

therefore directed the CAISO to develop and file, no later than 180 days prior to the initial implementation of MRTU, interim measures to address the potential economic incentive for LSEs to underschedule in the Day-Ahead Market until the successful implementation of convergence bidding.

The CAISO has conducted a robust stakeholder process aimed at developing the most appropriate measures to address potential incentives for LSEs to underschedule in the Day-Ahead Market under MRTU. On April 27, 2007 the CAISO posted on its website an Issue Paper, "Proposal for Implementing a Day Ahead Scheduling Requirement under MRTU," which included four proposed options for complying with the Commission's directive concerning underscheduling. Stakeholders submitted written comments on these four options on May 7, 2007 and the CAISO held a stakeholder conference call to discuss the options on May 9, 2007. After considering stakeholder input and further analyzing the potential benefits and implementation feasibility of the four options, the CAISO narrowed its proposal to two options, which it discussed in a white paper posted on May 23, 2007. The CAISO held a second stakeholder conference call to discuss this paper and implementation details on May 29, 2007, and held an in-person stakeholder meeting on June 6, 2007. The CAISO presented a "final" straw proposal in a paper posted on June 15, 2007. On July 3, the CAISO posted draft tariff language on underscheduling for stakeholder comment. On July 10, the CAISO posted revised tariff language. Comments were received from stakeholders on the draft tariff language on July 12.

The CAISO had originally planned to conclude this process and present a final underscheduling proposal to its Board of Governors by mid-July. However, based on

stakeholder feedback, the CAISO earlier this month determined that this issue would benefit from additional consideration and stakeholder input. The CAISO believes that this additional process will result in a better developed final proposal and will limit stakeholder concerns with the final proposal. In order to allow for sufficient time to conduct this additional stakeholder process, the CAISO plans to submit its final proposal for addressing underscheduling to its Board of Governors at its September 6-7, 2007 meeting. Therefore, the CAISO respectfully requests that the Commission grant the CAISO an extension of time until September 28, 2007 in order to file tariff language in compliance with Paragraph 452 of the September 21 Order. This schedule will still allow sufficient time for the Commission and parties to analyze the CAISO's final proposal prior to MRTU implementation, particularly given the thoroughness of the CAISO's stakeholder process.

B. Constraint Violation Penalty - Paragraphs 162-164 of the June 25 Order

The Commission, in Paragraphs 162-164 of the June 25 Order, directed the CAISO, in the August 3 compliance filing, to provide further details about the impact of proposed transmission constraint violation penalty levels in the Integrated Forward Market ("IFM"). In addition, the Commission directed the CAISO to submit revised tariff language clearly indicating that the penalty is not a financial penalty in the traditional sense and to clarify what constitutes an economic bid for purposes of determining when the CAISO would relax transmission constraints. Furthermore, the Commission required the CAISO to articulate in its transmittal letter accompanying the August 3 compliance filing: (1) what the revised provision does; (2) how the provision works in practice; (3) the practical and financial effect of the provision on the Market Participants;

and (4) detailed answers to the questions raised by commenters concerning the penalty. Finally, the Commission also accepted the CAISO's commitment to conduct market simulations in order to evaluate the performance of the proposed penalty, and directed the CAISO to propose modifications if necessary.²

The CAISO plans to conduct the market simulations referenced in Paragraphs 158 and 164 of the June 25 Order as part of a grouping of items identified as "FERC changes" on Attachment A to the CAISO's monthly FERC update filed in this docket on July 2, 2007. This is the last grouping of items for testing. The CAISO believes that these simulations will provide critical information concerning the best methodology for implementing the constraint violation penalty and, accordingly, believes that the most efficient way to proceed is to wait to file additional tariff language and explanations concerning the constraint violation penalty until such time as the CAISO has completed and evaluated the results of the market simulations. This will also avoid any confusion that might result if the CAISO files updated tariff language on August 3 and then amends that language shortly thereafter based on the results of the market simulations. As provided in the schedule included in the monthly MRTU update filing, the CAISO anticipates that these simulations will be completed in October 2007.³ Therefore, the CAISO respectfully requests that the Commission grant the CAISO an extension of time until no later than October 31, 2007 to comply with Paragraphs 162-164 of the June 25 Order.

² See June 25 Order at PP 158, 164.

³ This schedule will be refined in subsequent MRTU status reports. To the extent that any schedule changes result in the need for additional time to comply with this issue, the CAISO will inform the Commission and request a further extension.

C. Load-Following RMR Units – Paragraph 175 of the June 25 Order

In the September 21 Order, the Commission required the CAISO to modify the MRTU Tariff to prevent a Load-following Metered Subsystem (“MSS”) from designating a Reliability Must-Run (“RMR”) unit as a Load-Following resource.⁴ In its November 2006 compliance filing, the CAISO did not make this change, explaining that after further stakeholder discussion, it found that it might be possible to allow the designation of RMR units as Load-Following without jeopardizing the CAISO’s ability to dispatch such units for local reliability. In Paragraph 175 of the June 25 Order, the Commission accepted the CAISO’s rationale for noncompliance and directed the CAISO, upon completion of a stakeholder process, to submit revised tariff sheets reflecting the ability to allow MSS resources to designate RMR units as Load-Following.

Currently, the CAISO is still in discussions with Northern California Power Agency (“NCPA”), the only Load-following MSS and the only MSS with an RMR Contract, concerning the most appropriate way to mesh the Load-following requirements and the RMR requirements. The CAISO expects, however, that these discussions can be concluded and implementing tariff language prepared in the very near future. Therefore, the CAISO respectfully requests that the Commission grant it an extension until no later than September 28, 2007 in order to comply with Paragraph 175 of the June 25 Order.

D. Backstop Resource Adequacy Procurement – Paragraph 380 of the June 25 Order

In Paragraph 380 of the June 25 Order, the Commission accepted the CAISO’s commitment to work with stakeholders to explore potential opportunities to cure a

⁴ September 21 Order at P 671.

collective shortfall in local capacity area resource requirements and to file any proposed modifications to the MRTU Tariff in conjunction with the August 3, 2007 compliance filing. However, as the Commission recognized in the June 25 Order, resolution of the issue of curing a collective Resource Adequacy deficiency requires the involvement of the CAISO, LSEs, and the California Public Utilities Commission (“CPUC”) and other Local Regulatory Authorities in addressing complex questions concerning the allocation of procurement and cost responsibilities.⁵ The CAISO has concluded that these determinations are best made, indeed can only be made, in the context of the CAISO’s development of its Interim Capacity Procurement Mechanism (“ICPM”), which it plans to file in late October 2007. The CAISO therefore respectfully requests that the Commission grant it an extension of time until no later than October 31, 2007 to comply with Paragraph 380 of the June 25 Order. This is appropriate because an extension will allow for additional stakeholder input and presentation before the CAISO Board of Governors concerning the ICPM proposal, including any provisions relating to curing collective deficiencies. Moreover, no party will be prejudiced by granting this extension. In fact, considering all of these issues as part of the same filing will result in a more efficient and orderly process.

E. Demand Response Reporting Requirement – Paragraph 219 of the June 25 Order

In Paragraph 219 of the June 25 Order, the Commission noted that it agreed that integrating demand resources into the MRTU market design is an important objective, and directed the CAISO to file a status report within 60 days of the date of the June 25 Order (*i.e.* by August 24) detailing the progress made towards these efforts, including a

⁵ June 25 Order at P 380.

future action plan for increased demand response participation in MRTU and documenting the results of at least one additional CAISO-sponsored stakeholder forum. The CAISO respectfully requests that the Commission grant the CAISO an extension of time in order to file this report in conjunction with its comments on the Advanced Notice of Proposed Rulemaking (“ANOPR”) issued by the Commission on June 22, 2007 in Docket Nos. RM07-19-000, *et al.*, which are due on September 14, 2007. Demand response was one of the major issues addressed in the ANOPR. Specifically, the Commission requested comments on several proposals to ensure that demand response can participate directly and would be treated on a comparable basis to supply resources in the organized electric energy and ancillary services markets. The Commission also invited commenters to propose other mechanisms for the organized markets to adopt that would ensure that demand resources and supply resources are treated on a comparable basis. The Commission recently extended the comment date on the ANOPR until September 14, 2007.

There is significant overlap between the demand response issues raised in the ANOPR and the issues that the Commission required the CAISO to address in Paragraph 219 of the June 25 Order concerning demand response under MRTU. The CAISO wishes to address these issues in a comprehensive and coordinated manner. In this regard, the CAISO proposes, in both the report and the CAISO comments on the ANOPR to discuss the interrelation of activities that the CAISO has been undertaking in response to the Commission’s directives expressed in Paragraph 219 of the June 25 Order. Therefore, the CAISO respectfully requests that the Commission grant it an

extension until September 14, 2007 to file the report required by Paragraph 219 of the June 25 Order, at the same time that the CAISO files its comments to the ANOPR.

F. SMUD's Capacity Issue – Paragraph 59 of the June 25 Order

In Paragraph 59 of the June 25 Order, the Commission found that SMUD's concern regarding capacity sold on a firm basis to a hub and then resold to a third party external to the CAISO grid raises the issue of visibility within the CAISO's software system. The Commission directed the CAISO to work with SMUD to ensure that SMUD's concern is resolved and submit a report in conjunction with the August 3 compliance filing. The CAISO has had discussions with SMUD concerning this issue, and believes that it has crafted a solution that resolves SMUD's concern. However, the CAISO still needs to confirm with SMUD that its proposal does, in fact, satisfy SMUD's concern. Therefore, the CAISO respectfully requests that the Commission grant it an extension of time until September 28, 2007 to submit a report concerning this issue.

II. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Commission grant this motion for extension of time.

Respectfully submitted,

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Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 3rd day of August, 2007 at Folsom in the State of California.

/s/ Sidney M. Davies

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