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July 12, 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, et al.
San Diego Gas & Electric Co., et al.
Docket Nos. EL00-95-081, et al.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Sixth Status Report of the California Independent System Operator Corporation on the Preparatory Re-Run and Other Re-Run Activity filed in the above-captioned dockets.

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,



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
)	
)	
San Diego Gas & Electric Company,)	
Complainant,)	
)	
v.)	Docket Nos. EL00-95-081
)	EL00-95-074
Sellers of Energy and Ancillary Services)	EL00-95-086
Into Markets Operated by the California)	
Independent System Operator and the)	
California Power Exchange,)	
Respondents.)	
)	
Investigation of Practices of the California)	
Independent System Operator and the)	Docket Nos. EL00-98-069
California Power Exchange)	EL00-98-062
)	EL00-98-073

(not consolidated)

**SIXTH STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON THE
PREPARATORY RE-RUN AND OTHER RE-RUN ACTIVITY**

Pursuant to the Order Granting Clarification and Granting and Denying Rehearing of the Federal Energy Regulatory Commission (“Commission” or “FERC”) Order issued on February 3, 2004, in the above captioned dockets (“February 3 Order”), the California Independent System Operator Corporation (“ISO”) hereby provides its sixth regular monthly status report.¹

¹ The Commission’s Order at paragraph 21 states, “The CAISO is hereby directed to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlement and billing process for calculating refunds, as discussed in the body of this order.” 106 FERC ¶ 61,099 (2004).

I. BACKGROUND²

On April 15, 2003, the ISO³ filed Amendment No. 51 to its Tariff, to which the Commission assigned Docket No. ER03-746 (“Amendment No. 51 filing”). In the Amendment No. 51 filing, the ISO proposed to conduct a preparatory re-run in preparation for the Commission-mandated re-run in the California refund proceeding (Docket Nos. EL00-95-045, *et al.*) and requested approval of Tariff amendments to “wall off” that re-run from the settlement processes currently in use to clear the ISO Market.

On December 15, 2003, the ISO filed its request for rehearing of the Commission’s November 14 order in this proceeding. Therein, the ISO informed the Commission that it could not provide the ordered compliance filing by January 30th, but instead would make the filing as soon as practicable. In the February 3 Order, the Commission granted the ISO the additional time needed to make the compliance filing relative to the preparatory re-run, but also required the ISO “to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlements and billing process for calculating refunds.” February 3 Order at

² In its October 16, 2003 Order on Rehearing, 105 FERC ¶ 61,066 (2003) the Commission ordered the ISO to file within five months of the date of the order the results of the re-runs along with the appropriate explanations. The ISO considers that this directive has been overtaken by FERC’s later recognition in this Amendment 51 proceeding that the ISO cannot possibly comply with the deadline in the October 16 Rehearing order, as well as the deadlines in the previous Amendment 51 orders. The ISO is endeavoring to comply, however, with FERC’s directive that the ISO work as fast as practicable, keep the parties well informed, and file monthly status reports. For this reason, in addition to the Amendment No. 51 docket, the ISO is also filing this report in the dockets associated with the California refund proceeding.

³ Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

P 21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the sixth such report required by that Commission Order.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Following the fifth status report filed on June 10th, settlement statement production and publication continued essentially “on schedule.” As of the date of this sixth status report, the ISO has completed preparatory re-run production activity through mid-May 2001, and has distributed the Settlement Statements and associated settlement detail file CDs to Market Participants. The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation, as necessary. Specifically, the ISO held its most recent regular monthly telephonic meeting with Market Participants to discuss preparatory re-run issues on Friday, June 25. As a part of the regular monthly call the ISO announced that it had decided to move the dispute cut-off date back from July 16th until July 23 for preparatory re-run items relating to the January 2001 statements. This was done in an effort to satisfy various Scheduling Coordinator requests. This change has no effect on the schedule for completion of the preparatory re-run. The ISO has posted, and continues to update, a calendar containing the schedule for the preparatory re-run on its website, and provided the link to that calendar to Market Participants in a market notice.⁴

⁴ The ISO’s preparatory re-run calendar, market notices, and re-run procedure manual are located on the ISO’s website at www.caiso.com/docs/2004/01/16/200401161414093653.html.

Upcoming Stakeholder communications will include the regular monthly participant call during the week of July 19, 2004 and a special participant call to further discuss questions surrounding finalization of the billing quantities during the preparatory re-run.

As of July 9, 2004, the ISO has completed re-run production and publishing of trade dates through mid-May, 2001. Completion of preparatory rerun production is scheduled for July 20, 2004.

Following the May 12, 2004 Commission Order⁵ on fuel cost issues it was necessary to make certain modifications in the Mitigated Market Clearing Prices (“MMCPs”) that had previously been posted on the ISO website for Market Participant comment. The revised MMCPs were posted on May 28, 2004 for review and comment. In addition, a presentation describing the changes in the MMCPs was made to the Market Participants on May 26. As an additional quality control check, the ISO retained the services of PricewaterhouseCoopers to audit the MMCP calculations. Three minor corrections were found and they were discussed on the May 26 call with Market Participants and included in the calculations. The ISO set a 14 day comment period on the revised MMCP calculations. The ISO received comments from the California Parties, who stated that they had not identified any errors in the revised MMCP calculations.

As a result of some further analysis and checks conducted by PricewaterhouseCoopers in conjunction with the ISO’s Department of Market Analysis, additional minor corrections in the MMCPs were found after the May 28 posting occurred. The ISO will post a new set of MMCPs that reflect these

⁵ Order Addressing Fuel Cost Allowance Issues, 107 FERC ¶61,160 (2004).

corrections on its website and provide Market Participants with a 14 day comment period.

The ISO has completed its compilation of the transactions exempt from mitigation. This list was provided on June 29th to the parties for their review and comment on the ISO's interpretation and implementation of the controlling orders. This broader distribution of the exempt transactions occurred after they had been distributed to the specific entities claiming exempt transactions for their review and comment.

One of the activities that the ISO will perform as part of its financial phase adjustments is accounting for global settlements that impact refund obligations, such as those involving Williams. The ISO is concerned, however, that it does not currently have knowledge of all such settlements that have been entered into to date. The ISO is, of course, aware of those settlements that have been filed with the Commission. However, it appears that there may be a number of settlements that include provisions addressing refund obligations that have not yet been filed with the Commission. In an effort to obtain and review all such settlements, the ISO has, through telephone conferences and in an email to the refund proceeding listserv, requested that parties provide these settlements to the ISO. The ISO has received one settlement in this manner, but remains concerned that there are additional settlements that include provisions that impact refund obligations, of which it still is not aware. The ISO is therefore continuing its efforts to ensure that it obtains all of these settlements in a timely manner, and again urges any parties to such settlements to bring them to the

ISO's attention immediately. Moreover, because these settlements will impact market-wide refund calculations, and the manner in which funds flow through the ISO to Market Participants, the ISO believes that the Commission must approve all of these settlements prior to the ISO's making any financial adjustments to implement them. With this in mind, the ISO plans to discuss with parties to settlements that have not yet been filed with the Commission the advisability of filing those settlements as early as possible.

The ISO notes that three minor matters arose in performing adjustments relating to Energy Exchange transactions. These items will be further described in the Re-run Process Overview Documents that are published on the ISO's website. They include:

1. One transaction on December 24 and 25, 2000 where the transaction zeroed on both days and was accounted for as a single transaction clearing. Financial impact of this was minimal.
2. In 3-4 situations, the EEP account crossed zero and became positive for a few hours. The accounting for this transaction was closed after the positive balance cleared the next day.
3. A transaction was settled that was not included in the original list of transactions posted to the Market Participants. The settlement was correct and the posted list of transactions will be revised.

III. DISPUTES AND ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

Approximately 3,230 disputes have been received from Market Participants; 419 of those are still pending. However, this level of dispute activity has not yet had any perceptible impact on the schedule for project completion. Relative to preparatory re-run disputes, the ISO has received a request as to how it will handle good faith negotiations on disputes filed on the preparatory re-run and denied by the ISO. Because of the expedited nature of the preparatory re-run and the compliance filing procedure ordered by the Commission, the ISO anticipates that any such disputes will be raised as part of the compliance process, and therefore, that the Commission's process will supersede the ISO's GFN procedures for transactions that took place during the refund period.

Attachment A to this status report contains the ISO's current estimate of the final completion dates for both the preparatory re-run and the FERC refund re-run phases of the project. These dates are unchanged from the previous report, and reflect the expectation that the ISO will make its refund compliance filing in December 2004.

IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's Sixth Status Report in compliance with the Commission's February 3 Order in the above captioned dockets.

Respectfully submitted,



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Dated: July 12, 2004

ATTACHMENT A – RE-RUN SCHEDULE July 12, 2004

Item	Durations Shown in April 25, 2003 Filing	Changes to Schedule Through January 30, 2004	Target Completion Date (per February filing)	Current Projected Completion Date	Comments
Prep Re-run Production	12 weeks	No change - 9 to 9 ½ weeks remaining	April 14, 2004	July 20, 2004	
Prep Re-run Dispute Period	2.5-3 weeks	8 weeks	June 9, 2004	September, 2004	FERC order provides for a 30 business day dispute period. The ISO has allowed for 10 additional business days to research and adjust disputes.
Refund Re-run Production	12 weeks	6 weeks	July 21, 2004	November, 2004	The projected completion date of November assumes that the ISO can begin the refund rerun production immediately after submittal of the prep rerun compliance report and won't delay awaiting outcome or complaints resulting from the compliance report.
Refund Re-run Dispute Period	2.5-3 weeks	Unknown		December, 2004	The ISO now anticipates that the refund re-run compliance filing will be submitted in December 2004. The length of a formal review and comment period provided by FERC after the compliance filing and prior to financial clearing is not known. Therefore, the financial clearing will occur later. Also it should be noted that adjustments required for the multiple global refund settlements (i.e. between a generator, Cal Parties, and FERC) could slightly extend the completion of the financial adjustment phase that supports the compliance filing.
Refund Re-run Compliance Filing	Not Shown	2 weeks following the completion of the refund re-run production.			

August 31, 2004

FERC Approval Process and Ruling on Gas Price Adjustments and Emissions Offsets	Unknown	Unknown			
Final Financial Phase Including Interest Calculations, Global Settlement Adjustments, Gas Price Adjustment Calculations, and Emissions Offsets	6 to 7 weeks (shown as 2 weeks plus 4-5 weeks)	Can be performed in parallel with completion of compliance filing and financial clearing			
Financial Phase Compliance Filing	Not Shown	7 days prior to the initial financial clearing			
Financial Clearing	1 week				The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding.

Key assumptions/comments to support the schedule

- *There will be one primary financial clearing of the preparatory re-run and refund re-runs including interest calculations, gas price adjustments, and emissions offsets, possibly followed later by a smaller clearing of adjustments. In the first report on February 9, 2004 the ISO indicated that it could complete the financial phase, consisting of the gas price adjustments, emissions offsets, interest calculations, and global settlement calculations (i.e. Williams and El Paso settlements), as well as the financial clearing, in six weeks. At this point it appears that the 6 weeks will be required just to complete the adjustments and compliance filing, and that the financial clearing will occur at a later date to be determined by the Commission. If additional global settlements are finalized between the Parties and approved by the Commission, the additional financial adjustments could slightly extend the 6- week period for preparation of the compliance filing.*
- *To reduce protests and disputes, the ISO has published MMCP calculations and transactions exempt from mitigation to Market Participants well in advance of the refund re-run production. The revised MMCP calculations were published on March 17, 2004. A further revised list of MMCP calculations following the Commission's May 12th Order on fuel cost allowance issues was published on the ISO website on May 28, 2004.*
- *The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding at the time.*
- *The ISO will make its compliance filing related to the preparatory rerun at the conclusion of the dispute period related to the final month of the preparatory rerun period.*

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 12th day of July, 2004.


Gene L. Waas