

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

Williams Power Company, Inc.,)	
)	
Complainant)	
)	
v.)	Docket No. EL05-57-001
)	
California Independent System)	
Operator Corporation,)	
)	
Respondent.)	

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

Pursuant to Rules 212 and 2008 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. §§ 385.212, 385.2008, the California Independent System Operator Corporation ("ISO")¹ respectfully submits this motion for an extension of time to comply with the directives in the Order Denying Clarification and Granting Motion for Extension of Time issued on June 2, 2005 in the above-captioned docket, 111 FERC ¶ 61,348 ("June 2 Order"). As explained below, the ISO requests that the Commission grant an extension of time -- until December 2, 2005 -- to provide the remaining portion of the refunds required by the June 2 Order, for the trade-month period from October 1, 2004 through July 31, 2005.

¹ Capitalized terms not otherwise defined herein are used in the sense given the Master Definitions Supplement, Appendix A to the ISO Tariff.

I. BACKGROUND

The ISO applies a Tolerance Band as a measure to monitor a generating unit's performance in order to determine its compliance with the must-offer obligation and eligibility for Minimum Load Cost compensation ("MLCC"). Prior to the issuance of the Commission's March 4, 2005 Order in the captioned proceeding, 110 FERC ¶ 61,231 ("March 4 Order"), the ISO's practice was that, after an ISO Dispatch Instruction had expired and the unit was supposed to be ramping back to its minimum load level (*i.e.*, the unit's "Pmin"), the ISO calculated the amount of energy that the unit should have been producing if it had been returning to that minimum load level at the ramp rate established in the ISO Master File. If the amount of energy produced by the unit in those subsequent intervals exceeded the sum of (1) the residual energy determined by this calculation, (2) the Tolerance Band, and (3) the minimum load level, the ISO rescinded MLCC in those intervals on the grounds that the unit was not operating within the calculated performance range.²

The captioned proceeding was initiated by a complaint brought by Williams Power Company, Inc. ("Williams"). In its complaint, Williams argued that the ISO's application of the Tolerance Band in this manner was an extra-Tariff procedure and was contrary to Commission orders. In the March 4 Order, the Commission granted the complaint. The Commission stated that "the rescission of payment to must-offer units that are ramping down after a dispatch instruction is inconsistent with Commission precedent," and that "the filed tariff does not allow the CAISO to rescind minimum load cost payments to must-offer units that are ramping down to minimum load status

² The ISO does not apply the Tolerance Band to condition the payment of Minimum Load Costs in intervals in which the ISO dispatches Imbalance Energy from a unit operating during a Waiver Denial Period.

following a CAISO dispatch instruction.” March 4 Order at PP 21, 23. Based on these findings, the Commission directed the ISO to “refund to Williams and all other must-offer generators the minimum load cost compensation that they were denied based on the unauthorized application of the tolerance band” and to file a refund report within 30 days of the issuance of the March 4 Order. *Id.* at P 23.

On April 4, 2005, as corrected on April 5, 2005, the ISO filed a motion for clarification and motion for extension of time concerning the directives in the March 4 Order (“April 4 Motion”). The ISO requested clarification on two issues: (1) whether the finding in the March 4 Order that the ISO’s application of the Tolerance Band to the output of must-offer units following the end of an ISO Dispatch Instruction was unauthorized also extended to the ramp rate the ISO had been applying in the same circumstance; and (2) whether the ISO could apply the Commission-approved minimum load Tolerance Band to a unit that has produced energy in an interval in response to an ISO Dispatch Instruction but subsequently has not returned to minimum load even though a reasonable period of time has elapsed for it to do so. In addition, the ISO requested that the Commission (1) grant an extension of time -- until 60 days after the issuance of an order on the ISO’s motion for clarification -- to provide any refunds and any refund report that the ISO might be required to make as a result of the Commission’s clarification and (2) grant the ISO a 60-day extension of time to provide the refunds and refund report otherwise required by the March 4 Order.

In the June 2 Order, the Commission denied the ISO’s request for clarification. June 2 Order at P 4. The Commission also granted an extension of time until 20 days after the date of the June 2 Order for the ISO to make refunds and file a refund report. *Id.* at P 6.

On June 17, 2005, the ISO requested an extension of time until November 1, 2005 to provide the refunds required by the June 2 Order, for the trade-month period from October 1, 2004 through July 31, 2005 (the “retroactive adjustment period”).³

II. REQUEST FOR EXTENSION OF TIME

The Commission may, for good cause shown, extend the time for compliance with a statute, rule, or Commission order (except as otherwise provided by law). 18 C.F.R. § 385.2008(a). To determine if good cause exists, the Commission will review the facts surrounding a request for an extension of time. *Salt Lake County Water Conservancy District*, 31 FERC ¶ 61,201, at 61,413 (1985). As explained below, good cause exists here for the Commission to grant the request for extension of time.

Specifically, the ISO requests that the Commission grant an extension of time until December 2, 2005 to provide the remaining portion of the refunds required by the June 2 Order, for the trade-month period from October 1, 2004 through July 31, 2005 (the “retroactive adjustment period”). Pursuant to its June 22 Refund Report, the ISO outlined a three stage approach for a plan to refund MLCC amounts to applicable SCs. This three-stage method was intended to allow the ISO to:

- (1) Retroactively refund and allocate MLCC amounts for settlement months July 2002 through September 30, 2004 (“Stage 1”);
- (2) Design, develop, test, and implement the ISO ‘s settlement system software to comply with the FERC order on a prospective basis (“Stage 2”); and,
- (3) Settle the resulting retroactive adjustment period from the initial retroactive settlement refunds (in Stage 1), which results from the time required (in Stage 2) to

³ This is the only item for which the ISO requested an extension of time until November 1, 2005. Pursuant to its June 22, 2005 Refund Report, the ISO timely complied with the June 2 Order, for the period prior to October 1, 2004.

develop the prospective settlement software solution necessary to comply with the June 2 order (“Stage 3”).

Specifically, Stage 1 involved making manual retroactive settlement adjustments for the period July 2002 to September 30, 2004. These retroactive MLCC amounts were refunded to applicable SCs on June 30, 2005, including interest owed.

Stage 2 involved the modification of the ISO’s settlement system software to comply with the June 2 Order on a prospective basis. Consistent with the ISO’s June 22 Refund Report, this settlement software modification was implemented on September 23, 2005, which corresponded to publishing the Preliminary Settlement Statement for trade date August 1, 2005.

Stage 3 was the final retroactive settlement adjustment required for the trade date period October 1, 2004 through July 31, 2005, referred to in the Refund Report as the “retroactive adjustment period.” As stated in the June 22 Refund Report, the settlement adjustment for the retroactive adjustment period was to have been completed by November 1, 2005. The ISO’s intention was to complete the retroactive adjustment period performing an automated settlement system recalculation based on the modified settlement system software. The rationale for an automated settlement solution was that it would promote both greater efficiency and increased accuracy as compared to a manual adjustment process, which was used in Stage 1 for the prior MLCC refund adjustments. Furthermore, the retroactive adjustment period corresponded with the implementation date for Amendment 60⁴, which included a more complex methodology of allocating MLCC payments.

⁴ Amendment No. 60 modified the ISO Tariff to allocate MLCC amounts among four different “buckets” based on cost causation rather than a single “bucket” as was the case prior to Amendment No. 60. See Transmittal Letter for Amendment No. 60, Docket No. ER04-835-000 (filed May 11, 2004), at 31-36; *California Independent System Operator Corporation*, 108 FERC 61, 022, at PP 53-54 (2004).

Notwithstanding the stated benefits of using an automated settlement solution for the retroactive adjustment period, several factors have interrupted the ISO's ability to utilize this approach. In particular, the ISO has encountered limited resource availability for developing the required database environment needed for a settlement recalculation.

In addition, due to the limitations of the existing settlement system, it is difficult to perform multiple, subsequent settlement reruns for the same calendar period. In order to avoid such difficulties, the ISO would need to complete a comprehensive settlement system rerun for the retroactive adjustment period and include other identified settlement adjustments. However, while the ISO has identified other adjustments that do need to be made and included in a comprehensive settlement rerun, the issues related to those adjustments have not yet been entirely resolved and accordingly are not yet ripe for reruns.

Given these factors, the ISO will need to use an alternate manual process to expeditiously perform the required MLCC refunds for the retroactive adjustment period. The ISO proposes to use the same methodology performed for the Stage 1 MLCC refund adjustments. A manual process will allow the ISO to include refund payments on the September 2005 trade month invoices, to be issued on November 23, 2005, and financially settled on December 2, 2005.

Market Participants will not be financially disadvantaged due to the ISO's provision of the refund amounts for the retroactive adjustment period on December 2,

2005, because they will receive interest on all of those amounts through December 2, 2005.⁵ Thus, granting the requested extension of time is appropriate.

The ISO does intend to perform a comprehensive settlement rerun for the retroactive adjustment period, once the remaining identified adjustments are resolved and ready to be included in reruns. The comprehensive settlement rerun will provide a validation of the manual process, because it will result in an actual reversal of the manual adjustments, thereby allowing the ISO to eventually settle with applicable SCs based on a settlements run using the settlements software. Any necessary adjustments for charges or credits arising from the settlements rerun will be performed to reconcile differences between the manual adjustments and the settlement rerun results.

III. CONCLUSION

WHEREFORE, for the above-stated reasons, the ISO respectfully requests that the Commission grant the extension of time requested above.

Respectfully submitted,

Bradley R. Miliauskas
601 Pennsylvania Avenue NW
North Building, 10th Floor
Washington, DC 20004
Tel: (202) 756-3300
Fax: (202) 654-4872

/s/ Stacie L. Ford
Stacie L. Ford
Associate Counsel
Anthony J. Ivancovich
Assistant General Counsel
Beth Ann Burns
Counsel
California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
Tel: (916) 608-7131
Fax: (916) 608-7222

Dated: November 1, 2005

⁵ The ISO estimates that the amount of refunds to be provided for the period from October 1, 2004 through April 26, 2005 is much smaller than the amount of refunds already provided for the period prior to October 1, 2004.



November 1, 2005

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Docket No. EL05-57-001

Dear Secretary Salas:

Enclosed for electronic filing please find Motion for Extension of Time of the California Independent System Operator Corporation in the above captioned dockets.

Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Stacie L. Ford

Stacie L. Ford
Associate Counsel for The California
Independent System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned docket.

Dated at Folsom, California, on this 1st day of November 2005.

/s/ Stacie L. Ford
Stacie L. Ford