

March 1, 2004

The following is the California Department of Water Resources' initial comments on the CAISO Congestion Revenue Rights - Study 2, dated February 5, 2004.

- The CAISO should have allowed for completion of the second session of the CRR Educational Classes prior to requesting comments due on the CRR Study 2. This way each participant to the CRR classes would have a better understanding of CRRs and be better able to provide comments.
- It would be extremely helpful to MPs for the development of their input to the study, if the results of the ISO's LMP study were made available by major substation, average seasonal weekdays, and on-peak and off-peak.
- Since the study will include obligation CRRs, the study should be modeled with the assumption that parties will not ask for CRRs counter to the direction of primary power flow and congestion since there is lower risk of congestion in the counter direction and having an obligation CRR would expose them to large financial risk.
- In addition to the model breaking CRR allocations into onpeak and offpeak periods, based on WECC definitions for onpeak and offpeak, the study should consider setting the breaking periods for a particular path using the hours which has primary congestion, doesn't have congestion, or congestion changes direction.
- The study should include the capability of entities to adjust or change their source and sink locations in their CRR allocation requests such that the data used to determine the monthly allocations is different from the data used to determine the yearly allocations.
- Since the ISO is tying CRRs to physical schedules, for example if you don't submit a schedule with an Obligation CRR you may have to pay if there is congestion, the study should also include as an option, "use it or lose it" CRRs, i.e., if you don't schedule you don't collect the CRR revenues combined with Option CRRs. "Use it or lose it" CRRs would meet a share of the revenue adequacy needs the ISO cites as justification for Obligation CRRs.

The study's process for allocating CRRs to PTOs that have ETCs, in which the CRR allocation is based upon minimum of peak load MW, does not provide consideration of loads served under the ETC that vary seasonally or on-peak to off-peak. This methodology will allocate too many CRRs in some periods and insufficient CRRs in other periods. Further, how are CRRs allocated for network service ETCs?

- The study draft states that “CRR nominations for nonconforming load will have the CRR sink at the specific location of the load.” Does this mean nonconforming load will be billed LMP at these same sinks and not at IOU aggregations for all hours? Please clarify that dispatchable Load or nonconforming load is not subject to load aggregations under LMP in all hours – not just hours with a bid - so that the effectiveness of the hedge provided by CRRs can be determined by those with such load.
- In using shift factors to determine reductions of CRR allocations, the Objective Function should be modeled to deliver minimum financial hit to entities rather than maximize number of CRRs allocated. Or as an alternative, simple pro rate reduction should be modeled.
- The study states that MSSs are being allocated CRRs based on their net MSS bubble load. Does this mean MSSs are exempt from LMP pricing for CRR needs using ISO transmission that is internal to the bubble?