

resources to complying with two very important Commission orders: the September 21 Order and the Commission's Final Rule on Long-Term Firm Transmission Rights.²

On December 19, 2006, the CAISO Board of Governors approved a revision to the scope, schedule and budget of MRTU, modifying the implementation date for Release 1 of MRTU from November 2007 to January 31, 2008 (for Trading Day February 1, 2008). This extension will allow the CAISO to implement the Commission's directives, subject to the pending October 23, 2006, Request for Clarification and Rehearing of the September 21 Order.

In light of the commitment of CAISO resources to other efforts, along with the recent extension of the target date for implementation of the MRTU Tariff, the CAISO has evaluated its various upcoming filings and has determined a work plan that will allow it to better meet its compliance requirements and provide the CAISO, stakeholders, and the Commission with a reasonable approach to managing the many filings it faces in the next year. The CAISO, therefore, respectfully requests that the Commission grant an extension of the time permitted to comply with a limited number of directives in the September 21 Order as described further below.

A. Paragraph 1370 - Business Practice Manual Compliance Activity

In the September 21 Order, the Commission directed the CAISO to continue to work with stakeholders to develop the Business Practice Manuals ("BPMs"), and, within 30 days of completing this process, but no later than 180 days before the effective date of MRTU Release 1, to file any necessary additions to the MRTU Tariff.³ In the

² *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, 71 Fed. Reg. 43,564 (Aug. 1, 2006), FERC Stats. & Regs. ¶ 31,226 (2006) (Long-Term Firm Transmission Rights Final Rule).

³ September 21 Order at P 1370.

CAISO's October 23, 2006 Request for Clarification and Rehearing of the September 21 Order, the CAISO proposed a timeframe of publication of the next draft set of BPMs on or about January 19, 2007, and a filing on or about February 20, 2007, of proposed revisions to the MRTU Tariff based on the comments on the draft BPMs provided by stakeholders and the CAISO's own assessment of those comments. The CAISO sought clarification that the proposed timeline was consistent with the Commission's directive.

In light of the modified target date for MRTU implementation, the CAISO now requests a modification of this schedule that will not prejudice other parties. Specifically, the CAISO anticipates that January 19, 2007, will not constitute the completion of the BPM stakeholder process for purposes of Paragraph 1370 of the September 21 Order. Rather, the CAISO intends to request that stakeholders submit comments to the CAISO on the January 19, 2007, drafts of the BPMs by no later than March 2, 2007, outlining what items they believe should be moved from the BPM to the MRTU Tariff because they substantially affect rates, terms or conditions. The CAISO then intends to post an additional set of revised draft BPMs on April 2, 2007. At the same time the CAISO would post additional draft tariff language the CAISO believes should be reflected in the tariff rather than the BPM. This April 2 date will constitute the completion of the BPM stakeholder process and will trigger the CAISO's compliance filing on or about May 2, 2007 in accordance with the September 21 Order. The May 2 date is well in advance of the outside date (of 180-days prior to implementation of MRTU, or August 3, 2007) specified in the September 21 MRTU Order. The CAISO will

inform stakeholders of this revised BPM development schedule in a market notice to be issued on January 12, 2007.

The May 2, 2007, compliance filing will allow the Commission to schedule a technical conference as required by the September 21 Order in the June-July 2007 timeframe. The CAISO believes that this modified schedule will allow stakeholders more time to review and respond to proposed BPM modifications and is consistent with the new MRTU implementation date of January 31, 2008. The CAISO therefore requests an extension of time to submit the filing in compliance with P 1370 of the September 21 Order until no later than May 2, 2007.

B. Paragraphs 1330, 1345, and 530 – MRTU Tariff Definitions

On November 27, 2006, the Commission granted an extension of time to the CAISO to comply with certain of the directives in the Commission's September 21 Order.⁴ Specifically, the Commission granted a 90-day extension of time until February 20, 2007, to comply with Paragraph 1330, requiring that the CAISO provide definitions for all capitalized terms and acronyms used in the MRTU Tariff; with Paragraph 1345, requiring that the CAISO add a definition of "IFM Congestion Charge"; and with Paragraph 530, requiring that the CAISO revise definitions in MRTU Tariff Section 11 for clarity and accuracy. The CAISO now respectfully requests an extension of time to complete these compliance requirements to August 3, 2007 (180 days prior to implementation of MRTU), a reasonable time following its May 2, 2007 compliance filing as described above, for the following reasons.

⁴ See "Motion of the California Independent System Operator Corporation for Extension of Time to Submit Compliance Filings," Docket Nos. ER06-615-000, *et seq.* (Nov. 20, 2006) at p. 5; *Notice of Extension of Time*, Docket Nos. ER06-615-000, *et seq.* (Nov. 27, 2006).

First, the CAISO anticipates that in its efforts to complete the BPMs for the purpose of its compliance filing with the Commission as explained above, the CAISO will be required to make certain conforming changes in terminology. One of the goals of the CAISO is to make the terminology in its BPMs consist with the terminology in the CAISO MRTU Tariff, to the extent feasible. In the course of the development of its BPMs to date, the CAISO has identified numerous additional potential defined terms that may have usefulness in the MRTU Tariff, and the CAISO anticipates that it is likely to identify other useful terms prior to the completion of the compliance filing associated with the BPMs. The "clean-up" of the use of capitalized and defined terms in the MRTU Tariff would be most efficient if it were accomplished after the filing of additional revisions to the substance of the MRTU Tariff as a result of the BPM review process.

Second, the CAISO requires additional time to complete these filing requirements because the CAISO subsequently has determined that potentially hundreds of terms in Section 11 and other provisions of the MRTU Tariff require evaluation and either correction, clarification or the addition of new definitions. The body of the MRTU Tariff currently contains over 400 capitalized terms without definitions. This does not mean, however, that all these terms must be defined. The CAISO believes that a substantial number of these capitalized terms should be modified rather than defined. For example, certain terms are misused and the CAISO must determine the proper term to be used. Other terms do not require capitalization, and the CAISO may determine that they should simply be in lower case. Finally, there will be a number of terms that the CAISO will determine truly require definitions. The process to resolve these discrepancies is laborious and requires specific attention to detail. The CAISO believes

that a certain degree of inconsistency in its tariff is due to the piecemeal approach it has had to take over the years in developing the tariff. The start of MRTU provides a good opportunity to appropriately complete this ministerial task of the tariff clean up.

The CAISO therefore requests an additional extension of time until August 3, 2007, 180 days prior to implementation of MRTU, so that it may combine this compliance filing with the likely Section 205 filing to propose additional revisions to the defined terms and definitions in Appendix A of the MRTU Tariff as a consequence of the development of the BPMs. No party will be prejudiced by this extension. This extension also will enable the CAISO to provide a more comprehensive "clean-up" relating to the use of terminology throughout the MRTU Tariff. Without combining these filings and having to limit the scope of the compliance filing required by the September 21 Order, the CAISO necessarily would have to make a piecemeal filing that would define some capitalized terms, would explain why other terms need no definition, and would attempt to explain all the associated revisions needed in a subsequent FPA Section 205 filing. The CAISO believes that the submission of at least two separate, overlapping filings on this subject would place an unnecessary burden on the CAISO, the stakeholders and the Commission. Because the CAISO believes it is necessary to submit a Section 205 filing based on new and modified definitions in the MRTU Tariff, the CAISO respectfully requests that it be allowed to consolidate this Section 205 filing with the more limited set of changes to capitalized and defined terms as required by Paragraphs 1330, 1345 and 530 of the September 21 Order, and make such a combined filing by August 3, 2007. In the interim, the CAISO proposes to implement an extended stakeholder process in order to provide opportunities to review and comment

on the provisions of the comprehensive “clean-up” prior to filing with the Commission. For example, recognizing that stakeholders are currently anticipating the subject compliance filing on February 20, 2007, the CAISO proposes to post to the website an initial draft of proposed revisions to capitalized and defined terms on that date. The CAISO also proposes to make periodic updates to this posting and to seek stakeholder comments on each posting in order to develop the most comprehensive and accurate consolidated “clean-up” filing by August 3, 2007 with the benefit of stakeholder input.

C. Paragraph 854 – Outstanding Debt Forgiveness

On November 20, 2006, the CAISO requested a 120-day extension of time in order to comply with the Commission’s directive to explain how the CAISO will “forgive” outstanding debt in the yearly balancing account.⁵ In its November 20, 2006, filing, the CAISO clarified that there is only one situation in which the CAISO would forgive debt of a counterflow CRR Holder, that is when the CRR Balancing Account is short at the end of the year and, as a result, all payments and charges to CRR Holders are prorated. On November 20, 2006, the CAISO also requested an extension to complete its compliance with P 854 of the September 21 Order to allow it to conduct a more thorough review and provide stakeholders an opportunity to comment in any proposed changes to the default provisions of the tariff. On November 27, 2006, the Commission granted a 90-day extension of time to February 20, 2007.

The CAISO now respectfully requests an additional extension of the February 20, 2007, filing deadline for the following reasons. First, as discussed in its February 9, 2006, filing of the MRTU Tariff, the CAISO anticipates making additional changes to Section 11.29 that are necessary to conform language that pertains to the new

⁵ September 21 Order at P 854.

statements issuances for billing resulting from the adoption of the new settlements and market clearing (“SaMC”) software for MRTU. Second, as noted above, the CAISO anticipates the submission of changes to the MRTU Tariff reflecting the outcome of the BPM stakeholder process by no later than May 2, 2007. Also, as the CAISO continues to develop and review its Business Practice Manual for Settlements and Billing, the CAISO intends to make any necessary filings to amend the MRTU Tariff that may result from such details being developed in the BPM. It is quite possible that both these processes will yield additional changes to Section 11 of the MRTU Tariff.

In light of the numerous filings anticipated in 2007, the CAISO believes that it is most prudent to handle all Section 11 changes in a single filing rather than through piecemeal modification. This would enable the CAISO to present a more complete set of changes that affect all of the settlements and billing language contained in Section 11 and for stakeholders and the Commission to review such changes together. The CAISO hereby respectfully requests an additional extension of time until no later than May 2 to submit the compliance filing required by Paragraph 854 of the September 21 Order.

D. Paragraph 1167 – Reliability Criteria

On November 27, 2006, the Commission granted the CAISO’s request for a 90-day extension of time up through and including February 20, 2007 to comply with the directives set forth in Paragraph 1167 of the September 21 Order. Paragraph 1167 required the CAISO to (1) incorporate into the MRTU Tariff the set of reliability criteria it will use to determine local capacity area resource requirements and (2) distinguish between the reliability needs addressed by the RMR technical study process and those

addressed by the Local Capacity Area study process.⁶ The CAISO now respectfully requests an extension of time of this deadline to allow the CAISO, stakeholders, and the Commission sufficient time to align both its reliability criteria and applicable backstop capacity procurement mechanisms to the coexistence of resource adequacy and MRTU.

The CAISO requested an extension of the Paragraph 1167 requirements for two reasons. First, the CAISO was, and currently remains, engaged in a process with representative stakeholders to reassess the reliability criteria and assumptions that will drive Local Capacity Area requirements and did not want to presuppose the outcome of this effort. Second, the CAISO anticipated that a potential outcome of the collaborative stakeholder process may be the “collapsing” of the RMR and Local Capacity Area study analyses, which would eliminate the need to distinguish between the respective reliability criteria in the first instance.

The CAISO had hoped that the final product of the stakeholder process – a report collectively drafted by several assigned stakeholders and the CAISO – would be published by the February 20, 2007 date. The CAISO recently has determined that a preliminary report will be completed by this time, but a final report is not anticipated until March 2007. The CAISO continues to believe that the stakeholder process should not be supplanted by the premature submission of tariff provisions.

More importantly, discussions with stakeholders regarding the alignment of the reliability criteria have added impetus for the CAISO to accelerate the development of a more comprehensive approach to its backstop role in ensuring sufficient local capacity is available under the MRTU structure. The CAISO currently backstops Load Serving

⁶ September 21 Order at P 1167.

Entity procurement for needed capacity in locally constrained areas on a forward basis through a combination of RMR and the Reliability Capacity Services Tariff (RCST).⁷ However, the CAISO's authority to engage in RCST procurement expires at the end of 2007 or the start of MRTU (whichever occurs first). For this reason, the CAISO's proposed MRTU Tariff does not presume an RCST-type replacement, but instead relies upon the RMR contract as the instrument used to backstop a deficiency in local capacity.⁸

This contemplated use of the RMR process prompted the CAISO to explore at a December 6, 2006 stakeholder meeting the value of aligning the RMR study process with the Local Capacity Area requirements study so that RMR could be used as a backstop in a manner coextensive with the resource adequacy requirements. Stakeholders raised fundamental questions regarding the cost-allocation consequences of utilizing the current RMR contract in this way as well as the administrative burden of such an approach. The CAISO agrees and believes a more prudent approach is to develop a backstop procurement mechanism that conforms to the resource adequacy paradigm within the context of MRTU. Doing so will require additional stakeholder input and inevitably will lead to changes to the CAISO's overall backstop procurement and cost allocation approach currently included in the MRTU Tariff.

The CAISO believes it is more efficient to submit all local reliability and backstop procurement provisions to the Commission on a comprehensive rather than piecemeal basis. No party will be prejudiced by such an approach. Thus, to allow the CAISO's

⁷ *Independent Energy Producers Association v. California Independent System Operator Corporation*, 116 FERC ¶ 61,069 (July 20, 2006); *Independent Energy Producers Association v. California Independent System Operator Corporation*, "Order on Motion for Clarification," 116 FERC ¶ 61,297 (Sept. 27, 2006).

⁸ See MRTU Tariff §§ 40.3.4 and 42.1.8.

Paragraph 1167 compliance obligations to be integrated into a more comprehensive and enduring market design effort, the CAISO hereby respectfully requests an additional extension of time until no later than August 3, 2007 (180 days prior to MRTU implementation) to submit the compliance filing required by Paragraph 1167 of the September 21 Order in combination with a likely Section 205 filing to propose an RCST-like replacement for MRTU.

II. CONCLUSION

For the reasons set forth above, the CAISO requests that the Commission grant this motion for further extension of the time permitted to comply with certain directives in the September 21 Order.

Respectfully submitted,

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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 11th day of January, 2007 at Folsom in the State of California.

/s/ Sidney M. Davies

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