

August 13, 1999

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. ER99-3301**

Dear Secretary Boergers:

Enclosed for filing please find copies of a tariff sheet for the California Independent System Operator Corporation ("ISO") FERC Electric Tariff, Original Volume I, submitted in compliance with the Commission's July 30, 1999 Order in the above-captioned docket.

On June 18, 1999, the ISO filed Amendment No. 18 to the ISO Tariff in the above-captioned docket. Amendment No. 18 modifies the ISO Tariff to expand the market from which the ISO may select resources for the management of Intra-Zonal Congestion in real-time.

A number of parties submitted motions to intervene, comments and/or protests to Amendment No. 18. On July 9, 1999, the ISO submitted its Answer to Motions to Intervene, Comments and Protests in the above-captioned docket. In its Answer, the ISO agreed to revise Section 7.3.2 of the ISO Tariff in response to an intervenor comment on Amendment No. 18.

On July 30, 1999, the Commission issued an order accepting Amendment No. 18 with certain modifications and directing the ISO to submit a compliance filing within 14 days of the issuance of the order. California Independent System Operator Corp., 88 FERC ¶ 61,146 (1999) ("July 30 Order"). The Commission

directed the ISO to revise Section 7.3.2 as it had committed to do in its July 9 Answer. 88 FERC ¶ 61,146, slip op. at 5. In response to an intervenor concern, the Commission also directed the ISO to inform Market Participants whether "their Imbalance Energy bids are being used to manage Intra-Zonal Congestion or to maintain system balance," and to "modify [the ISO] Tariff accordingly." 88 FERC ¶ 61,146, slip op. at 8.

The ISO now submits revisions to Section 7.3.2 to comply with the July 30 Order. The ISO also explains that, under existing provisions of the ISO Tariff and ISO Operating Procedures, the ISO already informs Scheduling Coordinators whether Imbalance Energy bids are being used for Intra-Zonal Congestion Management. ISO Operating Procedure M-401, which is posted on the ISO Home Page, www.caiso.com, requires ISO operations personnel to log the bids called for Intra-Zonal Congestion Management in real-time. Proper logging of instructions that have been verified and executed by the Generation Dispatcher, includes stating the reason the dispatcher gave when instructing the resource to move (*e.g.*, Intra-Zonal Congestion Management). See, ISO Operating Procedure M-401, § 1.1 Logging. In addition, at the end of each hour a follow-up notice is sent to inform Scheduling Coordinators as to the range of bids used to manage the Congestion.

Prior to logging the bids, the ISO Generation Dispatcher calls individual Scheduling Coordinators and instructs them to increment or decrement resources called upon by the ISO for Intra-Zonal Congestion Management in a specific amount (MW) at a specific price (bid). Where the ISO calls for the use of Imbalance Energy bids to manage Intra-Zonal Congestion in real-time, those bids are taken out-of-sequence from the Imbalance Energy stack. The logging requirement discussed above therefore is also reflected in Section 2.5.23.1 of the Tariff¹, which requires the ISO to record any variations from the merit order. As noted above, ISO Operating Procedures specify the information to be recorded in the event of such variations. This information includes the Scheduling Coordinator whose bid is taken out-of-sequence, the reason for the variation (including the management of Intra-Zonal Congestion), the time and MW amount of the variation, and the price of the bid taken out of sequence.

Revisions to the ISO Tariff are therefore unnecessary to implement the Commission's directive that Market Participants be informed (through their Scheduling Coordinators) of the purposes for which their Imbalance Energy bids are being used. To the extent any Market Participants raise concerns with the ISO about the implementing details of this notification, the ISO commits to work with such Market Participants to address such concerns through appropriate clarifications to the ISO Operating Procedures. Such clarifications would be developed, with stakeholder input, pursuant to the ISO's Procedure Development

¹ The currently effective version of this provision is found in Section 23.2.1 of the ISO Tariff.

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Policy, approved at the June 1999 meeting of the ISO Governing Board. A memorandum describing this policy is submitted as Attachment C to this filing.

Enclosed is a revised Tariff sheet which incorporates the revision to Section 7.3.2 ordered by the Commission (Attachment A) as well as the text of the affected tariff provisions identifying the changes made in this compliance filing in redline format (Attachment B) and a memorandum dated June 17, 1999 describing the ISO's Procedures Development Policy (Attachment C). Also enclosed is a notice of filing suitable for publication in the Federal Register (Attachment D) and a 3½ inch diskette containing the notice in WordPerfect format.

In addition, an extra copy of the filing is enclosed. Please date-stamp the extra copy with the time and date of filing and return it to the messenger. Thank you for your assistance in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 13th day of August, 1999.

Sean A. Atkins