

February 14, 2005

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. ER05-277- 001**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of the present filing in compliance with the Commission's January 28, 2005 order in the captioned docket, 110 FERC ¶ 61,082 ("January 28 Order"), concerning Amendment No. 64 to the ISO Tariff ("Amendment No. 64").

The purpose of Amendment No. 64 was to modify Section 11.2.4.1.2 of the ISO Tariff to temporarily suspend financial settlement of Uninstructed Deviation Penalties ("UDP"), effective December 1, 2004, because of software and connectivity issues the ISO has experienced. January 28 Order at PP 1, 6. The Commission conditionally accepted Amendment No. 64, subject to modification. *Id.* at P 17 and ordering paragraph (A). The Commission stated that its review "indicates that the CAISO's proposed tariff revisions do not accomplish what the CAISO is trying to achieve, which is an indefinite suspension of the UDP provision." *Id.* at P 17. Therefore, the Commission directed the ISO to submit a compliance filing to "make Section 11.2.4.1.2 conform with the CAISO's intent to indefinitely suspend the UDP provision." *Id.* The Commission also directed the ISO to "make clear in this compliance filing

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A., as filed August 15, 1997, and subsequently revised.

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that it will not implement Section 11.2.4.1.2 until it has resolved software and connectivity issues and received Commission approval” to implement the section pursuant to a filing submitted under Section 205 of the Federal Power Act. *Id.* at PP 17-18.


In the present compliance filing, the ISO has modified Section 11.2.4.1.2 to state that, effective December 1, 2004, the ISO will not charge any UDP pursuant to the section until the Commission issues an order authorizing the ISO to do so. Further, the ISO commits to seek Commission approval to charge UDP in a filing submitted under Section 205 of the Federal Power Act after it has resolved all software and connectivity issues.

The tariff changes described above are shown in the revised sheets provided in Attachment A to the present filing, and are shown in black-line format in Attachment B. Additionally, the ISO submits, in Attachment C, a form notice of filing suitable for publication in the Federal Register, along with a computer diskette containing the notice of filing.

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

Respectfully submitted,

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ATTACHMENT A

Resource recovers its Energy Bid costs for the quantity of Energy delivered. Payments for unrecovered bid costs for portions of Energy associated with bids above the Maximum Bid Level are subject to recall if such bids have not been adequately justified pursuant to Section 28.1.2.

11.2.4.1.2 Penalties for Uninstructed Imbalance Energy

Effective December 1, 2004, the ISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.2.4.1.2 until FERC issues an order authorizing the ISO to charge *Uninstructed Deviation Penalties pursuant to this section*. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the ISO to charge Uninstructed Deviation Penalties pursuant to this section, the ISO shall charge Scheduling Coordinators *Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource* deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Final Hour-Ahead Schedule otherwise. The Dispatch Operating Point will take into account the expected Ramping of a resource as it moves to a new Hour-Ahead Schedule at the top of each hour and as it responds to Dispatch Instructions. The Uninstructed Deviation Penalty will be applied as follows:

- a) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval. The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval in which the ISO has not declared a staged System Emergency;

ATTACHMENT B

11.2.4.1.2 Penalties for Uninstructed Imbalance Energy

Effective December 1, 2004, the ISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.2.4.1.2 until FERC issues an order authorizing the ISO to charge Uninstructed Deviation Penalties pursuant to this section. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the ISO to charge Uninstructed Deviation Penalties pursuant to this section~~that this Section 11.2.4.1.2 is made effective by FERC order,~~ the ISO shall charge Scheduling Coordinators Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Final Hour-Ahead Schedule otherwise. The Dispatch Operating Point will take into account the expected Ramping of a resource as it moves to a new Hour-Ahead Schedule at the top of each hour and as it responds to Dispatch Instructions. The Uninstructed Deviation Penalty will be applied as follows:

ATTACHMENT C

