

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

California Independent System Operator Corp.)	Docket No. EL07-1-000
ISO New England, Inc.)	Docket No. EL07-2-000
PJM Interconnection, LLC)	Docket No. EL07-3-000
Midwest Independent Trans. System Oper., Inc.)	Docket No. EL07-4-000
New York Independent System Operator, Inc.)	Docket No. EL07-5-000
Southwest Power Pool, Inc.)	Docket No. EL07-6-000

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

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 and 385.2008 (2006), the California Independent System Operator Corporation (“CAISO”)¹ hereby respectfully moves for an order extending the time for submitting the filing required by the Order Instituting Inquiries Into Gas-Electric Coordination Issues, issued on October 25, 2006 in the above-captioned dockets, 117 FERC ¶ 61, 094 (2006) (October 25 Order). The CAISO requests a 90-day extension of time to allow it to conduct a stakeholder process and determine what changes to the CAISO’s Tariff, if any, are necessary to address the gas-electric coordination issues outlined in the October 25 Order. In support of its motion, the CAISO states the following.

I. MOTION FOR EXTENSION OF TIME

As a result of reliability issues that occurred during the winter of 2004 when New England experienced extremely cold weather conditions, the Commission is concerned

¹ Capitalized terms not otherwise defined herein have the same meaning as set forth in the CAISO Tariff, Appendix A, Master Definitions Supplement.

that the scheduling practices of independent system operators (“ISOs”) and regional transmission organizations (“RTOs”) may limit the ability of gas-fired must-run generators to obtain gas when gas transportation is constrained or gas prices are volatile during cold snaps or hot weather. The Commission initiated these matters to consider whether the scheduling practices of the ISOs and RTOs are effectively coordinated with the scheduling of natural gas purchase and transportation transactions. Specifically, the Commission seeks to “examine whether scheduling and compensation mechanisms need to be revised to ensure that gas-fired generators can obtain gas when the gas-fired generation is necessary for reliability and that they are compensated appropriately when volatility in gas prices creates difficulty in recovering gas costs.”² The October 25 Order directs the ISOs and RTOs to file by January 16, 2007 either proposed changes to their scheduling and compensation provisions to address these issues or an explanation why such changes are unnecessary.

The CAISO supports the Commission’s initiation of this inquiry and its objective of improving coordination between the gas and electric industries. The availability of gas-fired generation during weather events is critical to maintaining CAISO system reliability and avoiding involuntary loss of load. The Commission’s efforts to address scheduling and compensation issues of gas-fired generation during emergency conditions, in conjunction with its proposed rulemaking to enhance communications between the gas and electric industries through the adoption of Standards for Business Practices in Docket Nos. RM96-1-027 and RM05-5-001, should facilitate the ability of the ISOs and RTOs, as well as gas-fired generation, to cope with the challenges of weather events and avert the conditions like those experienced in New England during

² October 25 Order at P. 1.

the winter 2004.

While the CAISO is supportive of these efforts, we require additional time to examine our scheduling and bid cap provisions in relationship to the gas-electric coordination issues outlined in the October 25 Order. The CAISO must also consider how the gas-electric coordination issues interrelate with the transition to the CAISO's Market Redesign & Technology Upgrade, i.e., MRTU. In addition, of particular importance, the CAISO has not had adequate opportunity to conduct a stakeholder process in order to obtain needed input about the effectiveness of existing scheduling practices and compensation mechanisms during emergency conditions and how gas-electric coordination could be improved. Stakeholder involvement is essential to the CAISO's analysis of coordination issues and development of an appropriate proposal in response to the October 25 Order.

No party will be prejudiced by this extension. The requested 90-day extension will allow the CAISO to prepare and submit the required filing in mid-April, in advance of the summer months when hot weather in California can spike demand and natural gas prices.

Further, the applicable scheduling practices and compensation mechanisms contain certain measures that encourage gas-fired generation to remain available during high demand periods when natural gas prices escalate. The nomination process to transport gas in the West provides flexibility to gas-fired generation to respond to increases in demand. It provides flexibility by offering four nomination cycles – two the day prior to gas flow and two on the day of gas flow. On the cost-side, the CAISO recently raised its bid cap for real-time Energy from \$250/MWh to \$400/MWh to account

for the likelihood that natural gas prices would increase substantially during the 2005-2006 winter season and approach or exceed the prior bid cap.³ The \$400/MWh is a soft bid cap, which allows Market Participants to bid into the real-time Energy market above the cap, but any above-cap bids that are dispatched by the CAISO are not eligible to set the Market Clearing Price and are subject to cost justification and refund. The soft cap affords gas-fired generation the opportunity to justify additional cost recovery of operating costs in excess of the cap in situations of rapidly rising natural gas prices.

II. CONCLUSION

For the reasons set forth above, the CAISO requests that the Commission grant this motion for a 90-day extension of the time to submit the filing required by the October 25 Order.

Respectfully submitted,

/s/ Beth Ann Burns
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Counsel

³ *California Independent System Operator Corp.*, 114 FERC ¶61,026 at P. 4.

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 dockets.

Dated at Folsom, California, on this 16th day of January, 2007.

/s/ Susan L. Montana