Tab 1 – Daily gas index language not yet effective

IMPORTANT NOTICE:

This tab contains changes to Section 7.2.6.1.1(a) proposed to comply with the directive in an order issued in the Amendment No. 50 proceeding, Docket No. ER03-683, on January 6, 2005, that the ISO include in the Tariff the use of a daily gas index in calculating decremental reference levels. These proposed changes, which are shown in highlight, cannot become effective until one day after the software modifications needed to implement the changes can be made. The ISO expects that the software modifications will be completed by April 29, 2005.

Intermittent Resources, or Qualifying Facilities to manage Intra-Zonal Congestion after redispatching all other available and effective generating resources, including Reliability Must-Run Units.

7.2.6.1.1   Decremental Bid Reference Levels. Decremental bid reference levels shall be determined for use in managing Intra-Zonal Congestion as set forth above in Section 7.2.6.1.

(a) Determination. Decremental bid reference levels shall be determined by applying the following steps in order as needed:

1. Excluding proxy bids, mitigated bids, and bids used out of merit order for managing Intra-Zonal Congestion, the accepted decremental bid, or the lower of the mean or the median of a resource's accepted decremental bids if such a resource has more than one accepted decremental bid in competitive periods over the previous 90 days for peak and off-peak periods, adjusted for daily changes in fuel prices using the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Edison Company, or Pacific Gas and Electric Company), or, if the resource is not served from one of those three Service Areas, from the nearest of those three Service Areas. There will be a six-day time lag between when the gas price used in the daily gas index is determined and when the daily gas index based on that gas price can be calculated. Accepted and justified decremental bids below the applicable

soft cap, as set forth in Section 28.1.3 of this Tariff, will be included in the calculation of reference prices;

2. A level determined in consultation with the Market Participant submitting the bid or bids at issue, provided such consultation has occurred prior to the occurrence of the conduct being examined, and provided the Market Participant has provided sufficient data in accordance with specifications provided by the independent entity responsible for determining reference prices;

3. 90 percent of the unit's default Energy Bid determined monthly as set forth in Section 5.11.5 (based on the incremental heat rate submitted to the independent entity responsible for determining reference prices, adjusted for gas prices determined according to paragraph (a)(1) above, and the variable O&M cost on file with the independent entity responsible for determining reference prices, or the default O&M cost of $6/MWh);

4. 90 percent of the mean of the economic Market Clearing Prices for the units' relevant location during the lowest-priced 25 percent of the hours that the unit was dispatched or scheduled over the previous 90 days for peak and off-peak periods, adjusted for changes in fuel prices determined according to paragraph (a)(1) above; or

5. If sufficient data do not exist to calculate a reference level on the basis of the first, second, or fourth methods and the third method is not applicable or an attempt to determine a reference level in consultation with a Market Participant has not been successful, the independent entity responsible for determining reference prices shall determine a reference level on the basis of:

    i. the independent entity's estimated costs of an electric facility,

        taking into account available operating costs data, opportunity