

for CRRs and the BPM addressing the CAISO's credit policy. Specifically, the CAISO requests that the Commission permit the CAISO an extension of time in order to file the BPM for Credit Management at the same time that the CAISO files with the Commission tariff language relating to CRR credit requirements, which the CAISO anticipates filing on or about June 20, 2007, but no later than June 22, 2007. As explained in further detail below, granting the CAISO this extension will allow it to develop the BPM for Credit Management and CRR credit requirement tariff language in tandem, thus ensuring that the BPM for Credit Management filed with the Commission for informational purposes accurately reflects the most up-to-date rules relating to CRR credit requirements.

I. STATUS REPORT

In Paragraph 660 of the April 20 Order, the Commission directed the CAISO to submit, within 30 days of the date of that order, "information identifying which Business Practice Manuals will be put into effect prior to MRTU implementation, and the timeline to ensure completion of those Business Practice Manuals." With respect to the first directive, the CAISO intends that five of its fifteen total BPMs (or portions thereof) will become effective prior to the implementation of MRTU, which is currently scheduled for January 31, 2008. Specifically, the CAISO anticipates that the following BPMs, or parts thereof, will become effective, in whole or in part, prior to the start of MRTU in February 2008: BPM for Candidate CRR Holder Registration, BPM for CRRs, BPM for Credit Management (portions relating to credit requirements for CRRs), BPM for Scheduling

Coordinator Certification and Termination, and the BPM for Outage Management (the portion relating to transmission maintenance outages).

With respect to the timeline for completing these BPMs, regarding the two BPMs directly relating to CRRs (the BPM for Candidate CRR Holder Registration and the BPM for CRRs) the CAISO reports the following. The BPM for Candidate CRR Holder Registration was prepared to facilitate the registration and qualification of entities that intend to participate in the CRR Allocation, CRR Auction or Secondary Registration system. This BPM was first posted on the CAISO website on April 2. The CAISO has been working from this document in preparation for its registration of participants currently underway. The CAISO did not receive any comments on this document, but through its use of the document has identified a small number of areas that require editing and updating. In addition, the CAISO is currently identifying any changes that are required in order to make this BPM consistent with any required changes from the May 8 Order. The CAISO will file a revised version of this BPM with the Commission on an informational basis on June 7 and will concurrently post the revised BPM on its website.

With respect to the BPM for CRRs, the CAISO is currently updating that BPM to reflect: 1) the tariff requirements filed on January 29, 2007 in Docket No. ER07-475, 2) changes filed on March 9, 2007 in Docket No. ER07-613, as conditionally accepted in the Commission's May 8, 2007 Order, and 3) tariff changes filed on May 7, 2007 in Docket No. ER07-869. In addition, the CAISO is currently evaluating and incorporating any changes required to be made to this BPM as a result of the Commission's April 20 Order Granting in Part and Denying in Part Requests for Clarification and Rehearing in

Docket No. ER06-615. Finally, the CAISO is also endeavoring to revise the BPM for CRRs to take account of any responses to stakeholder questions as posted on the CAISO website on May 1, 2007 and any additional responses to stakeholder questions the CAISO completes before June 7, 2007.

As required by the May 8 Order, the CAISO will file for informational purposes both the BPM for Candidate CRR Holder Registration and BPM for CRRs with the Commission on June 7. The CAISO intends to reflect all the changes described above in the versions of these BPMs that it will file for informational purposes on June 7. On the same date the CAISO will post the BPMs on its website and will solicit comments and questions from stakeholders on the revised versions. The CAISO will then schedule a conference call in the middle of June to review the BPMs as posted on June 7. Following this additional stakeholder process, on or about July 9, 2007, the CAISO will post the BPMs that it intends to use for its first annual CRR Allocation.

The CAISO notes, however, that it anticipates a Commission order on the changes to the CRR rules as filed to be issued on or about July 9 ("July CRR Order"). After the Commission has issued that order, the BPMs for Candidate CRR Holder Registration and CRRs may again require updating to reflect any changes that may be necessary as a result of the anticipated July CRR Order. In addition, the CAISO will be making an additional filing on or about July 20, 2007, to reflect changes to the CRR rules that do not affect the CRR allocation activity it will be conducting starting in July but will be required for the CRR activity to take place later this fall.² The CAISO notes

² These upcoming changes pertain to: 1) rules and procedures for transferring allocated CRRs to reflect load migration between LSEs; 2) the process to ensure consistency between the LSE load forecasts used for CRR eligibility and those used for establishing Resource Adequacy Requirements; 3) procedures for modeling transmission outages in the CRR network model to be used for the monthly CRR

that those changes may also require updates to the BPM for CRRs later this year. At this time the CAISO has not scoped out a schedule for these changes, as it does not know the magnitude of any such changes that might be necessary.

With respect to the BPM for Credit Management, as discussed herein, the CAISO plans to file that BPM with the Commission for informational purposes at the time it makes its filing of tariff language relating to CRR credit requirements, which is planned for June 20, 2007. The CAISO intends that the provisions of the BPM for Credit Management that relate to credit requirements for CRRs will become effective as of the effective date of the CRR credit policy tariff amendment to be filed on or about June 20, 2007.

The CAISO also plans to file a tariff amendment to modify tariff provisions relating to Scheduling Coordinator (“SC”) certification and termination and to complete the BPM for Scheduling Coordinator Certification and Termination by June 20, 2007. The related provisions of the BPM for Scheduling Coordinator Certification and Termination will be effective as of the effective date of the SC certification and termination tariff amendment.

Finally, although the BPM for Outage Management is largely complete, the work that remains relates to the definition of which Outages have “a significant effect upon CRR revenue adequacy,” per Section 9.3.6.3.2 of the MRTU Tariff, the details regarding which will be spelled out in this BPM. This is the only aspect of the Outage Management BPM that requires a pre-MRTU implementation effective date in order that any “significant” outages can be reported prior to MRTU implementation. Section

allocation and auction processes; and 4) a proposal submitted by certain holders of Converted Rights (“CVRs”) to facilitate their ability to release some of their CVRs prior to expiration and reclaim some of the released source locations as CRRs.

9.3.6.3.2 of the MRTU Tariff requires that such outages be reported “30 days in advance of the first day of the month the Outage is proposed to be scheduled.” Thus, any “significant” Outages will need to be reported by January 1, 2008 (*i.e.* 30 days prior to the MRTU Release 1 implementation date). The CAISO is currently exploring the issue of what constitutes a “significant” Outage in conjunction with the larger CRR stakeholder process that also includes Load Migration and Outage modeling, which will conclude in July. Therefore, the CAISO plans to complete the Outage Management BPM no later than the end of July, and the provisions relating to the reporting of transmission maintenance outages will go into effect on or about January 1, 2008.

Finally, the CAISO will continue to evaluate whether other MRTU Tariff provisions and any related BPMs, or parts thereof, require pre-MRTU Release 1 implementation and, therefore, are required to be in effect prior to January 30, 2008, and will update this status report as necessary in order to keep the Commission and parties apprised of any such changes.

II. MOTION FOR EXTENSION OF TIME

In Paragraph 70 of the May 8 Order, the Commission directed the CAISO to finalize any BPMs necessary for the first annual CRR allocation within 30 days of the date of that order, and to submit those BPMs to the Commission on an informational basis. The Commission stated that this category includes, but is not limited to, the BPM for Candidate CRR Holder Registration, the BPM for CRRs and the BPM for Credit Management. As discussed above, pursuant to this requirement, the CAISO will file the

BPM for Candidate CRR Holder Registration and the BPM for CRRs with the Commission on an informational basis by June 7.

With respect to the BPM for Credit Management, the CAISO respectfully requests that the Commission grant the CAISO a brief extension of time to file this BPM until the CAISO files with the Commission MRTU tariff modifications regarding CRR credit requirements, which it plans to file on or about June 20, 2007, but no later than June 22, 2007. Although the Commission identified the BPM for Credit Management as one of the three BPMs necessary in order to conduct the first annual CRR allocation, this BPM is not actually relevant to the first annual CRR allocation. This is the case because there will be no credit requirements associated with the initial CRR allocation. Although there will be credit requirements associated with holding CRRs, those credit requirements cannot be determined until after the first auction, which will not be held until October 2007. The CAISO is currently developing the tariff language relating to CRR credit requirements, and plans to seek approval from its Board of Governors at the end of this month to file this language with the Commission. Assuming Board approval, the CAISO plans to make this filing on or about June 20.³ The CAISO requests leave to file the BPM for Credit Management for informational purposes at that time. Granting this request means that the CAISO will be able to develop the CRR credit requirement tariff language in tandem with the BPM for Credit Management. Most significantly, this will allow the CAISO to ensure, prior to filing, that both the BPM and the tariff language relating to credit requirements for CRRs are fully consistent. Also, filing the BPM for Credit Management and the CRR credit requirements tariff language at the same time

³ The CAISO's current development schedule for the CRR credit requirement tariff language calls for the posting of draft tariff language for stakeholder review on June 4 with comments due on June 11, a conference call with stakeholders to discuss comments on June 13, and filing on June 20.

will make it easier for the parties and the Commission to evaluate these two complementary items in the proper context. Therefore, the CAISO respectfully requests that the Commission grant it an extension of time to file the BPM for Credit Management until the date on which it files with the Commission tariff language relating to CRR credit requirements, currently targeted for June 20, but in any event, no later than the end of that week.

With respect to the BPM for Outage Management, although this BPM will ultimately also be relevant to CRR auctions, insofar as it deals with the scheduling of transmission maintenance outages, it is not necessary for the initial CRR allocation, scheduled for August 2007, or the initial auction, scheduled for October 2007. Under Section 9.3.6.3.2 of the MRTU Tariff, any such outages that “have a significant effect upon CRR revenue adequacy” must be scheduled with the CAISO 30 days in advance of the first day of the month in which the Outage is proposed to be scheduled. Accordingly, that section and the implementation details to be developed for the BPM will not be placed into effect until on or about January 1, 2008. When it conducts the first auction in October 2007, the CAISO will use other information, such as outage plans required to be filed in accordance with Section 9.3.6 of the currently effective ISO tariff, to estimate the outages that will be in effect in February 2008.

III. CONCLUSION

For the reasons set forth above, the CAISO requests that the Commission accept this status report and grant the CAISO an extension of time to file the BPM for Credit

Management until such time as it files its MRTU tariff language relating to CRR credit requirements on or about June 20, but in any event no later than June 22, 2007.

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 21st day of May, 2007 at Folsom in the State of California.

/s/ Sidney M. Davies

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