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May 31, 2006

## VIA ELECTRONIC FILING

The Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: California Independent System Operator Corporation  
Docket Nos. ER06-700-\_\_\_\_

Dear Secretary Salas:

Attached please find the Motion for Extension of Time to Submit Compliance Filing, filed by the California Independent System Operator Corporation in the captioned docket.

Please contact the undersigned in this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas  
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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System            )           Docket No. ER06-700-\_\_\_\_  
Operator Corporation                    )**

**MOTION FOR EXTENSION OF TIME  
TO SUBMIT COMPLIANCE FILING**

On March 7, 2006, as clarified and corrected on March 14, 2006, the California Independent System Operator Corporation (“CAISO”)<sup>1</sup> submitted amendments (the “March 2006 Credit Policy Amendments”) to the ISO Tariff in the captioned proceeding to modify the credit requirements and procedures in the ISO Tariff. On May 12, 2006, the Commission issued its “Order Conditionally Accepting Tariff Revisions Governing Credit Policy,” 115 FERC ¶ 61,170 (“Credit Policy Order”), which accepted the March 2006 Credit Policy Amendments effective as of May 14, 2006 subject to the conditions and modifications discussed in that Order.<sup>2</sup> The Commission directed the CAISO to submit a compliance filing within 30 days.<sup>3</sup> In the compliance filing, the Commission directed the CAISO to make various specified changes to the credit requirements and procedures in the ISO Tariff and further directed the CAISO to file its Credit Policy & Procedures Guide (“Credit Guide”), revised as directed by the Commission, as an attachment to the ISO Tariff and to explain what provisions of

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

<sup>2</sup> Credit Policy Order at Ordering Paragraph (A).

<sup>3</sup> *Id.* at Ordering Paragraph (B).

the Credit Guide, if any, the CAISO recommends should not be included in the ISO Tariff.<sup>4</sup>

Pursuant to Rules 212 and 2008 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008, the CAISO hereby requests that the Commission grant a 30-day extension of time to submit the required compliance filing, in order to permit the compliance filing to be submitted within 60 days of the issuance of the Credit Policy Order, *i.e.*, by July 11, 2006.

**I. Request for Extension of Time**

Rule 2008(a) states that “[e]xcept as otherwise provided by law, the time by which any person is required or allowed to act under any statute, rule, or order may be extended by the decisional authority for good cause.” To determine if good cause exists for granting a request for an extension of time, the Commission will review the facts surrounding the request.<sup>5</sup>

Good cause exists for the Commission to grant the extension of time requested here in order to ensure the Credit Guide submitted with the compliance filing is fully updated and reflects the CAISO's recent experience applying procedures that take into account both qualitative and quantitative factors in setting the unsecured credit limits for Market Participants, consistent with the Commission's *Policy Statement on Electric Creditworthiness*.<sup>6</sup>

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<sup>4</sup> Credit Policy Order at P 22.

<sup>5</sup> *Salt Lake County Water Conservancy District*, 31 FERC ¶ 61,201, at 61,413 (1985).

<sup>6</sup> 109 FERC ¶ 61,186 (2004) (“*Policy Statement*”).

Prior to the issuance of the Credit Policy Order, the Commission had never required the Credit Guide to be filed as part of the ISO Tariff. Instead, from the time the CAISO issued the original version of the Credit Guide in 2003, the CAISO has posted it on the ISO Home Page and has updated it as needed.<sup>7</sup> The directive to file the Credit Guide in the ISO Tariff will necessarily limit the CAISO's flexibility to update the Credit Guide in the future based on experience gained in applying the new credit requirements and procedures in the ISO Tariff and input from stakeholders on these new credit provisions. Once the CAISO files the Credit Guide, presumably the CAISO will be required to submit an amendment to the ISO Tariff whenever it subsequently wants to modify the as-filed Credit Guide, and the amendment will have to receive Commission approval before the CAISO can implement that modification.<sup>8</sup>

The impact of the loss of this flexibility is highlighted by the fact that, even in the few months since the March 2006 Credit Policy Amendments were filed, the CAISO has gained experience in evaluating and applying the provisions of the Credit Guide that should be reflected through a revision to the Credit Guide in the normal course of business. Such experience is valuable because it allows the CAISO to update the Credit Guide's detailed provisions explaining how the terms of the Tariff will be implemented and the credit-related tools described

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<sup>7</sup> There have been four versions of the Credit Guide. Credit Guide at 2. The current version is posted on the ISO Home Page at <<http://www.caiso.com/17b3/17b3715165ef0.pdf>>.

<sup>8</sup> The CAISO is considering seeking rehearing of the directive in the Credit Policy Order to file the Credit Guide but believes additional time for the compliance filing is justified regardless of whether the CAISO seeks rehearing on this issue or not.

therein.<sup>9</sup> As the CAISO stated in the answer it submitted in the instant proceeding, with respect to the March 2006 Credit Policy Amendments:

“Although the CAISO has considered the new approach for nearly two years and requested and received significant stakeholder feedback on it, the CAISO nevertheless expects that experience with the new approach will yield information that the CAISO can use to make improvements.”<sup>10</sup>

One area where the CAISO has gained experience concerns its “Scheduling Coordinator Aggregate Liability Estimate” or “SCALE” tool for estimating financial liabilities.<sup>11</sup> SCALE was a prototype system built to more accurately estimate Scheduling Coordinator liabilities. The CAISO intended to transition to a new liability estimation tool with the deployment of its new Settlements and Market Clearing system initially scheduled for implementation in early 2006. That system has been delayed, and, in the meantime, the CAISO has also encountered problems with the continued availability and accuracy of the SCALE tool as a result of other changes in the CAISO’s markets. As a result, SCALE is not currently operative, and the CAISO has used a simpler approach to

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<sup>9</sup> The Credit Guide “provides Market Participants and FTR Bidders further detailed information regarding credit-related provisions described in Section 12 of the ISO Tariff.” Credit Guide at 5. The Credit Guide includes information on the processes used to administer the CAISO’s credit policy, the methodology used to calculate Unsecured Credit Limits and Estimated Aggregate Liabilities (which are based on a number of qualitative and quantitative factors), acceptable forms of Financial Security and the associated processes for requesting, posting, and administering Financial Security, security requirements for FTR Bidders, consequences for Market Participants’ failure to meet their credit-related obligations, and other credit-related information. *Id.*

<sup>10</sup> Motion for Leave to File Answer and Answer to Protests, Answer to Motions to Intervene and Comments, and Answer to Request for Order Requiring Supplemental Filing, of the California Independent System Operator Corporation, Docket No. ER06-700-000 (Apr. 12, 2006), at 11 (“CAISO Answer”).

<sup>11</sup> The SCALE tool is described further at pages 9-10 of the CAISO Answer.

estimating liabilities. Until SCALE can be returned to functionality, the Credit Guide's description of the liability estimation tools used by the CAISO is, therefore, outdated and incorrect. Also, the CAISO is considering whether other details currently contained in the Credit Guide may need to be modified.

The directive in the Credit Policy Order to file the Credit Guide as an attachment to the ISO Tariff has made the need to review and update the Credit Guide even more important and time-sensitive. The CAISO must conduct this review prior to submitting its compliance filing in this proceeding, in order to ensure that its compliance filing does not reflect credit-related provisions or tools that are out-of-date. The CAISO believes it is critical that the Credit Guide submitted with the compliance filing be as accurate and up-to-date as possible, and that the importance of this effort outweighs the inconvenience caused by a modest delay in the compliance filing.

The 30-day extension will not only allow sufficient time for the CAISO to undertake a review of the Credit Guide for any appropriate updates, it will also allow time for the CAISO to post proposed changes to the Credit Guide for stakeholder review prior to submission of the compliance filing. The CAISO also intends to schedule a stakeholder conference call to discuss the proposed changes to the Credit Guide.

There is a further reason that good cause exists to grant the CAISO the extension of time requested in the instant filing. Granting the extension may permit the CAISO to include changes in the compliance filing that reflect an alternative means of calculating Unsecured Credit Limits for non-profit entities.

In the Credit Policy Order, the Commission encouraged the CAISO to work with its stakeholders to develop such an alternative measure to be included in the Credit Guide, and directed the CAISO to submit an informational filing within 60 days regarding the progress made on this effort.<sup>12</sup> Rather than simply submitting an informational filing, the extension may provide the CAISO with enough time to make those changes in the compliance filing.

For all these reasons, the CAISO requests that the Commission grant the CAISO an additional 30 days to submit its compliance filing and also requests leave to file an updated version of the Credit Guide with that compliance filing. The CAISO will clearly indicate in the compliance filing the differences between the current version of the Credit Guide as posted in the ISO Home Page and the updated version of the Credit Guide in the compliance filing. If the compliance filing contains any such changes, the CAISO will have no objection to the Commission's treating the compliance filing as a filing under Section 205 of the Federal Power Act.

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<sup>12</sup> Credit Policy Order at P 35.

**II. Conclusion**

For the reasons discussed above, the CAISO respectfully asks that the Commission grant the requested 30-day extension of time for the submittal of the compliance filing in this proceeding.

Respectfully submitted,

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Dated: May 31, 2006



## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-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 31<sup>st</sup> day of May, 2006.

/s/ Sidney M. Davies  
Sidney M. Davies