

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

California Independent System Operator Corporation Docket Nos. ER06-615-____
ER07-1257-____

California Independent System Operator Corporation Docket No. ER02-1656-____

Independent Energy Producers Association Docket No. EL05-146-____

v.

California Independent System Operator Corporation

California Independent System Operator Corporation Docket No. EL08-20-____

(Not
Consolidated)

**MOTION FOR CLARIFICATION OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 212 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.212, the California Independent System Operator Corporation (“CAISO”)¹ respectfully submits this Motion for Clarification of the Commission’s “Order Instituting a Section 206 Investigation and Denying Motion for Reconsideration and Clarification,”² issued in the above identified proceeding on December 20, 2007 (“December 20 Order”).

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

² 121 FERC ¶ 61,281 (2007)

I. Need for Clarification

In the December 20 Order, the Commission indicated its intention to extend provisionally the CAISO's Reliability Capacity Services Tariff ("RCST") until the implementation of the earlier of the CAISO's Market Redesign and Technology Upgrade ("MRTU") or of an alternative backstop procurement mechanism.³ Accordingly, the Commission directed the CAISO to file new tariff sheets extending the effective date of the RCST.⁴

Simply extending the effective date, however, will not accomplish the Commission's intention to extend the RCST. Certain provisions of the RCST are specific to 2006 and 2007, and make no provision for application to 2008. For example, Section 43.2.1 sets forth the process, timeline and criteria that apply to Local RCST Designations. Section 43.2.1.2 specifies that Local RCST designations are to be made based on deficiencies in meeting 2007 Local Area Reliability Requirements. Under Section 43.2.1.3, 2007 Local RCST Designations have a term that commences on January 1, 2007 and expire on the earlier of midnight, December 31, 2007 or midnight on the day preceding implementation of the MRTU Tariff.⁵ These tariff provisions are not applicable to, or workable for, 2008 designations unless they are modified to incorporate new processes, timelines and criteria that would apply for 2008. Moreover, the terms of the designations under these sections are not compatible with an extension only until

³ *Id.* at P 34.

⁴ *Id.* at Ordering Paragraph (B).

⁵ There were no Local RCST designations for 2007.

MRTU or an alternative backstop procurement mechanism, because they would extend beyond the implementation of such programs.

Making necessary modifications goes beyond compliance with the directive in the December 20 Order, and in some cases require more than simply changing dates. The Commission did not indicate what specific timelines and criteria should apply for 2008 or what terms would apply to the designations.⁶

In addition, Section 43.4 (RCST Designations for Significant Events) provides that the CAISO “may designate Eligible Capacity or System Resource to provide service under this Section 43.4 following a Significant Event . . . if such an RCST designation is necessary to remedy any resulting material difference in ISO Controlled Grid Operations relative to the assumptions reached in the LARN Report for 2006 or relative to the CPUC’s and, if applicable, a Local Regulatory Authority’s development of Local Resource Adequacy Requirements for 2007.” Section 43.4 does not state which specific criteria (local capacity area study) must be applied for purposes of determining whether there is a Significant Event in 2008. Is it the 2006 study, the 2007 study, or the new 2008 study (which is not mentioned in the RCST but which reflects the current reliability needs of the system)? Simply extending the effective date of the RCST does not resolve this

⁶ For example, the local area requirements established by the California Public Utilities Commission (“CPUC”) for 2007 are not the same as the 2008 local area requirements. In particular, under Section 43.2.1.2, the CAISO examines whether there are any deficiencies in any 2007 Local Reliability Areas. However, the 2008 Local Capacity Areas are not the same as the 2007 Local Reliability Areas; *i.e.*, the 2007 local requirements are stale, but those are the requirements specified in the current RCST. This raises the question of which local requirements – the 2007 local area requirements as specified in the currently effective RCST or 2008 local area requirements – would apply for the extended RCST period for purposes of determining whether there will be any Local RCST Designations in 2008 prior to MRTU. The CAISO notes that for 2008, Scheduling Coordinators would make local capacity demonstrations based on the 2008 requirements not the 2007 requirements. The Commission did not address this issue in the December 20 Order or the other changes that would be necessary to make the tariff language in Sections 43.2.1, 43.2.1.1, 43.2.1.2, and 43.2.1.3 work in 2008.

question, and further tariff changes would be required to indicate the criteria that would be applied for making 2008 Significant Event designation decisions.

Significantly, the local capacity requirements in 2008 are not the same as the local capacity requirements in 2006 and 2007. In addition, the 2006 LARN Report, 2007 Local Reliability Areas and 2007 Local Resource Adequacy Requirements – which have served as the basis for Local and/or Significant Event RCST designations under the existing RCST – are stale and not reflective of the CAISO’s current local capacity needs in 2008. As such, it is questionable whether the existing tariff criteria can or should be used for purposes of determining whether any Local or Significant Event designations are appropriate in 2008 under any extension of the RCST.

Because the December 20 Order did not contain any specific directives or guidance in this regard, the CAISO has not added tariff language regarding 2008 designations, in particular, what criteria would apply in 2008; rather, the CAISO is seeking expedited clarification on this issue. In particular, the CAISO requests that the Commission clarify that the CAISO can base Local and Significant Event RCST designations on the 2008 Local Capacity Technical Study. The Commission has already approved (in a December 14, 2007 Order) use of the 2008 Local Capacity Technical Study for 2008 for purposes of Section 40 of the CAISO Tariff.⁷ The CAISO also notes that the Commission’s December 14, 2007 approved a process for demonstrating compliance with the Local Capacity Area Requirements (Section 40.7 of the CAISO Tariff) that could be applied before the CAISO makes any Local RCST designations in 2008. Accordingly, the CAISO requests that the Commission clarify that the CAISO can

⁷ *Cal. Indep. Sys. Operator Corp.*, 121 FERC ¶ 61,258 (2007).

use the 2008 Local Capacity Technical Study and the Compliance Provisions of Section 40.7 for purposes determining whether Local and Significant Event RCST designations are appropriate in 2008. The CAISO also asks that the Commission clarify that RCST designations will terminate with the earlier of the implementation of MRTU or of an alternative backstop capacity procurement mechanism.

In addition, Section 43.3 authorizes the CAISO to make System RCST designations for 2006 and 2007 only. Section 43.4 provides that such designations expire no later than December 31, 2007. Because the necessary modifications to those sections are straightforward, the CAISO has included them in the compliance filing. The CAISO, however, asks that the Commission confirm that the CAISO has properly implemented its intention. The CAISO also asks that the Commission clarify that any System RCST designations will terminate with the earlier of the implementation of MRTU or of an alternative backstop capacity procurement mechanism.

In short, in order to implement the Commission's intention, the CAISO requires clarification of the criteria the CAISO should apply for purposes of 2008 Local and Significant Event RCST designations, the processes and timelines that should apply for 2008 Local RCST designations, and the term of designations. The CAISO can make a further compliance filing immediately following any such Commission order.

II. Conclusion

The CAISO respectfully requests that the Commission provide clarification of the December 20 Order, and confirmation of the CAISO's revisions to Section 43.3 and 43.4, in the manner described above.

Respectfully submitted,

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Dated: December 28, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 28th day of December, 2007.

/s/ Bradley R. Miliauskas
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