

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

California Independent System Operator Corporation)	Docket Nos. ER02-1656-009,
)	ER02-1656-010,
)	and ER02-1656-011

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION FOR EXTENSION OF TIME
TO MAKE COMPLIANCE FILING**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.212, the California Independent System Operator Corporation (“ISO”)¹ respectfully requests an extension in the time concerning the resource adequacy compliance filing that the Commission directed the ISO to make in the Commission’s October 28, 2003 Order in the captioned proceeding.²

I. BACKGROUND

In an order issued on October 28, 2003, the Commission directed the ISO to submit a filing outlining any necessary changes to its Revised Comprehensive Market Design (“MD02”) Proposal in response to the final rule issued by the California Public Utilities Commission (“CPUC”) in the CPUC Procurement Proceeding within 60 days of the issuance of such final ruling. October 28 order at P 216. On January 22, 2004, the CPUC issued an Interim Order (“January 22 Decision”) in which it adopted a resource

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A, as filed August 15, 1997, and subsequently revised.

² *California Independent System Operator Corp., et al.*, 105 FERC ¶ 61,140 (2002) (“October 28 Order”).

adequacy framework for the three investor owned utilities in California. The Interim Order adopted, *inter alia*, a reserve requirement for the utilities of 15-17 percent and directed the utilities to meet this reserve requirement by no later than January 1, 2008 through a gradual phase-in. The Interim Order also established a requirement that utilities forward contract 90 percent of their summer (*i.e.*, May through September) peaking needs (plus planning reserves) a year in advance. The Interim Order did not rule on a large number of issues, but directed that such issues be addressed in the Workshop Process. The issues to be addressed and resolved via the Workshop process include, *inter alia*, load forecasting, resource counting, phase-in of the reserve requirement, the deliverability of resources, reporting requirements and penalties for non-compliance with the resource adequacy requirement.

On February 13, 2004, the Assigned Administrative Law Judge (“ALJ”) issued a “Ruling On The Scope And Schedule Of Resource Adequacy Workshops (“Workshops Ruling”). In the Workshops Ruling, the ALJ identified 11 issues to be addressed in the first workshop which will be held on March 16, 2004. The ALJ identified two additional issues to be addressed at the April 12-13 (and April 14, if necessary) workshop, plus any unresolved issues from the first workshop. The parties to the CPUC Procurement Proceeding filed Opening Comments on the Workshop issues on March 4, 2004 and Reply Comments on March 11, 2004. Following the workshops, a written status report and recommendation for the CPUC will be prepared by the workshop coordinator.

On February 25, 2004, CPUC President Michael Peevey sent a letter to the ISO Board of Governors in which he outlined the CPUC’s process on resource adequacy.³ In the letter, President Peevey indicated that the CPUC’s January 22 Decision

³ A copy of the February 25 letter is attached hereto in Appendix A.

constituted an “initial step in addressing Resource Adequacy” and acknowledged that further work was required. For example, President Peevey stated that additional work was needed on such critical issues as counting resources, deliverability criteria, reporting and penalties for non-compliance and that these issues would be addressed in the scheduled workshops. President Peevey recognized in the letter that the CPUC’s resource adequacy framework must be integrated with the ISO’s market design. Finally, President Peevey stated that the CPUC is scheduled to issue a decision this summer addressing “Resource Adequacy issues.”

II. REQUEST FOR EXTENSION OF TIME

The ISO hereby requests an extension of time to make the resource adequacy-related filing as directed in the October 28 Order. Specifically, the ISO requests that it be permitted to make this filing within 60 days after the CPUC issues its order on the issues being addressed in the Workshops. As indicated in the February 25 letter from President Peevey, that order should be issued sometime during summer 2004.

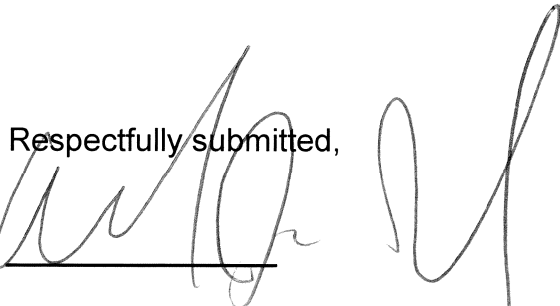
The ISO submits that it would be premature to make a filing integrating resource adequacy standards into the proposed MD02 market design until the CPUC issues a final decision that addresses all of the issues being addressed in the Workshops. Many of these issues are critical both to the functioning of an effective resource adequacy framework and to the ISO’s proposed market design. If the ISO were to make a compliance filing prior to the issuance of a final CPUC decision, the ISO would be forced to “resolve” issues that the CPUC has not yet finally addressed. That would be inefficient and result in duplicative work effort. Further, such action might be viewed as being inconsistent with the both the ISO’s and the Commission’s previous statements

declaring that states should be the entities responsible for resource adequacy in the first instance. See *White Paper on Wholesale Power Market Platform*, Docket No. RM01-12, p. 5, issued April 28, 2003; ISO's Motion For Deferral of Commission Action on ACAP, Docket No. ER02-1656, filed January 16, 2003.

The ISO intends to work closely with the CPUC and the parties in the Procurement Proceeding to resolve the outstanding issues and promote adoption of an effective and comprehensive resource adequacy framework that complements the ISO's MD02 market design proposal. The ISO will keep the Commission informed of developments in the Procurement Proceeding (and any other State activities regarding resource adequacy) in the ISO's monthly MD02 Status Reports.

III. CONCLUSION

For the aforementioned reasons, the ISO requests that the Commission grant the ISO an extension of time, as discussed above, to make the filing required to comply with the October 28 Order.

Respectfully submitted,


Anthony J. Ivancovich
Senior Regulatory Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
(916) 608-7135

Dated: March 22, 2004

ATTACHMENT A

FEB-25-04 WED 05:20 PM COMMISSIONER PEEVEY

FAX NO. 4157035091

P. 02/03



PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA
508 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

MICHAEL R. PEEVEY
PRESIDENT

TEL: (415) 703-3703
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February 25, 2004

Via Facsimile and U.S. Mail

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711 Van Ness Avenue, Suite 350
San Francisco, CA 94102

Re: ISO Board Memo on Resource Adequacy Policy Issues

Dear Board Members:

In response to the February 20, 2004 memorandum to the ISO Board entitled "Resource Adequacy--Policy Issues and Potential Options," I would like to take this opportunity to outline where I believe the CPUC is headed on Resource Adequacy.

FERC's October 28, 2003, Order regarding the ISO's market redesign (also referred to as the MD02 proposal) deferred a FERC decision on key market design issues, such as market power mitigation safeguards, pending a decision by the CPUC on Resource Adequacy. FERC's decision stated that Resource Adequacy and mitigation should not be dealt with in isolation, but rather that Resource Adequacy should work together with other elements of the regional market design such as market power mitigation, demand response programs, and scarcity pricing measures.

On January 22, 2004, the CPUC issued its Procurement Decision adopting a framework for Resource Adequacy and announcing workshops to begin implementing it. I consider the January decision as an initial step in addressing Resource Adequacy, recognizing that further work is still required. I am writing to highlight where the CPUC has acted and what work we still have to do to ensure that Resource Adequacy works together with the CAISO's market design, provides a foundation for new and existing investment, and that California has sufficient resources to meet demand. In deciding key market design issues in the coming months, the ISO and FERC should recognize that our January decision is an initial step in our Resource Adequacy efforts.

FEB-25-04 WED 05:21 PM COMMISSIONER PEEVEY

FAX NO. 4157035091

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Board Members

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The CPUC has made several fundamental advances in resource adequacy:

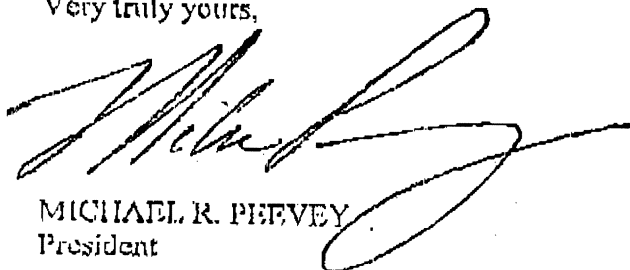
1. The CPUC's Procurement Decision enacts a rule clearly providing that LSEs have the responsibility to ensure that supply is adequate to meet load. The LSEs are directed to meet a phased-in 15-17% planning reserve requirement by January 1, 2008. The CPUC will establish interim benchmarks that will be in place starting in 2005.
2. The CPUC has authorized IOUs to enter into contracts with terms up to five years with delivery starting by 2004. We understand the importance of mid and long-term forward contracts both as a tool for LSEs to hedge costs, and as a mechanism to ensure that necessary generation resources are available when we need them.

In recognition that further work is needed on such critical issues as counting resources, deliverability criteria, reporting, and penalties for non-compliance, the CPUC has scheduled workshops in March and April. The initial workshop, set for March 16th, will address such issues as demand forecasting and what resources and contracts "count" toward the reserve requirement. I understand that the ISO must know what resources the LSEs have lined up to meet their loads, and what it should do if the LSEs' resources are inadequate (i.e. procure or curtail). We must also provide clarity with regard to integrating the Resource Adequacy provision with the CAISO's market, by addressing issues such as reporting and penalties. These issues, as well as deliverability requirements for reserve resources, will be addressed in the April workshops.

The CPUC is currently scheduled to issue a subsequent decision addressing Resource Adequacy issues in summer 2004. I anticipate that our summer 2004 decision will provide additional clarity on issues such as what resources and contracts count as a planning reserve, recognizing that some imports, demand response, and energy efficiency are challenging to incorporate into a resource adequacy framework. I anticipate that we will further address forward contracting issues, including longer term contracting, in our decision on the IOUs' long-term plans by late this year or early 2005.

I look forward to working with you and your staff on these issues going forward.

Very truly yours,



MICHAEL R. PEEVEY
President

cc: Terry Winter, ISO CEO
CPUC Commissioners
FERC Commissioners



March 22, 2004

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

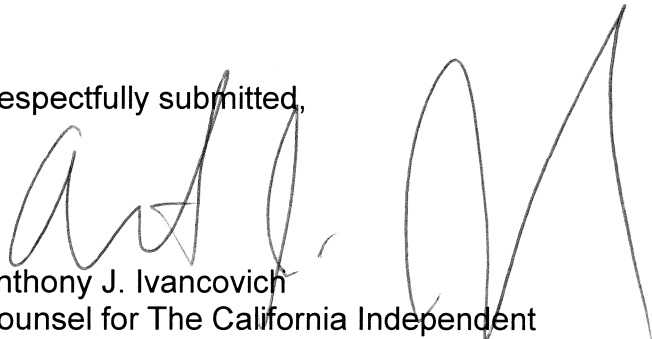
**Re: Docket No. ER02-1656-009, 010, 011
California Independent System Operator Corporation**

Dear Secretary Salas:

Enclosed for electronic filing please find a Motion of The California Independent System Operator Corporation for Extension of Time to Make Compliance Filing in the above captioned docket.

Thank you for your assistance in this matter.

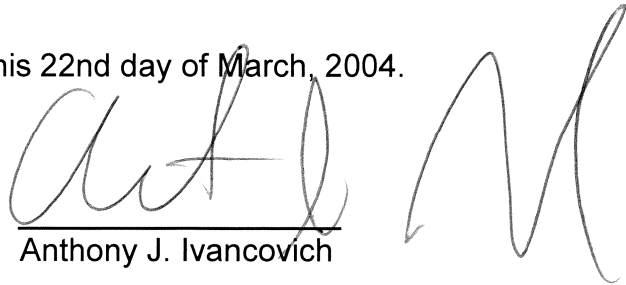
Respectfully submitted,


Anthony J. Ivancovich
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 dockets.

Dated at Folsom, California on this 22nd day of March, 2004.


Anthony J. Ivancovich