

August 3, 2000

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

**Re: California Independent System Operator Corporation,
Docket No. ER00-2019-_____**

Dear Secretary Boergers:

Enclosed for filing please find copies of tariff sheets for the California Independent System Operator Corporation ("ISO")¹ FERC Electric Tariff, submitted in compliance with the Commission's May 31, 2000 order in the above-referenced docket. Additionally, please find copies of tariff sheets that reflect the sum of the changes contained in various recent amendments to the ISO Tariff, which the Commission has accepted for filing or for which a Commission order is pending, and that correct non-substantive typographical errors and the inadvertent omission of language that the Commission has approved. In addition, please find copies of tariff sheets that embody changes to tariff language which the ISO intended to provide in the recent amendments described above, but which were not reflected in those amendments.

I. TARIFF SHEETS INCLUDED AS PART OF THE PRESENT FILING

A. Tariff Sheets Submitted In Order to Comply With the Commission's Order Concerning Amendment No. 27

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff in the above-referenced docket. Amendment No. 27 presented a revised methodology for determining transmission Access Charges, through which the embedded costs of the transmission facilities comprising the ISO Controlled Grid would be recovered, together with associated changes adopted by the ISO Governing Board. A number of parties

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

submitted motions to intervene, comments, and protests concerning Amendment No. 27. On May 31, 2000, the Commission issued an order accepting Amendment No. 27 for filing, suspended for a nominal period, subject to refund, and setting it for hearing. The hearing is held in abeyance pending efforts at settlement. *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000) ("Amendment No. 27 Order"). In the Amendment No. 27 Order, the Commission reached the following conclusions:

- *Revenue Review Panel.* The ISO proposed in Amendment No. 27 to establish a Revenue Review Panel ("RRP") to review the justness and reasonableness of the Transmission Revenue Requirement ("TRR") for a New Participating TO that is not subject to the Commission's Section 205-206 rate jurisdiction, and to which an objection is raised that cannot be resolved. The ISO further proposed that the decision of the RRP be final and not subject to further review. The Commission found the finality and non-appealability of the RRP's findings to be inconsistent with its statutory responsibilities. Amendment No. 27 Order at 61,724.

In response, the ISO proposes to modify the ISO Tariff, Appendix F, Schedule 3, Section 9.2, which describes the RRP, to provide that the decision of the RRP shall be subject to review and acceptance by the Commission.

Moreover, the Commission expressed concern that regulatory lag could result from the RRP process for reviewing the TRRs of non-jurisdictional Participating TOs. Amendment No. 27 Order at 61,724. Accordingly, the ISO proposes to modify the ISO Tariff, Appendix F, Schedule 3, Section 9.2, to allow each non-jurisdictional Participating TO to choose its means of having the reasonableness of its TRR confirmed: the Participating TO may either file its TRR with the Commission; or may submit the TRR to the ISO, which will make it subject to RRP review and then to Commission review.

- *TAC Areas.* The ISO proposed in Amendment No. 27 to establish three "TAC Areas" that correspond to the three original Participating TOs' control areas. Moreover, if the Los Angeles Department of Water and Power ("LADWP") were to join the ISO, a fourth TAC Area would be established. Further, when the first Governmental Entity joins any one of the three TAC Areas, or if the LADWP were to join and establish a fourth TAC Area, the beginning date of the ten-year transition period for the recovery of the High Voltage Access Charge would be established for all the areas. If the LADWP were to join after the beginning date of the transition period (i.e., the Transition Date) for the three TAC Areas, its ten-year transition period would begin as of the date it joined the ISO. The Commission found the potential delay to the final transition that would arise from the potential lag of LADWP joining later to be unsupported. For this reason, the Commission determined that the fourth TAC Area should have the same ending for the transition period as the other

proposed TAC Areas. Alternatively, the ISO could submit additional information demonstrating the need for the deferral in any subsequently negotiated High Voltage Access Charge proposal filed with the Commission. Amendment No. 27 Order at 61,726.

In response, the ISO proposes to modify the ISO Tariff, Appendix F, Schedule 3, Sections 4.2 and 4.3, which describe the Transition Date, to provide that the West Central TAC Area shall have the same Transition Date as the other three TAC Areas, unless the ISO provides additional information demonstrating the need for a deferral.

- *Buy Down.* The ISO proposed in Amendment No. 27 a Transition Mechanism under which savings, defined as a "TAC Benefit," received by each New Participating TO for joining the ISO would be applied to reduce the New Participating TO's TRR. The Commission found this "buy down" provision to be unsupported and potentially discriminatory, and therefore rejected it. Amendment No. 27 Order at 61,727.

In response, the ISO proposes to modify the ISO Tariff, Appendix F, Schedule 3, Section 6.1(b), to eliminate the buy down provision.

B. Tariff Sheets Submitted In Order to Reflect the Sum of Recent Amendments to the ISO Tariff, and to Correct Typographical Errors and Inadvertent Omissions

In addition to the tariff changes described above, the ISO now submits updated sheets to reflect the sum of changes contained in various recent ISO Tariff amendments, which the Commission has accepted for filing or for which a Commission order is pending. The Commission orders concerning the accepted tariff sheets are the following: *California Independent System Operator Corporation*, 92 FERC ¶ 61,004 (2000) (Amendment No. 23 compliance filing); *California Independent System Operator Corporation*, 91 FERC ¶ 61,341 (2000) (Amendment No. 25 compliance filing); *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000) (Amendment No. 27); *California Independent System Operator Corporation*, 91 FERC ¶ 61,256 (2000) (Amendment No. 28); and *California Independent System Operator Corporation*, 91 FERC ¶ 61,324 (2000) (Amendment No. 29). Additionally, Commission orders are pending as to the ISO's submission of the following: a compliance filing, filed April 20, 2000, in Docket Nos. ER98-3760-005, *et al.*; the ISO's submission of a compliance filing, filed May 1, 2000, to comply with the Commission's order on Amendment No. 26, *California Independent System Operator Corporation*, 90 FERC ¶ 61,345 (2000); the ISO's submission of a compliance filing, filed July 14, 2000, to comply with the Commission's order on Amendment No. 28; and the ISO's submission of a compliance filing, filed July 31, 2000, to comply with the Commission's order on Amendment No. 29. The updated tariff sheets also correct non-substantive

typographical errors and the inadvertent omission of language that the Commission has approved.

C. Tariff Sheets Submitted In Order to Embody Changes to Tariff Language Which the ISO Intended to Provide In the Recent Amendments Described Above, But Which Were Not Reflected In Those Amendments

The ISO also submits tariff sheets that embody changes to tariff language which the ISO intended to provide in the recent amendments described above, but which were not reflected in those amendments. These changes are as follows:

- Sections 4.5.3 and 4.5.4 of the Ancillary Services Requirements Protocol were deleted in Amendment No. 25, filed January 27, 2000, in Docket No. ER00-1239-000. However, these sections were inadvertently included and/or revised in the ISO's Amendment No. 27 filing and in its April, 20, 2000, compliance filing. The ISO now clarifies that these sections should be deleted, as provided in Amendment No. 25.
- Section 1.2.2 of the Schedules and Bids Protocol was intended to be updated by the Amendment No. 27 filing to remove the phrase "Non-Converted Rights," consistent with the general removal of that phrase from the ISO Tariff and Protocols as part of Amendment No. 27. This section was not updated, however. The ISO now proposes to update the section to reflect the intended change.

II. SUPPORTING DOCUMENTS

Enclosed are revised tariff sheets which incorporate the changes described above (Attachment A);² the text in black-line format of the changes to tariff sections submitted in order to comply with the Commission's order concerning Amendment No. 27, as described above (Attachment B); and the text in black-line format of the changes to tariff sections submitted in order to embody changes which the ISO intended to provide in the recent amendments described above, but which were not reflected in those amendments (Attachment C). Also enclosed is a notice of filing suitable for

² The revised tariff sheets reflect the fact that, in some cases, tariff sheets having identical page numbers and page headers, but containing different text, were submitted as part of different previous filings. For example, a given tariff sheet "[x]" to be submitted in the present filing might have been designated as "First Revised Sheet No. [x]" in two different previous amendments, even though the text of the tariff sheet was different for each of those amendments. In that situation, the tariff sheet would be designated as "Third Revised Sheet No. [x]" in the present filing, in order to indicate that there were two previous revised sheets having this same sheet number. In addition, the ISO notes that the revised tariff sheets do not follow the format described in *Designation of Electric Rate Schedule Sheets*, Order No. 614, 65 Fed. Reg. 18221 (Apr. 7, 2000), FERC Stats. and Regs., Regs. Preambles ¶ 31,096 (Mar. 31, 2000). The ISO will file tariff sheets that adhere to this format in a future filing.

The Honorable David P. Boergers
August 3, 2000
Page 5

publication in the Federal Register (Attachment D) and a computer disk containing the notice in WordPerfect format.

In addition, two extra copies of the filing are enclosed. Please date-stamp the extra copies with the time and date of filing and return them to the messenger. Thank you for your assistance in this matter.

Respectfully submitted,

Charles F. Robinson
General Counsel
Roger E. Smith
Senior Regulatory Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 351-4436

Kenneth G. Jaffe
David B. Rubin
Bradley R. Miliauskas
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7643

Attorneys for the California Independent System Operator Corporation