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September 17, 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 No. ER03-1046-___; California Independent System Operator Corporation, Docket No. ER04-609-___; California Independent System Operator Corporation, Docket No. ER04-1087-___

Notice of Implementation of Phase 1B of the Market Redesign & Technology Upgrade of the California Independent System Operator Corporation

Dear Secretary Salas:

Please find enclosed, in Attachment A to the present filing, an original and fourteen copies of a Notice of Implementation of Phase 1B of the Market Redesign & Technology Upgrade ("MRTU") of the California Independent System Operator Corporation ("ISO").¹ The enclosed Notice of Implementation was issued by the ISO today, in accordance with the ISO's commitment to provide at least 10 days' notice of the implementation of Phase 1B.² Phase 1B will become effective as described in the Notice. The filing of this Notice is being made for the information of the Commission.

The ISO states that the enclosed Notice of Implementation was posted on the ISO Home Page on September 17, 2004, and was sent to all Market

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff, as filed August 15, 1997, and subsequently revised.

² See Transmittal Letter for Amendment No. 54 to the ISO Tariff, Docket No. ER03-1046-000 (July 8, 2003), at 32; *California Independent System Operator Corporation*, 105 FERC ¶ 61,091, at ordering paragraph (B) (2003).

Participants via electronic mail on that date. The ISO further states that it has served copies of this letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff, and all parties in the above-captioned proceedings.³ In addition, the ISO is posting this transmittal letter and all attachments on the ISO Home Page.

Enclosed in Attachment B to the present filing is a notice of this filing suitable for publication in the Federal Register (also provided in electronic format). Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time of filing and return them to the messenger.

Respectfully submitted,

^{BRM}
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³ The above-captioned proceedings all relate to Phase 1B. To ensure that all of the Market Participants interested in the implementation date of Phase 1B are provided the enclosed Notice of Implementation, the ISO is serving the parties in each of the above-captioned proceedings.

ATTACHMENT A

From: CRCommunications [CRCommunications@caiso.com]
Sent: Friday, September 17, 2004 3:37 PM
To: ISO Market Participants
Subject: CAISO: Market Rules and Market Design/Phase 1B Implementation on October 1, 2004

CAISO MARKET NOTICE

Phase 1B Implementation on October 1, 2004

Client Action: Mark Your Calendar
Categories: Market Rules and Market Design
Subject: Phase 1B Implementation on October 1, 2004

Summary: The California ISO is notifying Market Participants of its intent to implement Phase 1B market changes starting on September 30, 2004 at 23:00 (PDT) for the October 1, 2004, HE1 Real-Time market.

Main Text: The California ISO is notifying Market Participants of its intent to implement Phase 1B market changes starting on September 30, 2004 at 23:00 (PDT) for the October 1, 2004, HE1 Real-Time market. The California ISO is providing this notice pursuant to its commitment, approved by the Commission in the Amendment No. 54 proceeding, to provide at least ten (10) days' notice prior to implementation of Phase 1B.

Phase 1B involves implementing software that (1) contains an economic dispatch algorithm to clear overlapping Real-Time Energy bids continuously so that there will be a single price in each five-minute interval, and (2) allows, inter alia, generators to modify unit availability in Real-Time. The California ISO intends to calculate but not impose penalties for sixty (60) days as requested in Amendment No. 62. (The Commission has not yet issued an order concerning Amendment No. 62.)

The California ISO will be submitting this notice in a filing with the Commission today, September 17, 2004, in the proceedings concerning Amendment Nos. 54, 58 and 62.

For More Information Contact: If you have any questions, please contact Ean O'Neill at (916) 608-5834 or eo'neill@caiso.com.

Client Relations Communications.0725
CRCommunications@caiso.com

The California ISO strives to be the preferred provider of superior electrical transmission services for the benefit of our customers in California and the West.

ATTACHMENT B

**NOTICE OF FILING SUITABLE FOR PUBLICATION
IN THE FEDERAL REGISTER**

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

California Independent System Operator Corporation)	Docket No. ER03-1046-___
)	
California Independent System Operator Corporation)	Docket No. ER04-609-___
)	
California Independent System Operator Corporation)	Docket No. ER04-1087-___
)	

Notice of Filing

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Take notice that on September 17, 2004, the California Independent System Operator Corporation (ISO) filed a Notice of Implementation of Phase 1B of the ISO's Market Redesign & Technology Upgrade (MRTU). The ISO states that the Notice of Implementation was issued on September 17, 2004, in accordance with the ISO's commitment to provide at least 10 days' notice of the implementation of Phase 1B. Phase 1B will become effective as described in the Notice. The filing of this Notice is being made for the information of the Commission.

The ISO states that the Notice of Implementation was posted on the ISO Home Page on September 17, 2004, and was sent to all Market Participants via electronic mail on that date. The ISO further states that it has served copies of its filing on the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff, and all parties in the above-captioned proceedings. In addition, the ISO is posting this transmittal letter and all attachments on the ISO Home Page.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or

protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at <http://www.ferc.gov>, using the **eLibrary** (FERRIS) link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866)208-3676, or for TTY, contact (202)502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: _____