



June 21, 2002

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER99-1770-001

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO") respectfully submits this filing in compliance with the Commission's May 22, 2002 "Order Granting in Part and Denying in Part Rehearing, and Directing Compliance Filing" issued in the above-captioned docket. *California Independent System Operator Corporation*, 99 FERC ¶ 61, 212 ("May 22 Order").

On July 19, 1999, the Coalition of New Market Participants ("Coalition") filed a request for rehearing of the Commission's June 17, 1999 order accepting for filing a revision to the ISO's Transmission Control Agreement ("TCA") with Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE"), and San Diego Gas & Electric Company. The revisions set forth the procedures by which the ISO is to honor the preexisting rights of Path 15 right holders, as negotiated between PG&E and other Path 15 right holders in accordance with a directive by the Commission. The May 22 Order responds to three Coalition arguments: 1) that the revisions set forth proposed real time curtailment priorities that are discriminatory and unfair; 2) that the ISO improperly delegated its functions concerning Path 15 in allowing PG&E to act as the Existing Transmission Contract Facilitator; and 3) that the ISO should be required to make publicly available PG&E's methodology for calculating Available Transmission Capacity ("ATC") on Path 15.

The May 22 Order denied rehearing on two of the three issues. Specifically, the May 22 Order noted that any discrimination resulting from the curtailment priorities arise from the fact that the Commission has required the ISO to honor Existing Contracts; and denied rehearing on this ground as a collateral attack on earlier decisions to respect the Existing Contract rights. Further, the May 22 Order noted that a delegation by the ISO to PG&E to be the Existing Transmission Contract Facilitator is consistent with prior

Commission orders directing that the ISO is to take no role in interpreting Existing Contracts, and that the ISO must determine transmission capacity available for reservation by or allocation to various right holders based on the information provided by the Participating Transmission Owners and contract right holders.

The May 22 Order granted rehearing on the Coalition's request that the ISO should be required to make publicly available PG&E's methodology for calculating ATC on Path 15. Specifically, the order directs that "[w]ithin 30 days of the date of this order, the ISO shall file PG&E's methodology for calculating ATC on Path 15, as discussed in the body of this order". More specifically, the May 22 Order states:

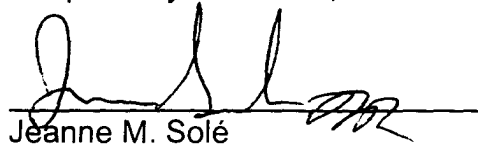
. . . the Coalition argues on rehearing that the ISO should be required to make publicly available the detailed methodology through which PG&E allocates capacity on Path 15 to existing transmission rights holders. Until that is done, the Coalition contends that other market participants have no way to determine whether the amount of ATC for other users is correct.

We agree that PG&E's methodology for calculating ATC on Path 15 must be made publicly available. The definition of ATC in PG&E's TO Tariff is general and does not provide PG&E's underlying calculations. Further, the Appendices to PG&E's TO Tariff do not provide this information. Therefore, we will grant rehearing on this issue and direct the ISO to submit a compliance filing showing PG&E's methodology for calculating ATC on Path 15.

The May 22 Order is somewhat confusing in that it refers first to the Coalition's request for "the detailed methodology through which PG&E allocates capacity on Path 15 to existing transmission rights holders" but then directs that the ISO should file "PG&E's methodology for calculating ATC on Path 15". Moreover, the ISO rather than PG&E calculates ATC on Path 15 based in part on information that is provided by PG&E and SCE as to the transmission capacity that should be reserved for existing rights holders over Path 15 in the Day Ahead and Hour Ahead Markets. PG&E calculates the amount that should be reserved consistent with Exhibit B-1 to PG&E Appendix B of the TCA ("Exhibit B-1"). Nonetheless, the ISO has obtained information from PG&E to prepare attachment 1 for filing with the Commission in compliance with the May 22, 2002 Order; attachment 1 describes the process by which PG&E allocates ATC among existing rights holders, with appropriate references to Exhibit B-1, and how this process relates to the ISO's calculation of ATC.¹ The ISO hereby files attachment 1 as its compliance filing in response to the May 22, 2002 Order. In addition, the ISO will, as is its practice, post this filing on the ISO website.

¹ Although the ISO obtained information from PG&E to prepare Attachment 1, a key person at PG&E was not available to review the final Attachment 1. Accordingly, PG&E reserves its right to provide comments on Attachment 1, if necessary, in response to this filing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeanne M. Solé', is written over a horizontal line. The signature is fluid and cursive, with a distinct 'J' and 'S'.

Jeanne M. Solé
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Operator Corporation
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System Operator Corporation

ATTACHMENT 1

Note: This document is intended to explain the procedures for calculation and allocation of Available Transmission Capacity (ATC) over Path 15. It should not be interpreted in any way to modify Exhibit B-1 of the Transmission Control Agreement.

Calculation of ATC in the Day Ahead and Hour Ahead Markets (largely described in Exhibit B-1):

1. The ISO calculates the Operating Transfer Capability (OTC) for Path 15.
2. By 8:30 AM of each week day prior to the start of the Trading Day PG&E submits to the ISO the Existing Contract (ETC) capacity to be reserved in the Day Ahead Market, and by 4:30 PM of each week day prior to the start of the Trading Day PG&E submits to the ISO the ETC capacity to be reserved in the Hour Ahead Market. (The amount reserved by PG&E in the Day-Ahead Market is based on pre-scheduled amounts submitted by the PG&E managed ETC right holders² to PG&E by 8:15 am or on the previous day's schedules and PG&E's view of the capacity that will be used by such ETC rights holders, with an additional amount of margin to ensure that sufficient capacity is available to the PG&E managed ETC right holders that wish to modify their pre-scheduled use of their capacity in the Hour-Ahead and Real Time Scheduling processes. PG&E can but does not ordinarily provide updates in advance of the Hour Ahead Market.)
3. The ISO subtracts the capacity reserved by PG&E and SCE for ETC right holders over Path 15 from the Path 15 OTC to determine the ATC available for New Firm Uses (NFU).

Allocation of ATC on Path 15 in Real-Time, i.e. curtailment priorities (largely described in Exhibit B-1 and Attachment A to Exhibit B-1)

1. Path 15 OTC: Confirm Path 15 South-to-North OTC and adjust for Unscheduled Flows.
2. Priority Group 1 ETCs Actual Scheduled Amounts: Retrieve all actual schedules by ETC parties in Priority Group 1 (as set forth in Attachment A to Exhibit B-1) from all SC's Scheduling on behalf of such parties over Path 15.
3. PG&E Must Take Encumbrance and IOU Imputed Use: Retrieve amounts for PG&E Must-Take Encumbrance (which is available for NFU) and the IOU Imputed Use – formerly PX Imputed Use -- (as set forth in footnote 6 of Attachment A to Exhibit B-1). Adjust, if necessary, for known changes in generation amounts from amounts forecast in Day Ahead Markets.
4. Remaining ETCs Actual Scheduled Amounts: Subtract from the Path 15 OTC the amounts for Priority Group1 ETCs actual scheduled amounts (2 above) and PG&E's Must Take Encumbrance and IOU Imputed Use (3 above). This is the

² PG&E does not manage the encumbrances on SCE's share of Path 15 capacity.

amount of transmission capacity available for Lower Priority ETCs (as set forth in Attachment A to Exhibit B-1).

5. ATC Available for NFU: In addition to the PG&E Must Take Encumbrance capacity that is available for NFU (see 2 above), ATC available for NFU includes any amount remaining after subtracting from the Path 15 OTC, the Priority Group 1 ETCs Actual Scheduled Amounts (2 above), the PG&E Must Take Encumbrance and the IOU Imputed Use (3 above) and Remaining ETCs Actual Scheduled Amounts (4 above). In other words, provided that there is sufficient OTC to accommodate amounts under 2, 3, and 4 above, ATC available for NFU is any amount remaining after subtracting from the Path 15 OTC, the Priority Group 1 ETCs Actual Scheduled Amounts (2 above), the IOU Imputed Use (a portion of 3 above) and the Remaining ETCs Actual Scheduled Amounts (4 above).

Thus, in real time, NFU have access to transmission capacity over Path 15 at two levels of priority:

- as the capacity represented by the PG&E Must Take Encumbrance, which has priority over lower priority ETCs, and
- as the capacity that remains after subtracting from OTC actual schedules for Priority 1 ETCs, PG&E Must Take Encumbrance and the IOU Imputed Use, and actual schedules for the Remaining ETCs.

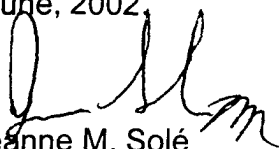
However, operationally the ISO does not allocate particular NFU schedules to a particular priority but rather treats total NFU schedules as a single block. The following example illustrates how this occurs:

Assume that OTC over Path 15 is 3,000 MW in a given hour. Assume that there are 500 MW of Priority 1 ETC actual schedules, 500 MW of PG&E Must Take Encumbrance (which would be NFU), 500 MW of Remaining ETC actual schedules, and 1,500 MW of additional NFU (for a total NFU of 2000 MW). Assume that Path 15 is derated to 2,500 MW. The ISO would use Adjustment Bids and Supplemental Energy Bids in the BEEP stack to attempt to accommodate the transactions without curtailing any of the schedules. Assume that after Bids in the BEEP stack are exhausted, 1,700 MW of total NFU remain on Path 15 and curtailments are required (this occurrence is rare). If feasible within the time available to manage the Path derating, the 1,700 MW of total NFU would be curtailed on a pro-rata basis to result in total NFU of 1,500 MW. Assume that Path 15 is further derated to 1000 MW and that all Bids in the BEEP stack remain exhausted. If feasible within the time available to manage the Path derating, the 1,500 MWs of total NFU would be curtailed on a pro-rata basis to result in total NFU of 500 MW and 500 MW of the Remaining ETC schedules would be curtailed.

CERTIFICATE OF SERVICE

I hereby certify I have this day served the foregoing documents upon the Public Utilities Commission of the State of California and upon all parties on the official service list maintained by the Secretary for Docket No. ER99-1770-001, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated Folsom, CA this 21st day of June, 2002.



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