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December 20, 2004

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER98-3760-_____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's November 19, 2004 order in the captioned docket, 109 FERC ¶ 61,183 ("November 19 Order").²

The Commission directed the ISO to modify Section 7.3 of the Ancillary Services Requirements Protocol ("ASRP") to include changes as to which the ISO had reached a proposed settlement with Dynegy Power Marketing, Inc. November 19 Order at PP 21, 26. Accordingly, the ISO has thus modified ASRP 7.3, effective November 19, 2004.

The Commission also directed the ISO to remove certain specified language from Section 2.3.2 of the Market Monitoring and Information Protocol ("MMIP"). The ISO has modified MMIP 2.3.2 as directed by the Commission,

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The November 19 Order did not specify a date by which this compliance filing was due, but the ISO believes that the filing is properly submitted within 30 days of the issuance of the November 19 Order. Cf. 18 C.F.R. § 385.1907 (2004) (requiring that "reports of compliance" be submitted within 30 days unless otherwise ordered).

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effective November 19, 2004.

The 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 to the present filing. Additionally, the ISO submits, in Attachment C to the present filing, 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

(produce reactive power) at periods of heavy system Demand to avoid potential low voltage conditions.

ASRP 7.2.2 Compensation for Operating Outside of Range

The ISO will not compensate Generators for operating their Generating Units within the power factor band of 0.90 lag to 0.95 lead. If the ISO requires additional Voltage Support in the short term it may instruct a reduction in a Generating Unit's MW output so that it operates outside its specified power factor range. The ISO will compensate Generators for this service as provided in the ISO Tariff.

ASRP 7.3 Standard for Voltage Support: Distribution and Location

The ISO shall determine on an hourly basis for each day the quantity of Voltage Support required at various locations on the ISO Controlled Grid to maintain voltage levels and reactive margins within WECC and NERC criteria using a power flow study based on the quantity and location of scheduled Demand. The ISO shall issue daily voltage schedules based on that determination to any Generators and Loads that are requested to change their voltage levels. Each Generating Unit owned by a Participating Generator shall maintain the ISO specified voltage schedule at the transmission interconnection points to the extent possible while operating within the power factor range required by Section 2.5.3.4 (within a band of 0.90 lag and 0.95 lead unless otherwise specified in an agreement specified in that Section). Other Generating Units shall operate within the power factor range required by Section 2.5.3.4. Each Load directly connected to the ISO Controlled Grid shall maintain voltage levels and power factors as required under Section 2.5.3.4 (within a power factor band of 0.97 lag to 0.99 lead). Each UDC shall maintain reactive power flow at the Scheduling Points with which it is interconnected with the ISO Controlled Grid within the range of 0.97 lag to 0.99 lead, unless otherwise specified in its UDC agreement.

ASRP 7.4 Standard for Voltage Support: Control

Generating Units providing Voltage Support must have automatic voltage regulators which can correct the bus voltages to be within the prescribed voltage limits and within the machine capability in less than one minute.

ASRP 7.5 Standard for of Voltage Support: Procurement

ASRP 7.5.1 Long-Term Voltage Support

As of the ISO Operations Date, the ISO will contract for long-term Voltage Support service with Owners of Reliability Must-Run Units under Reliability Must-Run Contracts.

ASRP 7.5.2 Certification and Testing Requirements

Voltage Support may only be provided from resources including Loads, Generating Units and System Units which have been certified and tested by the ISO using the process defined in Appendix E to this Protocol.

ASRP 8 BLACK START STANDARDS

ASRP 8.1 Standard for Black Start: Quantity Needed

ASRP 8.1.1 Determination of Black Start Capability

The ISO shall determine the amount and location of Black Start *capability it requires by reference to contingency studies* which will be used as the basis of the ISO's emergency plans.

MMIP 2.3 Response Action by ISO

MMIP 2.3.1 Corrective Actions

Where the monitoring activities or any consequent investigations carried out by the Department of Market Analysis pursuant to MMIP 2 and MMIP 4 reveal a significant possibility of the presence of or potential for exercises of market power that would adversely affect the operation of the ISO Markets, or other markets interconnected or interdependent on the ISO Markets, the Department of Market Analysis shall take the appropriate measures under this section and under MMIP 4, 6, and 7 to institute the corrective action most effective and appropriate for the situation or, in the case of markets interconnected to or interdependent on the ISO Markets, the Department of Market Analysis may recommend corrective actions to the appropriate regulatory agencies.

MMIP 2.3.2 Further Actions

Where the monitoring activities of or any consequent investigations carried out by the Department of Market Analysis pursuant to MMIP 2.1 and 2.2 reveal that activities or behavior of Market Participants in the ISO Markets have the effect of, or potential for, undermining the efficiency, workability or reliability of the ISO Markets to give or to serve such Market Participants an unfair competitive advantage over other Market Participants, the Department of Market Analysis shall fully investigate and analyze the effect of such activities or behavior and make recommendations to the ISO CEO and the ISO Governing Board for further action by the ISO or, where necessary, by other entities. The Department of Market Analysis may, where appropriate, make specific recommendations to the ISO CEO and to the ISO Governing Board for amendment to rules and protocols under its control, or for changes to the structure of the ISO Markets, and the Department of Market Analysis may recommend actions, including fines or suspensions, against specific entities in order to deter such activities or behavior.

ATTACHMENT B

ASRP 7.3 Standard for Voltage Support: Distribution and Location

Each Generator, Participating TO and UDC shall ensure that sufficient Voltage Support is available in the vicinity of each designated substation bus to maintain voltage within the Voltage Limits prescribed by the ISO in its voltage schedules for each Settlement Period. Each Generator, Participating TO and UDC shall provide sufficient reactive supply in each local area to take into account real power losses created by reactive power flow on the system. Reactive power flow at Scheduling Points shall be maintained within a power factor bandwidth of 0.97 lag to 0.99 lead. The ISO shall determine on an hourly basis for each day the quantity of Voltage Support required at various locations on the ISO Controlled Grid to maintain voltage levels and reactive margins within WECC and NERC criteria using a power flow study based on the quantity and location of scheduled Demand. The ISO shall issue daily voltage schedules based on that determination to any Generators and Loads that are requested to change their voltage levels. Each Generating Unit owned by a Participating Generator shall maintain the ISO specified voltage schedule at the transmission interconnection points to the extent possible while operating within the power factor range required by Section 2.5.3.4 (within a band of 0.90 lag and 0.95 lead unless otherwise specified in an agreement specified in that Section). Other Generating Units shall operate within the power factor range required by Section 2.5.3.4. Each Load directly connected to the ISO Controlled Grid shall maintain voltage levels and power factors as required under Section 2.5.3.4 (within a power factor band of 0.97 lag to 0.99 lead). Each UDC shall maintain reactive power flow at the Scheduling Points with which it is interconnected with the ISO Controlled Grid within the range of 0.97 lag to 0.99 lead, unless otherwise specified in its UDC agreement.

MMIP 2.3.2 Further Actions

Where the monitoring activities of or any consequent investigations carried out by the Department of Market Analysis pursuant to MMIP 2.1 and 2.2 reveal that activities or behavior of Market Participants in the ISO Markets have the effect of, or potential for, undermining the efficiency, workability or reliability of the ISO Markets to give or to serve such Market Participants an unfair competitive advantage over other Market Participants, the Department of Market Analysis shall fully investigate and analyze the effect of such activities or behavior and make recommendations to the ISO CEO and the ISO Governing Board for further action by the ISO or, where necessary, by other entities. ~~The ISO may publicize such activities or behavior and its recommendations thereof, in whatever medium it believes most appropriate.~~ The Department of Market Analysis may, where appropriate, make specific recommendations to the ISO CEO and to the ISO Governing Board for amendment to rules and protocols under its control, or for changes to the structure of the ISO Markets, and the Department of Market Analysis may recommend actions, including fines or suspensions, against specific entities in order to deter such activities or behavior.

ATTACHMENT C

