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November 25, 2002

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-\_\_\_\_-000  
Amendment No. 47 to the ISO Tariff**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13, the California Independent System Operator Corporation ("ISO") respectfully submits for filing an original and six copies of an amendment ("Amendment No. 47") to the ISO Tariff. Amendment No. 47 would modify the ISO Tariff to be consistent with the provisions of the Transmission Control Agreement ("TCA") that are being amended to accommodate the Cities of Anaheim, Azusa, Banning, and Riverside, California (together, "Southern Cities") becoming Participating Transmission Owners ("Participating TOs").<sup>1</sup>

## I. BACKGROUND

On or before June 30, 2002, pursuant to Section 3.1 of the ISO Tariff, each of the Southern Cities filed with the ISO a notice of intent to become a Participating TO on January 1, 2003.<sup>2</sup> The process of becoming a Participating TO involves signing the

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<sup>1</sup> Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff.

<sup>2</sup> See ISO Tariff, Section 3.1.1, which provides that New Participating TOs may obtain that status effective only January 1 or July 1.

TCA and turning over Operational Control of transmission facilities and Entitlements to the ISO.<sup>3</sup>

The Southern Cities requested several changes to the TCA prior to signing it. Among these changes were the introduction of a new withdrawal provision in the TCA, allowing Participating TOs to withdraw from the TCA under certain specific circumstances. To accommodate such withdrawal from the TCA, minor changes need to be made to the ISO Tariff, as well.

## **II. TARIFF CHANGES**

This tariff amendment clarifies that for the ISO to collect the Access Charge or Wheeling Access Charge and reimburse a Participating TO's Transmission Revenue Requirement ("TRR"), the transmission facilities of the Participating TO must be under the ISO's Operational Control. Once Operational Control is relinquished, as when a Participating TO withdraws from the TCA, the ISO will not collect such Participating TO's Transmission Revenue Requirement for the withdrawn facilities.

This change is accomplished in three parts of the ISO Tariff. In the Master Definitions Supplement, Appendix A to the Tariff, the following definitions were changed to make clear that the facilities in question must be under ISO Operational Control: "High Voltage Transmission Facilities," "Low Voltage Transmission Facilities," "High Voltage Transmission Revenue Requirement," and "Low Voltage Transmission Revenue Requirement."

Additionally, in Appendix F, Schedule 3 of the Tariff, a new Section 8.3 has been added to make clear that the ISO will not collect the TRR for facilities that have been withdrawn from ISO Operational Control.

Finally, a new Section 9.5.3 has been added to the Tariff to require that a Participating TO credit back revenue from Firm Transmission Rights ("FTRs") that have been auctioned on a tax-exempt financed transmission path when the path subsequently is withdrawn from the ISO Operational Control due to an adverse tax action during the term of the FTR.

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<sup>3</sup> An amended TCA, executed by all the Participating TOs (including Southern Cities), is being filed with the Commission today.

### III. EFFECTIVE DATE

The ISO respectfully requests waiver of the notice requirements of Section 35.3 of the Commission's regulations, 18 C.F.R. § 35.3, to permit the proposed changes to the ISO Tariff to become effective as of January 1, 2003, the proposed effective date of the TCA. As discussed above, the modifications of the ISO Tariff being proposed herein are necessary to accommodate changes being made to the TCA, also being filed with the Commission today.

Granting the waiver will permit the Southern Cities to participate in the ISO's open access transmission markets as quickly as possible, enhancing the efficiency of the market, expanding the ISO Controlled Grid, and enabling the revision and incorporation of their transmission facilities and Entitlements into the ISO's systems as conveniently as possible. This will minimize the administrative costs to the ISO and the resulting charges to ISO Market Participants. Granting the requested waiver, therefore, is appropriate.

### IV. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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Deborah A. Le Vine\*  
The California Independent  
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\* Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3).

### V. SERVICE

The ISO has served this filing on the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, and all parties with effective Scheduling Coordinator Agreements under the ISO Tariff. In addition, the ISO has posted a copy of the filing on its Home Page.

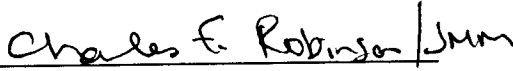
## VI. SUPPORTING DOCUMENTS

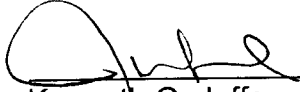
The following documents, in addition to this transmittal letter, support this filing:

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|--------------|--|
| Attachment A | Revised Tariff sheets to reflect the changes proposed in the present filing  |
| Attachment B | Sheets showing the proposed changes to the ISO Tariff in black-line format   |
| Attachment C | A form notice of filing suitable for publication in the Federal Register, as well as a computer diskette containing the notice of filing in WordPerfect format |

Two additional copies of this filing is enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

  
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General Counsel  
John Anders  
Corporate Counsel  
The California Independent  
System Operator Corporation  
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## ATTACHMENT A

transmission capacity the New Participating TO is turning over to ISO Operational Control. FTRs issued in accordance with this section shall entitle the FTR Holder to receive Usage Charge revenues and to priority in the scheduling of Energy in the Day-Ahead Market in accordance with the provisions of the ISO Tariff. FTRs associated with Converted Rights shall terminate on the earlier of termination of the Existing Contract or the end of the ten-year transition period.

**9.5 Distribution of Auction Revenues Received by the ISO for Firm Transmission Rights**

**9.5.1** For each Inter-Zonal Interface and direction for which an FTR is defined, the total proceeds received by the ISO through the auction described in Section 9.4 shall be allocated and paid by the ISO to the Participating TO that is entitled in accordance with Section 7.3.1.6 to receive Usage Charge revenues with respect to the corresponding Inter-Zonal Interface. Each Participating TO shall credit its FTR auction proceeds against its high voltage TRBA if the FTR is for a High Voltage Transmission Facility or against its low voltage TRBA if the FTR is a for a Low Voltage Transmission Facility.

**9.5.2** In the event the transmission facilities or rights making up an Inter-Zonal Interface with respect to which FTRs are defined are owned by more than one Participating TO, the proceeds of the auction of such FTRs shall be allocated to those Participating TOs who auction FTRs in proportion to the FTRs associated with their Inter-Zonal Interface as of the date of the FTR auction compared to all FTRs auctioned for such Inter-Zonal Interface.

**9.5.3** If a Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control while the term of the associated FTR remains in effect, the Participating TO shall refund to the ISO the proportionate share of FTR auction revenues associated with such transmission facility based on the number of days remaining in the term of the FTR. The ISO shall refund the FTR auction revenue to the entity that previously held the FTR.

**9.6 Distribution of Usage Charges to FTR Holders**

**9.6.1** The FTR Holder shall be entitled to receive from the ISO a portion of the total Congestion revenues related to Inter-Zonal Congestion calculated by the ISO in the Day-Ahead Market and collected by the ISO with respect to the Inter-Zonal Interface and direction combination for which the FTR was defined. This portion equals the Usage Charge calculated by the ISO in the Day-

Load on or before March 31, 2000; and (d) secured Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, as of March 31, 2000 and continues to secure Standby Service from the Participating TO or can be curtailed concurrently with an outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

**High Voltage Access Charge**

The Access Charge applicable under Section 7.1 to recover the High Voltage Transmission Revenue Requirements of each Participating TO in a TAC Area.

**High Voltage Transmission Facility**

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

**High Voltage Transmission Revenue Requirement**

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities that are under the ISO Operational Control.



<b><u>Local Regulatory Authority</u></b>	The state or local governmental authority responsible for the regulation or oversight of a utility.
<b><u>Local Reliability Criteria</u></b>	Reliability criteria established at the ISO Operations Date, unique to the transmission systems of each of the Participating TOs.
<b><u>Location Code</u></b>	The code assigned by the ISO to Generation input points, and Demand Take-Out Points from the ISO Controlled Grid, and transaction points from trades between Scheduling Coordinators. This will be the information used by the ISO Controlled Grid, and transaction points for trades between Scheduling Coordinators. This will be the information used by the ISO to determine the location of the input, output, and trade points of Energy Schedules. Each Generation input and Demand Take-Out Point will have a designated Location Code identification for use in submitting Energy and Ancillary Service bids and Schedules.
<b><u>Loop Flow</u></b>	Energy flow over a transmission system caused by parties external to that system.
<b><u>Loss Scale Factor</u></b>	The ratio of expected Transmission Losses to the total Transmission Losses which would be collected if Full Marginal Loss Rates were utilized.
<b><u>Low Voltage Access Charge</u></b>	The Access Charge applicable under Section 7.1 to recover the Low Voltage Transmission Revenue Requirement of a Participating TO.
<b><u>Low Voltage Transmission Facility</u></b>	A transmission facility owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, which is not a High Voltage Transmission Facility, that is under the ISO Operational Control.

**Low Voltage  
Transmission Revenue  
Requirement**

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities that are under the ISO Operational Control.

**Low Voltage Wheeling  
Access Charge**

The Wheeling Access Charge associated with the recovery of a Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 7.1.

**Maintenance Outage**

A period of time during which an Operator (i) takes its transmission facilities out of service for the purposes of carrying out routine planned maintenance, or for the purposes of new construction work or for work on de-energized and live transmission facilities (e.g., relay maintenance or insulator washing) and associated equipment; or (ii) takes its Generating Unit or System Unit out of service for the purposes of carrying out routine planned maintenance, or for the purposes of new construction work.

**Marginal Generators**

Those Generating Units which, in an hour, are the sources of the last increments of Generation in the Preferred Schedule, excluding: (i) Must-Run Generation, (ii) Must-Take Generation, (iii) units scheduled to ramp at their maximum ramp rate throughout the hour, or (iv) units operating at minimum operating levels (when less costly Generation must be backed down).

**Marginal Loss Factor**

The marginal impact of a given Generating Unit's output on total system Transmission Losses.

**8. Updates to High Voltage Access Charges.**

**8.1** High Voltage Access Charges and High Voltage Wheeling Access Charges shall be adjusted: (1) on January 1 and July 1 of each year when necessary to reflect the addition of any New Participating TO and (2) on the date FERC makes effective a change to the High Voltage Transmission Revenue Requirements of any Participating TO. Using the High Voltage Transmission Revenue Requirement accepted or authorized by FERC, consistent with Section 9 of this Schedule 3, for each Participating TO, the ISO will recalculate on a monthly basis the High Voltage Access Charge and Transition Charge applicable during such period. Revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the TRBA as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year.

**8.2** For service provided by a Participating TO prior to the Transition Date, no refund ordered by FERC or amount accrued to that Participating TO's Transmission Revenue Balancing Account related to such service shall be reflected in the High Voltage Access Charge, Low Voltage Access Charge, the High Voltage Transmission Revenue Requirement, or the Low Voltage Transmission Revenue Requirement of a Participating TO. For service provided by a Participating TO following the Transition Date, any refund associated with a Participating TO's Transmission Revenue Requirement that has been accepted by FERC, subject to refund, shall be provided as ordered by FERC. Such refund shall be invoiced separately from the Market Invoice.

**8.3** If the Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreement, then the ISO will no longer collect the TRR for that transmission facility through the ISO's Access Charge effective upon the date the transmission facility is no longer under the Operational Control of the ISO. The withdrawing Participating TO shall be obligated to provide the ISO will all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR. The ISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from ISO Operational Control.

**9. Approval of Updated High Voltage Revenue Requirements**

**9.1** Participating TOs that are FERC-jurisdictional entities will make the appropriate filings at FERC to establish their Transmission Revenue Requirements for their Low Voltage Access Charges and the applicable High Voltage Access Charges, and to obtain approval of any changes thereto. All such filings with the FERC will include appropriate

## ATTACHMENT B

Add new Section 9.5.3 to the ISO Tariff:

9.5.3 If a Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control while the term of the associated FTR remains in effect , the Participating TO shall refund to the ISO the proportionate share of FTR auction revenues associated with such transmission facility based on the number of days remaining in the term of the FTR. The ISO shall refund the FTR auction revenue to the entity that previously held the FTR.

\* \* \*

## Appendix A

### Master Definitions Supplement

**High Voltage  
Transmission Facility**

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

**High Voltage  
Transmission  
Revenue  
Requirement**

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted

Rights associated with High Voltage Transmission  
Facilities that are under the ISO Operational Control.

\* \* \*

**Low Voltage  
Transmission Facility**

A transmission facility owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, which is not a High Voltage Transmission Facility, that is under the ISO Operational Control.

**Low Voltage  
Transmission  
Revenue  
Requirement**

The portion of a Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities that are under the ISO Operational Control.

\* \* \*

Appendix F, Schedule 3

Add new Section 8.3:

**8.3** If the Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreement, then the ISO will no longer collect the TRR for that transmission facility through the ISO's Access Charge

effective upon the date the transmission facility is no longer under the Operational Control of the ISO. The withdrawing Participating TO shall be obligated to provide the ISO with all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR. The ISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from ISO Operational Control.

## ATTACHMENT C



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

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

**California Independent System Operator     )  
Corporation                                     )**     **Docket No. ER03-\_\_\_\_\_ -000**

**Notice of Filing  
[                                     ]**

Take notice that the California Independent System Operator Corporation ("ISO"), on November 25, 2002, tendered for filing with the Commission Amendment No. 47 to the ISO Tariff. The purpose of Amendment No. 47 is to modify the Tariff to be consistent with the provisions of the Transmission Control Agreement ("TCA"), as amended to accommodate the Cities of Anaheim, Azusa, Banning, and Riverside, California (together "Southern Cities"), becoming Participating Transmission Owners.

The ISO states that this filing has been served on the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, and all parties, including the signatories to the TCA, with effective Scheduling Coordinator Agreements under the ISO Tariff.

The ISO is requesting waiver of the 60-day notice requirement to allow Amendment No. 47 be made effective January 1, 2003.

Any person desiring to be heard or to protest the 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 and 385.214). All such motions or protests must be filed in accordance with § 35.9 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make 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 in the Public Reference Room. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).