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November 1, 2004

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
Compliance Filing
Docket No. ER04-1087-___**

Dear Secretary Salas:

The California Independent System Operator Corporation ("CAISO")¹ respectfully submits six copies of this filing in compliance with the Commission's October 1, 2004 "Order on Tariff Amendment No. 62," issued in the captioned docket, 109 FERC ¶ 61,006 ("Amendment No. 62 Order"). The Commission directed the CAISO to comply with the Amendment No. 62 Order as described below. (The underlined headings shown below correspond to the headings used in the Amendment No. 62 Order.)

Compensation to Generating Units During Start-Up and Shut-Down

The Commission found that the CAISO's proposal to (1) change the definition of Start-Up Costs to include costs from first fire to the Generating Unit reaching its Minimum Load Level, (2) suspend Uninstructed Deviation Penalties (UDP) from the time of synchronization to the earlier of the time the unit reaches its Minimum Operating Level or its maximum start-up time as indicated in the Master File had elapsed and (3) subtract Imbalance Energy revenues from the time the unit was synchronized to the earlier of the time the unit reaches its Minimum Operating Level or its maximum start-up time as indicated in the Master File had elapsed nets imbalance energy revenues against Start-Up costs and

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

was inconsistent with the Commission's prior findings.² The Commission directed the CAISO to (1) restore the definition of Start-Up Costs; (2) pay the Imbalance Energy price for Energy delivered from synchronization to minimum operating level and (3) suspend UDP from synchronization to (a) the time the generating unit reaches its minimum operating level or (b) the maximum time the generating unit elapses, which comes first. The ISO has modified the definition of Start-Up Costs and Sections 2.5.23.3.7.7 and 11.2.4.1.2 (v) accordingly.

At the Commission's direction, the ISO has also modified Section 11.2.4.1.2 (v) to suspend UDP for the level of time to disconnect from the grid specified in the Generating Unit's Resource Data Template after the Generating Unit has reached its minimum operating level during shut-down, as proposed in the CAISO's September 10, 2004 answer to protests and comments of Amendment No. 62.

Finally, also at the Commission's direction, the CAISO also includes a new Section 11.2.4.1.2 (w), which suspends UDP during a system disturbance, as proposed in the CAISO's September 10, 2004 answer to protests and comments of Amendment No. 62.

Materials Included in the Present Compliance Filing

Attachment A to the present filing contains clean ISO Tariff sheets reflecting the modifications to the tariff sections described above. Attachment B to the present filing contains those modifications in black-line format. Attachment C to this filing contains a form notice of this filing, suitable for publication in the Federal Register, along with a computer diskette containing the Notice.

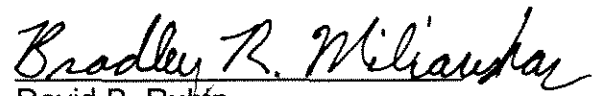
² San Diego Gas & Electric Company, et al, [finish the cite from the A-62 order].

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Two additional copies of this compliance filing are enclosed to be date-stamped and returned to our messenger. The CAISO is serving copies of this filing on all parties on the official service list for the captioned docket. In addition, the CAISO is posting this filing on the CAISO Home Page. If there are questions concerning the filing, please contact the undersigned.

Respectfully submitted,

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ATTACHMENT A

- t) Amounts collected as Uninstructed Deviation Penalties shall first be assigned to reduce the portion of above-MCP costs that would otherwise be assigned pro rata to all Scheduling Coordinators in that Settlement Interval pursuant to Section 11.2.4.2.2. Any remaining portion of amounts collected as Uninstructed Deviation Penalties after satisfying these sequential commitments shall be treated in accordance with SABP 6.5.2.
- u) Condition 2 RMR Units shall be exempt from Uninstructed Deviation Penalties.
- v) The Uninstructed Deviation Penalty shall not apply to positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level from the time the Generating Unit synchronizes to the grid to the earlier of (1) the Settlement Interval in which the Generating Unit produces a quantity of Energy that represents an average rate of delivery over such Settlement Interval in excess of the Generating Unit's minimum operating level plus the applicable Tolerance Band, or (2) the first Settlement Interval after the expiration of a period of time that begins at the end of the Settlement Interval in which the Generating Unit synchronizes to the grid and ends after the Generating Unit's maximum start-up time as specified in the Master File. The Uninstructed Deviation Penalty shall not apply to any positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level for a duration equal to the time specified in the Generating Unit's Master File for the Generating Unit to disconnect from the grid after reaching its minimum operating level following either (1) the last Settlement Interval of an hour in which the Generating Unit had a non-zero Final Hour-Ahead Schedule or (2) the Settlement Interval in which the Generating Unit is expected to reach its minimum operating level based on the applicable ramp rate when the ISO instructed the Generating Unit to shut down. The amount of Uninstructed Imbalance Energy

exempted from the Uninstructed Deviation Penalty shall not exceed the amount of the
Generating Unit's minimum operating level plus the applicable Tolerance Band.

- (w) UDP shall not apply to deviations by a Generating Unit that are attributable to any
automatic response to a system disturbance in accordance with Applicable Reliability
Criteria.

ATTACHMENT B

**ATTACHMENT B
(BLACK-LINE EDITS).**

11.2.4.1.2

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- v) The Uninstructed Deviation Penalty shall not apply to positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level from the time the Generating Unit synchronizes to the grid to the earlier of (1) the Settlement Interval in which the Generating Unit produces a quantity of Energy that represents an average rate of delivery over such Settlement Interval in excess of the Generating Unit's minimum operating level plus the applicable Tolerance Band, or (2) the first Settlement Interval after the expiration of a period of time that begins at the end of the Settlement Interval in which the Generating Unit synchronizes to the grid and ends after the Generating Unit's maximum start-up time as specified in the Master File. The Uninstructed Deviation Penalty shall not apply to any positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level for a duration equal to the time specified in the Generating Unit's Master File for the Generating Unit to disconnect from the grid after reaching its minimum operating level~~during the two Settlement Intervals~~ following either (1) the last Settlement Interval of an hour in which the Generating Unit had a non-zero Final Hour-Ahead Schedule or (2) the Settlement Interval in which the Generating Unit is expected to reach its minimum operating level based on the applicable ramp rate when the ISO instructed the Generating Unit to shut down. The amount of Uninstructed Imbalance Energy exempted from the Uninstructed Deviation Penalty shall not exceed the amount of the Generating Unit's minimum operating level plus the applicable Tolerance Band.

(w) UDP shall not apply to deviations by a Generating Unit that are attributable to any automatic response to a system disturbance in accordance with Applicable Reliability Criteria.

ATTACHMENT C

