UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

California Independent System)	
Operator Corporation)	Docket No. ER98-3594-000

MOTION FOR CONSIDERATION OF ADDITIONAL INFORMATION

The California System Operator Corporation ("ISO") has just been made aware of information that is highly pertinent to the ability of the ISO to implement Firm Transmission Rights ("FTRs") in the time frame that the ISO understands the Commission to intend. Specifically, the ISO has been advised that because of the confluence of Y2K compliance efforts and Ancillary Services redesign, unless the ISO's FTR proposal is approved by the end of March, it will not be possible to make FTRs available to the market by May 1, 1999; and, if approval is not forthcoming by mid-April, implementation cannot be accomplished in time for the 1999 summer peak season. The receipt of this advice from the vendor over the past two days, coupled with the knowledge that the FTR proposal is not included on the agenda for the Commission's March 31, 1999 meeting, necessitates this informational filing.

At the time of filing of the FTR proposal (ISO Tariff Amendment No. 9), and when that filing was supplemented on December 4, 1998, the ISO advised the Commission that it was developing, and preparing the implementation of, the necessary supporting software. That effort is proceeding, and were Amendment No. 9 approved, FTRs could be made available to the market by May 1, 1999.

The ISO has just been advised by its software vendor that the software development process is now at a critical juncture. Apart from the breadth of "routine"

software modifications with which the ISO must contend by overseeing vendors, installation, and testing, two major efforts now are commanding critical attention. Each of these efforts must be coordinated with the implementation of FTRs.

First, the ISO, like the rest of the industry, now is heavily focused on ensuring that its critical systems are Y2K compliant. Ordinarily, it would be reasonable to assume that this matter would not prove a significant issue for a new, state-of-the-art system. However, because the vendor of the ISO's operating system has introduced a revised version and is unwilling to undertake the effort necessary to certify that the superseded system is compliant, the ISO has no alternative but to move to the new version of the operating system. That conversion must be completed by the end of April to be in place in time for the testing that WSCC has recommended be complete by May 31, 1999.

Second, the ISO recently filed Amendment No. 14 to the ISO Tariff, relating primarily to the redesign of the ISO's Ancillary Service markets, in compliance with the Commission's October 28, 1999 order in *AES Redondo Beach L.L.C., et al.,* 85 FERC ¶ 61,123 (1998) redesign. The redesign of major components of the Ancillary Service markets entails a considerable software effort, that must include provision for FTRs if FTRs are to be available to the market.

The ISO's first priority must be to ensure Y2K compliance. It is committed to do so. Second, it is imperative that Ancillary Services redesign be in place prior to the 1999 summer peak season. Failure to achieve that implementation schedule could cost consumers as much as \$100 million in additional payments for Ancillary Services, in a market that totaled \$600 million in 1998. It would not be prudent for the ISO to jeopardize the earliest possible implementation of Ancillary Services redesign once the Commission has approved the pending Tariff amendment. The ISO has been advised by the software vendor that without a determination regarding the pending FTR proposal in the time frame specified above, a later attempt to incorporate FTRs in the

overall software redesign efforts for both Y2K compliance and Ancillary Services redesign could jeopardize those efforts. The ISO will not jeopardize Y2K compliance and feels confident the Commission would not want Ancillary Services redesign unnecessarily delayed.

Accordingly, the ISO makes this filing in the belief that it provides information that the Commission would want to have available.

Respectfully submitted,

N. Beth Emery, General Counsel Executive Vice President Roger E. Smith, Regulatory Counsel The California Independent System Operator Corporation 151 Blue Ravine Road Folsom, CA 95630

andEdward Berlin Kenneth G. Jaffe Michael E. Ward Swidler Berlin Shereff Friedman, LLP 3000 K Street, N.W. Washington, D.C. 20007 (202 424-7500

Counsel for the California Independent System Operator Corporation

Dated: March 26, 1999

(916) 351-2207

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 26th day of March, 1999.

Kenneth G. Jaffe Counsel for the California Independent System Operator Corporation