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August 25, 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. ER04-938-_____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("CAISO")¹ respectfully submits six copies of the present filing in compliance with the Commission's July 26, 2005 order, 112 FERC ¶ 61,136 ("July 26 Order"), issued in the captioned docket.

In the July 26 Order, the Commission directed the CAISO to modify Section 7.2.6 of the CAISO Tariff "to indicate that it treats hydroelectric resources in the same manner as it treats MSS [Metered Subsystem] resources, as described in the CAISO's answer." July 26 Order at P 25. The answer to which the July 26 Order referred stated that:

The [CA]ISO treats SWP's [California Department of Water Resources State Water Project's] hydroelectric resources and MSS resources the same way: If there is an emergency, the [CA]ISO can and will dispatch the hydroelectric and MSS resources. . . . Moreover, it is reasonable to re-dispatch in response to emergency conditions. Such conditions need to be remedied as quickly as possible. There is no reason why hydroelectric and MSS resources should not be subject to re-dispatch in order to prevent or alleviate an emergency.

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

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Motion for Leave to File Answer and Answer of the CAISO to Comments and Protests, Docket No. ER04-938-000 (July 26, 2004), at 4.


To comply with the directive in the July 26 Order described above, the CAISO has modified Section 7.2.6 to state that the CAISO shall treat hydroelectric resources the same as MSS resources for purposes of managing intra-Zonal congestion. The MSS Agreement describes the only circumstances in which the CAISO may dispatch MSS resources, and therefore also describes the only circumstances in which the CAISO may dispatch hydroelectric resources pursuant to the present filing.

The change described above is shown in the revised sheet provided in Attachment A to the present filing, and is shown in black-line format in Attachment B to the present filing. Additionally, the ISO submits, in Attachment C, a form notice of filing suitable for publication in the Federal Register. This filing has been served upon all parties on the official service list for the captioned docket. Further, the ISO has posted this filing on the ISO Home Page.

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

7.2.5.2.7 If inadequate Adjustment Bids have been submitted to schedule Inter-Zonal Interface capacity on an economic basis and to the extent that scheduling decisions cannot be made on the basis of economic value, the ISO will allocate the available Inter-Zonal Interface capacity to Scheduling Coordinators in proportion to their respective proposed use of that capacity as indicated in their Schedules and shall curtail scheduled Generation and Demand to the extent necessary to ensure that each Scheduling Coordinator's Schedule remains balanced.

7.2.5.2.8 The ISO will publish information prior to the Day-Ahead Market, between the iterations of the Day-Ahead Market, and prior to the Hour-Ahead Market, to assist the Scheduling Coordinators to construct their Adjustment Bids so as to actively participate in the management of Congestion and the valuation of Inter-Zonal Interfaces. This information may include the ISO's most-current information regarding: potentially Congested paths, projected transmission uses, projected hourly Loop Flows across Inter-Zonal Interfaces, scheduled line Outages, forecasts of expected system-wide Load, the ISO's Ancillary Services requirements, Generation Meter Multipliers, and power flow outputs.

7.2.5.2.9 The ISO will also publish information, once it is available, regarding tentative prices for the use of Inter-Zonal Interfaces, and Generation shift factors for the use of Inter-Zonal Interfaces, which indicate the relative effectiveness of Generation shifts in alleviating Congestion.

7.2.6 Intra-Zonal Congestion Management.

Any Generating Unit dispatched to manage Intra-Zonal Congestion shall: (1) if dispatched to increase its output, be paid the greater of its bid price (or mitigated bid if applicable) or the relevant Market Clearing Price; (2) if dispatched to decrease its output, be charged the lesser of its decremental reference price of the relevant Market Clearing Price. The ISO shall not re-dispatch MSS resources to manage Intra-Zonal congestion as set forth in this section 7.2.6, as

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
FERC ELECTRIC TARIFF
FIRST REPLACEMENT VOLUME NO. I

Original Sheet No. 204.01

provided for in the MSS Agreement. The ISO shall treat hydroelectric resources the same as MSS resources for purposes of managing Intra-Zonal congestion under this Section 7.2.6.

ATTACHMENT B

7.2.6 Intra-Zonal Congestion Management.

Any Generating Unit dispatched to manage Intra-Zonal Congestion shall: (1) if dispatched to increase its output, be paid the greater of its bid price (or mitigated bid if applicable) or the relevant Market Clearing Price; (2) if dispatched to decrease its output, be charged the lesser of its decremental reference price of the relevant Market Clearing Price. The ISO shall not re-dispatch MSS resources to manage Intra-Zonal congestion as set forth in this section 7.2.6, as provided for in the MSS Agreement. The ISO shall treat hydroelectric resources the same as MSS resources for purposes of managing Intra-Zonal congestion under this Section 7.2.6.

ATTACHMENT C

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

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

**California Independent System) Docket No. ER04-938-____
Operator Corporation)**

Notice of Filing

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Take notice that on August 25, 2005, the California Independent System Operator Corporation (CAISO) submitted a filing in compliance with the Commission's July 26, 2005 order in the captioned docket, 112 FERC ¶ 61,136.

The ISO states that this filing has been served upon all parties on the official service list for the captioned docket. In addition, the ISO has posted this filing on the ISO Home Page.

Any person desiring to intervene or to protest this filing should file 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 CFR 385.211 and 385.214). 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. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at <http://www.ferc.gov>, using the **eLibrary** (FERRIS) link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866)208-3676, or for TTY, contact (202)502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: _____