

software modifications with which the ISO must contend by overseeing vendors, installation, and testing, two major efforts now are commanding critical attention. Each of these efforts must be coordinated with the implementation of FTRs.

First, the ISO, like the rest of the industry, now is heavily focused on ensuring that its critical systems are Y2K compliant. Ordinarily, it would be reasonable to assume that this matter would not prove a significant issue for a new, state-of-the-art system. However, because the vendor of the ISO's operating system has introduced a revised version and is unwilling to undertake the effort necessary to certify that the superseded system is compliant, the ISO has no alternative but to move to the new version of the operating system. That conversion must be completed by the end of April to be in place in time for the testing that WSCC has recommended be complete by May 31, 1999.

Second, the ISO recently filed Amendment No. 14 to the ISO Tariff, relating primarily to the redesign of the ISO's Ancillary Service markets, in compliance with the Commission's October 28, 1999 order in *AES Redondo Beach L.L.C., et al.*, 85 FERC ¶ 61,123 (1998) redesign. The redesign of major components of the Ancillary Service markets entails a considerable software effort, that must include provision for FTRs if FTRs are to be available to the market.

The ISO's first priority must be to ensure Y2K compliance. It is committed to do so. Second, it is imperative that Ancillary Services redesign be in place prior to the 1999 summer peak season. Failure to achieve that implementation schedule could cost consumers as much as \$100 million in additional payments for Ancillary Services, in a market that totaled \$600 million in 1998. It would not be prudent for the ISO to jeopardize the earliest possible implementation of Ancillary Services redesign once the Commission has approved the pending Tariff amendment. The ISO has been advised by the software vendor that without a determination regarding the pending FTR proposal in the time frame specified above, a later attempt to incorporate FTRs in the

overall software redesign efforts for both Y2K compliance and Ancillary Services redesign could jeopardize those efforts. The ISO will not jeopardize Y2K compliance and feels confident the Commission would not want Ancillary Services redesign unnecessarily delayed.

Accordingly, the ISO makes this filing in the belief that it provides information that the Commission would want to have available.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 26th day of March, 1999.

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