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August 16, 2001

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

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FEDERAL ENERGY
REGULATORY COMMISSION

Re: San Diego Gas and Electric Company v. Sellers of Energy and Ancillary Services into markets Operated by the California Independent System Operator and the California Power Exchange, Docket Nos. EL00-95-000, et al.,

Dear Secretary Boergers:

The California Independent System Operator Corporation ("ISO")¹ respectfully requests the Federal Energy Regulatory Commission (the "Commission") to address, at its earliest convenience, the rehearing requests regarding the underscheduling penalty adopted by the Commission in a December 15, 2000 order in the above captioned case. Such action would provide necessary information to Market Participants involved in the Pacific Gas and Electric Company ("PG&E") bankruptcy proceeding. The claims bar date in the proceeding is September 5, 2001. The status of the underscheduling penalty is one of several significant issues outstanding that is relevant to finalizing individual Market Participant claims.

The Commission adopted an underscheduling penalty on December 15, 2000 to encourage forward scheduling in the California energy markets. The ISO filed comments supporting a PG&E and Southern California Edison Company request for immediate suspension of the underscheduling penalty on March 2, 2001; filed a Tariff Amendment proposing to suspend the penalty on March 20, 2001; filed additional information supporting suspension of the underscheduling penalty on April 23, 2001; and filed a request for rehearing of the underscheduling penalty on May 25 in response to the April 26, 2001 order in the above captioned case. In its June 19 order on rehearing of Monitoring and Mitigation Plan for the California Wholesale Electric Markets, Establishing West-Wide Mitigation, and Establishing Settlement Conference, the Commission indicated that it would address rehearing requests related to the underscheduling penalty in a future order. June 19 Order at 43.

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

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Because the issue has not yet been finally determined by the Commission, the ISO has calculated but has not invoiced amounts owed pursuant to the underscheduling penalty. To date the amount owed, if the underscheduling penalty is not amended, is close to \$500 million dollars.

In view of the claims bar date in the PG&E bankruptcy proceeding, the ISO is today issuing a market notice advising Market Participants that underscheduling penalty information is being provided to Scheduling Coordinators with the expectation that they will share the information, as relevant, with those entities for whom they schedule. However, a Commission ruling on rehearing petitions addressing the underscheduling penalty is one of several actions needed to allow Market Participants to calculate and perfect their claims in the PG&E bankruptcy case. Accordingly, the ISO respectfully requests the Commission to address the underscheduling penalty expeditiously.

Sincerely,



Roger Smith
Senior Regulatory Counsel
California Independent System Operator

cc: Service List