

June 20, 2005

**Via Electronic Filing**

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

**Re: Williams Power Company, Inc. v. California Independent  
System Operator Corporation, Docket No. EL05-57-001**

Dear Secretary Salas:

Enclosed please find a Motion for Extension of Time, submitted in the captioned docket by the California Independent System Operator Corporation.

Feel free to contact the undersigned with any questions. Thank you for your attention to this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas  
J. Phillip Jordan  
Bradley R. Miliauskas

Counsel for the California  
Independent System Operator  
Corporation

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

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

**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")<sup>1</sup> respectfully submits this motion for an extension of time concerning 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 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.

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<sup>1</sup> 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 prior 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.<sup>2</sup>

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

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<sup>2</sup> 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.

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 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 extends 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. The ISO also requested that the Commission grant an extension of time of 60 days after the issuance of an order on those issues, to provide any refunds and any refund report that the ISO might be required to make as a result of the Commission’s clarification. Moreover, the ISO

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requested an extension of time of 60 days 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.

## 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). Good cause exists here for the Commission to grant the request for extension of time explained below.

The ISO requests that the Commission grant an extension of time until calendar day 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"), after which period an automated system process can be implemented prospectively starting on trade date August 1, 2005.<sup>3</sup> October 1, 2004 was the date on which the ISO implemented changes to

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<sup>3</sup> This is the only item for which the ISO requests an extension of time. As the ISO will explain in the refund report it will timely submit to comply with the June 2 Order, for the period prior to October 1, 2004, the ISO has already provided some of the refunds it is required to make, will provide the balance of the required refunds it has not yet made, and will provide interest on all of the refund amounts. In addition, the refund report will provide an estimate of refund amounts and interest for the period from October 1, 2004 through April 26, 2005 (to be supplemented

ISO Tariff provisions concerning MLCC allocation, as part of Amendment No. 60 to the Tariff ("Amendment No. 60"). The ISO has determined that, due to the complexity of the revised method of allocating MLCC that was implemented as part of Amendment 60, the allocation of refund payments will be most efficiently and accurately calculated through the use of an automated system process (as opposed to a manual calculation of the refund payments).<sup>4</sup> Moreover, the ISO must modify its settlements system prospectively to comply with the directives in the June 2 Order that denied the requests for clarification stated in the April 4 Motion.<sup>5</sup> The ISO requires approximately 14 weeks to design, develop, test, and implement the necessary modifications to its settlements system.<sup>6</sup> Further, Section 5.11.6.1.4 of the ISO Tariff requires that MLCC allocation be based on a monthly allocation methodology, and therefore requires that a modified settlement of MLCC be implemented on a calendar date that corresponds to the first trade day of the corresponding trade month.

In light of these timing issues, the ISO has explored the possibility of using a manual calculation process in an effort to expedite MLCC payment and

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based on settlement of subsequent months). The estimate of refund amounts has been performed through a manual calculation and should be close to the ISO's calculation, through an automated system process as described below, of the amounts to be refunded.

<sup>4</sup> 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).

<sup>5</sup> For the period prior to October 1, 2004, the ISO will manually calculate refund payments that comply with the directives in the June 2 Order that denied the requests for clarification.

<sup>6</sup> This 14-week period includes time that may be lost due to ISO resource constraints and other high-priority work besides the modification of the settlements system due to the June 2 Order.

allocation for the retroactive adjustment period. However, conducting a manual calculation would first require that a manual workaround process be designed, developed, tested, and implemented with documented business process controls in order to meet SAS-70 Type II auditing requirements. This would require additional resources apart from those resources necessary to modify the *automated settlements system* on a prospective basis, and would not likely achieve a significantly earlier completion date for the retroactive adjustment period.

For these reasons, the ISO believes that the best approach is to perform the retroactive adjustment period calculations through an automated system process. The resulting payments, charges, and applicable interest will be posted in the August 2005 trade month invoices, which will be the next set of invoices issued after the allocation calculations are completed. Furthermore, the August 2005 trade month invoices will be issued on calendar day October 25, 2005, and financially settled on November 1, 2005. Consistent with this timeline for the retroactive adjustment period, the ISO proposes to implement the automated system process on a prospective basis effective for trade date August 1, 2005. Market Participants will not be financially disadvantaged by the November 1, 2005 refund date, since they will receive interest on all retroactive adjustment period amounts up until November 1, 2005.<sup>7</sup> Thus, granting the requested extension of time is appropriate.

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<sup>7</sup> 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 to be provided for the period prior to October 1, 2004.

### III. CONCLUSION

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

Respectfully submitted,

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Dated: June 20, 2005

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, on this 20<sup>th</sup> day of June, 2005.

/s/ Stacie L. Ford  
Stacie L. Ford