

# SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR  
3000 K STREET, NW, SUITE 300  
WASHINGTON, DC 20007-5116  
TELEPHONE (202) 424-7500  
FAX (202) 424-7643  
WWW.SWIDLAW.COM

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

November 29, 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. ER04-835-\_\_\_\_**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")<sup>1</sup> respectfully submits six copies of this filing in compliance with the Commission's October 29, 2004 order in the captioned docket, 109 FERC ¶ 61,097 ("October 29 Order"), which order concerned the compliance filing the ISO submitted on August 10, 2004, as supplemented on September 2, 2004 ("Compliance Filing"). In the October 29 Order, the Commission accepted the Compliance Filing and directed the ISO to file a further compliance filing. See October 29 Order at ordering paragraphs (B) and (C). The ISO now provides the required further compliance filing.

The Commission directed the ISO to modify Section 5.11.6.1.2.1 of the ISO Tariff to reflect the same compensation level as contained in Section 5.11.6.1.2 of the ISO Tariff. October 29 Order at P 26. The ISO has modified Section 5.11.6.1.2.1 to comply with this directive.

Although it is submitting a revised tariff sheet to comply with the October 29 Order, the ISO notes that Section 5.11.6.1.2.1 was superseded by tariff language that took effect when the MRTU Phase 1B modifications were put into

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

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effect on October 1, 2004. Therefore, Section 5.11.6.1.2.1 ceased to exist as of that date.<sup>2</sup> Consequently, the ISO is concurrently filing a separate motion for clarification of the October 29 Order.

The pre-Phase 1B modification to the ISO Tariff is shown in the revised tariff sheet provided in Attachment A to the present filing, and that modification is shown in black-line format in Attachment B to the present filing. The post-Phase 1B modification to the ISO Tariff is shown in the revised tariff sheet provided in Attachment C to the present filing, and that modification is shown in black-line format in Attachment D to the present filing. Additionally, the ISO submits, in Attachment E 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,

Anthony J. Ivancovich  
Associate General Counsel  
The California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400



David B. Rubin  
Bradley R. Miliauskas  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, NW, Suite 300  
Washington, DC 20007  
Tel: (202) 424-7500

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<sup>2</sup> The ISO notes that the ISO proposed a new Section 5.11.6.1.2.1 in Amendment No. 60 to the ISO Tariff (submitted May 11, 2004) only for the pre-Phase 1B period. However, the ISO inadvertently included Section 5.11.6.1.2.1 in the post-Phase 1B clean tariff sheets included with Amendment No. 60. In the instant compliance filing, the ISO is submitting black-line language and clean tariff sheets that completely remove Section 5.11.6.1.2.1 for the post-Phase 1B period, i.e., effective October 1, 2004.

**ATTACHMENT A**

**5.11.6.1.2 Minimum Load Costs**

The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: 1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 2.5.23.3.3) at the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Must-Offer Generator is not served from one of those three Service Areas, from the nearest of those three Service Areas; and 2) the product of the unit's minimum operating level as set forth in Schedule 1 of the Generating Unit's Participating Generator Agreement and \$6.00/MWh.

**5.11.6.1.2.1 Operating Must-Offer Generating Units above Minimum Load**

If, during a Waiver Denial Period, the ISO requires that a Generating Unit operate at a level above its minimum load operating so as to be able to respond effectively to real time Dispatch Instructions, the ISO shall operate that Generating Unit at such an operating level. The ISO shall pay the Minimum Load Costs set forth in Section 5.11.6.1.2 for the amount of the Generating Unit's Minimum Load. For the amount of Energy above Minimum Load to the Unit's required operating level, the ISO shall pay the greater of the product of such amount of Energy and (1) the price for instructed Imbalance Energy or (2) the sum of (a) the product of (i) the Generating Unit's incremental heat rate at the required operating level and (ii) and the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant service area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas & Electric Company), or, if the Must-Offer Generator is not served from one of those three service areas, from the nearest of those three service areas, and (b) \$6.00.

**5.11.6.1.3 Invoicing Minimum Load Costs**

The ISO shall determine each Scheduling Coordinator's Minimum Load Costs and make

payments for these costs as part of the ISO's market settlement process. Scheduling

Coordinators may

**ATTACHMENT B**

#### 5.11.6.1.2.1 Operating Must-Offer Generating Units above Minimum Load

If, during a Waiver Denial Period, the ISO requires that a Generating Unit operate at a level above its minimum load operating so as to be able to respond effectively to real time Dispatch Instructions, the ISO shall operate that Generating Unit at such an operating level. The ISO shall pay the Minimum Load Costs set forth in Section 5.11.6.1.2 for the amount of the Generating Unit's Minimum Load. For the amount of Energy above Minimum Load to the Unit's required operating level, the ISO shall pay the greater of the product of such amount of Energy and (1) the price for instructed Imbalance Energy or (2) the sum of (a) the product of (i) the Generating Unit's incremental heat rate at the required operating level and (ii) the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant service area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas & Electric Company), or, if the Must-Offer Generator is not served from one of those three service areas, from the nearest of those three service areas ~~the proxy figure for natural gas costs set forth in Section 2.5.23.4,~~ and (b) \$6.00.

**ATTACHMENT C**

**5.11.6.1.3 Invoicing Minimum Load Costs**

The ISO shall determine each Scheduling Coordinator's Minimum Load Costs and make payments for these costs as part of the ISO's market settlement process. Scheduling Coordinators may

**ATTACHMENT D**

#### **5.11.6.1.2.1 ~~Operating Must-Offer Generating Units above Minimum Load~~**

~~If, during a Waiver Denial Period, the ISO requires that a Generating Unit operate at a level above its minimum load operating so as to be able to respond effectively to real time Dispatch Instructions, the ISO shall operate that Generating Unit at such an operating level. The ISO shall pay the Minimum Load Costs set forth in Section 5.11.6.1.2 for the amount of the Generating Unit's Minimum Load. For the amount of Energy above Minimum Load to the Unit's required operating level, the ISO shall pay the greater of the product of such amount of Energy and (1) the price for instructed Imbalance Energy or (2) the sum of (a) the product of (i) the Generating Unit's incremental heat rate at the required operating level and (ii) the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant service area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas & Electric Company), or, if the Must-Offer Generator is not served from one of those three service areas, from the nearest of those three service areas, and (b) \$6.00.~~

## ATTACHMENT E

