

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

California Independent System Operator Corporation)	Docket Nos. ER02-1656-001, <i>et al.</i>
)	
Investigation of Wholesale Rates of Public Utility Sellers of Energy and Ancillary Services in the Western Electricity Coordinating Council)	Docket No. EL01-68-019
)	

**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 requests an extension in the time permitted to make its filings in compliance with the Commission’s October 11, 2002 order in this proceeding.²

I. Background

MD02 Dockets

In an order issued on December 19, 2001, the Commission directed the ISO “to file by May 1, 2002 its revised congestion management proposal and a plan for

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.*, 101 FERC ¶ 61,061 (2002) (“October 11 Order”).

implementation of a day-ahead market.”³ On May 1, 2002, the ISO filed the first part of its comprehensive Market Design 2002 proposal, or “MD02” proposal, with the intention of following the direction of the December 19 Order and addressing known deficiencies in the ISO’s existing market design (“May 1 Filing). The May 1 Filing contained proposed tariff sheets to make the necessary changes to the ISO Tariff to implement Phase 1 of MD02. Subsequent to the May 1 Filing, the ISO made various corrections, additions, and amendments to the May 1 Filing on May 21, May 24, and June 28. Each of these subsequent filings contained tariff sheets in clean and/or blackline format.

The Commission issued an order on MD02 on July 17, 2002.⁴ In this order, the Commission accepted, rejected, and modified various elements of the May 1 Filing. The Commission ordered the ISO to make a compliance filing with regard to certain of its rulings within thirty days of the issuance of the order. 100 FERC at 61,260.

On August 16, 2002, the ISO made the required filing in compliance with the Commission’s July 17 Order. This filing contained both clean and blackline tariff sheets. On August 21, the ISO filed further tariff sheets related to the August 16 compliance filing.

Finally, on September 20, 2002, the ISO filed an “Update to the Comprehensive Market Design Proposal and Request for Expedited Consideration,” which was assigned to Docket No. ER02-2576-000. See 100 FERC at 61,232. The September 20 filing contained tariff sheets in both clean and blackline format.

³ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services into Markets Operated by the California Independent System Operator Corporation and the California Power Exchange, et al.*, 97 FERC ¶ 61,275 (2001) at 62,257.

⁴ *California Independent System Operator Corporation, et al.*, 100 FERC ¶ 61,060 (2002) (“July 17 Order”).

Docket No. EL00-95-058

The ISO made a filing in Docket No. EL00-95 on June 24, 2002 in compliance with the Commission's order of May 15, 2002 in that docket.⁵ The June 24 filing contained changes to the ISO Tariff relating to the "Must Offer" procedure, also implicated by MD02.

October 11 Order

In the October 11 Order, the Commission directed the ISO to make a significant number of Tariff modifications. For example, the Commission ordered the ISO to implement the non-integrated non-optimized Day-Ahead Market, *i.e.*, "Phase II Lite", by January 31, 2003.⁶ 101 FERC at ¶ 85. The Commission directed the ISO to implement modifications to the hour-ahead schedule. *Id.* Further, the Commission directed the ISO to re-file section 11.2.4.1.2 of its Tariff to include certain language regarding the penalty for uninstructed deviations from schedules. 101 FERC at ¶ 66. The Commission also directed the ISO to remove the ten percent creditworthiness adder to the market clearing price effective October 31, 2002. 101 FERC at ¶ 87. With respect to the AMP price mitigation program, the Commission found that: (1) AMP should not apply to imports, and imports must bid \$0/MWh and be price takers (2) the price screen should be eliminated for purposes of testing for the exercise of local market power. *Id.* at ¶ 20. The Commission also ruled that uninstructed deviations should not apply when deviations occur due to environmental constraints as a result of complying with an operating permit or applicable law. *Id.* at ¶ 65. Each of these directives require tariff

⁵ *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services into Markets Operated by the California Independent System Operator Corporation and the California Power Exchange, et al.*, 99 FERC ¶ 61,158 (2002).

changes on the part of the ISO, and entirely new, extensive tariff changes are required to institute “Phase II Lite.”

In addition, the Commission directed the ISO to re-file all of its tariff changes (in both clean and redline form) in Docket No. ER02-1656 since May 1, 2002, in light of corrections made in the interim and directives of the Commission in the July 17 and October 11 Orders. 101 FERC at ¶ 88. The Commission stated that the redline version must clearly show the differences that the ISO is proposing to its Tariff from the currently effective ISO Tariff.

II. Request for Extension of Time

As described above, the ISO has made numerous filings in this proceeding since May 1, 2002, several of which were attempts to comply with Commission Orders and the results of Commission-directed stakeholder meetings. These filings constitute literally hundreds of pages of tariff changes. In addition, the ISO has made several other filings since May 1 in proceedings in other dockets that implicate tariff changes proposed in this proceeding. These include, but are not limited to, a revision to the methodology for collection and disbursement of Transmission Access Charges (Amendment No 45) filed in Docket No. ER02-2192 and implementation of the concept of metered subsystems (Amendment No. 46) in Docket No. ER02-2321.

Given the scope of the revised tariff language that the ISO is not only required to submit, but also is required to draft from “scratch” by the October 11 Order, and the need to integrate those changes with the numerous Tariff changes in other pending dockets, it is impossible for the ISO to comply with Paragraph 88 of the October 11

⁶ Phase II Lite was a mere concept that arose out of stakeholder discussions.

Order in the time permitted. For example, Phase II Lite is merely a broad concept at this time. The ISO's MD02 Filing did not contain a Phase II Lite. To the contrary, the ISO's MD02 proposal contained an *integrated* Day-Ahead market and replaced the existing separate optimization of Congestion Management and Ancillary Services with a *simultaneous* optimization of Energy, Congestion Management, and Ancillary Services market. Although the ISO proposed relaxation of the market separation rule and elimination of the balanced schedule requirement as two components of a comprehensive, integrated forward market ("IFM"), the ISO did not propose – and did not contemplate – implementing these elements in a non-integrated, non-optimized market on a stand-alone basis. Thus, the ISO has not had adequate time to identify and analyze thoroughly all of the issues and potential problems associated with Phase II Lite, design the Phase II Lite market, and draft applicable Tariff language. The ISO simply does not have the resources to develop the revised tariff provisions and generate the necessary tariff sheets in so short a time. Moreover, the ISO must also continue to support other vital matters including the Commission-directed stakeholder process on the longer-term MD02 elements. Therefore, the ISO requests a limited extension of time to re-file its Tariff sheets as directed in the October 11 Order. Specifically, the ISO requests that it be given until October 29, 2002 to file Tariff sheets that will be effective as of October 31, 2002.

The ISO will file Tariff language for the MD02 elements that will take effect after October 31, 2002, at a later date.

III. Conclusion

For these reasons, the ISO requests that the Commission grant an extension of time, as discussed above, to make the filing(s) required to comply with the October 11 Order.

Respectfully submitted,

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Dated: October 22, 2002



October 22, 2002

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

**Re: California Independent System Operator Corporation
Docket No. ER02-1656-001**

**Investigation of Wholesale Rates of Public Utility Sellers and Ancillary
Services in the Western Systems Coordinating Council
Docket No. EL01-68-019**

Dear Secretary Salas:

Enclosed for electronic filing please find the Motion for Extension of Time to Make Compliance Filing of the California Independent System Operator Corporation in the above-referenced dockets.

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, CA, on this 22nd day of October, 2002.

Anthony Ivancovich