

July 24, 1998

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

Re: The California Independent System Operator Corporation, Docket
Nos. EC96-19-027 and ER96-1663-028

Dear Secretary Boergers:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and the Commission's June 24, 1998 order in this proceeding, the California Independent System Operator Corporation ("ISO") respectfully submits an original and fourteen copies of a compliance filing that includes the required Tariff modifications and reports as directed in the Commission's Order.

Included in this submittal are the following:

- Revised Tariff sheets (Attachment A);
- A black-lined version of the Tariff revisions (Attachment B);
- A report from the ISO's Market Surveillance Unit (Attachment C); and
- a form of notice of filing suitable for publication in the Federal Register (hard copy and diskette).

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I. NOTICES

The following individuals should be placed on the Commission's official service list for this submittal:

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II. BACKGROUND

On May 19, 1998, the ISO submitted Amendment No. 8 to its Tariff and Protocols. The filing proposed, among other things, an interim Regulation Energy Payment Adjustment (REPA) to address reliability problems due to insufficient bids in the ISO's Regulation service market. As described in Amendment No. 8, REPA provides an additional Energy payment in connection with Regulation service. The REPA represents the additional value of regulating Energy and is equal to the energy potentially available in the Regulation bid (R_{UP} plus R_{DOWN}) times the greater of \$20/MWh or the Hourly Ex Post Price. The total Energy available ($R_{UP} + R_{DOWN}$) may be adjusted to be only R_{UP} or only R_{DOWN} , a percentage of R_{UP} or R_{DOWN} or the sum of $R_{UP} + R_{DOWN}$ depending on the needs, for each direction of Regulation Service, of the ISO. The product will be adjusted by a factor, "C," of between 0 and 1. The figure of \$20/MWh approximates the ISO's average price for Imbalance Energy and represents a floor on the price of Imbalance Energy provided from Regulation resources.

The Compliance Filing is being made pursuant to the Commission's Order dated June 24, 1998, which accepted Amendment No. 8 for filing, to become effective May 19, 1998. California Independent System Operator Corporation,

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83 FERC ¶ 61,309 (June 24, 1998) (accepting proposed Tariff amendment and providing clarification and guidance).

In that Order, the Commission directed the ISO to:

- Post, on the ISO's Home Page, the hourly weightings for Regulation-up and Regulation-down generation electronically in advance of the Ancillary Services auction;
- Post, on the ISO's Home Page, the procedure for determining the weighting factor and to file the procedure within thirty days.
- File a clarification that indicates that the proposed weighting factor is limited to 100 percent of the ISO's hourly system need for Regulation;
- Monitor the Regulation market and provide the Commission with a report 30 days after the date of the Order. The report is to include information on the quantity of Regulation bids, any adjustments to the C factor and the affect of such adjustment on the Regulation bids, and the use of weighting upward and downward Regulation and the affect of such weighting on the Regulation bids;
- File a report on the progress of the long-term redesign of the Regulation market within 90 days from the date of the Order; and
- Correct certain typographical errors and minor omissions.

III. CLARIFICATION AND REPORTS

As noted above, the Commission directed the ISO to file a clarification that indicates that the proposed weighting factor is limited to 100 percent of the ISO's hourly system need for Regulation. In compliance with that directive, the ISO proposes here revised Tariff language that clarifies that the weighting factor will be specified in a range from 0-100 percent of the ISO's hourly system need for Regulation (See Attachment A). In addition, the proposed compliance Tariff

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language specifies that the ISO will have the discretion to adjust the weighting factor and the procedure for posting that information on the ISO's Home Page.

The Compliance Filing also contains a report from the ISO's Market Surveillance Unit (Attachment C). The report indicates that the amount of bids in the Regulation market have increased measurably since REPA was filed and accepted by the Commission. However, the report also indicates that there are still a significant number of hours in each day where the ISO experiences a deficiency in the number of bids for Regulation service. Finally, the report notes that, to date, the ISO has not adjusted either the C factor or the weighting factor. That is, the C factor is still currently set at 1 and the weighting factor applied to upward Regulation and downward Regulation is 100 percent.

IV. CONCLUSION

Wherefore, for the foregoing reasons, the California Independent System Operator Corporation respectfully submits the Compliance Filing.

Respectfully submitted,

N. Beth Emery
Vice President
and General Counsel for
The California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify I that have this day served the foregoing submittal upon each person designated on the official service list compiled by the Secretary in Docket Nos. EC96-19-027 and ER96-1663-028, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (1997).

Dated at Washington, D.C., this 24th day of July, 1998.

Michael E. Ward

**NOTICE SUITABLE FOR PUBLICATION IN THE
FEDERAL REGISTER**

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System Operator)
Corporation**

**Docket Nos. EC96-19-____
ER96-1663-____**

Notice of Filing

[]

On July 24, 1998, the California Independent System Operator Corporation (ISO), tendered for filing a compliance filing, which includes certain revised ISO Tariff sheets and reports.

The ISO states that this filing has been served on all parties listed on the official service list in the above-referenced dockets, including the California Public Utilities Commission.

Any person desiring to be heard to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§385.211, 385.214). All such motions or protests should be filed on or before []. Protests filed with the Commission will be considered by it in determining the appropriate action to be taken but will not serve to make the protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.