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March 10, 2004

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

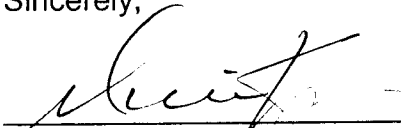
**Re: California Independent System Operator Corporation
Docket No. ER03-746-000, et al.**

Dear Secretary Salas:

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

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 Nos. ER03-746-001 ER03-746-002
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**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") issued on February 3, 2004, in the above captioned dockets ("February 3 Order"), the California Independent System Operator Corporation ("ISO") hereby provides its second monthly status report.¹

I. BACKGROUND

On April 15, 2003, the ISO filed² 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

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).

² Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO 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 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 its 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 P 21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the second such report required by that Commission order.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Since the first status report filed on February 9th, the ISO did restart settlement statement production and then encountered multiple issues that placed that activity back on hold. As of the date of this second status report, the ISO has restarted preparatory re-run production activity for November 2000, and distributed the revised Settlement Statements for that month, along with associated settlement detail files, to Market Participants. In addition, the revised MMCPs that will be used in the refund rerun phase of the proceeding were

published to the ISO website for participant comment on March 8th. A link to the appropriate location on the ISO website was also placed on the email Listserv for the refund proceeding. The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation. The ISO has posted 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.³

On January 13, 2004, the ISO issued a market notice informing Market Participants that preparatory re-run activity was on hold pending a Commission decision on the issue of whether the ISO should include the results of the Williams GFN in the preparatory re-run.⁴ Based on the Commission's February 3 Order, the ISO planned to resume publishing preparatory re-run statements on February 9, 2004. As noted above, this, in fact, did occur. However, based on the need to update certain meter data templates and the reassessment of the pricing of certain OOM transactions for purposes of the preparatory re-run, as discussed in the February 23 market notice,⁵ the ISO determined that it was appropriate to again suspend the re-runs until all such issues had been thoroughly investigated. Specifically, the following issues were identified for this reporting period:

³ 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

⁴ This issue has been referred to as "Issue No. 9" by the ISO in its various pleadings filed in this docket.

⁵ See the above named link to the ISO's website for the text of this market notice.

Meter Data- When revised meter data was resubmitted and settled, the settlement system did not delete the generator meter data properly, so one SC was overpaid. This issue will be corrected going back to October 2, 2000.

No Pay Calculation- The system calculation of No Pay charges incorrectly applied the most recent Pmax value for the Generating units. The settlements software was corrected to apply the Pmax used in the original settlement calculation. This issue was corrected going back to October 2, 2000.

Instructed Energy- In response to questions received about the settlement of Instructed Energy in the preparatory rerun, the ISO concluded that certain changes made during the preparatory rerun were not consistent with the Amendment 51 filings and should be reversed. Specifically, some SCs with Participating Generator Agreements originally received a “negotiated price” for OOM calls rather than the two options for payment specifically provided for under the ISO Tariff (this two option payment methodology is known as “Option A/B” pricing).⁶ During the initial prep rerun the ISO revised the prices for these “negotiated” transactions to Option A/B pricing for rerun statements published from November 2, 2000 through December 15, 2000. The ISO will reverse these revisions, making the appropriate adjustments in order to compensate SCs for their “bid” or “negotiated price.” It should be noted that these negotiated prices will be mitigated with the application of the MMCP during the refund rerun phase.

⁶ For a detailed description of the Option A/B pricing methodology, see Section 11.2.4.2 of the ISO Tariff.

Overpayment of certain OOM/OOS transactions- Prior to the preparatory rerun some transactions included small amounts of ramping energy or residual energy that were paid at the bid price in lieu of the MCP. The ISO software automatically corrects these situations now, so it was determined that the ISO would not reverse the automated corrections. The ultimate impact of this issue is minimal once MMCPs are applied.

Pre-refund period information- During the most recent reporting period, the ISO made available pre-refund period settlement information to the various participants. This information appeared beginning with the November statements. The information was provided by Business Associate ID.

Correction of OOM and RMR records- As a part of the recent review for the preparatory re-run, certain errors were found in various OOM and RMR records, caused primarily by manual adjustments made in earlier settlement statements. The errors included records that had been double counted, or in some cases, lacked adequate information. Corrections were made to the OOM and RMR quantities to resolve this issue.

Adjustment for CDWR Settlement- There will be an adjustment made for December 8, 2000 in the amount of \$177,000 which will be paid to CDWR and charged to the Market based on Control Area Load and exports. This item has been under dispute since early 2001, and the conclusion of the Good Faith Negotiations on this issue results in this payment.

III. ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

The ISO provided in its February filing a schedule that with several assumptions would provide for a completion date of August 31, 2004 for all re-run activity including the financial phase. The issues discussed above have caused delays, and resulted in the republishing of detail files for October 2000 data and production reruns for November 2000 data. The February filing showed a completion date for the preparatory rerun production phase of April 14, 2004. Based on the research and reruns in the last 4 weeks, the current estimate for completion of the production phase is May 12, 2004. An updated schedule is included in this filing as Attachment A. The schedule revisions proposed in this status report are the following:

Preparatory Re-run Phase

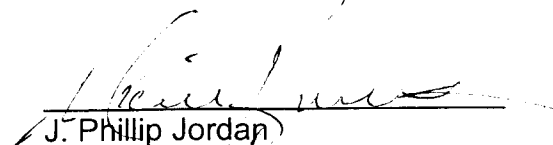
- Following FERC's February 3, 2004 order regarding inclusion of the Williams Good Faith Negotiations ("GFN"), the ISO resumed publishing preparatory re-run statements for two days before putting production back on hold as noted above. Statement publishing was restarted on February 23, 2004 for October 2000 data. This delays the schedule for the preparatory rerun by 4 weeks. This delay is unfortunate but has allowed for further correction of unforeseen issues. The ISO has hired additional staff and has initiated some evening and weekend work to facilitate this effort. As of this filing, approximately 1,300 disputes have been received, but, thus far, they have not caused schedule delays.

IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's second status report in compliance with the Commission's February 3 Order in the above captioned dockets.

Respectfully submitted,

Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel


J. Phillip Jordan
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Dated: March 10, 2004

ATTACHMENT A – RE-RUN SCHEDULE
March 10, 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	May 12, 2004	Preparatory Re-run began on Dec. 18, 2003. 2 ½ weeks were completed before a hold due to the Williams issue. After the February FERC order, production ran for 2 days, then went on hold again due to issues noted in the March monthly report. Production restarted February 23, 2004 to republish October, 2000 statements. The current projected date still depends on timely FERC resolution of the CERS issue.
Prep Re-run Dispute Period	2.5-3 weeks	8 weeks	June 9, 2004	Likely will be delayed based on 4 week delay in prep rerun production	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	Likely will be delayed based on 4 week delay in prep rerun production	ISO Management has approved the hiring of additional contractors who will be trained during the remainder of the preparatory re-run and can accelerate the manual work required during the refund re-run.

Refund Re-run Dispute Period	2.5-3 weeks	Unknown	Likely will be delayed based on 4 week delay in prep rerun production	The ISO now anticipates that the refund re-run compliance filing will be submitted before any further dispute or protest period.
Refund Re-run Compliance Filing	Not Shown	2 weeks following the completion of the refund re-run production.		
FERC Approval Process and Ruling on Gas Price Adjustments and Emissions Offsets	Unknown	Unknown	} August 31, 2004	The Aug. 31 date assumes FERC finalizes adjustments and offsets by July 21, 2004.
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.

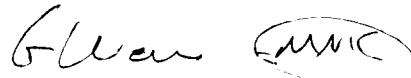
Key assumptions/comments to support the schedule

- *The ISO's request for rehearing regarding resolution of the CERS transactions is decided prior to the time the ISO would publish mid January 2001 and is decided by the Commission in a way that does not adversely impact the implementation, as outlined in the ISO's November 17, 2003 Request for Clarification and/or Rehearing in Docket Nos. EL00-95, et al. and in the ISO's December 15, 2003 Request for Rehearing in Docket No. ER03-746.*
- *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.*
- *The Commission intends to provide ruling on the gas price adjustments prior to the final financial clearing of the refunds. This will be provided to the ISO in the form of dollar adjustments on a daily or monthly basis. It will not be in the form of price adjustments that will require further re-run production. The ISO will assess those charges to Control Area Load and Export.*
- *Parties will provide and the Commission will approve all outstanding emissions costs offsets.*
- *Interest calculations will be completed at the ISO following the Commission's ruling on gas price adjustments and emissions offsets.*
- *If the Commission could provide determination on the gas price adjustments and emissions prior to the completion of the refund re-run production re-run, the ISO 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. The ISO could also provide a compliance filing detailing the results of the financial phase seven days prior to the initial financial clearing.*
- *To reduce protests and disputes, the ISO will publish MMCP calculations and transactions exempt from mitigation to Market Participants well in advance of the refund re-run production. This publication will take place during the week of March 1, 2004.*
- *A subsequent clean-up clearing would be required pending resolution of any protests received concerning the financial clearing. Note that the ISO intends to research and correct normal disputes in accordance with the dispute timeline identified in the schedule above.*
- *The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding at the time.*

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 10th day of March, 2004.

A handwritten signature in cursive script, appearing to read "Gene L. Waas", with a circular stamp or mark to the right of the signature.

Gene L. Waas