

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

**California Independent System) Docket No. ER06-615-____
Operator Corporation)**

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR EXTENSION OF TIME**

Pursuant to Rules 212 and 2008(a) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008(a) (2007), the California Independent System Operator Corporation (“CAISO”)¹ respectfully requests an extension of time, until such time as the CAISO has had the opportunity to test the proposed methodology through its market simulation and analyze the results, but no later than sixty-two days prior to the start of its operations under its Market Redesign and Technology Upgrade (“MRTU”), to comply with Paragraphs 162-164 of the Commission order issued on June 25, 2007, in the above-captioned docket.²

I. Background

In Paragraphs 162-164 of the June 25 Order, the Commission directed the CAISO to clarify, in a compliance filing, proposed Tariff language in MRTU Tariff section 31.3.1.2 that addresses the CAISO’s proposed procedure for relaxation of transmission constraints when economic bids are insufficient to clear the market. The Commission directed the CAISO to provide further details about the impact of

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

² *California Independent System Operator Corp.*, 119 FERC ¶ 61,313 (2007) (“June 25 Order”).

proposed transmission constraint violation penalty levels in the Integrated Forward Market (“IFM”). In addition, the Commission directed the CAISO to submit revised tariff language clearly indicating that the penalty is not a financial penalty in the traditional sense and to clarify what constitutes an economic bid for purposes of determining when the CAISO would relax transmission constraints. Furthermore, the Commission required the CAISO to articulate in its transmittal letter accompanying its compliance filing: (1) what the revised provision does; (2) how the provision works in practice; (3) the practical and financial effect of the provision on the Market Participants; and (4) detailed answers to the questions raised by commenters concerning this provision. Finally, the Commission also accepted the CAISO’s commitment to conduct market simulations in order to evaluate the performance of the proposed penalty, and directed the CAISO to propose modifications if necessary.³

On August 3, 2007, the CAISO filed a motion for extension of time in the above-captioned proceeding regarding compliance with, *inter alia*, Paragraphs 162-164 of the June 25 Order. The CAISO stated that it planned to conduct market simulations that would provide critical information concerning the best methodology for implementing the constraint violation penalty and, accordingly, that the CAISO believed the most efficient way to proceed was to wait to file additional tariff language and explanations concerning the constraint violation penalty until such time as the CAISO was able to complete and evaluate the results of the market simulations. The CAISO stated that it anticipated that the market simulations would be completed in

³ See June 25 Order at PP 158, 164.

October 2007, and therefore the CAISO requested an extension of time until October 31, 2007, to comply with Paragraphs 162-164. The CAISO noted that to the extent any changes to the market simulation schedule resulted in the need for additional time to comply with Paragraphs 162-164, the CAISO would inform the Commission and request a further extension of time.

On August 8, 2007, the Commission issued a "Notice of Extension of Time" that granted the CAISO's request that it be permitted to comply with Paragraphs 162-164 of the June 25 Order by October 31, 2007.

On October 31, 2007, the CAISO reported that due to a delay in the market simulation schedule it had not yet been able to complete the market simulations that would provide critical information concerning the best methodology for implementing the proposed provision governing the relaxation of transmission constraints if economic bids cannot clear the market. The CAISO also reported that it expected to complete the market simulations, evaluate their results, and finalize additional tariff language and explanations concerning the constraint violation provision no later than December 31, 2007. Therefore, the CAISO respectfully requested an extension of time to comply with Paragraphs 162-164 of the June 25 Order until it has had an opportunity to complete the testing of its intended functionality but no later than December 31, 2007. On November 7, 2007, the Commission issued a "Notice of Extension of Time" that granted the CAISO's request that it be permitted to comply with Paragraphs 162-164 of the June 25 Order by December 31, 2007.

On December 21, 2007, the CAISO again filed a motion for an extension of time to comply with the Commission's order because due to further revisions to the

market simulation schedule at that time the CAISO had not yet completed the market simulations that will provide critical information concerning the best methodology for implementing the proposed provision governing the relaxation of transmission constraints if economic bids cannot clear the market. On January 4, 2008, the Commission issued a "Notice of Extension of Time" that granted the CAISO's request for a further extension of time to comply with paragraphs 162-164 of the Commission's Order on Compliance Filings issued June 25, 2007, in Docket Nos. ER06-615-003 and ER06-615-005.

II. Motion for Extension of Time

As required by Rule 2008(a), good cause exists to grant the CAISO the extension of time requested in the instant motion. Due to further revisions to the market simulation schedule the CAISO has been unable to complete the requisite testing and market simulations that will provide critical information concerning the best methodology for implementing the proposed provision governing the relaxation of transmission constraints if economic bids cannot clear the market. As explained above, the most efficient way to proceed is for the CAISO to file additional tariff language and explanations concerning this provision after the CAISO has completed and evaluated the results of the market simulations.

On December 31, 2007, the CAISO the announced a delay of the start of Market Simulation Update 2 in light of difficulties experienced in implementing this next important market simulation process. The CAISO announced that its highest priority is ensuring that MRTU performs properly prior to go live and its commitment to ensuring that Market Simulation Update 2 provides market participants with a fully

functional, rich, and near-flawless simulation experience to facilitate participants' readiness preparations. In order to ensure efficient use of market participants' testing time and resources, the CAISO has deferred the start of the full Update 2 Market Simulation until February 19, 2008, and will resume market simulation on this date if it is able to achieve acceptable system stability and solution quality targets.

As the CAISO has previously explained, it believes that in order to fully comply with the requirements of Paragraph 162-164 of the June 24, 2007 Order, the CAISO must have an opportunity investigate and address the previously observed pricing anomalies in the prior market simulation environment and also to test and evaluate the sensitivity of the penalty pricing parameters and the sensitivity of Locational Marginal Prices to constraint relaxations. None of these tasks are achievable until such time the CAISO has had an opportunity to test and evaluate fully the relevant market simulation cases in a stable test environment. Based on its mitigation of the challenges the CAISO has experienced recently in achieving stability of the MRTU testing environment, the CAISO believes that such an environment is achievable and the needed testing and analysis could commence by February 19, 2008. However, absent absolute certainty about the viability of that date, rather than continuing to have to request for an extension of time to make its compliance filing each time the market simulation schedule is delayed, the CAISO respectfully requests an extension of time to comply with Paragraphs 162-164 of the June 25 Order until after it has had an opportunity to obtain sufficient market simulation results and to evaluate these results, but in no event later than sixty-two days prior to the start of its operations under MRTU.

III. Conclusion

For the reasons explained above, the CAISO requests that the Commission grant this motion for extension of time.

Respectfully submitted,

/s/ Anna McKenna

Anna McKenna
Counsel

The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Tel: (916) 351-4400
Fax: (916) 608-7296

amckenna@caiso.com

Dated: January 31, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in 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 Folsom, California this 31st day of January, 2008.

/s/ Susan L. Montana

Susan L. Montana