

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

California Independent System Operator) Docket No. ER04-115-000
Corporation)
)

**AMENDMENT OF ANSWER
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO MOTIONS TO INTERVENE, MOTION TO REJECT, MOTION FOR
PARTIAL SUMMARY DISPOSITION, COMMENTS, REQUESTS FOR
HEARING, REQUESTS FOR SUSPENSION, AND PROTESTS**

Pursuant to Rule 215 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.215, the California Independent System Operator Corporation ("ISO") respectfully submits this amendment to the Answer to Motions to Intervene, Motion to Reject, Motion For Partial Summary Disposition, Comments, Requests for Hearing, Requests for Suspension, and Protests that it filed on December 8, 2003 in the above-entitled proceeding ("Answer") to modify its position on one of the issues addressed in that pleading.

1. In its Answer, the ISO addressed, among other things, requests by one intervenor that the proposed revisions to the ISO's Grid Management Charge ("GMC"), be suspended for the maximum five-month period, stating that the ISO would not oppose a suspension under certain conditions. A suspension of the effective date for the revised GMC rates would, however, deny the large benefits wrought by the new GMC rates in favor of resolution of a discrete issue relating to the effect of one of the seven proposed

GMC component charges on a small number of Market Participants in limited circumstances. After additional review of the issue, the ISO believes, as discussed in paragraph three, that a suspension would be a response disproportionate to the issue raised by the intervenor requesting the suspension.

2. The request for suspension was premised upon the intervenor's claim that the application of one component of the revised GMC, the charge for Core Reliability Services ("CRS"), would deter Market Participants from engaging in one specific category of transactions, *i.e.*, decremental bids across tie-points, potentially affecting the reliable and efficient operation of the ISO's Control Area. In its Answer, the ISO stated that, while the intervenor had failed to establish that five-month suspension of the GMC revisions was warranted, inasmuch as no showing was made that the proposed revisions to the GMC will produce substantially excessive revenues, the ISO would not object if the revised GMC charges, including the CRS charge, were so suspended. The ISO conditioned its position on the Commission's appointment of a settlement judge to assist the parties in addressing various outstanding issues during the suspension period and its confirmation that the ISO would be permitted to continue to collect the 2003 GMC in the interim.

3. After further consideration, the ISO has concluded that suspension of the revised GMC is neither necessary nor appropriate to address the application of the CRS charge to one specific category of transactions. In its initial filing, and again in its Answer, the ISO requested the Commission to appoint a settlement judge to allow any issues raised by intervenors to be addressed first through a process that builds on the year-long stakeholder process through which the GMC filing was developed. The ISO

also explained in its Answer (at p. 29) that the issue of the impact of the CRS charge on the decremental energy bids across tie points was particularly appropriate for consideration through a settlement process overseen by a settlement judge, inasmuch as the intervenors raising that issue in their protests did not bring it up during the stakeholder process. The ISO can and will commit to work with the parties affected by this issue in a settlement context, exploring ways in which their concerns with regard to this specific issue can be addressed. The ISO believes that, through a settlement judge process, a proportional and effective solution to this issue can be developed promptly. If appropriate, that solution can be submitted to the Commission as a partial settlement, even if other issues remain the subject of continued discussions. Toward that end, the ISO is prepared to begin the discussion of the application of the CRS to decremental tie-point energy bids with interested parties on an expedited basis, with the aim of presenting a proposed solution to a settlement judge by early February.

4. There is no need to delay the effectiveness of the entire revised GMC while this process proceeds. The ISO does not believe that implementation of the revised GMC charges, including the revised CRS charge, during the interim would adversely affect the reliability and efficiency of its operations. In contrast, a five-month suspension of the revised GMC charges would deprive those Scheduling Coordinators whose GMC charges will decline under the revised methodology of the immediate benefits of that reduction. As the revised GMC charges are designed to collect a lower revenue requirement overall than the current GMC, the balance of interests weighs against the five-month suspension of the revised GMC charges.

WHEREFORE, the ISO respectfully requests that the Commission consider its Answer, as modified by this amendment, and deny the request for a five-month suspension of the revised GMC charges.

Respectfully submitted,

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Date: December 18, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC, on this 18th of December, 2003.

/s/ *Ronald E. Minsk*
Ronald E. Minsk