

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

San Diego Gas & Electric Company,
Complainant,

v.

Sellers of Energy and Ancillary Services
Into Markets Operated by the California
Independent System Operator and the
California Power Exchange,
Respondents.

Docket Nos. EL00-95-000
EL00-95-002
EL00-95-003

Investigation of Practices of the California
Independent System Operator and the
California Power Exchange

Docket Nos. EL00-98-000
EL00-98-002
EL00-98-003

Public Meeting in San Diego, California

Docket No. EL00-107-000

Reliant Energy Power Generation, Inc.,
Dynegy Power Marketing, Inc.,
and Southern Energy California, L.L.C.,
Complainants,

v.

California Independent System Operator
Corporation,
Respondent.

Docket No. EL00-97-000

California Electricity Oversight Board,
Complainant,

v.

All Sellers of Energy and Ancillary Services
Into the Energy and Ancillary Services Markets
Operated by the California Independent System
Operator and the California Power Exchange,
Respondents.

Docket No. EL00-104-000

California Municipal Utilities Association,
Complainant,

v.

All Jurisdictional Sellers of Energy and Ancillary
Services Into Markets Operated by the California
Independent System Operator and the
California Power Exchange,
Respondents.

Docket No. EL01-1-000

Californians for Renewable Energy, Inc. (CARE),
Complainant,

v.

Docket No. EL01-2-000

Independent Energy Producers, Inc., and all
Sellers of Energy and Ancillary Services Into
Markets Operated by the California Independent
System Operator and the California Power
Exchange; All Scheduling Coordinators Acting
on Behalf of the Above Sellers; California
Independent System Operator Corporation; and
California Power Exchange Corporation,
Respondents.

Puget Sound Energy, Inc.,
Complainant,

v.

Docket No. EL01-10-000

All Jurisdictional Sellers of Energy and/or Capacity
at Wholesale Into Electric Energy and/or Capacity
Markets in the Pacific Northwest, Including
Parties to the Western Systems Power Pool
Agreement,

Respondents.

**STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION
AND REQUEST FOR ADDITIONAL TIME TO SUBMIT
CONGESTION MANAGEMENT REDESIGN PROPOSAL**

On January 30, 2001, the California Independent System Operator Corporation ("ISO") filed in the above-captioned proceeding a motion requesting that the Commission defer the requirement that the ISO file, by January 31, 2001, a redesign of its congestion management system and require that, in the alternative, the ISO file, by March 31, 2001, a status report including, to the extent practicable, a schedule for a definitive submission. The ISO now submits the following status report in accordance with the commitment made in its January 30, 2001 motion.

As the Commission is aware,¹ the ISO is currently developing a plan – to be in place for summer 2001 and perhaps through summer 2002 – of near-term modifications to and expansion of its operational practices and market rules. This plan (the “Market Stabilization Plan”) is designed to stabilize operations of the ISO Controlled Grid and mitigate the exercise of market power in the California wholesale electric markets. The major elements of the Market Stabilization Plan were approved in concept by the ISO Governing Board on March 15, 2001. ISO staff is currently developing the details of the Plan, with input from stakeholders, for presentation to the ISO Governing Board in the next week. The ISO anticipates filing the Market Stabilization Plan with the Commission early next month.

One of the elements of the Market Stabilization Plan, as currently contemplated, would require near-term modifications to the ISO’s methodology for managing congestion. Under the Plan, the ISO would operate new forward day-ahead and hour-ahead markets for energy to cover the portion of the ISO’s load forecast that is not covered by forward bilateral contract schedules. Such markets are being considered in order to fill the vacuum left by the demise of the PX day-ahead and hour-ahead energy markets. The lack of such forward markets has put even more pressure on the ISO’s real-time energy market in recent weeks, resulting in increased costs and introducing added complexity to the maintenance of reliability. Under the Plan, the ISO would utilize standing

¹ See the ISO’s Comments on Staff’s Recommendation on Prospective Market Monitoring and Mitigation for the California Wholesale Electric Power Market, filed in this proceeding on March 22, 2001.

cost-based bids as well as submitted bids in the proposed forward markets to manage congestion in a manner consistent with the ISO's existing zonal structure, as well as to procure energy and capacity to meet system imbalance requirements and to provide required reserves.

In addition to these near-term reforms, the ISO continues to recognize the need for longer-term modifications to the ISO's congestion management system. The longer-term congestion management redesign proposal, however, must take into account the profound changes to the California wholesale electric markets since the end of 2000 as well as various efforts and initiatives being undertaken by the State to resolve the current crisis that confronts California and its electric consumers . Both the State's and the ISO's efforts, however, are currently focussed on the substantial near-term challenges facing the California wholesale electric markets during the upcoming summer peak season. Due to this fact, and the many variables associated with the longer-term redesign effort, it is impossible to provide a more specific schedule for the submission of a definitive congestion management redesign proposal at this time.

CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the filing date for the submission of a congestion management reform proposal continue to be deferred subject to the submission, by no later than July 31, 2001, of a status report detailing further developments related to congestion management reform and, to the extent practicable, a schedule for submission of a congestion management reform proposal.

Respectfully submitted,

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Dated: March 30, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding and in Docket No. ER00-555, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 30th day of March, 2001.

Sean A. Atkins