

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator
Corporation

Docket No. ER07-613-000

ORDER GRANTING EXTENSION OF TIME

(Issued June 7, 2007)

1. In this order, we grant an extension of time until June 22, 2007, for the California Independent System Operator Corporation (CAISO) to submit the Business Practice Manual for Credit Management under its Market Redesign and Technology Upgrade (MRTU).

Background

2. Prior to commencing operation of MRTU, the CAISO will allocate and auction financial transmission rights called Congestion Revenue Rights (CRRs) to market participants.¹ The process of allocating and auctioning these CRRs is governed by tariff language, with additional information on the procedures to be detailed in Business Practice Manuals (BPMs).

3. In the May 8 Order,² the Commission directed the CAISO to “finalize any BPMs necessary for the first annual CRR allocation within 30 days of the date of this order and to submit those BPMs to the Commission on an informational basis.”³ Specifically, the May 8 Order directed the CAISO to submit the BPM for Candidate CRR Holder Registration, the BPM for CRRs, and the BPM addressing the CAISO’s credit policy.

¹ For a more complete discussion of CRRs, see *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 704 (2006), *order on reh’g*, 119 FERC ¶ 61,076, at P 348 (2007).

² See *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,124 (2007) (May 8 Order).

³ *Id.* at P 70.

CAISO's Motion for Extension of Time

4. On May 21, 2007, the CAISO filed a motion for extension of time, requesting that it be permitted to file the BPM for Credit Management and tariff language addressing CRR credit requirements no later than June 22, 2007. The CAISO asserts that this BPM is not relevant to the first CRR allocation because there will be no credit requirements associated with the initial allocation. It further states that the credit requirements associated with holding CRRs cannot be determined until after the first auction, which will not be held until October 2007. Finally, the CAISO notes that this timeline will ensure that the BPM and tariff language relating to credit requirements for CRRs are fully consistent.

Responsive Pleadings

5. The Northern California Power Agency (NCPA) protested the CAISO's motion for extension of time. NCPA expresses concern that the CAISO expects load-serving entities (LSEs) to participate in the CRR annual allocation process before there is a final Commission ruling on the credit terms under which those LSEs must operate, if they receive the CRRs they request. NCPA challenges the CAISO's contention that, because there are no credit obligations for being allocated CRRs, only for holding them, there is no need to know the credit policies before October 2007, when the allocated CRRs will be valued. NCPA points out that, while the requirement to post collateral does not come into effect immediately, the CRRs received during the allocation process are binding obligations and the recipients cannot turn back the CRRs to the CAISO if the credit requirements are too onerous. Therefore, NCPA requests that the Commission: (1) deny the CAISO's request for an extension of time; (2) require that all credit policy language be filed in time for a final order prior to the commencement of the CRR allocation process; and (3) require that the credit policy BPM be completed.

Discussion

6. We concur with NCPA that any financial obligations binding on CRR recipients, even if they are future obligations, should be known prior to the initial CRR allocation. However, we disagree that this can only be achieved through a final Commission order. As required by the May 8 Order and our action here, the CAISO must submit the CRR-related BPMs, including the BPM for Credit Management, on an informational basis. The CAISO has also committed to hold a stakeholder conference call to review these BPMs in mid-June and to post on its website the BPMs it intends to use for the CRR allocation on July 9, 2007. In addition, the CAISO states its intention to post for stakeholder review draft tariff language for CRR Credit Policy. Given that the process for stakeholders to review and comment on tariff and BPM language for CRR credit policy has not yet concluded, it would be premature, and not particularly useful, to require an immediate filing by the CAISO. Through the policy development process and

informational filings required, we are confident that market participants will have sufficient information to fully participate in the initial CRR allocation. For these reasons, we deny NCPA's protest and grant the CAISO's extension of time to submit its BPM for Credit Management no later than June 22, 2007.

The Commission orders:

The CAISO is hereby granted an extension of time to file the BPM for Credit Management until June 22, 2007.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.