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July 16, 2003

Hon. Magalie Roman Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *California Independent System Operator Corporation*
Docket No. ER03-942-000

Dear Secretary Salas:

Enclosed for filing are one original and fourteen copies of the Motion for Leave to File Answer and Answer of the California Independent System Operator Corporation to Comments and Protests on Tariff Amendment No. 53, submitted in the above-captioned proceeding.

Also enclosed are two extra copies of the answer to be time/date stamped and returned to us by the messenger. Thank you for your assistance. Please contact the undersigned if you have any questions regarding this filing.

Respectfully submitted,

Michael Kunselman

Counsel for the California Independent System Operator Corporation

Enclosure

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER03-942-000**

MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO COMMENTS AND PROTEST ON TARIFF AMENDMENT NO. 53

I. INTRODUCTION AND SUMMARY

On June 10, 2003, the California Independent System Operator Corporation ("ISO")[1] filed with the Commission proposed Amendment No. 53 to the ISO Tariff in the above-referenced docket. In response to the Amendment No. 53 filing, several parties submitted comments and/or protests.[2]

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.213, the ISO hereby files its answer to comments, and requests leave to file an answer to protests, in the above-referenced dockets.[3] As explained below, the tariff revisions proposed in

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[1] Capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

[2] Comments and/or protests on the Amendment No. 53 Tariff filing were submitted by the Cities of Santa Clara, California (Silicon Valley Power), and the City of Redding (collectively, "California Cities"); Duke Energy North America, LLC and Duke Energy Trading and Marketing, L.L.C. ("Duke Energy"); Dynegy Power Marketing, Inc. ("Dynegy"); Pacific Gas & Electric Company ("PG&E"); Pacificorp; Powerex Corp. ("Powerex"); and Southern California Edison Company ("SCE").

[3] Some of the parties style their pleadings as "comments" on the ISO's Tariff Amendment No. 53 filing. There is no prohibition on the ISO's responding to these pleadings. To the extent that this Answer addresses points made by parties in pleadings entitled "protests," the ISO requests waiver of Rule 213 (18 C.F.R. § 385.213) to permit it to make this Answer. Good cause for this waiver exists here given the nature and complexity of this proceeding and the usefulness

Amendment No. 53 are just and reasonable, and should be accepted as filed with the Commission, except with respect to one provision, which the ISO requests the Commission to defer ruling on.

II. ANSWER

A. The ISO's Proposed Modifications Relating to the Payment of Defaulted Receivables are Just and Reasonable, and Ensure Equitable Treatment of all Scheduling Coordinators

Parties filing comments and protests on Amendment No. 53 advance various arguments concerning the ISO's proposed modifications relating to the payment of defaulted receivables, as set forth in proposed Section 11.16.2 and 11.16.3.[4] A number of parties argue that these provisions are not clear. *See* PG&E at 3, 8; Duke at 2; Dynegy at 3. Dynegy and Duke suggest that the Commission should suspend the acceptance of Amendment No. 53 in order to permit the ISO more time to explain these provisions. Dynegy at 3; Duke at 3. These comments appear to be based on a misunderstanding as to how funds are distributed under the current ISO Tariff, and how funds would be disbursed under the provisions proposed in Amendment No. 53, especially with respect to funds disbursed as a result of the resolution of bankruptcies of Market Participants that have occurred (or might later occur) in the ISO Markets.

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of this Answer in ensuring the development of a complete record. *See, e.g., Enron Corp.*, 78 FERC ¶ 61,179, 61,733, 61,741 (1997); *El Paso Electric Co.*, 68 FERC ¶ 61,181, 61,899 & n.57 (1994).

[4] The points made in this discussion of the new provisions in Section 11.16 are also applicable to the revision to Section 6.10.4 of the Scheduling and Billing Protocol ("SABP"). Separate reference to that revision is not made below because it merely clarifies that payments will be made in accordance with Section 11.16.

Some background on the ISO's current settlement and payment process may prove useful in putting the proposed modifications in Amendment No. 53 in context, and clearing up the confusion that parties have expressed as to how the payment provisions of Amendment No. 53 would operate. Under the current provisions of the ISO Tariff and Protocols, if the ISO is unable, for a particular trade month, to fully pay all ISO Creditors due to the insufficiency of payment made by ISO Debtors for that month (after the ISO has had recourse to any credit support provided by the applicable Debtor or Debtors), the ISO reduces payments to all ISO Creditors pro rata in proportion to the net amounts payable to them on the relevant Payment Date, to the extent necessary to clear the ISO Clearing Account. The ISO then accounts for these reductions as amounts due and owing by the non-paying ISO Debtor or Debtors to each ISO Creditor whose payment was reduced. ISO Tariff, § 11.16.1 (Pro Rata Reduction to Payments).

When a payment is made by an ISO Debtor who has an unpaid liability for a past period (or the ISO offsets this unpaid liability against a current balance owed to that Debtor), the ISO Tariff and Protocols require that the ISO first attribute that amount to the oldest month in which that Debtor has a default that has yet to be satisfied (*i.e.,* the oldest month for which the Debtor has yet to make payments equal to the amount that it was invoiced as owing for that month). The ISO then disburses these amounts pro rata to the ISO Creditors for that month. ISO Tariff, Scheduling and Billing Protocol ("SABP") 6.9-6.10. For example, if a certain ISO Debtor had defaulted, for the first time, on amounts invoiced to it for the month of February, 2001, then any subsequent payments

made by that Debtor to the ISO would first be attributed to February, 2001, up to the amount that Debtor defaulted for February, 2001. That amount would then be disbursed pro rata to ISO Creditors for the month of February, 2001. If the payment received by the ISO from that Debtor was more than the amount necessary to satisfy the amount by which the Debtor defaulted for February, 2001, then the additional amounts would be attributed to the next succeeding month in which that Debtor had defaulted, and so on, until all the defaults of that Debtor are satisfied in full.

What the current ISO Tariff and Protocols do not contemplate, however, is the situation in which the ISO receives a payment from an ISO Debtor who defaulted in a month in which there are no ISO Creditors remaining, *i.e.*, all ISO Creditors have been paid the full amount that they were owed by the ISO Market. This situation exists with respect to several trade months for various reasons, including the impact of the re-settlement of energy exchange transactions, the carrying forward of offsets, and the collection and disbursement of interest collected from the California Department of Water Resources related to the payment for the net short positions of PG&E and SCE.[5] It is this situation that proposed Sections 11.16.2 and 11.16.3 were designed to address. Section 11.16.2, in most respects, simply re-affirms the current ISO mechanism for disbursement of defaulted receivables that the ISO collects from ISO Debtors. Under proposed 11.16.2, defaulted receivables are still distributed pro rata to ISO

[5] Despite the suggestion of Williams, even if the Commission were to accept the ISO's July 3, 2002, compliance filing concerning the collection and disbursement of default interest in Docket No. ER02-651-000, because of the other issues just mentioned, there would still exist months in

Creditors for the month in which the default occurred, whenever there are still ISO Creditors for that month who have not been paid in full. However, proposed 11.16.2 would clarify that for months in which all ISO Creditors have already been paid, any payments that the ISO receives from defaulting ISO Debtors who defaulted during those months will be applied pro rata to ISO Creditors in the oldest unpaid trade month, *i.e.*, the oldest month for which there still exist unpaid balances for ISO Creditors.

Proposed Section 11.16.3 would apply when defaulted receivables are collected from an ISO Debtor and two other conditions are present. First, there are no remaining ISO Creditors for the month in which the default occurred. And second, there is at least one ISO Debtor in bankruptcy proceedings *for which no full and final distribution has been made*. If both of these conditions are met, then under 11.16.3, the ISO will disburse the money collected on the defaulted receivable by combining *all* ISO Creditor balances, over *all* trade months, and making a pro rata distribution based on the proportion of that total balance attributable to each ISO Creditor.

None of the parties filing comments or protests specifically take issue with Section 11.16.2. This is unremarkable given that 11.16.2 is consistent with the payment methodology that already exists in the ISO Tariff and Protocols, that is, that the oldest outstanding amounts should be settled first. Moreover, if all ISO Creditors for the month in which a default occurred have already been paid in full,

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which there are outstanding default amounts yet all ISO Creditors have been paid. *See* Williams at 4.

then it is most equitable to apply any funds received that are attributable to that month to those ISO Creditors who have gone the longest without being paid.

In contrast, however, some parties that filed comments or protests do take issue with the disbursement mechanism proposed in Section 11.16.3, and suggest that the ISO has failed to show that Section 11.16.3 is just and reasonable. Duke at 2-3; PG&E at 9; Powerex at 7-8; Pacificorp at 6. For instance, Pacificorp argues that this section will unfairly alter the rights of ISO Creditors in receiving disbursements. Pacificorp at 6.

These concerns are misplaced. Section 11.16.3. is designed to ensure *fairness* in the disbursement of funds collected from defaulting ISO Debtors when two conditions exist that are not addressed under the current ISO payment provisions: (a) receivables are still due and being collected for months in which all ISO Creditors have been paid; and (b) there is at least one bankruptcy involving a Debtor in the ISO Market. In these situations, disbursing funds using the current payment provisions of the ISO Tariff would, in fact, do injustice to ISO Creditors for those months.[6]

Under the current provisions of the ISO Tariff, if the ISO received defaulted receivables for one of these months, because there are no longer any ISO Creditors for this month, it would be obligated to disburse those funds pro

[6] Powerex maintains that the ISO's proposed changes in the methodology for handing collection of defaulted receivables should be rejected because they conflict with the methodologies of other power pools and ISOs. Powerex at 7-8. Powerex's argument should be rejected, because it fails to recognize that Amendment No. 53 (via proposed Section 11.16.3) modifies the ISO's current payment methodology only when defaulted receivables are collected relating to a month in which there are no unpaid ISO Creditors, and there is at least one ISO Debtor in bankruptcy proceedings when those receivables are collected. As discussed in this section, when these conditions exist, it is most equitable to disburse defaulted receivables pro rata based on all ISO Creditor balances.

rata beginning with those ISO Creditors in the oldest trade month for which there still exists amounts owed. This would result in the discriminatory treatment of certain ISO Creditors because, as noted in the ISO's filing letter accompanying Amendment No. 53, every ISO Creditor is also a creditor with respect to the bankruptcy of any and all ISO Debtors. This is the case because of the structure of the ISO's Markets, which do not match individual buyers with individual sellers. Instead, each ISO Creditor is a creditor against all ISO Debtors in the ISO Market, and all ISO Debtors are debtors of all ISO Creditors in the market. Therefore, all ISO Creditors have an interest in the bankruptcy of an ISO Debtor.

When the ISO collects and disburses defaulted receivables in this scenario, it is effectively acting to pay down the bankruptcy obligations to ISO Creditors that are also creditors with respect to the bankrupt entity. Because all ISO Creditors are creditors in the bankruptcy of an ISO Debtor it follows that they should be entitled to a pro rata share of defaulted receivables for months in which all ISO Creditors have already been paid, and at least one ISO Debtor is still in a bankruptcy proceeding. This treatment, in fact, is more consistent with the equitable principles of bankruptcy law than allowing a certain group of ISO Creditors (*i.e.,* those whose interests were created at an earlier time than other creditors) a priority in the payment of these defaulted receivables.

PG&E suggests that the exclusion of default interest from the pro rata disbursement provisions of proposed Section 11.16.2 and 11.16.3 conflicts with the Commission's requirement that interest be paid on outstanding amounts. PG&E at 10. PG&E is mistaken. The fact that 11.16.2 and 11.16.3 exclude

interest does not mean that interest will not be due on outstanding amounts. As noted by the Commission orders in the California refund proceeding, all ISO Creditors and ISO Debtors during the refund period are to be charged or credited interest on the unpaid portions of their receivables or payables at the FERC rate of interest. The ISO plans to account for this interest when it invoices the results of the rerun of its settlement and billing rerun in the refund proceeding. Additionally, as the ISO noted in its transmittal letter accompanying the Amendment No. 53 filing, for periods after the refund period, the ISO will distribute interest collected on past due amounts pro rata to the creditors for the months in which the defaults occurred, consistent with the Commission's June 3, 2002, order (99 FERC ¶ 61,253 (2002)) in Docket No. ER02-651-000. ISO Transmittal Letter at 6. Subsequent to the issuance of that order, the ISO filed with the Commission its compliance filing in which it proposed tariff language necessary to implement that order. The ISO has also filed proposed procedures in order to account for interest during the refund period in compliance with FERC's orders in that case. Therefore, PG&E's concerns are misplaced.

B. The Proposed Modifications Relating to the Payment of Defaulted Receivables Do Not Conflict with Bankruptcy Law

A number of the parties filing comments and protests on Amendment No. 53 contend that the payment provisions proposed in Amendment No. 53 are, or might be, inconsistent with bankruptcy law, or suggest that the ISO has failed to explain how this provision would apply to distributions from the resolutions of a bankruptcy proceeding. *See, e.g.*, Duke at 2; Dynegy at 3-4; PG&E at 8-10.

The payment provisions of Amendment No. 53 do not violate established bankruptcy law, or even implicate bankruptcy law, because, simply stated, those provisions do not provide for a separate mechanism with respect to the distribution of funds received from the resolution of bankruptcies in the ISO Markets. The only provision in the Amendment No. 53 filing that specifically deals with the ISO's treatment of bankruptcy funds is proposed Section 11.20.3, which states that upon discharge of an ISO Debtor from bankruptcy proceedings, any unpaid settlement balances will be reduced to reflect the value of the distribution, and that unpaid balances will be reduced dollar-for-dollar. This provision operates only to protect the ISO's cash neutral status.[7] It does not provide a mechanism for the actual disbursement of any funds that the ISO might receive upon the conclusion of bankruptcy proceedings of an ISO Debtor.

Moreover, as noted in the Amendment No. 53 transmittal letter, the ISO understands and agrees that any distributions through the ISO, at least with respect to the California Power Exchange ("PX"), will be made, pursuant to the order of the bankruptcy court, as directed by the Commission. Transmittal Letter at 6 n.11. Amendment No. 53 does not pre-decide the issue of the distribution of bankruptcy funds, but instead, merely ensures fairness in disbursement of *non-bankruptcy funds* where there is an ISO Debtor still in bankruptcy proceedings, and those funds relate to a month in which no ISO Creditors remain. This is evident from the language of Sections 11.16.2 and 11.16.3, which make no mention of disbursements related to funds received from the discharge of a

[7] As explained in further detail in Section D. below, the ISO agreed with two of the parties filing protests in this proceeding that 11.20.3 should be modified to protect the rights of ISO Market

bankruptcy. Of these two provisions, only Section 11.16.3 mentions bankruptcy, and it specifically states that it is to apply only in cases where a bankruptcy proceeding is *still pending* (i.e., "in which no full and final distribution has been made").

Absent specific guidance from the Commission as to the mechanism for allocation of funds received from a Bankrupt ISO Debtor, the ISO would distribute those funds to creditors consistent with the existing payment provisions of the ISO Tariff, as amended by Section 11.16.2 and 11.16.3. That is, the ISO would disburse those funds pro rata to ISO Creditors beginning with the first month in which the bankrupt ISO Debtor defaulted on its obligations to the ISO Market, and continuing forward until no more funds remain for distribution. Additionally, if any of those funds were earmarked for months in which all ISO Creditors had already been paid, then the ISO would either pay those funds pro rata to ISO Creditors in the oldest unpaid trade month (pursuant to proposed Section 11.16.2 (2)), or, if there was still an outstanding bankruptcy involving an ISO Debtor, then, consistent with 11.16.3, the funds would be distributed pro rata to all Creditors in proportion to their total balances.

C. The Provisions of Amendment 53 are not Premature, Nor Do They Conflict With the Trial Stipulation in the Refund Proceeding on Cash Flow Issues

In its protest, PG&E asserts that Amendment No. 53 is premature. PG&E at 5-6. PG&E is incorrect. The ISO has received and will likely continue to receive payments from parties that have defaulted in months where there remain

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Participants who are involved in the bankruptcy of another ISO Market Participant.

no ISO Creditors, and while there are still ISO Debtors in bankruptcy proceedings. Although the ISO certainly recognizes that substantial amounts of cash will flow once the results of the refund proceeding are invoiced, this in and of itself is not an acceptable reason to sit on monies that are legitimately owed to suppliers for those periods. PG&E has provided no convincing reason why these monies should not be disbursed. In any case, if the changes proposed in Amendment No. 53 were not made, these funds would simply be disbursed in accordance with the present provisions of the ISO Tariff and Protocols. Amendment No. 53 does not change the fact of disbursement; it changes only the manner in which that disbursement is made.

PG&E also contends that Amendment No. 53 is inconsistent with a Trial Stipulation in the refund proceeding concerning cash shortfall and cash flow issues.[8] PG&E at 5-6. In that stipulation, parties agreed that the Commission had reserved to itself (rather than adjudication before the Presiding Judge) decision on the "mechanisms by which refunds would flow to customers and how amounts currently owed to suppliers would be paid." Trial Stipulation at 2. PG&E's argument relies on a mis-interpretation of the Trial Stipulation. In the Trial Stipulation, the parties agreed that two issues raised in the refund proceeding would be most appropriately left for Commission decision: (1) "How should any shortfalls in cash available for distribution be treated, if at all," and (2) "When, under what circumstances, and subject to what conditions should cash

[8] Stipulation of Parties Regarding Testimony to be Removed from the Hearing and Presented to the Commission, Exh. JSII-5 ("Trial Stipulation"). This stipulation is included with PG&E's protest on Amendment No. 53 as Attachment A.

flow between buyers and sellers." These issues address how cash would flow *after* the ISO calculated refunds in its markets and implemented those refunds through the final rerun of its settlement system. The Trial Stipulation did not address, nor limit, the ISO's distribution of cash that it collects from ISO Debtors in the normal course of business (*i.e.,* outside of the invoicing of refunds) for months during the refund period (October 2, 2000 through June 20, 2001). This is evident from the Trial Stipulation itself, which states that the issues addressed in the Trial Stipulation must be resolved in order to bring "finality to the rights to refunds and the rights to unpaid amounts due *after* taking account of refunds." (emphasis added). PG&E's implicit assertion seems to be that because of this Trial Stipulation, the ISO is absolutely barred from disbursing cash relating to months during the refund period, until the Commission provides direction on how to do so. This broad reading is clearly not supported by the language of the Trial Stipulation. PG&E's argument should therefore be rejected.

D. The ISO Agrees that Section 11.20.3 Should be Modified to Ensure that the Rights of Market Participants who are Parties to Bankruptcy Proceedings are not Limited by the Premature Write-Down of Debts

PG&E and SCE, in their protests, express concern with the impact that proposed Section 11.20.3 would have on the rights of Market Participants with respect to their participation in the bankruptcy proceedings of debtors in the ISO Market. PG&E, for instance, notes that parties to a bankruptcy may be able to employ options such as settlement and set off, in addition to a standard

distribution, in order to assert their rights in a bankruptcy proceeding, and that a discharge would not invalidate security or collateral interests. PG&E at 12-13. SCE, in its limited protest, makes a similar point, stating that it would be premature to reduce a participant's settlement balances prior to a determination as whether the collateral held by a bankrupt entity can be applied to reduce payment shortfalls. SCE at 4. The ISO recognizes these concerns. The ISO did not intend, in proposing Section 11.20.3, to limit the rights of Market Participants with respect to bankrupt ISO Debtors. Nevertheless, the ISO believes that it is important to protect *itself* against creditor claims after it has disbursed whatever funds it receives at the conclusion of the bankruptcy proceedings of an ISO Debtor. This protection is necessary in order to preserve the ISO's cash-neutral status.

The ISO has already had discussions as to this provision with representatives from SCE, but due to time limitations, has not yet discussed with PG&E their particular concerns. Therefore, the ISO requests that the Commission refrain from making a determination on proposed Section 11.20.3 in its order on Amendment No. 53. Instead, the ISO requests that the Commission permit the ISO to re-file a revised version of this section when the ISO makes whatever compliance filing the Commission requires as to this Amendment. This will allow the ISO additional time to consult with SCE, PG&E, and any other interested parties, and attempt to craft a version of 11.20.3 that adequately addresses the concerns of those parties.

E. The ISO'S Request for a Late Payment Charge is Fully Supported and Absolutely Necessary.

In Tariff Amendment No. 53, the ISO has proposed the initiation of a late payment charge to induce Schedule Coordinators to pay their invoices on the Payment Date. The ISO proposal, which would modify Section 6.10.5 of the SABP, calls for the application of the so-called "FERC rate" of interest to the unpaid balance from the date of payment to the next Payment Date. The ISO feels that this change is necessary because of the high dollar value of late payments in the ISO Market. For example, for the first four months of 2003, $24.4 million of invoiced amounts were paid late. This comes to $73.2 million on an annualized basis. During this four- month period, six Scheduling Coordinators paid late every month and 20 Scheduling Coordinators paid late two or more times. This is clearly a case of "repeat offender" syndrome.

Analysis of Late Invoices
First Four Months of 2003

Month	late payments	$ amount of late payments	SCs that paid late
January	28	6.3 million	21
February	30	9.8 million	22
March	23	5.2 million	20
April	23	3.1 million	15

The cost of these late payments is the inability of the ISO to pay creditors on a timely basis and some additional penalty should be borne by those who caused the delay. Action must be taken to create an incentive to induce Scheduling

Coordinators to pay on the Payment Date. The ISO believes its proposal does just that.

Dynegy misunderstands the ISO proposal when it suggests that this proposal will conflict with federal bankruptcy law. Dynegy at 5. This proposal is aimed at Scheduling Coordinators *not* currently under the protection of the Bankruptcy Code. Its target is those Scheduling Coordinators operating in the ISO Markets that are unable or simply unwilling to pay the appropriate invoice on the assigned Payment Date and that shift the burden of their obligations for some period of time to others. In addition, the assertion of both PG&E and Dynegy that the ISO's proposal would operate to charge late paying SC's up to 29 days of interest is just plain wrong. PG&E at 11; Dynegy at 4-5. Payment Dates on the ISO Payments Calendar occur every two weeks, not once a month. Thus, 14 days is the maximum additional interest that would be charged under this proposal. Any interest charged under the proposal once the payment is made should act as an incentive to induce a Scheduling Coordinator to pay on the Payment Date and stop the "cost causer - cost payer" imbalance that has developed in the ISO Market. Scheduling Coordinators that pay on the Payment Date will owe no interest.

F. The ISO's Proposed Clarification that Payment of its GMC Deserves Priority is Reasonable.

Only one commentor, Dynegy, addresses the ISO's proposed clarification that funds received will be applied first to its Grid Management Charge. This is

currently the case in the Tariff, and would remain so after the ISO's clarification. Dynegy at 4. Dynegy again seems to think that the proposed innocuous clarification is in conflict with bankruptcy law. This contention misses the point. The proposed change to SABP Section 6.10.2 is meant to merely clarify and amplify the priority that already exists in Section 6.3.1.3 of the SABP, which states:

> Grid Management Charge
>
> The ISO is authorized to instruct the ISO Bank to debit the ISO Clearing Account and transfer to the relevant ISO account sufficient funds to pay in full the Grid Management Charge falling due on any Payment Day with priority over any other payments to be made on that or on subsequent days out of the ISO Clearing Account. (emphasis added)

The ISO believes that this language concerning the priority of GMC payments is necessary in both locations so that there is no ambiguity with respect to the application and existence of the priority. It does not substantively change the mechanism for payments that currently exists in the ISO Tariff. Therefore, it should be accepted as just and reasonable.

G. Several of the ISO's Tariff Proposals Are Without Objection And Should Be Approved.

In addition to the two tariff proposals discussed above, the ISO has proposed the following in Amendment No. 53:

- Eliminate the payment of invoices under $10.00;[9]

[9] Transmittal letter at 2. The administrative costs of the wire transfer alone exceed the value of the invoice.

- Change the timing of FERC Annual Charges invoicing;[10] and

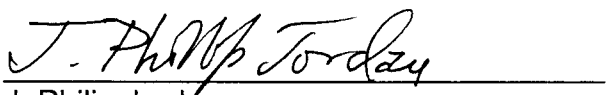
- Update the timetable for payments to ISO Creditors to reflect the reality of the added bookkeeping required because the defaults in the ISO Market make payment on the payment date by the ISO to these creditors impossible.[11]

No Schedule Coordinator has protested any of these proposals and thus they should be approved for filing as proposed.[12]

III. CONCLUSION

For the foregoing reasons, the Commission should approve the ISO's Tariff Amendment No. 53 filing, with the one modification to proposed Section 11.20.3 discussed above.

Respectfully submitted,



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[10] Id.

[11] Transmittal letter at 1. The ISO has submitted the affidavit of its Controller that substantiates the additional work activity required when there are defaults in the market.

[12] SCE specifically stated acceptance of these "ministerial" changes. See SCE at 2 n.3.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served by first class mail, postage prepaid, upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 16th day of July, 2003.

Michael Kunselman