

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647
WWW.SWIDLAW.COM

MICHAEL KUNSELMAN
DIRECT DIAL: (202) 295-8465
FAX: (202) 424-7643
MNKUNSELMAN@SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
TEL. (212) 973-0111
FAX (212) 891-9598

November 10, 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
Docket Nos. ER03-746-000, et al.
San Diego Gas & Electric Co., et al.
Docket Nos. EL00-95-081, et al.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Tenth Status Report of the California Independent System Operator Corporation on the Preparatory Re-Run and Other Re-Run Activity filed in the above-captioned docket.

Also enclosed are two extra copies of this cover letter to be time/date stamped and returned to us by the messenger. Thank you for your assistance. Please contact the undersigned if you have any questions regarding this filing.

Sincerely,



Michael Kunselman

Counsel for the California
Independent System Operator Corporation

Enclosures

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

California Independent System Operator Corporation	)	Docket No.	ER03-746-000
)		
)		
San Diego Gas & Electric Company,)		
Complainant,)		
)		
v.	)	Docket Nos.	EL00-95-081
	)		EL00-95-074
Sellers of Energy and Ancillary Services	)		EL00-95-086
Into Markets Operated by the California)		
Independent System Operator and the)		
California Power Exchange,)		
Respondents.)		
)		
Investigation of Practices of the California	)	Docket Nos.	EL00-98-069
Independent System Operator and the	)		EL00-98-062
California Power Exchange	)		EL00-98-073

(not consolidated)

**TENTH STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON
SETTLEMENT RE-RUN ACTIVITY**

Pursuant to the Order Granting Clarification and Granting and Denying Rehearing of the Federal Energy Regulatory Commission ("Commission" or "FERC"), issued on February 3, 2004, in the above captioned dockets ("February 3 Order"), the California Independent System Operator Corporation ("ISO") hereby provides its tenth regular monthly status report.¹

¹ The Commission's Order at paragraph 21 states, "The CAISO is hereby directed to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlement and billing process for calculating refunds, as discussed in the body of this order." 106 FERC ¶ 61,099 (2004).

I. BACKGROUND²

On April 15, 2003, the ISO³ filed Amendment No. 51 to its Tariff, to which the Commission assigned Docket No. ER03-746 (“Amendment No. 51 filing”). In the Amendment No. 51 filing, the ISO proposed to conduct a preparatory re-run in preparation for the Commission-mandated re-run in the California refund proceeding (Docket Nos. EL00-95-045, *et al.*) and requested approval of Tariff amendments to “wall off” that re-run from the settlement processes currently in use to clear the ISO Market.

On December 15, 2003, the ISO filed its request for rehearing of the Commission’s November 14 order in Docket No. ER03-746. Therein, the ISO informed the Commission that it could not provide the ordered compliance filing by January 30th, but instead would make the filing as soon as practicable. In the February 3 Order, the Commission granted the ISO the additional time needed to make the compliance filing for the preparatory re-run, but also required the ISO “to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlements and billing process for calculating refunds.” February 3 Order at P

² In its October 16, 2003 Order on Rehearing, 105 FERC ¶ 61,066 (2003) the Commission ordered the ISO to file within five months of the date of the order the results of the preparatory re-runs along with the appropriate explanations. The ISO considers that this directive has been overtaken by FERC’s later recognition in the Amendment 51 proceeding that the ISO could not possibly comply with the deadline in the October 16 Rehearing order, as well as the deadlines in the previous Amendment 51 orders. The ISO is endeavoring to comply, however, with FERC’s directive that the ISO work as fast as practicable, keep the parties well informed, and file monthly status reports. For this reason, in addition to the Amendment No. 51 docket, the ISO is also filing this report in the dockets associated with the California refund proceeding.

³ Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the tenth such report required by that Commission Order. While the preparatory re-run is complete, the ISO will continue to provide monthly status reports throughout the refund re-run because the ISO believes that these reports have been a valuable tool for communicating with FERC and Market Participants, in addition to meeting the FERC-mandated reporting requirement.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Refund re-run settlement statement publishing began on October 27, 2004. This work utilizes the MMCPs which were previously calculated and published to Market Participants along with the transactional data from the preparatory re-run. As of this filing on November 10, 2004, the ISO has published re-run statements through mid-December 2000. The current schedule calls for completion of the refund settlement publishing on January 11, 2005. The anticipated timing of the financial phase, which begins after the refund re-run statement production, depends on the Commission ruling on interest issues and the methodology for calculating and allocating the fuel cost allowance (*i.e.*, whether sales and purchases are to be netted), and parties submitting audited fuel cost allowance information to the ISO.

The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation, as necessary. Specifically, the ISO held its most recent regular monthly telephonic meeting with

Market Participants to discuss re-run issues on Friday, October 29th. The ISO has posted on its web site, and continues to update, a calendar containing the schedule for the re-run activity, and has provided the link to that calendar in a market notice.⁴

A question was raised during the October 29th re-run call with Market Participants relative to mitigation of import transactions and whether they occur on a 10-minute or hourly basis in the ISO system. The ISO settlement system must settle on a 10-minute basis, so the ISO proposes the following to comply with the March 26, 2003 order, paragraph 79 relative to mitigating imports on an hourly basis. The ISO will calculate the impacts of 10-minute vs. hourly mitigation outside the settlement system and publish these impacts separately to Market Participants for review. The ISO would then make appropriate adjustments at the end of the refund re-run settlement production without any impact on the project schedule.

Upcoming Stakeholder communications will include the regular monthly call with Market Participants scheduled for the week of November 29, 2004.

III. ESTIMATED SCHEDULE FOR COMPLETION OF THE REFUND RE-RUN ACTIVITY

Attachment A to this status report contains the ISO's current estimate of the final completion date for the FERC refund re-run phase of the project. As noted above, the preparatory re-run was completed July 16th. Note that the

⁴ The ISO's re-run calendar, market notices, and re-run procedure manual are located on the ISO's website at <http://www.caiso.com/docs/2004/01/16/200401161414093653.html>.

compliance filing after the refund re-run will include adjustments for fuel price, emissions and interest, but will not include adjustments for the various global settlements. This is consistent with the discussions held with Market Participants and Commission staff on July 26th in Washington, D.C., as well as the ISO's presentation at the technical conference held in this proceeding on October 7th.

IV. CONCLUSION

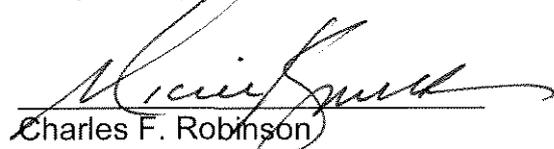
The ISO respectfully requests that the Commission accept the ISO's tenth status report in compliance with the Commission's February 3 Order, referenced above.

J. Phillip Jordan
Michael Kunselman

Swidler Berlin Shereff Friedman, LLP
3000 K Street, Ste. 300
Washington, D.C. 20007
Telephone: (202) 424-7500

Counsel for the California Independent
System Operator Corporation

Respectfully submitted,



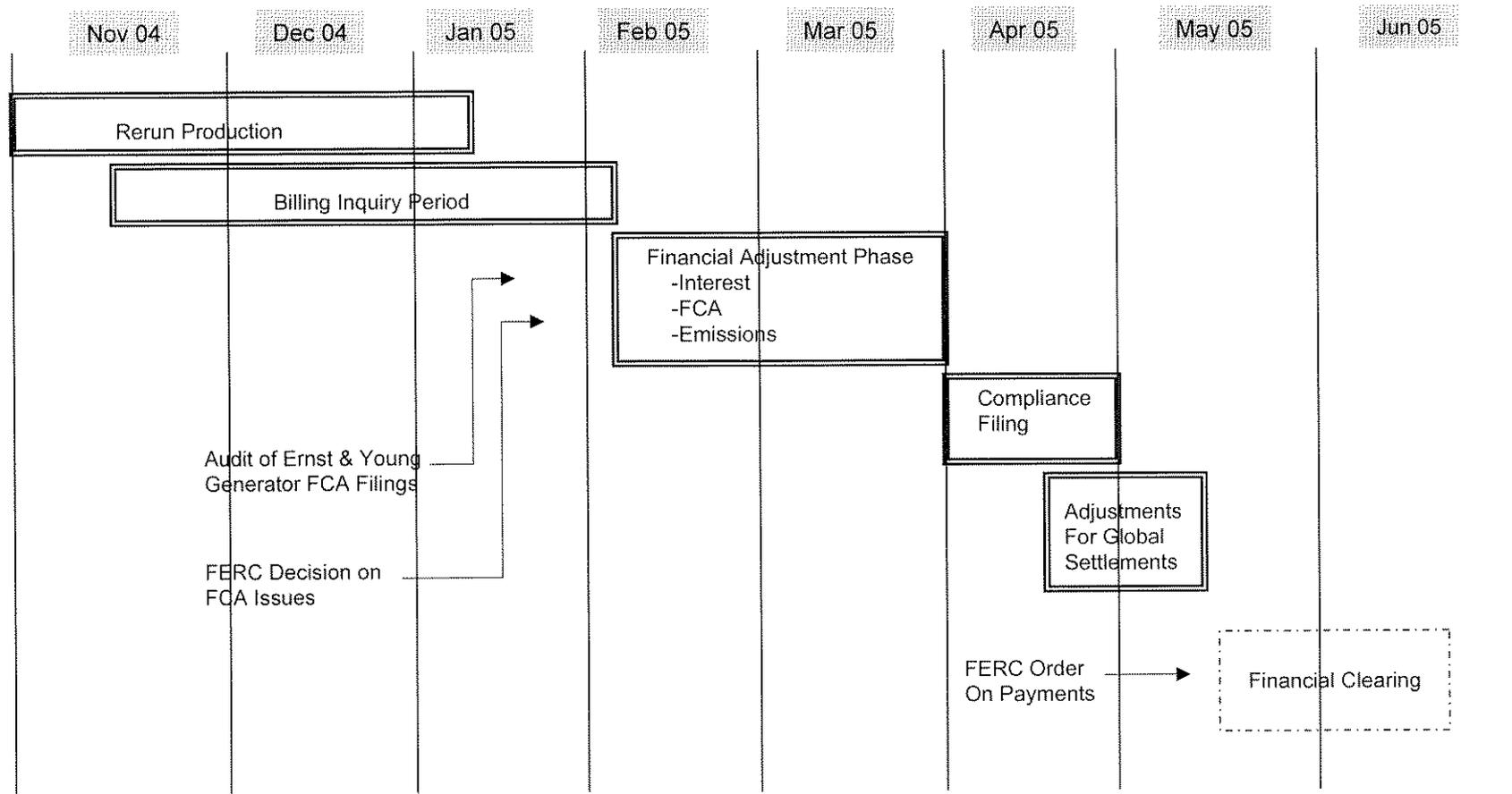
Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel

The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Telephone: (916) 608-7049

Dated: November 10, 2004

Refund Re-run Schedule

November 10, 2004



ATTACHMENT A – RE-RUN SCHEDULE

November 10, 2004

Key assumptions/comments to support the schedule (Updated for the refund re-run)

- *A schedule revision was presented at the FERC conference on October 7, 2004. October 7th marked the completion of the prep re-run phase including the production of settlement statements, filing by participants and resolution of over 5,000 disputes, and the filing of the compliance report with FERC on October 6, 2004.*
- *The ISO envisions the following additional phases of the refund project:*
 - *Refund rerun settlement statement production - this phase began on October 27th. Scheduled for completion on January 11, 2005.*
 - *Financial adjustment phase - scheduled for approximately 6 weeks following completion of the refund rerun statement production and earlier receipt of:*
 - (1) *Resolution from FERC of open issues relative to fuel cost allowance*
 - (2) *Submittal to the ISO of the fuel cost allowances following audit by Ernst and Young*
 - *The ISO will submit its compliance filing at the end of this phase.*
 - *Adjustment for global settlements - the ISO will make adjustments to invoices based on written instructions from the settling parties. These adjustments will affect the owed and owing of the settling parties only and will not affect non-settling parties.*
- *This schedule assumes that SCs submit billing inquiries during the process and do not hold them until the final deadline for inquiries set for two weeks after the publishing of the June 2001 statements. The ISO will begin work in parallel with the final billing inquiries receipt and resolution.*

CERTIFICATE OF SERVICE

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

Dated at Folsom, CA, on this 10th day of November, 2004.



Gene L. Waas