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November 1, 2005

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Compliance Filing
Docket No. ER05-718-003**

Dear Secretary Salas:

Pursuant to the Commission's "Order on Tariff Filing", 112 FERC ¶ 61,352 (2005), issued on September 30, 2005 ("September 30 Order"),¹ the California Independent System Operator ("CAISO") herein submits an original and five copies of a compliance filing to clarify that the CAISO's authority to settle intertie transactions using the "as-bid" settlement methodology will sunset upon the CAISO's implementation of a long-term methodology for settling intertie bids as part of the ISO's Market Redesign and Technology Upgrade ("MRTU") process.

I. TARIFF REVISION TO IMPLEMENT COMMISSION'S DIRECTIVE

In the September 30 Order, the Commission approved the CAISO's request to continue to settle intertie bids from System Resources using the "as-bid" settlement methodology. September 30 Order at P 25. However, the Commission stated that the CAISO must re-file its tariff sheets to indicate that the "as-bid" methodology will sunset upon the CAISO's implementation of a long-term methodology for settling intertie bids as part of MRTU. *Id.* at P 28. Consistent with this directive, the CAISO is proposing to modify Section 11.2.4.1.1.2 of its Tariff to specify that the "as-bid" methodology will continue in

¹ The CAISO recognizes that this filing is being made one day past the deadline established by the Commission. Therefore, concurrently with this filing, the CAISO is submitting to the Commission a motion to accept this filing one day out-of-time.

effect until such time as the CAISO implements a methodology for settling bids from System Resources as part of the MRTU process.

II. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Charles F. Robinson
Sidney Mannheim Davies
The California Independent System
Operator Corporation
151 Blue Ravine Road
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III. SERVICE

The CAISO has served copies of this transmittal letter, and all attachments, and the accompanying motion for leave to file one day out-of-time, on all parties to Docket No. ER05-718. In addition, the CAISO is posting this transmittal letter and all attachments on the CAISO Home Page.

IV. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

Attachment A Revised Tariff Section 11.2.4.1.1.2 Clean

Attachment B Revised Tariff Section 11.2.4.1.1.2 Blackline

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger. Please feel free to contact the undersigned if you have any questions concerning this matter.

The Honorable Magalie R. Salas
November 1, 2005
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Respectfully submitted,

Charles F. Robinson
Sidney Mannheim Davies
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A handwritten signature in black ink, appearing to read "Sean A. Atkins", written over a horizontal line.

Sean A. Atkins
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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System Operator) Docket No. ER03-718-003
Corporation)**

**MOTION FOR LEAVE TO FILE COMPLIANCE FILING
ONE DAY OUT-OF-TIME**

Pursuant to Section 212 of the Commission’s Rules of Practice and Procedure, 18 C.F. R. § 385.212, the California Independent System Operator Corporation (“CAISO”) files this Motion for Leave to File Compliance Filing One Day Out-of-Time. In support whereof, the CAISO states as follows.

In its order of September 30, 2005 in the above-captioned docket, 112 FERC ¶ 61,352 (2005), the Commission required the CAISO to make a compliance filing in order to specify that the CAISO’s authority to settle intertie transactions from System Resources using the “as-bid” settlement methodology will sunset upon the CAISO’s implementation of a long-term methodology for settling intertie bids as part of the ISO’s Market Redesign and Technology Upgrade process. Due to administrative oversight, the ISO was not able to deliver this filing to the Commission by the 5:00 p.m. deadline. The ISO submits that no party will be prejudiced by accepting this compliance filing one day out-of-time. Therefore, the ISO respectfully requests that the Commission grant this motion and accept the attached compliance filing one day out-of-time.

Respectfully submitted,

Charles F. Robinson
Sidney Mannheim Davies



Sean A. Atkins
Michael Kunselman

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Date: November 1, 2005

ATTACHMENT A

11.2.4.1.1.2 Bid Cost Recovery for System Resources

The ISO shall settle predispatched Energy from System Resources based on each resource's Energy Bid costs for each Settlement Interval, for each System Resource submitting bids in the Real Time Market pursuant to Section 2.5.22. This Energy bid cost settlement shall be calculated as set forth in Sections D 2.1.2 and D 2.6.3 in Appendix D of the Settlements and Billing Protocol. Bid cost settlement shall apply to both incremental and decremental predispatched Energy.

An uplift payment will be made as necessary for each Settlement Interval to assure that the System Resource recovers its Energy Bid costs for the quantity of Energy delivered. Payments for un-recovered bid costs for portions of Energy associated with bids above the Maximum Bid Level are subject to recall if such bids have not been adequately justified pursuant to Section 28.1.2.

The settlement methodology set forth in this section will continue in effect until such time as the ISO implements a methodology for settling bids from System Resources as part of its Market Redesign and Technology Upgrade process.

11.2.4.1.2 Penalties for Uninstructed Imbalance Energy

Effective December 1, 2004, the ISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.2.4.1.2 until FERC issues an order authorizing the ISO to charge Uninstructed Deviation Penalties pursuant to this section. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the ISO to charge Uninstructed Deviation Penalties pursuant to this section, the ISO shall charge Scheduling Coordinators Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Final Hour-Ahead Schedule otherwise. The Dispatch Operating Point will take into account the expected Ramping of a resource as it moves to a new Hour-Ahead Schedule at the top of each hour and as it responds to Dispatch Instructions. The Uninstructed Deviation Penalty will be applied as follows:

- a) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval. The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval in which the ISO has not declared a staged System Emergency;

ATTACHMENT B

11.2.4.1.1.2 Bid Cost Recovery for System Resources

The ISO shall settle predispached Energy from System Resources based on each resource's Energy Bid costs for each Settlement Interval, for each System Resource submitting bids in the Real Time Market pursuant to Section 2.5.22. This Energy bid cost settlement shall be calculated as set forth in Sections D 2.1.2 and D 2.6.3 in Appendix D of the Settlements and Billing Protocol. Bid cost settlement shall apply to both incremental and decremental predispached Energy.

An uplift payment will be made as necessary for each Settlement Interval to assure that the System Resource recovers its Energy Bid costs for the quantity of Energy delivered. Payments for un-recovered bid costs for portions of Energy associated with bids above the Maximum Bid Level are subject to recall if such bids have not been adequately justified pursuant to Section 28.1.2.

The settlement methodology set forth in this section will continue in effect until such time as the ISO implements a methodology for settling bids from System Resources as part of its Market Redesign and Technology Upgrade process.

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 1st day of November, 2005 at Folsom in the State of California.

Handwritten signature of Sidney Mannheim Davies in cursive script, with a circled monogram 'SMD' at the end.

Sidney Mannheim Davies
(916) 608-7144