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April 29, 2003

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

Dear Secretary Salas:

Enclosed please find an original and fourteen copies of the "Annual Report on Market Issues and Performance" prepared by the Department of Market Analysis of the California Independent System Operator Corporation ("ISO Annual Report").

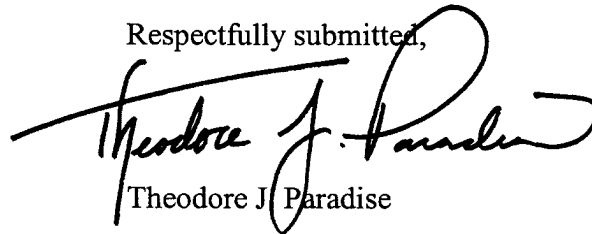
In the Commission's October 30, 1997 order authorizing the ISO to commence operations, Pacific Gas and Electric Co., et al., 81 FERC ¶ 61,122 (1997) ("October 30 Order"), the Commission accepted the ISO's proposed monitoring plan, which included a commitment to have its Market Surveillance Unit prepare and submit annual reports on its activities and the state of competition in the California electricity market to FERC as well as to the California Public Utilities Commission and the California Energy Commission. October 30 Order, 81 FERC at 61,552-54. The enclosed ISO Annual report is submitted pursuant to that order and provides discussion and analysis of the ISO's operations in calendar year 2002. The ISO Annual Report also reviews the markets operated by the ISO, the state of new generation and long-term contracts, issues under investigation and review stemming from the California power crisis, and seems issues.

Copies of the ISO Annual Report are being filed on this day with the California Public Utilities Commission, the California Energy Commission, and The California Electricity Oversight Board. In addition, the ISO is making the Annual Report available to all California market participants by posting it on the ISO Home Page, www.caiso.com.

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A form of notice, in hard copy and electronic form, is included in this filing. Also enclosed, please find two additional copies of this filing to be date-stamped and returned to the messenger. Thank you for your attention to this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Theodore J. Paradise". The signature is fluid and cursive, with a large initial "T" and "P".

Theodore J. Paradise

Counsel for the California Independent
System Operator Corporation

[Form of Notice]

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System) Docket No. ER03-____-____
Operator Corporation)

NOTICE OF FILING

(_____)

Take notice that on April 29, 2003, the California Independent System Operator Corporation (“ISO”) filed with the Federal Energy Regulatory Commission its “Annual Report on Market Issues and Performance” prepared by the Department of Market Analysis of the ISO. This report assesses the activities of the ISO and the state of competition in the California electricity market.

The ISO states that copies of the Annual Report have been served upon the Public Utilities Commission of California, the California Energy Commission, and the California Electricity Oversight Board. The ISO is also posting the Annual Report on its Home Page, www.caiso.com.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest 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 (2002)). All such motions or protests should be filed on or before _____. 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. Copies of the public version of this filing are on file with the Commission and are available for public inspection.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the Public Utilities Commission of California, the California Energy Commission, and the California Electricity Oversight Board.

Dated this 29th day of April, 2003 at Washington in the District of Columbia.


Theodore J. Paradise
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