

May 19, 2005

**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 No. ER03-683-\_\_\_\_\_**

Dear Secretary Salas:

Enclosed please find a Motion for Deferral of Effective Date, 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/ Kenneth G. Jaffe  
Kenneth G. Jaffe  
Bradley R. Miliauskas

Counsel for the California  
Independent System Operator  
Corporation

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System        )  
Operator Corporation                    )     Docket No. ER03-683-\_\_\_\_

**MOTION FOR DEFERRAL OF EFFECTIVE DATE**

On May 9, 2005, the Federal Energy Regulatory Commission ("Commission") issued its "Notice of Deferral of Effective Date" in the captioned proceeding ("May 9 Notice"). Pursuant to Rules 212 and 2008 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.2008, the California Independent System Operator Corporation ("ISO") moves for a deferral of the effective date stated in the May 9 Notice for implementation of a Commission-approved daily gas index in calculating *decremental reference levels*. The ISO respectfully requests that the Commission permit the daily gas index to become effective one day after the ISO provides notice to the market that the daily gas index is ready to be implemented.

**I. Request for Deferral of Effective Date for Implementation of the Daily Gas Index**

On February 14, 2005, the ISO submitted a compliance filing ("Compliance Filing") in this proceeding that, *inter alia*, proposed a means of incorporating the use of a Commission-approved daily gas index into the *calculation of decremental reference levels*. *Transmittal Letter for Compliance Filing* at 3-5. The ISO explained that it would be necessary for the ISO and

Potomac Economics (“Potomac”), the independent entity responsible for determining reference prices, to make changes to their software in order to implement the use of the proposed daily gas index. *Id.* at 4. The ISO stated that after the software changes were made, the ISO would implement the use of the daily gas index. *Id.* at 5. Therefore, the ISO proposed to make the use of the daily gas index effective one day after providing notice to the market. *Id.* The ISO stated that it “*anticipate[d]* that it will provide the required notice to the market by April 29, 2005.” *Id.* (emphasis added). However, the ISO could not be certain that the requisite software changes would be made by April 29 and that the ISO would be providing notice to the market on that date. For this reason, consistent with the transmittal letter, the compliance ISO Tariff sheets containing the daily gas index did not contain a specific effective date, but instead stated that those sheets would be effective “one day after notice to Market Participants.” See Compliance Filing at Attachment A, First Revised Sheet Nos. 204B and 204C.

On April 18, 2005, the Commission issued an order in the captioned proceeding in which it accepted the daily gas index proposed in the Compliance Filing. *California Independent System Operator Corporation*, 111 FERC ¶ 61,074, at P 31 (“April 18 Order”). The Commission also acknowledged “the implementation issues related to the software problems” in establishing the effective date for the Compliance Filing. *Id.* In doing so, however, the Commission inaccurately described the ISO’s requested effective date. The Commission stated that, in light of these implementation issues, “we grant the

CAISO's request for an April 30, 2005 effective date for this tariff revision." *Id.* As explained above, the ISO did not request that the daily gas index be made effective on April 30, 2004, or any on other specific date. Rather, the ISO requested that the Compliance Filing be made effective one day after notice to the market, which would be issued after the software revisions was complete. Therefore, although the Commission stated that it was granting the ISO's requested effective date, the effective date actually stated in the April 18 Order is not the effective date the ISO requested.

If the software revisions were completed in accordance with the ISO's expectation at the time it made the Compliance Filing, this inadvertent misunderstanding would have had no consequence. However, subsequent to the issuance of the April 18 Order, Potomac informed the ISO that the software changes that are needed to implement the use of the daily gas index are more significant than initially assumed, and that Potomac anticipated such changes would be completed and tested by May 21, 2005. On April 29, 2005, the ISO submitted a motion ("April 29 Motion") requesting that the Commission defer the April 30, 2005 effective date stated in the April 18 Order, and permit the daily gas index to become effective one day after the ISO provided notice to the market that the daily gas index was ready to be implemented, as the ISO had requested in the Compliance Filing. The ISO stated that Potomac had informed the ISO that it anticipated that the software changes needed to implement the daily gas index would be completed by May 21.

As was the case with the Compliance Filing, in the April 29 Motion the ISO *did not* request that the daily gas index be made effective on any specific date, but rather that it be made effective one day after notice to the market. In the May 9 Notice, the Commission correctly noted that the April 29 Motion had requested an effective date of one day after notice to the market, but then went on to direct that the effective date was “deferred to May 21, 2005, as requested by the CAISO.” (Emphasis added.) The Commission again stated its intention to grant the ISO’s requested effective date but inaccurately described that date.

Unfortunately, Potomac has encountered delays in the preparation and testing of the necessary software revisions, so it is necessary for the ISO to request that Commission defer the effective date stated in the May 9 Notice and instead permit the daily gas index be made effective one day after notice to Market Participants. The ISO stresses that it is not proposing a specific effective date for the tariff sheets reflecting the daily gas index, but a flexible effective date, based on the ISO’s notice to Market Participants that the index is ready to be implemented. Good cause exists for granting the flexible effective date requested because the daily gas index cannot be implemented until the necessary software changes and testing have been completed. Potomac now estimates the software changes and testing will be completed by mid-July 2005. In addition, granting the flexible effective date is consistent with the Commission’s statements in the April 18 Order and the May 9 Notice that it recognized the software implementation issues and it was granting the ISO’s requested effective date (which, as noted above, was the same flexible effective

date requested in this motion). The ISO notes that on a number of occasions the Commission has approved changes to the ISO Tariff to become effective following notice to the market, rather than on a specific date.<sup>1</sup>

## II. Conclusion

For the reasons discussed above, the ISO respectfully asks that the Commission grant the requested deferral of the effective date stated in the May 9 Notice for implementation of a Commission-approved daily gas index in calculating decremental reference levels, to one day after the day the ISO issues a notice to Market Participants that the index is ready to be implemented.

Respectfully submitted,

Charles F. Robinson  
General Counsel  
Anthony J. Ivancovich  
Associate General Counsel  
The California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, California 95630  
Tel: (916) 351-4400  
Fax: (916) 351-4436

/s/ Kenneth G. Jaffe  
Kenneth G. Jaffe  
Bradley R. Miliauskas  
Swidler Berlin LLP  
3000 K Street, N.W., Suite 300  
Washington, D.C. 20007  
Tel: (202) 424-7500  
Fax: (202) 424-7643

Dated: May 19, 2005

---

<sup>1</sup> See, e.g., *California Independent System Operator Corporation*, 108 FERC ¶ 61,022, at ordering paragraph (A) (2004) (order accepting in relevant part Amendment No. 60 to the ISO Tariff, to become effective ten days after ISO notice); *California Independent System Operator Corporation*, 108 FERC ¶ 61,141, at ordering paragraph (B) (2004) (order accepting in relevant part Amendment No. 58 to the ISO Tariff, to become effective ten days after ISO notice that the software needed to implement the tariff changes were ready for implementation).

## 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 19<sup>th</sup> day of May, 2005.

/s/ Anthony Ivancovich  
Anthony Ivancovich