

# SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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

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

## ORIGINAL

June 22, 2001

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

EL00-95-031  
EL00-98-030, 003  
EL01-68-000, 002  
RT01-85-000, 001

FILED  
OFFICE OF THE SECRETARY  
01 JUN 22 PM 4:24  
FEDERAL ENERGY  
REGULATORY COMMISSION

**Re: San Diego Gas & 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:

Enclosed please find a copy of a notice to Market Participants issued on June 20, 2001 ("June 20 Market Notice") by the California Independent System Operator Corporation ("ISO") regarding implementation of the Commission's June 19, 2001, "Order on Rehearing of Monitoring and Mitigation Plan for the California Wholesale Electric Markets, Establishing West-Wide Mitigation, and Establishing Settlement Conference" in the above-captioned proceeding. 95 FERC ¶ 61,418 ("June 19 Order"). Also enclosed is a notice to Market Participants issued on June 22, 2001 ("June 22 Market Notice") providing a further explanation as to why the ISO has established a limit of \$91.87/MWh on the Real-Time Imbalance Energy Market Clearing Price for non-emergency hours, effective beginning hour ending 0100 on June 21, 2001 in compliance with the June 19 Order.

These Market Notices are being provided for the information of the Commission in response to inquiries about the ISO's implementation of the June 19 Order. In the June 19 Order, the Commission held that the maximum Market Clearing Price in the ISO's spot markets during non-reserve deficiency hours would be:

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Eighty-five percent (85%) of the highest hourly ISO hourly market clearing price established during the last Stage 1 (*not Stage 2 or Stage 3*) was in effect will, absent justification, serve as the maximum price for the subsequent period.

June 19 Order, 95 FERC ¶ 61,418, slip op. at 7 (emphasis added). Consistent with this directive, the June 20 Market notice states that, "The maximum MCP [Market Clearing Price] for non-emergency hours selling into CAISO markets effective June 21, 2001 and until after the next Stage 1 emergency shall be \$91.87, based on the highest hourly MCP during the most recent Stage 1 emergency of \$108.08MWh."

It is true that a footnote in the June 19 Order includes the following statement:

Absent a new reserve deficiency on the ISO's system declared before the effective date of the price mitigation outlined in this order, the market clearing price carried forward for non-reserve deficiency hours is \$108.49/MWh (i.e. 85 percent of \$127.64/MWh) (May 31, 2001, clock hour ending 1400).

June 19 Order, 95 FERC ¶ 61,418, slip op. at 7-8, n.14. This statement, however, is inconsistent with the Commission's directives in the main body of the June 19 Order. As explained in the enclosed June 22 Market Notice, the ISO had declared a *Stage 2* emergency during the hour cited in footnote 14 as the basis for the \$108.49/MWh maximum price.<sup>1</sup> The highest hourly Market Clearing Price during the last *Stage 1* emergency was \$108.08/MWh in hour ending 1000 on May 31, 2001. The \$91.87/MWh limit cited in the ISO's June 20 Market Notice is 85% of this price and therefore appropriately implements the June 19 Order.

The ISO states that the enclosed June 22 Market Notice was sent to all Market Participants via e-mail on this date. The ISO further states that it has served a copy of this letter and the June 20 and June 22 Market Notices upon each person designated on the official service list for the above-captioned docket, as indicated in the attached certificate of service. Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return it to the messenger.

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<sup>1</sup> As noted in the June 22 Market Notice, a record of declared emergency stages in 2001 can be found at: <http://www.caiso.com/docs/2001/06/01/200106011228581047.html>.

The Honorable David P. Boergers  
June 22, 2001  
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Please feel free to contact the undersigned if you have any questions concerning this matter.

Yours truly,

A handwritten signature in black ink that reads "Sean Atkins". The signature is written in a cursive, flowing style.

Sean A. Atkins

Counsel for the California Independent  
System Operator Corporation

Enclosures

From: Fuller, Don  
Sent: Wednesday, June 20, 2001 7:12 PM  
To: ISO Market Participants  
Subject: CAISO Notice: Correction of FERC June 19 Order Market Notice  
Importance: High

Re-sending due to the addition of footnotes. This is a corrected version

## MARKET NOTICE

For hour ending 0100 on June 21, 2001, the California ISO will implement the following terms and provisions pursuant to the Federal Energy Regulatory Commission ("FERC") June 19, 2001 Order concerning market mitigation measures for California and the Western System Coordinating Council.

### FOR HOURS IN WHICH ISO DECLARES A SYSTEM EMERGENCY:

- \* The ISO Real-time Imbalance Energy 10-minute and Hourly Ex Post prices shall be set in accordance with FERC's April 26 Order, as clarified by FERC's June 19 Order.
- \* The Market Clearing Price ("MCP") for Ancillary Services shall not exceed the Hourly Ex Post Price for the same hour in accordance with FERC's May 25, 2001 Order, as described in the CAISO Emergency Notice-May 25, 2001 FERC Order On Implementation of the Price Mitigation Plan in April 26 Order.

### \* FOR HOURS IN WHICH ISO DOES NOT DECLARE A SYSTEM EMERGENCY:

- \* The ISO Real-time Imbalance Energy MCP shall be no greater than 85 percent of the highest Hourly market clearing price established when the last Stage 1 emergency was in effect.
- \* The ISO Ancillary Services MCP shall be no greater than 85 percent of the maximum Hourly market clearing price established when the last Stage 1 emergency was in effect.
- \* **APPLICABLE TO ALL HOURS:**
- \* The system-wide gas price utilized to calculate the Proxy Price mandated by the April 26 Order, as clarified by the June 19, 2001 Order, shall be based on the simple average of the Gas Daily mid-point monthly bid-week SoCalGas large package, Malin, and PG&E Citygate prices. For June 2001 this average is \$9.10/mmBtu.

\* The ISO is required to add 10 percent to the MCP paid to generators for all prospective sales in its markets to reflect credit uncertainty. The prices posted on the ISO Web Site do not reflect the 10 percent mark-up.

Footnotes:

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

2 The ISO is implementing those provisions for which it can make the requisite system changes immediately and will implement the remaining provisions as soon as possible.

3 The maximum MCP for non-emergency hours selling into CAISO markets effective June 21, 2001 and until after the next Stage 1 emergency shall be \$91.87, based on the highest hourly MCP during the most recent Stage 1 emergency of \$108.08MWh.

The ISO continues to assess the June 19, 2001 Order and the steps necessary to implement the Order. We will be issuing subsequent Market Notices as may be appropriate with respect to implementation of the June 19, 2001 Order.

CAISO Market Operations

## MARKET NOTICE June 22, 2001

On June 20, 2001, the ISO issued a Market Notice on the implementation of FERC's June 19, 2001 order ("June 19 Order"). In that Market Notice, the ISO indicated the maximum Real-Time Imbalance Energy market clearing price of \$91.87/MWh for non-emergency hours effective beginning hour ending 0100 on June 21, 2001. This notice explains how the ISO calculated the revised maximum market clearing price.

In footnote 14 of their June 19 Order, FERC indicated that the maximum market clearing price carried forward for non-reserve deficiency hours, absent a new reserve deficiency between when the June 19 Order was issued and when it was implemented, would be \$108.49/MWh. FERC explained that this \$108.49/MWh price was 85% percent of the \$127.64/MWh price for hour ending 1400 on May 31, 2001.

However, on page 7 of the June 19 Order, FERC indicated that the maximum price for non-reserve deficiency hours would be

Eighty-five percent (85%) of the highest hourly ISO hourly market clearing price established during the last Stage 1 (**not Stage 2 or Stage 3**) was in effect will, absent justification, serve as the maximum price for the subsequent period. (emphasis added).

The ISO had declared a *Stage 2* emergency during the hour cited in footnote 14 establishing the \$108.49/MWh maximum market clearing price<sup>1</sup>. The highest hourly market clearing price during the last *Stage 1* emergency was \$108.08/MWh in hour ending 1000 on May 31, 2001. The \$91.87/MWh maximum market clearing price cited in the ISO's June 20, 2001 Market Notice is 85% of this price.

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<sup>1</sup> Please refer to <http://www.caiso.com/docs/2001/06/01/200106011228581047.html> for a record of declared emergency stages in 2001.)

**CERTIFICATE OF SERVICE**

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

Dated at Washington, DC, on this 22<sup>nd</sup> day of June, 2001.

A handwritten signature in black ink that reads "Sean A. Atkins". The signature is written in a cursive style and is positioned above a horizontal line.

Sean A. Atkins  
(202) 424-7500