
May 15, 2000

ADVICE 1443-E-A
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Authorization For Cost Recovery Associated With The
California Power Exchange Corporation Offering Of
Ancillary Services On A Forward Basis In Accordance With
Resolution E-3666

In compliance with Resolution E-3666, Southern California Edison Company (SCE) hereby submits for filing the following changes to its tariff schedules. The revised tariff sheets are listed on Attachment A and are attached hereto.

PURPOSE

This advice filing supplements SCE's Advice 1443-E which requested California Public Utilities Commission (Commission) authorization for recovery of costs associated with SCE's purchase of ancillary services on a forward basis through the California Trading Services Division (CTS) of the California Power Exchange Corporation (CalPX or PX), and is being made in accordance with the authority provided in Commission Resolution E-3666.

This advice filing supplements, in part, Advice 1443-E.

BACKGROUND

In Resolution E-3658, issued March 16, 2000, the Commission authorized Pacific Gas & Electric Company, and SCE to participate in, and recover the costs of participation in, the expanded Block Forward Market (BFM) until the end of the rate freeze.

On March 21, 2000, SCE filed Advice 1443-E which requested authority to recover costs associated with SCE's purchase of ancillary services on a forward basis through the CTS of the PX. The five ancillary services offered by the PX in the BFM include: (1) spinning reserve; (2) non-spinning reserve; (3) replacement reserve; (4) regulation up reserve; and (5) regulation down reserve. SCE limited its request for Commission authorization to the ratemaking treatment for the five ancillary services and did not seek authorization regarding other products that were currently offered by CTS. If, at a later time, SCE determines it is appropriate to participate in the auctions for other forward products offered by the PX, SCE will file for Commission authorization to participate in a separate advice filing.

Participation in the forward markets for ancillary services will enable SCE to mitigate the cost of spot market purchases from the Independent System Operator during periods when the spot market is susceptible to extreme price volatility and thus improve efficiency, increase supply, and benefit consumers. A forward market for ancillary services would provide the opportunity to lock in manageable prices and thus provide and hedge against volatility in the ancillary services market. Even if there were continued price spikes in the ancillary services markets, SCE's customers would only have to pay these higher prices for the incremental demand in ancillary services beyond what was contracted for in the forward markets, not its entire ancillary services capacity needs. Forward markets also serve to enhance market liquidity by expanding the market. A forward market for ancillary services would allow those generators who are able to contract to sell forward in advance of the delivery date to do so. Without a forward market, even if a generator desires to sell forward, and even if the utility desires to purchase forward, both parties must wait until the day-ahead market to buy and sell ancillary services.

In Resolution E-3666 issued May 4, 2000, the Commission approved SCE's Advice 1443-E for the cost recovery associated with its participation in the BFM for ancillary services with certain modifications. SCE previously proposed that quarterly limits be established (expressed in megawatts (MW) per hour) for each ancillary service offered in the forward markets based upon historical ancillary service obligations. However, Resolution E-3666 adopted an aggregate quantity limit for all ancillary services per quarter. Therefore, the approved limits for all ancillary services shall be 1550 MWs, 1600 MWs, 1625 MWs, and 1575 MWs maximum in any hour for the 1st, 2nd, 3rd, and 4th quarters respectively.

BLOCK-FORWARD MARKET MEMORANDUM ACCOUNT

In Resolution E-3637, the Commission recognized that costs may be incurred by SCE which will not be billed by the PX or ISO, and thus authorized the establishment of the Block-Forward Market Memorandum Account (BFMMA). In recognition that similar costs may be incurred by SCE as a result of its use of the new forward ancillary service products, Resolution E-3666 orders the tariff be

modified to provide for inclusion of these costs in the BFMMA for future Commission review. Revisions to the BFMMA tariff sheets are set forth in Preliminary Statement Part N of this filing.

TERM

Pursuant to Resolutions E-3666, participation in the forward markets for ancillary services shall be through the end of SCE's rate freeze.

No cost information is required for this advice filing.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any schedule or rule.

EFFECTIVE DATE

Pursuant to Resolution E-3666, Ordering Paragraph No. 3, this advice filing shall become effective May 4, 2000, the effective date of the resolution.

NOTICE

Anyone wishing to protest this advice filing may do so by sending a letter which must be received by SCE no later than 20 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile to the attention of:

Donald A. Fellows
Manager of Revenue and Tariffs
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile (626) 302-4829

Bruce Foster
Vice President of Regulatory Operations
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile (415) 673-1116

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list and R.94-04-031/I.94-04-032. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters.

Southern California Edison Company

Donald A. Fellows, Jr.

DAF:jwy/eml:1443ea.doc
Enclosures

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 27236-E	Preliminary Statement, Part N	Original 26096-E*
Revised 27237-E	Table of Contents	Revised 27161-E



PRELIMINARY STATEMENT
(Continued)

N. MEMORANDUM ACCOUNTS

56. Block-Forward Market Memorandum Account (BFMMA)

The purpose of the BFMMA is to record costs incurred by SCE to participate in the Power Exchange (PX) Block-Forward Markets as authorized by the Commission that are not directly billed to SCE by the PX or Independent System Operator (ISO). (C)

Entries to the BFMMA will be made at the end of each month. The monthly entry shall be equal to:

a. Recorded Credit & Collateral Costs calculated as follows:

- (1) Financing costs associated with maintaining the cash collateral account equal to the average monthly balance in the cash collateral account multiplied by 1/12th of the most recent month's annualized recorded effective yield on short-term debt;
- (2) Less monthly interest income earned on the cash collateral account;
- (3) Plus fees associated with opening, maintaining or transacting in the cash collateral account;
- (4) Plus letter of credit fees;
- (5) Plus surety bond fees; and
- (6) Plus other costs directly resulting from PX requirements to participate in the Block-Forward Markets. These shall not include any costs associated with legal counsel, consultants, or advisors. (T)

Interest shall accrue monthly to the BFMMA by applying the Interest Rate to the average of the beginning and ending balance.

Disposition of the amounts in this account shall be determined in the annual Revenue Adjustment Proceeding (RAP).

Any amounts recorded in the BFMMA authorized by the Commission in the RAP to be recovered from customers, shall be included in the PX credit calculation.

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