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August 24, 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 No. ER04-835-000**

Dear Secretary Salas:

Enclosed please find the Notice of Implementation of the Security Constrained Unit Commitment (SCUC) Application, submitted today in the captioned docket.

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. Feel free to contact the undersigned with any questions. Thank you for your attention to this matter.

Respectfully submitted,


Bradley R. Miliauskas

Counsel for the California Independent
System Operator Corporation

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

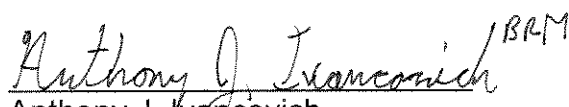
California Independent System)
Operator Corporation) Docket No. ER04-835-000

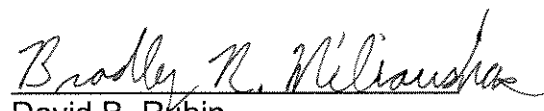
NOTICE OF IMPLEMENTATION OF THE
SECURITY CONSTRAINED UNIT COMMITMENT (SCUC)
APPLICATION

Pursuant to ordering paragraph (A) of the Order issued in the captioned docket on July 8, 2004, 108 FERC ¶ 61,022, the California Independent System Operator Corporation ("ISO") hereby provides notice to the Commission that the ISO will implement its Security Constrained Unit Commitment ("SCUC") application as described in the attached market notice, and that the revisions to the ISO Tariff relating to the use of the SCUC will become effective upon implementation.

Please contact the undersigned with any questions.

Respectfully submitted,


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Dated: August 24, 2004

ATTACHMENT A

From: CRCommunications [CRCommunications@caiso.com]
Sent: Monday, August 23, 2004 2:50 PM
To: ISO Market Participants
Subject: CAISO: Market Rules and Market Design/Must Offer Waiver Denial Timing and Process Change

CAISO MARKET NOTICE

Must Offer Waiver Denial Timing and Process Change

Client Action: Action Date
Categories: Market Rules and Market Design
Subject: Must Offer Waiver Denial Timing and Process Change

Summary: The use of a Security Constrained Unit Commitment (SCUC) application for determining Must Offer Unit Commitment implementation will begin on 9/2/04 for trade date 9/3/04, to determine Must Offer waiver denials, and includes a change to the timing of the waiver denial process.

Main Text: Per the July 8, 2004, FERC Order on Amendment 60, units that have been denied a Must-offer Waiver and are eligible for Startup (SU) and Minimum Load Cost Compensation (MLCC) are able to sell Ancillary Services in both the Day-Ahead and Hour-Ahead markets without loss of SU and MLC compensation. In addition, the timing of the Must-offer Waiver Denial process will be altered to facilitate participation by units denied a waiver in the Day Ahead ancillary services markets. This notice is sent to provide an explanation of the changes to the Waiver Denial process and provides for ten days notice prior to implementation on 9/3/04. The Order can be viewed at the following web address <<http://www1.caiso.com/docs/2004/07/09/2004070912105021008.pdf>>.

The CAISO will utilize a Security Constrained Unit Commitment (SCUC) application to determine must offer waivers in the Day Ahead timeframe. The details of this SCUC application can be found in Attachment C of the M-432 procedure, which will be published prior to implementation. The web address to view the M-432C procedure will be made available within the next few days.

The timing of the Waiver Denial process must be changed to facilitate participation by Must Offer units denied a waiver into the Day Ahead ancillary services markets. Specifically:

- * The deadline for submission of must offer waiver requests is at 10:00 AM before the operating day, which is the current deadline for submitting initial Day Ahead preferred schedules.
- * The CAISO runs the Day Ahead preferred market iteration, and publishes advisory Day Ahead schedules at 11:00 AM.
- * The Day Ahead revised preferred market is opened and the SCUC runs at 11:00 AM, developing the Must Offer commitment list, which identifies the hourly unit commitment and start up and minimum load costs for each resource. Each committed resource is listed in increasing order by cost per MWh.
- * The CAISO uses this list to act on waiver requests and notifies Scheduling Coordinators by phone whether waivers have been granted or denied by 11:30 AM.
- * SCs may submit Ancillary Service bids, or withdraw them if their request for a waiver was granted and they want to shut down the unit, into the Day Ahead revised preferred market by 12:00 PM.
- * At 12:00 PM, the Day Ahead revised preferred market closes, publishing final Day Ahead schedules at 1:00 PM. Must Offer unit commitments are made available to the CAISO real-time market applications (BEEP).

With the anticipated increase in available ancillary service bids from Must Offer resources due to the FERC order, the CAISO intends to procure up to 100% of the forecasted ancillary service needs in the Day Ahead market. This is done to promote reliability by

ensuring that there are sufficient A/S resources lined up in a reasonable timeframe. The CAISO shall reserve the capability to defer procurement to the Hour Ahead as per Section 2.5.12 of the CAISO tariff.

For More Information Contact: Please contact your Account Manager with questions on the pending change. For specific questions regarding the SCUC application, Ancillary Service procurement changes, or the M-432-C procedure, please contact either Bryan Diemer at (916) 351-2159 or Darren Lamb at (916) 608-5867.

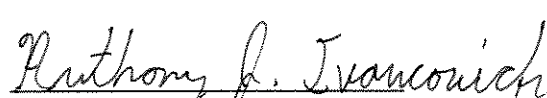
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CRCommunications@caiso.com

The California ISO strives to be the preferred provider of superior electrical transmission services for the benefit of our customers in California and the West.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents 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, California, on this 24th day of August, 2004.

 BRM
Anthony J. Ivanovich