is utilized to allocate the manual CT 451 amount related to the following dispatches:

- Out-of-Sequence (OOS) Intra-Zonal (Tariff Section 7.3.2 - Grid Operations Charge for Intra-Zonal Congestion)
- Out-of-Market (OOM) Intra-Zonal (Tariff Section 11.2.4.2.1 - Allocation of Costs Resulting From ISO Dispatch Orders)

OOS Intra-Zonal dispatched in excess of MCP is allocated to the zonal load based on load and real-time export.

OOM Intra-Zonal dispatched in excess of MCP is allocated to the PTO.

Reallocation of CT 1030 Allocations (Issue No. 12): CT 1030 is the allocation of the Non-Compliance charges to the market based upon load and export quantities. On March 11, 2002, ISO discovered an issue where the allocation of CT 1030 was done based only on Preliminary statements quantities. Any adjustments for the incremental changes to an SC's load and export quantities occurring between the Preliminary and Final statements were not incorporated. Beginning trade date January 1, 2002, incremental adjustments were made based Final data.

The preparatory re-run will include allocations based on the incremental load and export data, between the Preliminary and Final statements, from August 1999 until Jun 20, 2001.

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Rescission of Unavailable A/S (Issue No. 13): The ISO will rescind A/S capacity payments to suppliers that used that A/S capacity to generate uninstructed Energy instead of keeping the capacity unloaded as reserves. The ISO believes it is obligated to seek these corrections because suppliers are entitled to payment only for services provided. These services were not provided, and therefore no payment should have been made.

The rescission of unavailable A/S will use CT 131 which was used for manual compliance adjustments for Ancillary Services prior to ten-minute Settlements. The revenue will be reallocated to the market through CT 1030 to metered load and exports. A notice detailing the method and providing data files and a template for calculation of these charges will be sent to Scheduling Coordinators prior to the preparatory re-run. A further detailed explanation of this adjustment will be provided in Appendix I.

Regulation Non-Compliance (Issue No. 14): Errors made in the manual Settlements processing of Regulation Non-Compliance charges should be corrected. Several errors discovered include: (a) incorrect trade date processed for Preliminary and Final Statements, (b) missing unit-hours or line items, (c) difference between the price published on OASIS and Settlement price, and (d) Regulation Up and Regulation Down services reversed. The affected dates are 7/21/00, 7/23/00, 7/24/00, 7/29/00, 12/12/00, 12/24/00, 2/2/01, and 3/20/01. (The dates of 6/7/01, 7/2/01, and 1/9/02, which fall outside the refund period and outside the time period for these preparatory re-runs, are also affected.)

A/S Obligation (Issue No. 15): An incorrect version of A/S software was used during the previous re-run affecting A/S and GMC, and for this reason these charges were misallocated. The preparatory re-run will use the correct version of the software to settle A/S and GMC.

Williams (Issue No. 16): A charge of approximately \$8 million to Williams resulted from the FERC order issued on 4/30/01 concerning AES Southland, Inc and Williams Energy Marketing & Trading Company. As ordered, the ISO has already reflected this in outstanding balances as a reduction in the amounts outstanding owed to Williams. This adjustment will allocate the \$8 million to the other Scheduling Coordinators based on their load and export.

Mislogging (Issue No. 17): Based on the FERC order issued in the California refund proceeding on March 26, 2003, OOS Non-Congestion Imbalance Energy Supplemental and OOS Non-Congestion Spin, Non-spin, and Replacement Ancillary Services are eligible to set the historical market clearing price. Some OOS transactions were mislogged as OOM. In response to this order, the ISO will have to go back, identify, and correct the call types in order to accurately set the MCP.

The ISO notes that on April 25, 2003, it submitted a request for rehearing concerning the March 26, 2003 FERC order. In this request for rehearing, the ISO argued in relevant part that FERC erred in requiring the ISO to determine whether mislogged OOS transactions were non-congestion transactions eligible to

ATTACHMENT A

set the historical refund period MCP (and the MMCP). The ISO will be unable to begin the preparatory re-run concerning Issue No. 17 until after FERC rules on the ISO's request for rehearing.

ATTACHMENT C

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		Version Date	01/16/04
Amendment 51 Preparatory Rerun Overview		Effective Date	01/16/04

PURPOSE

The CAISO will perform a system recalculation (Preparatory rerun) for every day from October 2, 2000 to June 20, 2001 (Refund Period) in order to provide the most accurate and complete information (baseline) for the FERC Compliance Refund Rerun required by the FERC in the California refund proceeding (Dockets EL00-95, *et al.*). During the Refund period different Price Caps were in effect. Therefore, the CAISO will use the applicable Price Cap for each interval during the Preparatory rerun. The CAISO will follow the processes listed in the following appendices to incorporate each of the 17 issues identified in the Amendment No. 51 proceeding (Docket ER03-746). These processes may be clarified as the reruns progress. Any revisions will be posted and notice to Market Participants.

BACKGROUND

On October 16, 2003, the CAISO was ordered by FERC to perform a rerun of the CAISO's settlements system in order to implement the Mitigated Market Price Methodology (MMCP) adopted by the Commission in the California refund proceeding. The CAISO had previously determined that a Preparatory rerun was necessary to establish an accurate baseline. The CAISO described in detail the need for the Preparatory rerun in the CAISO's initial Amendment No. 51 filing, made on April 15, 2003, and in the compliance filing made on July 3, 2003, and July 9, 2003.

REFERENCES


- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket
- 2 October 16, 2003 FERC Order in the California refund proceeding (Dockets EL00-95, *et al.*).
- 3 Motion for Leave to File Answer and Answer of the California ISO to Comments and Protests in Docket No. ER03-746-000, filed on August 8, 2003.

GLOSSARY OF COMMON TERMS

Balancing Energy and Ex Post Pricing	(BEEP)
Distribution Loss Factors	(DLF)
Energy Exchange Program	(EEP)
Flexible Spending Cap	(FSC)
Good Faith Negotiations	(GFN)
Hourly Ex-Post Price	(HEEP)
Load Scheduling Entity	(LSE)
Market Clearing Price	(MCP)
Market Operations History	(MOH)

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Operational Meter Analysis and Reporting	(OMAR)
Out Of Market	(OOM)
Out Of Market Energy	(OOME)
Out of Sequence	(OOS)
Scheduling Interface	(SI)
Settlement Quality Meter Data	(SQMD)
Scheduling and Logging for ISO in California	(SLIC)
Unaccounted For Energy	(UFE)
Uninstructed Energy	(UE)

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
		Amendment 51 Meter Data Issues 1A, 2A, 3A, and 4A	Version Date
		Effective Date	01/16/04

PURPOSE

In order to correct instances of mis-reported meter data by PG&E and CDWR in its baseline settlements system during the period October 2, 2000 through June 20, 2001, the CAISO will rerun its settlements system to incorporate an approximate combined total of 930,300 MWh. There are a total of seven requests regarding mis-reported meter data.

The impact of the mis-reported data for the period April 1, 1998 through October 1, 2000 (Issues 1B, 2B, 3B, and 4B) will be estimated and corrected using a manual adjustment that will be applied during the latter stages of the preparatory re-run. Since it is not feasible for the CAISO to rerun settlements from April 1, 1998 to October 1, 2000 the CAISO will incorporate these meter data issues using manual adjustments.

In addition to the four meter data issues described above, based on the FERC order (FERC Docket No. ER03-746-001 dated November 14, 2003), the CAISO will also incorporate meter data changes for the following: a) PG&E over reported Load for Port of Oakland and City and County of San Francisco; b) Dynegy under reported Generation for their resource DIVSON_7_NSQT1.

BACKGROUND

Issues 1A and 2A – PG&E under-reported Load meter data


At the request of CAISO, PG&E performed an internal review to identify cases of under-reported load for the Existing Contracts under the Transmission Wholesale Customer portfolio. In October 2001, it was determined that PG&E under-reported the Load of a certain Market Participant by approximately 539,700 MWh, during the period of April 1, 1998, through June 1, 2001.

Issue 3A – PG&E Meter Data Mapping error

In March 2003, it was determined that a programming error at PG&E cross-referenced a particular meter's Channel 1 data (Load) with Channel 4 data (Generation), thus impacting the Settlement Quality Meter Data (SQMD) for the O'Neil Generator/Pump facility. PG&E reported approximately 11,000 MWh of load when the actual load was approximately 206,300 MWh. Concurrently, PG&E reported approximately 206,300 MWh of generation when the actual amount generated was approximately 11,000 MWh. The estimated impact of the meter data mapping error is approximately 195,300 MWh, for the period of October 2, 2000 and June 20, 2001.

Issue No. 4A – CDWR distribution loss factor allocation error

CDWR identified a systemic error in their meter data management system, relative to the application of Distribution Loss Factors (DLF) to CDWR's raw Lateral pump meter reads. In attempting to apply DLFs, CDWR inadvertently programmed its meter data management system to multiply the end use data by a DLF that essentially resulted in multiplying by zero. A 3% loss factor should convert to a 1.03 multiplier. However, the CDWR system was programmed to

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Meter Data Issues 1A, 2A, 3A, and 4A		Effective Date	01/16/04

multiply by a factor of 0.03, essentially a zero multiplier. The total under-reported amount was approximately 167,400 MWh for 1999 and 2000. For 2001, the total MWh underreported was approximately 6,100, for a total of approximately 173,500 MWh. The time frame affected was July 16, 1999 to February 6, 2001.

Dynegy under reported Generation Meter Data: The impacted trade dates are from Oct 00, Dec 00- April 01 and June 01. Total MWh under reported are approximately 3,250 MWh.

PG&E Port of Oakland: The impacted trade dates are from Oct 00 – Dec 00. Total MWh mis reported are approximately 600MWh.

PG&E City and County of San Francisco: The impacted trade dates are Jan 01 – Jun 01. Total MWh mis reported are approximately 1,550 MWh

OUTLINE OF PROCESS

- 1 Submission of Meter Data
- 2 Data Validation
- 3 Data Load
- 4 Load Validation
- 5 Re-run
- 6 Recalculation Validation


PROCESS DESCRIPTION

All process listed below are to be completed by the CAISO unless otherwise stated.

- 1 Submission of Meter Data
 - 1.1 Communicates with the specific SCs regarding revised meter data submission
 - A Identify the Trade Dates and Resources, if applicable
 - 1.2 The SC submits the meter data to the CAISO in the CAISO specified format
 - 1.3 Notify internal departments when the data has been received
- 2 Data Validation
 - 2.1 Compare data in production against the new meter data to ensure the new data is within an acceptable variance range
 - 2.2 Evaluate the impact the resubmitted meter data has on the submitting SC

Example:

 - A If the SC under reported load, the SC would be charged under Imbalance Energy

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		Amendment 51 Meter Data Issues 1A, 2A, 3A, and 4A	Version Date
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- B If the SC submitted meter data for under reported Generation, the SC would get a credit under Imbalance Energy
- 3 Data Load
 - 3.1 Load the meter data into Operational Meter Analysis & Reporting (OMAR)
 - 3.2 Confirm the expected numbers or row counts have been loaded
 - 3.3 Data is forwarded to the Settlements system
 - 4 Re-run
 - 4.1 Run the Settlements System with the new meter data
 - 5 Recalculation Validation
 - 5.1 Validate the data after the Settlement system calculation is completed to ensure neutrality and expected charge types are affected

REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket
- 2 October 16, 2003 FERC Order in the California refund proceeding (Dockets EL00-95, *et al.*)

ASSUMPTIONS

Changes were made to the Allocations during the refund period. The CAISO will use the appropriate allocation methodologies for the specific date range.


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401
- 406
- 407
- 1010

EXPECTED IMPACT

- 1 PG&E
 - 1.1 Increased costs for load-related charges
 - 1.2 Decreased UFE costs
- 2 Serving Load in PG&E territory
 - 2.1 Decreased UFE costs
- 3 All Control Area
 - 3.1 Decreased neutrality charges

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.2
		Version Date	01/15/04
AMENDMENT 51 Post Master File Issues 5 and 6		Effective Date	01/16/04

PURPOSE

Issue 5: This issue will include in the CAISO Settlements system approximately 100 MW in generation per day from November 6, 2000 to January 28, 2001 that was provided by NUEVO_7_UNIT 1. The adjustment is necessary, because the Master File did not have the correct end date for NUEVO_7_UNIT 1.

Issue 6: This correction will include the 5,800 MWh of Unaccounted for Energy (UFE) associated with HNTGBH_6_V6OOLD in the CAISO Settlement system.

BACKGROUND

Issue 5: Data was sent to the CAISO for NUEVO_7_UNIT 1, but due to an incorrect entry in the Master File, the data did not load into the CAISO Settlement system. The data in the Master File was corrected and the changes were transmitted to the Settlement system, allowing the data to be loaded.

Issue 6: When the PX shut down the HNTGBH_6_V6OOLD resource, the contract was not assigned to another Scheduling Coordinator (SC). As a result the load contributed approximately 5,800 MWh to UFE. On May 1, 2002 the contract was assigned to WESC for the affected trade dates, March 1, 2001 to April 30, 2003.

PROCESS DESCRIPTION

All processes are to be completed by the CAISO unless otherwise stated.

- 1 Enter missing contract information into the Master File
- 2 Re-pull the meter data from the Settlement system
- 3 Run settlements batch recalculation

REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.


ASSUMPTIONS

No Assumptions were made for Issues 5 and 6.

AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401
- 406
- 407
- 1010

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51	
Energy Exchange Issue No. 7		Effective Date	01/16/04

PURPOSE

The Energy Exchange Program (EEP) identifies the energy obtained by the CAISO through exchange arrangements with other Control Areas, and shifts the financial impact of those transactions from the market, as a whole, to the actual consumers of the energy.

The CAISO will identify the positive and negative power flow during the “receiving” and “returning” exchange periods and place it in the ISO Energy Exchange Program (EEP) Holding Account. (Exchanges that took place during the months of November and December 2000, and June 2001 have already been identified during the PG&E Rerun but not yet allocated)


The CAISO will also allocate the net costs of the exchanges to Scheduling Coordinators in proportion to their net negative deviations during the “receiving” periods.

BACKGROUND

During the energy crisis at the end of 2000 and the beginning of 2001, there was a general shortage of energy. To maintain the reliability of the CAISO Grid during system emergencies, the CAISO arranged power exchanges to acquire needed energy. This arrangement was called the Energy Exchange Program (EEP). Under EEP, the CAISO receives energy in one time period, and later returns the energy in another time period. The amount of energy being returned is the amount of energy obtained, multiplied by an EEP Ratio. Since incoming and outgoing EEP quantities differ, are dispatched in different time periods, and the market-clearing prices are usually different, there will be a cost mismatch. EEP Schedules, as a reliability component of the CAISO grid, are exempt from GMC, Wheeling, UFE, Neutrality, and Ancillary Service charges.

Typically, incoming exchange energy creates a positive cash flow for the CAISO while the outbound exchange energy creates a negative cash flow (during the receive period, energy comes into the CAISO “free of charge”, while during the return period, the CAISO must “purchase” the return energy). These transactions were originally allowed to flow through market neutrality accounts. This approach benefits the users in the receive period by undercharging them for the true cost of the EEP transaction in the incoming timeframe, and penalizes the market participants during the return period. Further, with the advent of Amendment 33, effective December 8, 2000, the excess costs were allocated to the net uninstructed deviations in the return period (Charge Type 1010 from December 8 through December 11, 2000 and Charge Type 487 beginning December 12, 2000). In some cases SCs were assigned with several thousands of dollars per MWh. Between the CAISO Tariff Amendment 33 and the large volume of energy obtained under EEP, the true cost should be charged to market participants that benefited from the exchange arrangements.

The Energy Exchange mechanism, to make these corrections, was the topic of filings at FERC. The new software will take back excess charges in the return period and allocate them to the net uninstructed deviators in the receive period, the consumers of the energy exchange. Each control area was assigned an EEP account for exchanges with the CAISO. When an Energy Exchange

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51	
Energy Exchange Issue No. 7		Effective Date	01/16/04

account is closed or reaches a zero MWh balance, the incurred net costs are calculated and allocated to the SC based on their total negative Uninstructed Energy over those intervals in which the incoming schedules took place. The CAISO created Charge Type 1487 to allocate the net cost of the Energy Exchange accounts. Charge Type 1487 may not appear on every statement, only when an EEP account is closed or reaches a zero balance

Example:

Load Scheduling Entity (LSE) Alpha was under scheduled for December 20, 2000 and Control Area Bravo provided the 100 MW, which appears free of charge in the receive period.

The energy is returned by the CAISO to Control Area Bravo on January 6, 7, and 29 at a quantity usually greater than a one-to-one ratio. Originally, during the return period, the CAISO procured the extra energy in the imbalance market and charged the additional cost to the uninstructed deviations on that day. With the new Energy Exchange accounting, those costs for January 6, 7, and 29 are accumulated, and because the EEP account for Control Area Bravo “zeroed” from the MW standpoint on January 29, the combined costs for January 6, 7, and 29 are charged after the January 29 to LSE Alpha.

The conclusion is that although the energy exchange was initiated on December 20, LSE Alpha will not see the charge for December 20 until after the January 29 statement.

The CAISO began this process during the PG&E rerun in June through August 2001 and was forced to abandon it pending completion of software. So during November, December 2000, and June 2001, the CAISO credited the net negative deviators of the return periods, but this was not charged to the receive period. During the rerun, the CAISO will reverse the adjustments for November, December 2000, and June 2001 so the charges will appear as they did after the original settlement, and then the new software will totally reverse the charges and apply them to the receive periods.


OUTLINE

- 1 Calculate EEP Net Cost
- 2 Determine Users of EEP
- 3 Allocate Additional (Net) Costs to Users

PROCESS DESCRIPTION

All processes are completed by the CAISO unless otherwise stated.

- 1 Calculate EEP Net Cost
 - 1.1 Gather all the data pertaining to the Exchanges (i.e. Price, Amounts, Intervals)
 - 1.2 Multiply the MWs Received by the Exchange Ratio to get the MWs Returned

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51	
Energy Exchange Issue No. 7		Effective Date	01/16/04


- 1.3 Assign the price and place in the Holding Account (BA2970)
- 1.4 Calculate the net cost of the exchange
- 2 Determine Users of EEP
 - 2.1 Gather all the data pertaining to Negative Deviations in the incoming period (i.e. Consumers)
 - 2.2 Add the negative UE of Non-Regulation Units (netted by BA and by Sub Hour) to the Positive UE of Regulation Units (netted by BA, Sub Hour), during the Incoming Hour to determine the billable quantity.
- 3 Allocate Additional (Net) Costs to Users
 - 3.1 Gather all the necessary data
 - 3.2 Divide the net EEP cost into the MW used by each EEP user

REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket
- 2 FERC March 26, 2003 Order (Docket Nos. EL00-95, et al.)
- 3 Market Notice August 10, 2001 (CAISO Notification – CT 1487 – Energy Exchange Program Neutrality Adjustment)
- 4 Letter Of Agreement between BPA and CAISO is FERC Docket ER01-2886 (RIMS document #2200559 and acceptance #2216418).

ASSUMPTIONS

- 1 Date range is ascertained when the MWh amounts cross to zero for an EEP account.
- 2 EEP allocation will be verifiable to EEP Users.
- 3 Settlement Detail Comments will include the total dollars of the exchange, the EEP User MWs and the overall period of the exchange.
 - 3.1 Example: "ENERGY EXCHANGE PROGRAM FOR ACCOUNT PACW_CISO_EXCH FROM 10-DEC-2000 TO 31-DEC-2000. TOTAL AMOUNT = 3008137.53; TOTAL UE = -147451.7089"
- 4 All manual reversals will be identified as Imbalance Energy delta transactions (Charge Types 401, 407, 481, 487, 1010, 1210)

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51 Energy Exchange Issue No. 7	Version Date
		Effective Date	01/16/04


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 487
- 1010
- 1487

EXPECTED IMPACT

- 1 Any manual adjustments associated with Energy Exchange made during the PG&E rerun, June through August 2001, will be reversed during the Preparatory Rerun
- 2 During the “receiving” period, previous over payments in Charge Type 1010 are returned (due) to CAISO
- 3 Under-resourced SCs with Negative Uninstructed Energy charges during the “receiving” period are allocated their portion of the EEP costs in the new Charge Type 1487
- 4 During the “returning” period, previous over charges in Charge Type 1010 are returned (due) to SC
- 5 Charges in Charge Type 487 in the “returning” period, will decrease as the Energy Exchange MWh will pay their prorata share of the costs
- 6 Scheduling Coordinators can review the BA 2970 account to identify the receiving period (Charge Type 401) transactions and returning period (Charge Type 407) transactions

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
		AMENDMENT 51	
Dynegy Bilateral Contract (GFN) – Issue No 8		Effective Date	01/16/04

PURPOSE

Pursuant to an 11-day bilateral contract entered into in December of 2000 the CAISO will reclassify Dynegy’s unscheduled positive generation output to Out Of Market (OOM) Energy, and re-price the volumes based on the terms of the bilateral contract. The reclassification applies to generation units for all hours from December 5 to December 15, 2000.

BACKGROUND

For an 11-day period, December 5 to December 15, 2000, the CAISO entered into a bilateral contract with Dynegy for Out Of Market (OOM) energy, with the price to be determined based on the costs incurred by Dynegy to produce this energy. The contract is currently the subject of Good Faith Negotiations between the CAISO and Dynegy. The CAISO has been unable to satisfactorily verify Dynegy’s gas procurement costs. Additionally there were instances where Uninstructed Energy (UE) resulted from inaccurate dispatch logging. The transactions currently appear as Uninstructed Energy (UE) in the CAISO’s Settlement system. During the preparatory rerun positive energy provided by Dynegy during the 11-day period will be re-classified as Instructed Energy. Prices for the Dynegy contract will also be adjusted based on the terms of the contract. The inputs to this calculation will be, emissions charges, average heat rates of the applicable Dynegy units, and a gas price calculated using the methodology established by FERC in the California refund proceeding.

The impact of this adjustment will be to lower prices paid to Dynegy and to lower revenues payable to Dynegy vs. amounts credited to Dynegy thus far. This reduction will be approximately \$50 million.

Subsequent to the preparatory rerun the Dynegy contract will be subject to a gas price adjustment. This may increase revenues to Dynegy over and above the outcome of the preparatory rerun. This adjustment will be made at the same time as the other gas price adjustments ordered by FERC as part of the California Refund proceeding.


OUTLINE OF PROCESS

- 1 Recalculate
- 2 Adjustments
- 3 Reclassify

PROCESS DESCRIPTION

All processes are to be completed by the CAISO unless otherwise stated.

- 1 Recalculate
 - 1.1 Recalculate the Billable Quantity and Price

	Settlements / Rerun	Version No.	1.3
	AMENDMENT 51 Dynegy Bilateral Contract (GFN) – Issue No 8	Version Date	01/16/04
		Effective Date	01/16/04

1) $BQ = \text{MAX}(0, \text{Meter}_{i,h,o} \times \text{GMMa}_h - \text{Final HA Schedule} / 6 - \text{Ramping Energy}_{i,h,o})$

B The contract price will be calculated for each Dynegy Generator resource using the following formula:

1) $CP = (\text{AHR}_{i,h,o} / 1,000 \times \text{FERC Rerun Gas Cost}) + \text{Emissions Charge } i + \text{MIN}(10\% \text{ production cost}, \$25)$
 where;

- $\text{AHR}_{i,h,o}$ is the average heat rate of resource i associated with its operating range during subinterval o of hour h .
- The FERC Rerun Gas Cost is the production basin plus transportation adder gas cost for delivery at Topock, as prescribed by FERC.
- The production cost is defined as the sum of the gas and emissions cost for each unit for each day.

2) The Settlement Amount = $CP \times BQ$

C These recalculated quantities and prices are considered source data used for settlement calculation.

2 Adjustments

2.1 Zero-out all ECH1 Ancillary Service capacity

A All originally awarded AS capacity schedules will be zeroed-out and recalculated to reverse the previous AS capacity payments.

2.2 Zero-out BEEP dispatched Energy in Residual Energy Template

A All originally dispatched BEEP Energy will be zeroed-out and calculated to reverse the previously dispatched Instructed Energy quantities and payments.

2.3 Reverse all manual adjustments related to No Pay, Charge Type 485, and Instructed Energy


A All originally dispatched BEEP Energy will be zeroed-out and calculated to reverse previously rescinded energy or capacity payments, including any penalty charges.

3 Reclassify

3.1 Approximately 188,000 of Dynegy's generation, currently reflected in the CAISO's records as BEEP energy and UnInstructed Energy, will be reclassified as OOM Instructed Imbalance Energy.

REFERENCES

1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
		AMENDMENT 51 Dynegy Bilateral Contract (GFN) – Issue No 8	Version Date
		Effective Date	01/16/04

ASSUMPTIONS

- 1 New Billable Quantities and associated prices for 10 minute BEEP intervals are input into the shared Market Quality template
- 2 The records will utilize existing sequence instruction numbers to ensure the new records act to reverse existing OOS data
- 3 Dynegy GFN billable quantities and prices take priority over all existing records or adjustments
- 4 Dynegy units that were dispatched pursuant to the 11-day contract can neither set the MCP or be subject to FERC price mitigation. However, the price calculations for these transactions will utilize the FERC refund gas price mythology


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 1 • 2 • 4 • 5 • 6
- 51 • 52 • 54 • 55 • 56
- 111 • 112 • 114 • 115 • 116
- 401 • 407 • 481 • 485 • 487
- 1010 • 1011

EXPECTED IMPACT

- 1 Reduced Neutrality Costs (Charge Type 1010) for the month of December 2000
- 2 Reduced cost for Instructed Energy purchased over the price cap during December 2000
- 3 Credit for Ancillary Services Allocations
- 4 Credit for Rational Buyer Settlement

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.6
AMENDMENT 51 Post Williams (GFN) – Issue No 9		Version Date	01/30/04
		Effective Date	01/30/04

PURPOSE

The CAISO will make certain corrections resulting from Good Faith Negotiations initiated by Williams. The corrections relate to Scheduling Interface (SI) Data (price/quantity) associated with the categorization of Out of Sequence/Out of Market (OOS/OOM) Energy for Williams. Some OOS records associated with Williams were initially input as OOM with the associated Hourly Ex Post Price. Portions of this correction overlap Preparatory Re-run Issue 17 (Mis-Logging). The CAISO will also update Megawatt corrections associated with dispatch of In-Sequence energy incorrectly calculated by ISO software.

BACKGROUND

Williams had previously been denied disputes relating to transactions in December 2000 and January through June 2001. These disputes concerned the mis-logging of dispatched energy and errors in the Settlement formula. Some of the disputes were determined to be valid during the GFN process between the CAISO and Williams. The preparatory rerun will correct the MWh volumes with respect to certain of these transactions so that correct prices can be applied during the refund rerun.


OUTLINE

- 1 Williams Disputes
- 2 Research of Disputes
- 3 Reclassify Based on Findings
- 4 Establish Agreement

PROCESS DESCRIPTION

All processes are completed by the CAISO unless otherwise stated.

- 1 Williams Disputes
 - 1.1 Williams files disputes
- 2 Research of Disputes
 - 2.1 Verified MW quantities based on CAISO data
 - 2.2 Verified prices based on bid data
- 3 Reclassify Based on Findings
 - 3.1 Reclassify the MW quantities from OOM to OOS.
 - 3.2 Correct MW quantity and/or price based on findings
- 4 Communicate and reach agreement with Williams on proposed changes

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.6
		AMENDMENT 51	
Post Williams (GFN) – Issue No 9		Effective Date	01/30/04

REFERENCES

- 1 CAISO’s Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.

ASSUMPTIONS

- 1 All manual adjustments are zeroed/reversed out to avoid double payments


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401
- 481
- 487
- 1010

EXPECTED IMPACT

- 1 Net Deviators
 - 1.1 An increase in charges in Charge Type 487 for the intervals in which corrections were made.
- 2 Williams
 - 2.1 An increase in credits in Charge Types 401 and 481 for the intervals in which corrections were made.
- 3 This impact of this adjustment was estimated at \$20 – 22 million in the July 3 compliance filing in the Amendment No. 51 proceeding. It is expected that the total adjustment will be less than this amount.

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51 PX GFN - Issue 10	Version Date
		Effective Date	01/30/04

PURPOSE

A manual adjustment is included in the Preparatory re-run to adjust Regulation Energy Payment Adjustment (REPA) payments to SDG&E of approximately \$2.5 million. The adjustment will be applied to the SC and the PX for a credit to SDG&E.

BACKGROUND

The PX on behalf of its participant, SDG&E, filed four Good Faith Negotiations (GFN) in 1999 covering various issues during 1998 and 1999. The CAISO has reached a GFN settlement with the PX and SDG&E for all GFNs, which results in an adjustment related to GFN 99 ADR 016.

GFN 99 ADR 016: Regulation Taken Beyond the range awarded in the market

The adjustments performed under Issue 10 involves intervals where the ISO dispatched units outside their regulation range. SDG&E alleged that the ISO dispatched units outside their regulation range and SDG&E was not properly compensated for REPA (Regulation Energy Payment Adjustment) payments in place during the period in question. After lengthy research and discussion with SDG&E and the PX, it was determined that SDG&E's dispute was valid. The Regulation service provided by SDG&E was rightfully a service that the market received value from but did not compensate SDG&E. Consistent with the CAISO Tariff provisions in place at the time, the additional amounts due to SDG&E will be charged to Demand and credited to the PX on behalf of SDG&E. The adjustment will be for seven months in 1998 (May thru November) and will be charged to the aggregate Demand in each month.

PROCESS DESCRIPTION

All processes are completed by the CAISO unless otherwise stated.

- 1 Credit approximately \$2.5 million to the PX under Charge Type 1003 and charge that amount to Demand through CT 1013. These transactions includes trade dates in May 1998 and July through November 1998.
- 2 Charges to 1013 noted above will be made based on the monthly metered demand


REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.
- 2 CAISO's Amendment No. 8 filing

AFFECTED CHARGE TYPES


The following is a list of potentially affected Charge Types

- 1003
- 1013

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
AMENDMENT 51 PX GFN - Issue 10		Version Date	01/30/04
		Effective Date	01/30/04

EXPECTED IMPACT

- 1 Total dollars of approximately \$2.5 million will be credited to the PX and charged to the CAISO market through CT 1013.
- 2 Charges will be allocated monthly instead of daily or hourly.

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51	
Intra-Zonal Congestion - Issue 11		Effective Date	01/30/04

PURPOSE

The CAISO will implement an automated tool to reallocate Intra-Zonal Congestion Charges (CT 451 and 452) in order to charge parties correctly. Even though Charge Types 451 and 452 will be internally automated for the re-runs, these two Charge Types will continue to be classified as manual charge types in the Charge Matrix and Settlement File Specification. The correct allocation methodology that the CAISO will use with regard to these two Charge Types is; (1) the portion of an OOS or OOM bid in excess of the MCP will be allocated to manual Charge Type 451 (Real-time Intra-Zonal Congestion Inc/Dec Settlement), and (2) the manual CT 451 amount related to OOM and OOS Intra-Zonal dispatches will be allocated to manual CT 452.

BACKGROUND

After reviewing data for the Reliability call types for Out of Sequence (OOS) and Out of Market (OOM), the following was identified:

1. All of the INC Bid charges for the Reliability call types per resource were originally paid in Charge Type 401 until December 12, 2000
 - a. The portion within the MCP and above the MCP was paid in 401
 - b. The portion above MCP should have be charged and paid through CT 451 and 452
2. All of the DEC Bid charges for the Reliability call types per resource were originally paid in Charge Type 401 until October 29, 2000

The above methodology for Charge Type 401 is incorrect, because the excess cost charge types for Reliability (Charge Type 451 and Charge Type 452) were effective as of September 1, 2000.


OUTLINE

- 1 Recalculate Billable Quantity and Price
- 2 Reverse Historical Calculations
- 3 Validation
- 4 Calculate New Charges

PROCESS DESCRIPTION

All processes listed below are to be completed by the CAISO unless otherwise stated.

- 1 Update Source Data
- 2 Reverse Historical Calculations relating to Intra-Zonal congestion Charges
- 3 Validation
 - 3.1 Pre Validation
 - A Verify changes prior to data push to Settlements
 - 3.2 Post Validation

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51	
Intra-Zonal Congestion - Issue 11		Effective Date	01/30/04

A Verify data after Settlements System batch calculations

4 Calculate New Charges

REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.
- 2 Tariff Section 7.3.2 – Grid Operations Charge for Intra-Zonal congestion
- 3 Tariff Section 11.2.4.2.1 – Allocation of Costs Resulting From ISO Dispatch Orders

ASSUMPTIONS

- 1 The cost of Out of Sequence (OOS) Intra-Zonal dispatches in excess of MCP are allocated to zonal load, based on load and real-time exports
- 2 The cost of Out of Market (OOM) Intra-Zonal dispatches in excess of MCP are allocated to the responsible Participating Transmission Operator (PTO)


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401
- 451
- 452
- 1010

EXPECTED IMPACT

- 1 Reversal of manual Excess adjustments
- 2 Reallocation of Excess cost for Reliability call type for OOS and OOM:
 - 2.1 For OOM dispatches, the cost will be allocated to the responsible PTO
 - 2.2 For OOS dispatches, the costs will be allocated to Zonal Load

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
		AMENDMENT 51	
Reallocation of CT 1030 Allocations - Issue 12		Effective Date	01/30/04

PURPOSE

An adjustment will be made in the allocation of Charge Type (CT) 1030 to account for the incremental data received between Preliminary and Final Settlements, because the incremental data received after the Preliminary settlements were not captured and calculated for the Final settlements of CT 1030.

BACKGROUND

CT 1030 is the allocation of the Non-Compliance charge to the market based upon load and export quantities. On March 11, 2002, the CAISO discovered that the allocation of CT 1030 was based only on Preliminary statement quantities, that is, any adjustments for the incremental changes to an SC's load and export quantities occurring between the Preliminary and Final statements were not incorporated. Beginning trade date January 1, 2002, incremental adjustments were made based on Final Data.

OUTLINE

- 1 Reversal of Historical CT 1030 Allocations
- 2 Recalculation of new Charges
- 3 Reallocation of new Charges

PROCESS DESCRIPTION

All processes listed below are to be completed by the CAISO unless otherwise stated.

- 1 Reversal of Allocations
 - 1.1 Reversal of Historical CT 1030 preliminary manual adjustments for the period August 18, 1999 to October 1, 2000
 - 1.2 Reversal of the latest CT 1030 data for the period of October 2, 2000 to June 20, 2001 manually entered into the Settlements system
- 2 Recalculation of CT 1030 Charges
 - 2.1 Recalculation of new CT 1030 based on new metered demand (the incremental change between the Prelim and the Final Statement).


REFERENCES

- 3 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.

AFFECTED CHARGE TYPES


The following is a list of potentially affected Charge Types

- 1030
- 1210

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
AMENDMENT 51 Reallocation of CT 1030 Allocations - Issue 12		Version Date	01/30/04
		Effective Date	01/30/04

EXPECTED IMPACT

The net amount allocated will not change, but each SCs share of CT 1030 may change based on the changed meter demand.

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.6
		AMENDMENT 51	
Regulation Non-Compliance - Issue 14		Effective Date	01/29/04

1 PURPOSE

Prior to 2002, Non-Compliance charges were calculated by the Compliance department and submitted to the Settlements department in a spreadsheet via e-mail so that charges would be processed and applied on Preliminary Settlements Statements. Settlements, manually uploads this spreadsheet into a tool that applies charges to the statements and perform the reallocations to the market. The CAISO has identified errors made in this transfer of data internally. The CAISO will correct errors made in the manual Settlements process, consisting of approximately \$500,000 of Regulation Non-Compliance charges, for the following dates only: August 18, 1999, August 20, 1999 to August 22, 1999, August 26, 1999, August 31, 1999, September 6, 1999, October 10, 1999, Nov 26, 1999, November 30, 1999, December 1, 1999, December 14, 1999, December 30, 1999, July 21, 2000, July 23, 2000, July 24, 2000, July 31, 2000, August 2, 2000, December 22, 2000, December 24, 2000, February 2, 2001, March 20, 2001 and June 7, 2001. The errors to be corrected include:

- Incorrect Trade Date processed for Preliminary and Final Statements
- Missing Unit-hours or Line Items
- Difference between the price published on OASIS and the Settlement price
- Regulation Up charges applied as opposed to Regulation Down services and vice-versa.

2 BACKGROUND

The Non-Compliance charges rescind Ancillary Service capacity payments when they are unavailable in real-time.

The Non-Compliance charge types include: Spinning, Non Spinning, Replacement, Regulation Up and Regulation Down.

3 OUTLINE

Reversal of Allocations for Affected Trade Dates and Charge Types

Recalculation of new Charges

Reallocation of new Charges


4 PROCESS DESCRIPTION

All processes listed below are to be completed by the CAISO unless otherwise stated.

1. Reversal of original charges/ credits for Affected Trade Dates

- 1.1. Reversal of CT 131 (from 8/1/99 to 10/15/00), CT 145 (from 10/16/00 – 6/20/01), CT 146 (from 10/16/00 – 6/20/01), and CT 1030 (from 8/18/98 – 6/20/01) preliminary manual adjustments.

2. Recalculation of the Penalty Charge

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.6
		AMENDMENT 51 Regulation Non-Compliance - Issue 14	

2.1. Correction of the CT 131, CT 145 and CT 146 for the trade dates mentioned in the Purpose.

3. Recalculation of Allocation Charge

3.1. Recalculation of new CT 1030 based on new metered demand.

5 REFERENCES

CAISO’s Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.

6 AFFECTED CHARGE TYPES


The following is a list of potentially affected Charge Types

- 131 • 145 • 146
- 1030 • 1210 •


7 EXPECTED IMPACT

Approximate Dollar Impact by Charge Type Per Trade Date

TRADE DATE	Charge Type	Approx Amount
18-Aug-99	CT 131	\$ 130.00
20-Aug-99	CT 131	\$ 20.00
21-Aug-99	CT 131	\$ 30.00
22-Aug-99	CT 131	\$ (5,000.00)
26-Aug-99	CT 131	\$ (3,000.00)
31-Aug-99	CT 131	\$ 300.00
6-Sep-99	CT 131	\$ 2,000.00
10-Oct-99	CT 131	\$ (4,000.00)
26-Nov-99	CT 131	\$ (900.00)
30-Nov-99	CT 131	\$ (525.00)
1-Dec-99	CT 131	\$ (1,200.00)
14-Dec-99	CT 131	\$ 100.00
30-Dec-99	CT 131	\$ (250.00)
21-Jul-00	CT 131	\$ (450.00)
23-Jul-00	CT 131	\$ (8,000.00)
24-Jul-00	CT 131	\$ (200,120.00)
31-Jul-00	CT 131	\$ 125.00
2-Aug-00	CT 131	\$ 450.00
22-Dec-00	CT 145, CT 146	\$ 7,000.00

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.6
		AMENDMENT 51	
Regulation Non-Compliance - Issue 14		Effective Date	01/29/04

24-Dec-00	CT 145, CT 146	\$	(20,700.00)
2-Feb-01	CT 145, CT 146	\$	(367,000.00)
20-Mar-01	CT 145, CT 146	\$	40,000.00
7-Jun-01	CT 145, CT 146	\$	25,800.00
TOTAL		\$	(535,190.00)

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.3
		AMENDMENT 51	
Ancillary Service Obligation - Issue 15		Effective Date	0/00/00

PURPOSE

CAISO originally used software that included negative Hour Ahead (HA) Billable Quantities (BQ) for the calculation of the weighted average Price. A software fix was implemented that will calculate the weighted average price correctly for the period of October 2, 2000 to June 20, 2001.

BACKGROUND

An incorrect version of the Ancillary Service software was used previously affecting Ancillary Services (A/S) and GMC, causing charges relating to Ancillary Services and GMC to be misallocated. The misallocation was a result of the software incorporating negative HA BQ for capacity and therefore the weighted average price was calculated incorrectly. The preparatory re-run will use the revised version of the software to re-settle Ancillary Services and GMC charges.


REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket

AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 111
- 112
- 114
- 115
- 116
- 1011

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		Version Date	02/02/04
AMENDMENT 51 Williams - Issue 16		Effective Date	01/29/04

PURPOSE

This adjustment involves the allocation of \$8 million refund from Williams to the other Scheduling Coordinators during the period of April 25 to May 11, 2000.

BACKGROUND

During the period in question Williams had a Reliability Must-Run (RMR) contracts with the CAISO. These contracts allow the CAISO to dispatch designated units to provide Energy and Ancillary Services essential to the reliability of the California transmission network. The units covered by the RMR contracts are Alamos Unit 4 and Huntington Beach Unit 2, which are owned, operated, and maintained by AES.

The CAISO was unable to dispatch Alamos 4 from April 25 to May 5, 2000 because it was unavailable for service. Accordingly, to provide needed reliability service, the CAISO called upon another Alamos unit, Alamos 3. This dispatch was considered an Out of Sequence (OOS) call, which meant that the applicable rate was the bid price that Williams submitted for that unit. The bid price was at or very near the then-maximum bid price of \$750 per megawatt hour.

During the period of May 6 to May 11, 2000 the CAISO attempted to dispatch Huntington Beach 2. However, this unit was also unavailable for service. The CAISO again called on a different unit to provide the needed reliability service, Alamos 5. Again, this dispatch was considered an OOS call. Again, the bid price was set by Williams at or very near the then-maximum bid price of \$750 per megawatt hour.


On April 30, 2001, the Commission issued an Order Approving Stipulation and Consent Agreement in which Williams agreed to refund the CAISO \$8 million, to reimburse the CAISO for the additional revenues paid to Williams related with the outages described above. The CAISO accounted for this refund as an \$8 million reduction to the amount that Williams was owed for invoices dating from November and December 2000. However, the CAISO has yet to allocate the \$8 million to the rest of the CAISO Market. This manual adjustment does this by allocating the \$8 million to zonal load and exports in SP15 on the applicable dates in April and May of 2000.

PROCESS OUTLINE:

Issue 16 relates to the Pre- FERC Refund period and therefore manual adjustments will be made to correct/incorporate the issue in the rerun.

REFERENCES

- 1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.4
		AMENDMENT 51 Williams - Issue 16	Version Date
		Effective Date	01/29/04

- 2 FERC Order Approving Stipulation and Consent Agreement issued April 30, 2001 in Docket No. IN01-3-001


AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401
- 451
- 452
- 1010
-
-

EXPECTED IMPACT

SCs in SP15 will get credit under CT 1010 and CT 452 based on the metered demand.

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.0
		AMENDMENT 51 Post Mis-logging Issue No 17	Version Date
		Effective Date	01/16/04

PURPOSE

The CAISO will recalculate the Market Clearing Price (MCP) to account for the Out of Sequence (OOS) transactions that were mislogged as Out Of Market (OOM) transactions during the October 2, 2000 through June 20, 2001 period (Refund Period). To do this the CAISO will identify, and correct all GG exceptions and call types that were mis-logged. The GG exceptions were originally logged as OOM dispatches with associated Hourly Ex-Post Price (HEPP) and were not included in the original MCP calculations.

BACKGROUND

The mis-logging item is one governed mostly by the California Refund proceeding (FERC Dockets EL00-95, *et al.*), but was also included as Item 17 in the Preparatory Rerun in Amendment No. 51 because it was necessary to correct the volumes eligible to set the MCP. The FERC order issued in the California Refund proceeding on March 26, 2003 states that OOS Non-Congestion Imbalance Energy Supplemental and OOS Non-Congestion Spin, Non-spin, and Replacement Ancillary Services are eligible to set the historical MCP. As some transactions were mis-logged, the CAISO will identify and correct the call types in order to accurately set the MCP.

FERC ruled on October 16, 2003 in the California Refund proceeding, stating the CAISO's review of mis-logging would be limited to the GG exceptions already identified in the CAISO's Project X internal audit and all GG exceptions should be considered as OOS transactions. The Commission also specified a procedure for the CAISO to determine whether the mis-logged OOS transactions were non-congestion transitions eligible to set the MCP.


OUTLINE OF PROCESS

- 1 Bid Calculation
- 2 MCP Analysis

PROCESS DESCRIPTION

All process listed below are to be completed by the CAISO unless otherwise stated.

- 1 Bid Calculation
 - 1.1 Gather all GG Exceptions
 - A Classify 72,000 records that were flagged as GG Exceptions in the Project X audit as OOS transactions
 - 1.2 Determine which of the OOS transactions at issue were entered into for non-congestion purposes
 - A Investigate OSMOSIS records and Market Operations (MOH) database. Flag applicable transactions with a 'reason code' indicating they were for non-congestion purposes.

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- 1) Reason Codes
 - a) ESY – System Condition Energy
 - b) OSS – Out of Sequence Supplemental Energy
 - c) OSNS – Out of Sequence Non Spin

B Supplement the non-congestion records identified in A above with any additional OOS non-congestion transactions identified through the SLIC logs

C The two steps above resulted in 70,000+ OOS records being re-classified as non-congestion transactions eligible to set the MCP

1.3 Identify bid points based on feasibility segments

A Available Capacity is calculated based on a Unit’s Pmax, Final Hour Ahead Schedules, Regulation Up and Real Time Balancing Energy and Ex Post Pricing (BEEP) dispatch

B The minimum of the original OOS instruction or Available Capacity is used as the actual, final volume for each OOS transaction.

C Utilize all Ancillary Service bids in calculation of MCP and OOS Bids in order of such:

- 1) SE
- 2) Rep-Res
- 3) Non-Spin
- 4) Spin

D The remaining OOS quantity, after exhausting all bids, will become OOM dispatch

E All OOM records will receive HEPP prior to data push to Settlements

1.4 Gather market bids

A OOS records

- 1) Calculate weighted average bid price

B OOM records


- 1) Identify residual energy of OOM with HEPP

1.5 True OOS/OOM

A True OOS/OOM records are the end result of the step 1.3

2 MCP Analysis

2.1 Gather old MCP for the intervals in which there were mis-logged non-congestion dispatches, identified prior to Steps 1.1 and 1.2 above

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- 2.2 Identify highest bid price (under cap) for each energy type
 - A October 2, 2000 to December 7, 2000 – \$250 hard cap
 - B December 8, 2000 to December 31, 2000 – \$250 soft cap
 - C January 1, 2001 to April 25, 2001 – \$150 soft cap
 - D April 26, 2001 to present – Flexible Soft Cap (FSC)
- 2.3 Identify intervals where BEEP was split by congestion zone
- 2.4 Override MCP for the applicable intervals
- 2.5 Revise MCP with resulting numbers

REFERENCES

- 1 CAISO’s Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.
- 2 October 16, 2003 FERC Order in the California refund proceeding (Dockets EL00-95, *et al.*).


ASSUMPTIONS

- 1 The OSMOSIS database will be utilized to determine whether the GG exceptions are non-congestion transactions
- 2 Scheduling and Logging for ISO in California (SLIC) records identified by the Project X team will be used as supporting document for re-categorization
- 3 All OOS dispatches are incremental
- 4 Only OOS dispatches for system condition dispatches are eligible to re-set MCP
- 5 Bids above the MCP cap are not eligible to re-set the MCP
- 6 The Max Price of each service type is selected for MCP calculation
- 7 Intervals where INC and DEC MCP are equal, both will be re-set to the same MCP
- 8 Intervals where INC and DEC MCP are not equal, only the INC price will be re-set
- 9 Remaining OOS quantities, after exhausting all bids, will be treated as OOM dispatches

AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 401 • 451 • 452
- 481 • 487 • 1010

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		Effective Date	01/16/04

EXPECTED IMPACT

- 1 Increase payment to suppliers of energy during the Refund Period
- 2 Increase costs to purchasers of energy during the Refund Period

ATTACHMENT D

**Privileged Information Has Been Redacted
Pursuant to 18 C.F.R. § 388.112**

ATTACHMENT E

ATTACHMENT E
RERUN STATUS REPORTS FILED BY THE CALIFORNIA ISO


Status Report	Date Filed
First Status Report on the Preparatory Re-run and Other Re-run Activity	February 9, 2004
Second Status Report on the Preparatory Re-run and Other Re-run Activity	March 10, 2004
Third Status Report on the Preparatory Re-run and Other Re-run Activity	April 12, 2004
Fourth Status Report on the Preparatory Re-run and Other Re-run Activity	May 7, 2004
Fifth Status Report on the Preparatory Re-run and Other Re-run Activity	June 10, 2004
Sixth Status Report on the Preparatory Re-run and Other Re-run Activity	July 12, 2004
Seventh Status Report on the Preparatory Re-run and Other Re-run Activity	August 10, 2004
Eighth Status Report on the Preparatory Re-run and Other Re-run Activity	September 10, 2004

ATTACHMENT F

 CALIFORNIA ISO <small>California Independent System Operator</small>	Settlements / Rerun	Version No.	1.1
		Version Date	02/02/04
Frequently Asked Questions		Effective Date	01/16/04

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Frequently Asked Questions			

1 PURPOSE

This initial listing of frequently asked questions provides answers to specific SC questions raised during the Preparatory Rerun of the October to November 2000 period. The list of frequently asked questions will be supplemented as the rerun progresses.

2 FREQUENTLY ASKED QUESTIONS

1. File Headers

1.1. What are the file headers and where can they be found?

The CAISO file Specification contains the details regarding the files, including the headers. File Specification are published on the CAISO website.

Link: www.caiso.com/clientserv/settlements/

2. File Format

2.1. What is the file format on the data disks?

File Name	Abbreviation	Trade date range	Spec File Version
Gross Intertie	GI	10/2/00- 12/11/00	12.1
		12/12/00 – 12/31/00	12.2a
GMC	GM	10/2/00- 12/11/00	12.1
		12/12/00 – 12/31/00	12.2a
Ancillary services	AS	10/2/00 – 6/20/01	15.1
Imbalance Energy	IE	10/2/00 – 6/20/01	15.1
Preliminary Summary	P	10/2/00 – 6/20/01	15.1
GMC Wheeling	GW	1/1/01 – 6/20/01	15.1
Zonal MCP	ZP	10/2/00 – 6/20/01	15.1

Please note: As of 1/1/01, the Gross Intertie (GI) and GMC (GM), files were replaced by the GMC Wheeling (GW) file.

3. Dispute Timeline

3.1. What is the dispute process for this re-run?


The SC can dispute up to 30-business day after the last day of the rerun month is published. For example, the SC can dispute up to Feb 17, 2004 for October 2000 data (30 business days from Jan 5, 2004, the day the CAISO published October 31, 2000).

4. Data Delivery Timeline

4.1. When can we expect the data disks?

The data disk will be delivered on or before the day the statements are published. The CAISO will regularly send out market notices with the schedules for rerun adjustments and expected CD delivery dates.

4.2. When will the re-run days show on the Settlement statements?

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The CAISO publishes a Rerun calendar, including updates on market notices

4.3. I received a rerun statements disk for October 02, 2000 to October 24, 2000. Are these all the dates that have been released so far?

CAISO delivered: October 2, 2000 to October 24, 2000 on December 16, 2003; October 25, 2000 to November 13, 2000 on December 22, 2003; November 14, 2000 to November 30, 2000 on January 6, 2004; and December 1, 2000 to December 5, 2000 on January 12, 2004.

5. Difference Between this Re-run and the FERC Compliance Case

5.1. Please explain the difference between the Preparatory re-run and the FERC compliance re-run.

The Preparatory re-run incorporates 17 primary issues to establish a "baseline" database, to which the CAISO will apply the mitigated prices. Applying the mitigated prices occurs during the FERC compliance phase. During the FERC Compliance phase, no new data (other than the price changes) will be introduced.

6. Purpose of the Data Disks

6.1. What are the data disks used for?

The Data disk contains the rerun settlement detail files plus summaries for the detail files calculations, which will help the SCs in validating their rerun statements, and the SCs will be invoiced based on the Prelim Statements at a later date (expected to occur as part of a market clearing after the refund rerun)

7. Statement File Version used (production vs. re-run)

7.1. Please explain the difference between the re-run and production statement file versions.

The PSS is version 15.3, now updated to 15.4 while the CDs that were sent out were version 15.1.

There is no difference between the file specifications in 15.1 and 15.4 except CAISO modified the charge type matrix. Whenever the Charge type Matrix changes, requiring that a new version number be assigned, the CAISO will update the version of the File Specification for consistency with the Charge Type Matrix.


7.2. The downloaded version and disk version of our Reruns are different. Which one should I use?

The PSS is version 15.3, now updated to 15.4 while the CDs that were sent out were version 15.1.

There is no difference between the file specifications in 15.1 and 15.4 except CAISO modified the charge type matrix.

7.3. Which version are we going to be invoiced on?

The CAISO will use the version in place at the time the invoice occurs.

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8. Purpose of Re-run

8.1. Why are we doing this re-run?

The Preparatory rerun is being done to correct the Settlements baseline data. The issues being corrected are outlined in Attachment A of the Settlements A-51 Compliance filing.

9. How to validate the Statements based on the Disk

9.1. The information downloaded and on the CD is different. Which one is right?

Both are correct, The CD is based on the batch calculation, after including new information, but before performing the manual adjustments.

The CD originally contained a breakdown of the rerun calculations and manual adjustments. This has created some confusion among the SCs as the old manual adjustments or the "A" records are not needed to validate the statements. Beginning with re-run date Dec 1, 2000 the CDs will no longer contain the "A" records.

The adjustments that appear on the Preliminary rerun statement are the difference between the original settlements and the rerun "D" records from the CD.

For example:

Original D record = \$100.00

Manual Adjustment = \$20.00

Original Summary = \$120.00

Rerun "D" record = \$150.00

A manual adjustment of additional \$30.00 will appear on the SC's rerun statement.


Please note: If there is no difference between what was originally settled and rerun calculation: either an adjustment for \$ 0.00 will appear on the Prelim Statement or no adjustments will be made.

10. Responses from January 26, 2004 Conference Call

10.1. The ISO agreed to maintain a current document on its website that will assist SCs in tracking the various versions of trade date data that have been issued. When will the ISO begin numbering versions as requested?

ISO has posted on the web a rerun calendar that has all the information about any adjustments that the ISO made in addition to the schedule. The ISO Settlements System does not provide the requested versioning on the manual adjustments.

10.2. The ISO agreed to maintain an updated calendar for the Preparatory Rerun process on its website. Will the ISO include both projected data production dates as well as dispute deadlines as part of that calendar? If there is a rerun of a trade date, does that mean that all disputes for that date then have a new dispute window? If not, how does the ISO plan to distinguish between which aspects of that day have a new dispute window and which don't in the updated calendar?

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The ISO has posted the calendar on the ISO website on Friday January 30, 2004. Also the calendar has the updated dispute timeline and all the adjustments that the ISO made in addition to the schedule.

The Dispute window in general will not be adjusted due to minor corrections. The overall dispute period was set to approximately 6 business weeks, so in most cases there will be sufficient time to review small charge changes that occur within this period.

- 10.3. The ISO stated on the call that the manual records relating to refund trade dates that are being published on individual SC current statements would be provided on a market-wide basis to requesting parties. We would like to request receiving these manual records for all SCs.

The purpose of the Preparatory rerun is to correct the baseline data and rerun Settlements System amidst a tight schedule. The ISO has been providing information to all the SCs to validate their statements. Manual records for all SCs will not be published at this point.


- 10.4. The ISO indicated that neutrality would be applied to pre-refund period adjustments. Does the ISO plan to have pre-refund participants pay for pre-refund adjustments? Did the "walling-off" requested by the ISO in Amendment 51 apply to pre-refund as well as refund period adjustments?

Yes, The Pre-refund participants will pay for the Pre-refund period and the "wall off" applies to both the prior and the FERC Refund Period.

- 10.5. How is it that the ISO is able to proceed with calculating the MMCP while there are potential changes to MCP that has not been through a review and dispute process? It is our understanding that any transaction that is able to set MCP is also able to set MMCP. Does the ISO agree with this understanding? If yes, would these MMCPs be preliminary in nature?

Yes. The ISO is calculating a MMCP based on the set of additional non-congestion OOS transactions eligible to set the MCP provided by Settlements. To the extent this list of additional non-congestion OOS transactions is subject to a review and dispute process, these MMCPs may be considered preliminary. However, the ISO intends release these preliminary MMCPs and underlying data as soon as possible so that other aspects of how these preliminary MMCP were calculated may also be reviewed. The ISO hopes to release these preliminary MMCPs by the end of this week

- 10.6. The Jan 26 Market Notice states that the ISO introduced new software to price Ancillary Services. We understand the ISO will describe the correction to the software in a "cookbook" explanation similar to that being provided for each of the Amendment 51 preparatory adjustments. Has the ISO made other changes to its software that were not described in Amendment 51 that result in changes to prices or quantities that appear on settlement statements?

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The ISO has made no other distinctive software changes after Amendment-51. But the ISO has continuously upgraded the software versions over time, and the most current software version that was used in production during the A-51 filing is used for the Preparatory rerun.

10.7. The Jan. 26 Market Notice states that ISO discovered errors relating to Option B Price. Were these errors present in original settlement statements? Are there other settlement errors that have been detected that were present in the original settlement statements? If so, what are they?

Yes, the original statements contained errors pertaining to Option B Prices. ISO has and will continue communicating with the Market Participants regarding the errors that are encountered with the Rerun statements.

10.8. The Jan. 26 Market Notice states that CAISO discovered errors in CT 401, 1010 and 1210. Are these solely due to the three items listed below this statement?

Yes. The reason for the errors was isolated to the three issues that were described in the market notice.

10.9. The Jan. 26 Market Notice states that where the miss-logging corrections led to recalculated MCPs above OOS bids, manual adjustments will be made to compensate suppliers at the new MCP levels. Will the charges for this increase in compensation be allocated via CT1010, and when will such allocations be included in settlement statements?

Yes. The corrections that appeared on the 11/25/03 Preliminary Statement consisted of both the charge to the SCs under CT 401 and allocation of the charge to the market under CT 1010 and CT 1210.

10.10. The Jan. 12 Market Notice gave notice of an error on the 11/5-11/20 statements, with respect to manual adjustments not having been reversed out. Was this error limited to the preparatory rerun or was some or all of the error also present in the original settlement statements? In the process of creating a new automatic run, does the ISO eliminate all previous manual adjustments? If so, why?

The error was isolated to the Preparatory rerun only. The ISO reverses out the last adjustments made and recalculates manual adjustments based on the new system calculations. The reason behind this is the old adjustments are made based on the old system calculation. There is one exception to this rule: disputes are not reversed and redone.

10.11. On the ISO call, the ISO indicated that it would study and report back on what issues would change historical MCP.

This information is provided in the Rerun Process Overview documents posted on the ISO web site under issue 17.

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10.12. On the ISO call, the ISO indicated that it would study and report back to us regarding written questions that were previously submitted on January 23, 2004 and that were not answered on the call.

ISO will answer and post as many questions as possible by Tuesday, February 3, 2004 on the CAISO website.

10.13. Given all the corrections being made to the daily settlement statements, will the ISO also be reissuing market-wide data on CD's? Many of these corrections to settlement statements have occurred after CD's were received by SCs.

No, the ISO will not reissue the CDs as the errors were "fixed" with the manual workarounds and system recalculation was not required. Therefore the CD information did not change.

10.14. Will the ISO provide details on what part of the November 14, 2003 FERC Order it is implementing in its reruns?


The ISO will implement all applicable parts of the Commission's order in the matter of Tariff Amendment 51, FERC Docket No.ER03-746. It will provide all relevant information as indicated to the Commission.

10.15. For Preparatory rerun Issues #11, #15, and #17, the ISO had not previously provided dollar impacts in their Amendment 51 compliance filing, Attachment A. Now that the Preparatory rerun is underway for these issues, can the ISO provide estimated dollar impacts for these items?

For issue 17, the ISO will publish the OLD MCP and the NEW MCP by Trade date, Trade hr and Sub hour interval on the ISO Website. Dollar impacts for AS software (issue 15) and Intra zonal Congestion (issue 11) are difficult to estimate, but ISO will continue to explore any summary data that can be provided.

10.16. The Jan. 12 Market Notice gave notice of an error on the 11/5-11/20 statements, with respect to manual adjustments not having been reversed out. Was this error limited to the preparatory rerun or was some or all of the error also present in the original settlement statements? In the process of creating a new automatic run, does the ISO eliminate all previous manual adjustments? If so, why?

To clarify, the ISO did not utilize a feasibility test to determine which of the transactions was OOS non-congestion. As directed in the FERC order, the ISO converted all GG exceptions to OOS, than used OSMOSIS and SLIC to identify which transactions were non-congestion. Of the total 71,349 GG exceptions, 660 were found ineligible to set the MCP because they were congestion related. The ISO then determined which of 70,689 OOS non-congestion transactions involved pricing that would reset the MCP, as only these transactions would have been eligible to set the MCP. The ISO looked at bids (price and quantity) for each of the OOS non congestion transactions and compared them to the actual dispatch level so that bids were consistent with the actual volume of power dispatched

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11. Neutrality

11.1. Is the ISO preparatory rerun introducing the possibility for duplicate payments for neutrality? For example, consider the following:

There are two periods: Period 1 and Period 2. Period 1 is during the refund period. Period 2 is after the refund period.

Suppose in Period 2, a meter error was discovered relating to Period 1 and SC X supplied a larger quantity of energy to the ISO than was previously recognized.

This meter error is corrected through a manual adjustment in Period 2 associated with the trade date in Period 1.

Because the manual adjustment occurs in Period 2, participants in Period 2 paid for it through neutrality. This neutrality payment is associated with the Period 2 trade date.

When the ISO conducts a preparatory rerun for Period 1 that absorbs this meter mistake into the automatic system, the automatic system calculates a new neutrality payment to pay for this adjustment, *again*.

Because a neutrality payment was made to pay for this refund period adjustment outside of the refund period, the walled-off preparatory rerun does not see this. The preparatory rerun merely recalculates what neutrality should have been, and compared to the original neutrality records in the refund period, more money is due to the ISO.

Thus, SCs in Period 1 will cumulatively pay the same neutrality adjustment that had already been paid in Period 2.

ISO agrees up to Step # 11.4.

Participants from Period 1 will bear the charges/credits for the neutrality and not from Period 2 even when the rerun adjustment is made during the Period 2. Therefore ISO does not agree with the rest of the example.

12. Energy Exchange


12.1. Will the ISO provide a summary of the various Energy Exchange Program (EEP) including the dates they were effective and the return ratios associated with them?

Yes. The EEP summary has been posted on the web at <http://www.caiso.com/docs/2004/02/20/2004022016375212796.xls>.

12.2. According to the cookbook, under "Expected Impact" #1, the ISO states it will reverse all previously made manual adjustments associated with the energy exchange. Will the ISO provide the database that results from that reversal?

Yes. The ISO will provide the detail on the CDs, in settlement details with the new manual adjustments. The reversals will be only for the months of Nov00, Dec00 and Jun01, as these are the only months previously in production. And the reversals are only for BA 2970, as there have been no allocations of EEP net costs to date.

12.3. In the Background section of the cookbook, the ISO states, "with the advent of Amendment 33, effective December 8, 2000, the excess costs were allocated to the net uninstructed deviations in the return period." Does "excess costs" here refer to total

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costs of energy returned or the costs of energy above the MCP? Can the ISO confirm that this is different than the newly calculated “net costs” which will be allocated according to net negative deviation over the receiving period?

The cookbook reference, “with the advent of Amendment 33, effective December 8, 2000, the excess costs were allocated to the net uninstructed deviations in the return period,” is to excess cost of energy above the MCP. This is different from the EEP “net costs”. [Excess cost of energy above the MCP is any MW that is procured above MCP, not only EEP MWs. EEP “net costs” may include MWs procured above MCP.]

12.4. According to the cookbook, the ISO calculates net costs when an “energy exchange account is closed or reaches a zero MWh balance.” Does the zero MWh balance condition account for the exchange multiple or is it counting received and returned MWh one for one?

Yes. The “zero MWh balance condition” in an EEP account is considering the exchange multiple. Each exchange account has a running total of MWs to be returned until the exchange agreement is fully satisfied.

Example:


“Zero MWh balance condition” is achieved when CAISO borrows 100 MWs at 1:2 ratios from Control Area XYZ and returns 200 MWs the next day, and no other exchange MWs have been received from Control Area XYZ prior to the return of the 200th MW.

“Zero MWh balance condition” is achieved when CAISO borrows 100 MWs at 1:2 ratio from Control Area ABC, returns 25 MWs the same day during off peak hours, the next day again borrows 100 MWs at 1:2 ratio from Control Area ABC, then returns 375 MWs five days later without borrowing any more MWs from Control Area ABC prior to the return of the 400th MW or last MW to be returned.

12.5. Is CT1487 the charge type for accumulating the net costs for an energy exchange program but not for allocating the net costs? The settlement records produced thus far in the preparatory rerun process do indicate CT1487 as holding the total amount but not being used to allocate that total amount. If CT1487 is not the allocation charge type, which charge type is used to allocate the amounts calculated in CT1487? The ISO’s Amendment 51 compliance filing indicates that CT487 will be used to allocate the amounts calculated in CT1487. If CT487 is used for holding the allocation amounts, what charge type is used before December 12, 2000?


Yes. Charge Type (CT) 1487 is used for allocating the net costs. See question 2.9 below for information regarding the CT 1487 transaction on November 30, 2000. Business Associate 2970 (SC_ID ISO1) is the “pseudo” account for accumulating the net costs. There are no CT 1487 allocations to date because none of the EEP accounts have reached a “zero MWh balance condition” during the preparatory rerun. CT 487 is the CT for allocating “excess costs” from CT 481.

12.6. Is the allocation of CT1487 amounts conducted using manual records?
No. The settlement system identifies the EEP transactions, identifies the EEP users, and calculates the “net cost” allocation. The allocation will be entered as a

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"manual" adjustment in order to provide additional information in the comment field.

- 12.7. On what trade date, will the allocation of CT1487 amounts appear?
The EEP "net cost" allocations will appear for the first time shortly after the first exchange account achieves a "zero MWh balance condition" on trade date 12/18/00.
- 12.8. Do the settlement files record the allocation quantity for the individual SCs (as well as the total) that the ISO calculates in order to perform its allocation of CT1487 amounts?
Yes. Each SC will have the detail of their individual billable quantity, settlement amount, and a comment. The comment field will provide the total details from which the allocation was calculated. Example: "ENERGY EXCHANGE PROGRAM FOR ACCOUNT PACW_CISO_EXCH FROM 10-DEC-2000 TO 31-DEC-2000. TOTAL AMOUNT = 3008137.53; TOTAL UE = -147451.7089"
- 12.9. The sample comment given in the cookbook (Assumptions #3) does not match the style of comment that appears for SC 2970 on November 30, 2000. The November 30, 2000 record lacks the details that appear in the sample comment. Why is this the case?
Business Associate 2970 (SC_ID ISO1) is only a "pseudo" business associate (i.e. holding account). An end of month transaction is generated by the system to avoid producing a settlement invoice for BA 2970. Note the balance for BA 2970 is zero for November. At the end of any month with allocations, the allocations will also be included in the system-generated CT 1487 transaction.
- 12.10. How does the ISO plan to treat energy exchange programs that begin during the refund period but that do not close out until after the refund period?
All exchange accounts between the CAISO and other control areas were zero as of June 20, 2001.
- 12.11. Please explain the methodology for determining the price of energy exchange transactions both in the receiving and the return periods.
The **receiving period** energy is treated as Out-Of-Sequence (OOS) Instructed Energy and is valued at the Incremental MCP for the interval. The **returning period** energy is treated as Real-Time Operation Adjustments and is valued at the Incremental Price for the interval to ensure the return energy value includes any above-MCP energy costs that may have been incurred.
- 12.12. Specifically, in the receiving period, did the ISO price the value of the energy based on the "incremental energy" it would otherwise have purchased from the market, or the average price of the energy it did purchase, or some other approach? In the delivery period, did the ISO price the cost of the energy based on the highest price energy purchased by the ISO, or the average price of all energy purchased, or some other approach?
Receiving and Returning period energy is valued as 'Incremental'. Receiving is 'Incremental MCP' and Returning is 'Incremental Price to include excess cost'.

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- 12.13. What was the basis for whatever approach the ISO used?
The ISO determined the program allocation based on cost causation. The total cost to bring the market settlement neutral are shifted back to the original net negative deviators, whose initial shortfall necessitated the transaction.

13. Master File - Issue # 5

- 13.1. We have not seen any impacts yet from Issue #5. Can the ISO verify that the issue does not affect settlements until after December 5, 2000? Previous ISO guidance stated that Issue #5 started November 6, 2000.
Yes. Issue 5 affects Settlements from December 2000 onwards.

14. AS Obligation - Issue # 15

- 14.1. Given the error in software as described by the ISO in its Issue #15 documentation, how did the ISO achieve balance in payments and receipts for ancillary services in the original settlements? With this software fix, does something need to be reversed on the original settlements beyond the charge types of ancillary service payments due to the ISO?

The pro rata share amounts were adjusted between those SCs that had AS obligation to achieve balance.

No, nothing is reversed on the original statement. The Settlements System will generate Deltas (difference between the Rerun calculation and the Original calculation) that appears on the SCs statements in the form of manual adjustments.


15. RESPONSES FROM APRIL 15, 2004 CONFERENCE CALL

- 15.1. As original settlements are being compared to re-runs, I am noticing that the prices reflected in the original settlements are not as they appear on the statements. In other words, if one were to take a value and divide it by quantity, one would obtain a different price other than the price noted in the settlement statements. I mention this because what I am seeing is that as manual records are reversed and re-billed a different amount and qty is invoiced. As I compare the settlements on the bid curves I am noticing that in some cases settled prices are lower than bid in for OOS and In-sequence bids. Can the ISO please explain why this is the case and if a correction is planned? Also, the other concern is the change in the quantity during the refund phase?

We need to review a sample data set to determine out why the Prices are different. Below are some examples of when the SC can expect to see the Price change:

Example:1

	OOS	OOS Price	Bq*Price	In Seq	MCP	Bq * Price	CT 401 BQ	CT 401 Price	Stlmt_Amt
Original	1.11	\$300.00	(\$333.00)	1.01	\$250.00	(\$252.50)	2.12	\$276.18	(\$585.50)
Rerun CD	1.11	\$300.00	(\$333.00)	1.01	\$250.00	(\$252.50)	2.12	\$276.18	(\$585.50)

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RR Manual Adj	NA	NA	NA	NA	NA	NA	\$	-	\$	-
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In Example 1

OOS = 1.11 MW * \$300 = (\$333.00)

In Seq = 1.01 MW * \$250 = (\$252.50)

Total STLM AMT = (\$585.5) (that is (333.00) +(252.50))

Price = \$(585.5) / 2.12MW = \$276.18

Example:2

	OOS	Price	Bq * Price	In Seq	MCP	Bq * Price	CT 401 BQ	CT 401 Price	Stlmt_Amt
Original	45.9	\$250.00	(11,475.00)	\$0.00	\$250.00	\$0.00	45.9	\$250.00	(\$11,475.00)
Rerun	19.5	\$250.00	(4,875.00)	\$0.00	\$250.00	\$0.00	19.56	\$250.00	(\$4,875.00)
RR Manual Adj	NA	NA	NA	NA	NA	NA	-19.56	\$337.42	\$6,600.00

In Example 2

OOS = 45.9 MWH * \$250 = (\$11,475)

For Rerun

On CD

OOS = 19.56 MW * \$250 = (\$4,875)

First calculate the dollar adjustment:

STLMT AMT = \$6,600 ((\$4,875) – (\$11,475))

Then the system calculates the rerun BQ of 19.6 MW (when the Bill Qty changes between the original and rerun, the system uses the rerun BQ to calculate Delta) and back calculates a price of \$335.03

Therefore,

Price = \$6,600 /19.6MW = \$335.03

15.2. How does the ISO calculate the CT 485 Price? Hourly vs. Sub hourly?
 The CT 485 is an hourly charge type. The CT 485 Price is twice the highest price paid in an hour. (It is 2 times the highest interval price during the hour). Please refer to the following link:
<http://www.caiso.com/docs/2000/12/08/2000120814344720066.pdf>

15.3. Can the CAISO please explain the reason for reversing CT 485-Insufficient Response to AWE Instruction daily and re-billing with the last trade date of the month for the whole month? This is very deceiving as one monitors the daily financial impact of the re-runs and adds an extra layer of review to an already complex process.
 The last trade date of each month is used for CT485 calculation out of necessity. CT485 is calculated manually (by the ISO's Compliance Department) and the pace of the rerun made daily presentation of the data infeasible. Rather than

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leave it out of this phase, we instead chose to use month-end for data presentation. Many of these prices will be mitigated during the next phase of the process. Please refer to the market notice that went out on January 26, 2004.

- 15.4. My initial review of the preparatory calendar showed May 7, 2004 as the cutoff for Dec 2000 disputes, however, I recently double checked the dates and noticed April 30, 2004, as the Dec 2000 dispute cutoff. Can the CAISO please explain the reason for the change in the cutoff?

The cutoff date was originally changed from 5/7 back to 4/30 for tariff consistency. The "30 business days from the last trade date of the month statement publishing" requirement from FERC results in a due date of 4/30 and not 5/7. This date was changed, but since the ISO plans to extend that date to support PX timing. The new extended dispute timeline for December 00 will be May 28, 2004. An updated rerun calendar is posted on the ISO web site.

- 15.5. For the month of Dec 2000, the ISO stopped the re-run process partially due to manual line items that were reversed that should not have been reversed. The CAISO went back and corrected some of these reversals but not all, is the CAISO done with this process?

Yes, the ISO is done with known production work for December 2000. Additional adjustments may occur, based on disputed items.

- 15.6. Please confirm or deny whether some dispute related manual adjustments are automatically corrected by the system rerun. If the previous statement is confirmed, please indicate whether ISO has reversed that subset of disputed related manual adjustments and how SCs can identify those corrections.


Yes, some manual disputes are corrected by the system re-run. Specifically, disputes relating to the OOM call, which have been uploaded into a system template. Yes, the ISO has reversed these manual disputes and they can be identified by reading the description text, which states, "dispute reversal". In addition the following Ref Ids can also be used: R71, R4, R5.

Disputes that are not fixed in the Prep rerun will be fixed with the Refund Rerun.

- 15.7. Please confirm or deny whether the second set of System Rerun resulted in a different set of allocation factors than the ones calculated from the first set of System Rerun. Deny. The allocation factors (metered demand) did not change between the first run and the second run. The generation meter data for PX was not zeroed out where the SC was getting charged for load and paid for the Generation. Also the PMAX value used was incorrect. Therefore the rerun calculations impacted Imbalance Energy, No Pay, UFE etc

- 15.8. Please describe the process ISO goes through to identify Reversals and New adjustments.

Reversing out previous adjustments is a manual process. The latest adjustments have to be reversed. The analyst can identify the latest adjustments based on the file date/creation date. The reversals will have a ref id of either R# or RN#.

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15.9. Please state when the “cutover” took place (by file date and trade date) from System Rerun 1 and System Rerun 2 and back to the System Rerun 1. Please state when each “cutover” Settlement Statement and the CDs containing Detail Files were sent out to the SCs. Furthermore, please state when complete sets of Settlement Files (Settlement Statements and corresponding Detail Files) were sent out to the SCs. The ISO has posted the rerun calendar on the web that shows all the dates when the ISO published the data. The CDs also had the dates they were mailed to the SCs on the label.

15.10. Please explain in detail what quality control measures are in place to coordinate all the manual adjustments that are being made by multiple analysts. In addition, please explain what sort of quality control measures are in place to validate whether ISO has made all Rerun related adjustments correctly.

There is no way to ensure 100% accuracy across the board in any business process. But the ISO has introduced significant internal controls to ensure accuracy with the rerun statements. Some of the controls are:

- Internal audit team: that reviews all the rerun processes, ensures documentation is current.
- SAS 70 system audit: to ensure the system generates the results as they are expected to.
- Internal Validation: A validator has been assigned who ensures all the adjustments made follows some guidelines.
- Documentation: all process are well documented and updated regularly
- Training: Extensive in-house training is provided to all analyst to ensure consistency and accuracy

16. ASSUMPTIONS

16.1. The answers provided are based on general questions related to the Preparatory Rerun. SC specific questions may vary and should be handled on a case-by-case basis.

ATTACHMENT G

Tentative Preparatory Rerun Schedule

	MON	TUE	WED	THURS	FRI
DAY:	December 15, 2003	December 16, 2003	December 17, 2003	December 18, 2003	December 19, 2003
PREP RR Upload Dates:				Oct 2 - 6	Oct 7 - 11
Preliminary Statement:	10/20	10/21	10/22	10/23	10/24 - 10/26
Dispute Timeline				17-Feb-04	17-Feb-04
DAY:	December 22, 2003	December 23, 2003	December 24, 2003	December 25, 2003	December 26, 2003
PREP RR Upload Dates:	Oct 12 - 16	Oct 17 - 21	NO RERUN	CHRISTMAS	NO RERUN
Preliminary Statement:	10/27	10/28	10/29	Holiday	10/30
Dispute Timeline	17-Feb-04	17-Feb-04			
DAY:	December 29, 2003	December 30, 2003	December 31, 2003	January 1, 2004	January 2, 2004
PREP RR Upload Dates:	None Invoicing	Oct 22 - 26	NO RERUN	NEW YEAR	NO RERUN
Preliminary Statement:	10/31 - 11/02	11/3	NA	Holiday	11/4
Dispute Timeline		17-Feb-04			
DAY:	January 5, 2004	January 6, 2004	January 7, 2004	January 8, 2004	January 9, 2004
PREP RR Upload Dates:	Oct 27 - 31	Nov 1 - 5	Nov 6 - 10	Nov 11 - 15	Nov 16 - 20
Preliminary Statement:	11/5	11/6	11/7 - 11/9	11/10	11/11
Dispute Timeline	17-Feb-04	8-Mar-04	8-Mar-04	8-Mar-04	8-Mar-04
DAY:	January 12, 2004	January 13, 2004	January 14, 2004	January 15, 2004	January 16, 2004
PREP RR Upload Dates:	Nov 21 - 25	Nov 26 - 30	Dec 1 - 5		
Preliminary Statement:	11/12	11/13	11/14 - 11/16	11/17	11/18
Dispute Timeline	8-Mar-04	8-Mar-04			
DAY:	February 9, 2004	February 10, 2004	February 11, 2004	February 12, 2004	February 13, 2004
PREP RR Upload Dates:	Dec 6 - 10	NO RERUN		Dec 11 - 15	
Preliminary Statement:	12/11	12/12 - 12/14	12/15	12/16	12/17
Dispute Timeline		6 Statements			
DAY:	February 16, 2004	February 17, 2004	February 18, 2004	February 19, 2004	February 20, 2004
PREP RR Upload Dates:	President's Day				
Preliminary Statement:	HOLIDAY	12/18	12/19	12/22	12/23
Dispute Timeline					
DAY:	March 1, 2004	March 2, 2004	March 3, 2004	March 4, 2004	March 5, 2004
PREP RR Upload Dates:				Nov 1 - 7	Nov - 8 - 14
Preliminary Statement:	1/5	1/6	1/7	1/8	1/9 - 1/11
Dispute Timeline					
DAY:	March 8, 2004	March 9, 2004	March 10, 2004	March 11, 2004	March 12, 2004
PREP RR Upload Dates:	Nov 15 - 20	Nov 21 - 24	Nov 25 - 27	Nov 28 - 30	Dec 1 - 5
Pre - Refund Dates		Apr 98 - Dec 98	Jan 99 - Dec 99	Jan 00 - Oct 1, 00	
Preliminary Statement:	1/12	1/13	1/14	1/15	1/16 - 1/19
Dispute Timeline		21-Apr-04	21-Apr-04	21-Apr-04	15-Jun-04
DAY:	March 15, 2004	March 16, 2004	March 17, 2004	March 18, 2004	March 19, 2004
PREP RR Upload Dates:		Dec 6 - 10	Dec 11-15	Dec 16-20	Dec 21-25
Preliminary Statement:	1/20	1/21	1/22	1/23 -1/25	1/26

Tentative Preparatory Rerun Schedule

	MON	TUE	WED	THURS	FRI
Dispute Timeline		15-Jun-04	15-Jun-04	15-Jun-04	15-Jun-04
DAY:	March 22, 2004	March 23, 2004	March 24, 2004	March 25, 2004	March 26, 2004
PREP RR Upload Dates:	Dec 26-31	Jan 1-5	Jan 6-10	Invoicing	Jan 11 - 16
Preliminary Statement:	1/27	1/28	1/29	1/30 - 2/1	2/2
Dispute Timeline	15-Jun-04	23-Jul-04	23-Jul-04		23-Jul-04
DAY:	May 31, 2004	June 1, 2004	June 2, 2004	June 3, 2004	June 4, 2004
PREP RR Upload Dates:	Memorial Day	Settlements in	Jan 17 - 21	Jan 22 - 26	Jan 27 - 31
Retro Corrections			Jan 1, 2, 5	Jan 7, 8, 12, 14	
Preliminary Statement:	Holiday	4/7	4/8	4/9, 10, 11	4/12
Dispute Timeline		Training	23-Jul-04	23-Jul-04	23-Jul-04
DAY:	June 7, 2004	June 8, 2004	June 9, 2004	June 10, 2004	June 11, 2004
PREP RR Upload Dates:	Feb 1 - 5	Feb 6 - 10	Feb 11 - 15	Feb 16 - 20	Invoicing
Retro Corrections	12/13, 15, 16, 17	12/18, 21, 22, 23	12/24, 25, 26, 27	12/28, 29, 30, 31	
Preliminary Statement:	4/13	4/14	4/15	4/16, 17, 18	4/19
Dispute Timeline	27-Jul-04	27-Jul-04	27-Jul-04	27-Jul-04	
DAY:	June 14, 2004	June 15, 2004	June 16, 2004	June 17, 2004	June 18, 2004
PREP RR Upload Dates:	Feb 21 - 25	Feb 26 - 28	Mar 1 - 5	Mar 6 - 10	Mar 11 -1 5
Preliminary Statement:	4/20	4/21	4/22	4/23, 24, 25	4/26
Dispute Timeline	27-Jul-04	27-Jul-04	5-Aug-04	5-Aug-04	5-Aug-04
DAY:	June 21, 2004	June 22, 2004	June 23, 2004	June 24, 2004	June 25, 2004
PREP RR Upload Dates:	Mar 16 - 20	Mar 21 - 25	Mar 26 - 31	Invoicing	Apr 1 - 5
Preliminary Statement:	4/27	4/28	4/29	4/30, 5/1, 2	5/3
Dispute Timeline	5-Aug-04	5-Aug-04	5-Aug-04		13-Aug-04
DAY:	June 28, 2004	June 29, 2004	June 30, 2004	July 1, 2004	July 2, 2004
PREP RR Upload Dates:	Apr 6 - 10	Apr 11 - 15	Apr 16 - 20	Apr 21 - 25	Apr 26 - 30
Preliminary Statement:	5/4	5/5	5/6	5/7, 8, 9	5/10
Dispute Timeline	13-Aug-04	13-Aug-04	13-Aug-04	13-Aug-04	13-Aug-04
DAY:	July 5, 2004	July 6, 2004	July 7, 2004	July 8, 2004	July 9, 2004
PREP RR Upload Dates:	Independence Day	May 1 - 5	May 6 - 10	May 11 - 15	May 16 - 20
Preliminary Statement:	Holiday	5/11	5/12	5/13	5/14, 15, 16
Dispute Timeline		23-Aug-04	23-Aug-04	23-Aug-04	23-Aug-04
DAY:	July 12, 2004	July 13, 2004	July 14, 2004	July 15, 2004	July 16, 2004
PREP RR Upload Dates:	May 21 - 25	May 26 - 31	Jun 1 - 7	Jun 8 - 14	Jun 15 - 20, 30
Preliminary Statement:	5/17	5/18	5/19	5/20	5/21, 22, 23
Dispute Timeline	23-Aug-04	23-Aug-04	26-Aug-04	26-Aug-04	26-Aug-04

Tentative Preparatory Rerun Schedule

Please Note: Only incremental changes can be disputed with the extended dispute timeline.

Adjustments on top of the Rerun Schedule and New Dispute Timeline

Trade dates	Ref Market Notice	Prelim Statement	Impacted Charge Types	Extended Dispute Timeline
October 2, 2000	December 23, 2003	October 28, 2003	401, 1010, 1210	NA
November 5, 2000	January 12, 2004	November 12, 2003	401, 451, 452, 1010, 1210	NA
Nov 11 - 20, 2000	January 12, 2004	November 12, 2003	401, 451, 452, 1010, 1210	NA
Nov 22, Nov 30	January 26, 2004	November 25, 2003	401, 1010, 1210	March 8, 2004
Nov 20 - Nov 22, 00	January 26, 2004	November 25, 2003	401, 1010, 1210	March 8, 2004
Nov 14, Nov 16, Nov 19, Nov 23, Nov 24	January 26, 2004	November 25, 2003	401, 1010, 1210	March 8, 2004
Dec 1 - Dec 3, Dec 5	January 26, 2004	November 25, 2003	401, 1010, 1210	NA
Dec 1, 3, 4, 2000	February 12, 2004	December 16, 2003	401, 451, 452, 1010, 1210	NA
Oct 2, Oct 17 - 21	February 12, 2004	December 16, 2003	406, 1010, 1210	March 25, 2004
Nov 13 -14, Nov 17 - 18, Nov 26 - 30	February 12, 2004	December 16, 2003	401, 451, 452, 1010, 1210	March 25, 2004
October 2 - 31, 2000	February 23, 2004	December 24 - January 2	401, 407, 406, 1010, 1210, 141, 142, 144, 1030	April 9, 2004
November 1 - 30, 2000	February 23, 2004	January 8 - January 15	401, 407, 406, 1010, 1210, 141, 142, 144, 1030	April 21, 2004
October 2 - November 16, 2000	May 25, 2004	April 1 - April 5, 2004	1010, 1210, 1030	July 16, 2004
December 13, 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 2000	May 28, 2004	April 13 - April 18, 2004	401, 406, 407, 481, 487, 451, 452, 410, 1010, 1210	July 27, 2004
January 31, 2001	June 15, 2004	April 21, 2004	521, 522, 523, 524	July 27, 2004
February 22 - 28, 2001	August 2, 2004	June 8, 2004	401, 481, 1010, 1210, 487, 523, maybe 1487	September 10, 2004
April 6; April 30, 2001	August 2, 2004	June 8, 2004	114, 406, 407, 487, 1010, 1011, 1030, 523	September 10, 2004
Mar 1 - 12, 2001; March 31, 2001	August 2, 2004	June 9, 2004	401, 481, 1010, 1210, 487, 523, maybe 1487	September 11, 2004

ATTACHMENT H



CALIFORNIA ISO

Preparatory Rerun Settlements Data Walkthrough

February 5, 2004

ISO Settlements

ISO Client Relations

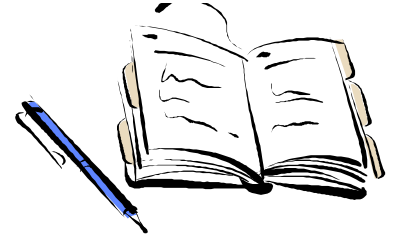


Conference Call Overview

- Discuss data sources used to determine the Preparatory Rerun Settlements
- Examples
 - System Generated Charge Type
 - System/Manually Generated Charge Type
 - Manually Generated Charge Type



Agenda



- Identify Applicable Data Sources
- Examples
 - System Generated - CT 407
 - System/Manually Generated – CT 1010
 - Manually Generated – CT 452



Data Sources

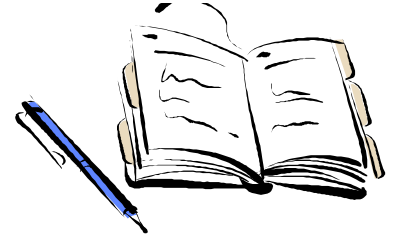
- *Original Settlement* –
 - System (D Records)
 - Manual Adjustments (A Records)
 - Settlements Summary (Final – includes both manual and system)

- *CD* –
 - Preliminary Summary (New total based on Prep Rerun)
 - Detail Summary (D Records) – details change from original

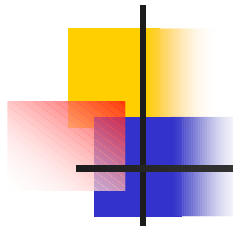
- *Preparatory Rerun Summary – SC Workspace*
 - Manual Adjustment (A record) – Reversal of Original Settlement
 - Manual Adjustment (A record) – New “A” Record
 - Summary File (S records)



Agenda



- Identify Applicable Data Sources
- **Examples**
 - **System Generated - CT 407**
 - System/Manually Generated – CT 1010
 - Manually Generated – CT 452



CT 407 Example 1.

Preparatory Rerun Summary - SC Workspace

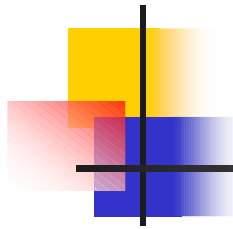
CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BAID	SUMM_DATE	STLMT_TOTAL	
407	S	10/2/00	1234	10/23/03	<u><u>\$ 115.79</u></u>	S record → Prep Rerun Adjustment

Original Settlement

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BAID	SUMM_DATE	STLMT_TOTAL	
407	S	10/2/00	1234	10/2/00	\$ 33,621.51	← Original Settlement D record

CD - Preliminary Summary File

TRADE_INT	BAID	Bill_Qty	Price	CT	STLMT_AMOUNT	
10/2/00	1234	-287.54	250	407	<u><u>\$ 33,737.30</u></u>	← Prep Rerun System Calc



CT 407 Example 2.

System + manual adjustment from previous rerun

Preparatory Rerun Summary - SC Workspace

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BAID	SUMM_DATE	STLMT_TOTAL	
407	S	10/2/00	1234	10/23/03	<u>\$ 31.25</u>	S record → Prep Rerun Adjustment

Validation:

The difference between Old Calc and New Calc =	\$ 115.79	A record	→	Prep Rerun System Calc	Original Settlement	\$33,737.30	\$ 33,621.51
Reversal of the Old adjustments =	\$ (84.54)	A record	→	Reversal of Manual adjustment			
Total Adjustments that should appear on the Statement =	<u>\$31.25</u>						

CT 407 Example 2.

System + manual adjustment from previous rerun

Original Settlement

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BAID	SUMM_DATE	STLMT_TOTAL	RERUN_ADJ_FLG
407	S	10/2/00	1234	10/2/00	\$ 33,621.51	← Original Settlement D Record
407	S	10/2/00	1234	5/24/01	84.54	← Manual adjustment A Record
					<u>\$ 33,706.05</u>	

CD - Preliminary Summary File

TRADE_INT	BAID	Bill_Qty	Price	CT	STLMT_AMOUNT	
10/2/00	1234	-287.54	250	407	<u>\$ 33,737.30</u>	← Prep Rerun System Calc

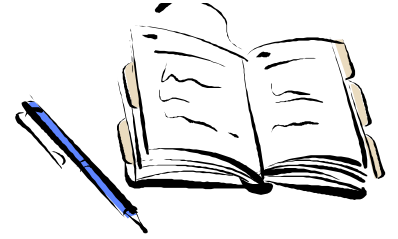
Therefore,

Prep Rerun – Original – Manual Adjust. = Prep Rerun Manual Adjustments

$$\$33,737.30 - \$33,621.51 - 84.54 = \$31.25$$



Agenda



- Identify Applicable Data Sources
- Examples
 - System Generated - CT 407
 - System/Manually Generated – CT 1010
 - Manually Generated – CT 452

System & Manual - CT 1010 Example

Step 1. Original Summary

Original Settlement

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BUS_ASSOC_ID	STAT_DT	AMT
1010	S	10/5/00	1234	10/05/00	\$(42,693.04) S record
1010	S	10/5/00	1234	03/06/01	\$61.63 A record Dispute
1010	S	10/5/00	1234	05/24/01	<u>\$(11,256.95) S record</u>
1010	S	10/5/00	1234	05/24/01	<u>\$139.90 S record</u> ← Dispute Adjust.
					(53,748.46)

Break down of the Original Summary

Original "D" Record	\$ (76,569.85) D record
Manual Adjustment	\$ 33,876.81 A record
Dispute Adjustment	\$ 61.63 A record
	<u>\$ (42,693.04)</u>
Reversal of Manual Adjust.	\$(33,876.81) A record
Manual Adjustment	\$22,066.51 A record
Previous rerun System Delta	\$553.35 A record
	<u>(11,256.95)</u>

System & Manual - CT 1010 Example

Step 2. Prep Rerun Summary

CD - Preliminary Summary

New D Records

CT	TRADE_INT	BAID	AMOUNT
1010	10/5/2000	1234	\$ (75,844.03)

Preparatory Rerun Summary - SC Workspace

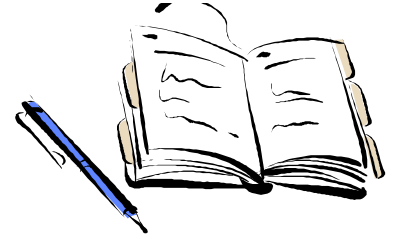
CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BUS_ASSOC_ID	STAT_DT	STLMT_TOTAL
1010	S	10/5/00	1234	10/23/03	\$11,542.89 S record

Break down of the Rerun Summary

Reversal of Manual Adjustment	\$ (22,066.51)	→	Reference ID	R11 A record
New Manual Adjustment	\$33,436.93	→		N11 A record
Reversal of historical adjustments	\$ (553.35)	→		R2 A record
The difference between New "D" Record and Orig."D" Record = \$75,844.03 - \$76,569.85	\$725.82	→		N2 A record
	<u>\$ 11,542.89</u>			



Agenda



- Identify Applicable Data Sources
- Examples
 - System Generated - CT 407
 - System/Manually Generated – CT 1010
 - Manually Generated – CT 452

Manual - CT 452

Step 1. Original Settlement

Original Settlement for trade day

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BUS_ASSOC_ID	STLMT_SUMM_DATE	STLMT_TOTAL
452	S	11/24/00	1234	11/24/00	\$(1,498.25) A record
452	S	11/24/00	1234	06/04/01	-
452	S	11/24/00	1234	04/29/02	\$(0.04) A record
					(1,498.29)

Break down of the Original Settlement

Original "A" Record	\$(1,498.25) A record
Retro Manual adjustments	\$(0.04) A record
	\$(1,498.29)

Manual - CT 452

Step 2. Prep Rerun Summary

Preparatory Rerun Summary - SC Workspace

CHRG_TYPE_ID	STLMT_TYPE	TRADE_DATE	BUS_ASSOC_ID	STLMT_SUMM_DATE	STLMT_TOTAL
452	S	11/24/2000	1234	10/12/03	\$4,608.32 S record

Reversal of Old Manual Adjustments	\$ 1,498.29	→	R71 A record
New Manual Adjustments	\$ 3,110.03	→	N71 A record
	<u>\$ 4,608.32</u>		

Original A Records

CT	TRADE_INT	BAID	AMOUNT
452	11/24/2000	1234	\$ (1,498.29)

New A Records

CT	TRADE_INT	BAID	AMOUNT
452	11/24/00	1234	\$ 3,110.03

Manual - CT 452

Step 3. Validation

Validation for HE 1, trade interval 1:

Settlements Statement:

ADJ_COMMENT	Amt	EFFECT_DT_TM	BUS_ASSOC_ID	CHRG_TYPE_ID	BILL_QTY	PRICE	REF_ID	HR	Int
Allocation of Out of Sequence dispatch to relieve Intra-zonal Congestion. Total Dollars Allocated = \$1,005.59; Total Zonal Load and Real Time Exports = 1.10 MWh.	\$356.53	11/24/2000	1234	452	0.39	914.17	N71	1	1

New Adjustment comment :

Allocation of Out of Sequence dispatch to relieve Intra-zonal Congestion.

Total Dollars Allocated = \$1,005.59; Total Zonal Load and Real Time Exports = 1.10 MWh.

Price = Total dollars Allocated/ Total Zonal Load and RT_Export
\$ 914.17

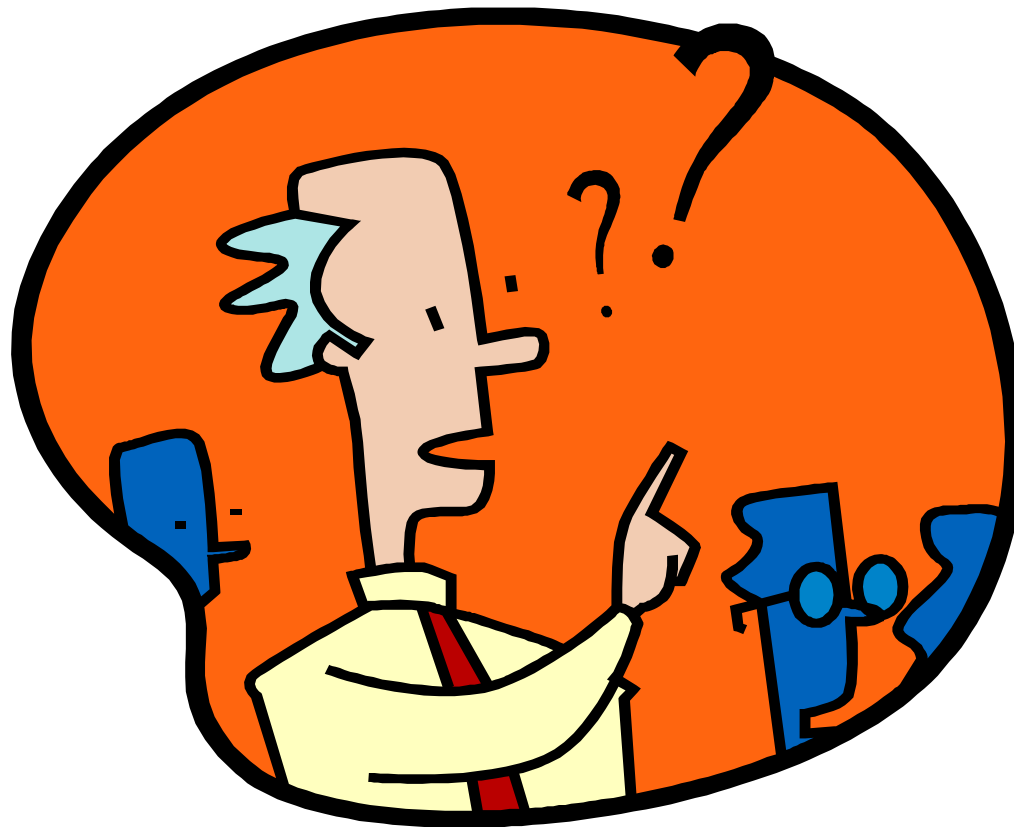
Billable Quantity = BAID Zonal Load + RT_Export
0.39 MW

Therefore for HE 1, Interval 1,

BAID	BQ	Price	Amt	CT
1234	0.39	\$ 914.17	\$ 356.53	452



Any Questions?



ATTACHMENT I



CALIFORNIA ISO

California Refund Proceeding Procedures and Timeline

**Presented to
FERC Staff**

**By California ISO
July 26, 2004**



Presentation Outline

- Prep Rerun and Refund Rerun Process.
 - Status and Timeline.
 - Dispute process/resolution.
 - Clarification.
 - PX bankruptcy.
 - GFN request.
 - Process for allocating fuel price and emissions.
 - Open issues/assumptions.
 - Imbalance energy accounting.
- Financial Settlement Phase – Mike Epstein.



Status/Timeline Comp

	Estimated Duration	Estimated Completion
Preparatory Rerun.		July 16, 2004.
Prep Rerun dispute period for SCs.	30 Business Days.	August 26, 2004.
ISO dispute research completion.	10 Business Days.	September 10, 2004.
Issuance of final complete CDs and compliance filing.	1 Week.	September 17, 2004.
Refund Rerun.	7 Weeks.	November 5, 2004.
Financial adjustment phase and compliance filing including adjustments for fuel price, emissions and interest.	6 Weeks.	December 17, 2004.



Assumptions/ Questions

- Refund Rerun production scheduled September 20 assumes no prior review of Prep Rerun compliance filing.
- No dispute period built into the refund rerun schedule will depend on notice/comment period on compliance filing.
- Financial Phase compliance filing split into 2 stages.
 - Including adjustments for fuel price, emissions, and interest
 - December 17, 2004.
 - Global settlements – After FERC approves compliance filing.



Prep Rerun Dispute Status

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Deadline	Past	Past	Past	Past	July 27, 2004	August 5, 2004	August 13, 2004	August 23, 2004	August 26, 2004
Disputes Filed	788	884	1241	634	162	140	0	0	0
Disputes Resolved	759	845	855	60	0	0	0	0	0
Disputes Still Open	29	39	386	574	162	140	0	0	0

Discussion



Miscellaneous Prep Rerun Process

- Clarifying Items in Monthly Reports
 - Cal PX Bankruptcy- Not an issue for Prep Reruns. Must be coordinated with ultimate financial clearing.
 - GFNs –the ISO doesn't contemplate entertaining Good Faith Negotiations/ADR on the refund period calculations.
 - Notice/comment period/FERC order on compliance filing will be final.



ISO Understanding of Emissions & Fuel Price Adjustment Allocations

- Emissions – Participants submit proposed credits to the commission for approval. Commission approves the emissions offsets.
- Fuel Price Adjustment – Participants submit potential adjustments to the Commission for approval. The Commission provides approved adjustments to the CAISO.



Allocation Issues

- CERS Surcharge

The ISO is currently working to identify whether any transactions eligible for surcharge exist.

- Fuel price Adjustment Allocation

- Emissions Allocation

The ISO is currently working on allocations.



Imbalance Energy Accounting

- Overview and how CERS transactions were accounted for.
- CERS transactions were handled as Out of Market.



Prep Rerun Compliance Filing Proposed Outline

1. Background.
2. Description of the process used in Prep Rerun.
3. Description on interaction with Market Participants during the rerun process.
4. Description of the Dispute Resolution Process.
5. Explanation of Procedures Used to Ensure Accuracy Quality Assurance.
6. Additional items that were not originally a part of A51 (as raised in the status reports).
7. Exhibit showing the delta for each scheduling coordinator – Baseline for the Prep Rerun versus the end point of the Prep Rerun – by month, by SC, January Split.



Part III - Financial Settlement Phase

- A. Process for completing this stage.
 - Including interest calculations, fuel price adjustments or other inputs.
- B. Process for calculating interest.
- C. Scope of compliance filing.
- D. Flow chart for refunds.
- E. Impact of global settlements on this process.



A - Process for Completing Financial Settlement Phase

1. Refund Compliance Filing includes for each participant by month the amounts for:
 - Preparatory rerun results.
 - Refund rerun results.
 - Fuel price adjustments.
 - Emission credits and
 - Interest.
2. Commission issues order on Cal Parties/ISO request for clarification of treatment of Generator Fines (CT485 charges).



A - Process for Completing Financial Settlement Phase

3. FERC issues order on Refund Compliance Filing.
4. ISO updates amounts based on FERC order.
5. ISO updates interest calculations.
6. ISO prepares invoices - one for each participant.
7. FERC order on CERS Jan-01 funds.
 - Order to re-invoice for pre and post Jan 17 creditors now moot.
8. ISO nets rerun invoices with prior invoices.



A - Process for Completing Financial Settlement Phase

9. ISO adjusts invoices to reflect global settlements.
10. Compliance Filing on final participant balances.
11. FERC orders funds from PG&E escrow to PX.
12. FERC orders payment of creditors by PX.
 - Issue if PX pays ISO creditors or ISO receives funds from PX to pay creditors under consideration.



B - Process for Calculating Interest

- 5 Components of Interest Calculations.
 - Reverse interest previously charged.
 - Calculate interest on existing invoices.
 - Calculate interest on refunds.
 - Reflect impact of reduced PX interest.
 - Adjust global settlements.



B - Process for Calculating Interest

- Reverse all interest charged for refund period.
 - Interest previously charged based on existing tariff.
 - Interest only charged debtors.
 - Interest used rate of prime + 2%.
 - ISO request for rehearing clarification of FERC order on interest in April 2004 as applied to refund period.
 - Request to follow refund orders for refund period.
 - April 2004 Order to collect interest back from creditors and distribute to creditors as interest on unpaid invoices.



B - Process for Calculating Interest

- Calculate interest on existing invoices.
 - Use FERC rates compounded quarterly.
 - Dates of activity
 - Use Collection or payment (clearing) date of invoice.
 - Date of subsequent collections, payments and offsets.
 - CERS re-invoicing effective on original clearing date.
- Calculate interest on refunds.
 - Use FERC rates compounded quarterly.
 - Use clearing date of invoice to which refund relates.



B - Process for Calculating Interest

- Reflect impact of reduced PX interest
 - PX allowed to use actual interest earned on cash on hand instead of FERC rate.
 - ISO request for rehearing to apply actual interest rate on funds held for refund of generator fines of \$40M.
 - What rate to use on PX receivable from PG&E.
 - PG&E has placed funds in escrow of \$1.6B.
 - Any shortfall to be applied to creditors and debtors.
 - Reduce interest owed to creditors on unpaid invoices.
 - Reduce interest on refunds owed by creditors and to load.
 - Cal Parties working group, PX and ISO in discussions on this subject.



B - Process for Calculating Interest

- Adjust global settlements.
 - Interest usually excluded from settlements.
 - Proposed to calculate interest on Global Settlements. to net against final interest calculations on invoices.
 - True up after completion of process.
 - Cal Parties working group, PX and ISO in discussions on this subject.



C - Structure of Compliance Filing

- Description of “Refund history” in FERC orders.
- Discussion of the process - MCP vs. MMCP.
- Description of interactions with market participants.
- Exhibits referred to earlier in presentation.
- Comparable to earlier filings in which summary information was provided.



C - Scope of Compliance Filing

- Compliance Report will not contain the impact of the Cal Parties global settlements.
 - Will be provided at a later date.
- Individual invoices will be created and “walled off”.
- Description of the “review” and comment process.
 - FERC sets comment period.



D – Flow Chart for the Refunds

- Summary:
 - ISO owes creditors \$2.5B and owed \$2.5B from PX.
 - Assume refunds of \$1.8B: \$900M to PX and \$900M to CERS.
 - Creditors owed \$2.5B reduced by \$1.8B to \$700M.
 - ISO owed \$1.6B from PX and owes \$900 to CERS and \$700M to creditors.



D – Flow Chart for the Refunds

- Example ignores effects of Global Settlements.
 - Reduced amounts owed to creditors and
 - Pre-fund refunds.
- PG&E:
 - Owes PX \$2B (before refunds).
 - Deposited \$1.6B in escrow.
- PX:
 - Has receivable from PG&E of \$2B and cash of \$1B.
 - Owes its participants \$500M and ISO \$2.5B.



D – Flow Chart for the Refunds

- ISO:
 - Receivable from PX and payable to creditors of \$2.5B.
 - Has cash of \$6M related to interest collected.
 - Waiting for FERC order to distribute to creditors.
- PX creditors owed \$500M.
- ISO refunds of \$1.8B.
 - 50% split between pre and post Jan 17th periods.
 - Post Jan 17th is when CERS purchasing commenced.
 - \$900M owed to PX and \$900M owed to CERS.
- Total PX (non-ISO) refunds of \$300M.
 - Refunds of split 50% to PG&E and SCE.



D – Flow Chart for the Refunds

- ISO Clearing
 - Creditors owed \$2.5B reduced by \$1.8B to \$700M.
 - CERS owed refund of \$900M.
 - PX receivable of \$2.5B reduced by \$900M to \$1.6B.
 - \$900M to CERS and \$700M to creditors.



D – Flow Chart for the Refunds

- PX Clearing
 - Creditors owed \$500M reduced by \$300M to \$200M.
 - ISO owed \$2.5B reduced by \$900M to \$1.6B.
 - PX owes creditors \$1.8B ($\$200M + \$1.6B$).
 - PX bills PG&E escrow for \$900M (50% of \$1.8B).
 - PX pays creditors \$1.8B.
 - PX refunds remaining cash on hand of \$100M.
 - $\$1B + \$900MB = \$1.9B$ less \$1.8B.
 - PX residual receivables, payables and cash = \$0.
- PG&E Escrow.
 - PG&E pays PX \$900M from escrow.
 - Remaining escrow of \$700M ($\$1.6B$ less \$900M).



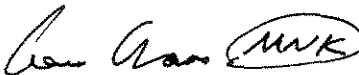
E – Impact of Global Settlements

- Global Settlements provide benefits including:
 - Provide early distribution of funds.
 - Settlement of claims between parties.
- Global Settlements are advances on final invoices produced by ISO and PX
- Global Settlements would not be reflected in compliance filing.
- Adjusting final invoices to reflect global settlements done after all the dust settles.
 - Could be done as part of release of funds from PX.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA, on this 6th day of October, 2004.


Gene L. Waas