Comments of the California Department of Water Resources’ State Water Project on the California Independent System Operator’s Resource Adequacy Import Allocation Revision Process

March 9, 2007

California Department of Water Resources (CDWR) State Water Project (SWP) Staff attended the California Independent System Operator Corporation (CAISO) Board of Governors Meeting on Wednesday, March 7, 2007, where public comments were presented to the Board with respect to the Market Redesign and Technology Upgrade (MRTU) Program’s allocation of import capacity for Resource Adequacy (RA) purposes.

SWP wishes to communicate its continued general support of the CAISO’s Draft Resource Adequacy Import Capacity Tariff Filing. Specifically, SWP continues to support:

- The initial reservation of capacity associated with Existing Transmission Contracts (ETCs), Transmission Ownership Rights (TORs) and grandfathered resource commitments. SWP condones CAISO’s recognition, as well as that of the Federal Energy Regulatory Commission that honoring resource commitments entered into prior to the implementation of California’s RA programs is equitable.

- SWP also generally supports that, after capacity is reserved for ETCs, TORs and grandfathered resource commitments, remaining capacity on each branch group should be aggregated and divided based on load serving entities’ respective load ratio shares at system coincident peak. SWP does however acknowledge California Municipal Utilities Association’s (CMUA’s) concern that such distribution may skew capacity allocations in favor of the entities whose loads are disproportionately large in historic service territories.

- SWP supports CAISO’s decision to continue to engage in an annual RA Import Allocation process. This decision not only allows the California Public Utilities Commission (CPUC) to continue its deliberations on multi-year RA obligations relatively unfettered, but also affords the additional time necessary to monitor this process and allow changes on a year to year basis as the process and its consequences come to fruition.

SWP looks forward to participating in CAISO Stakeholder Processes to achieve the greatest equity among market participants whose concerns are varied and multi-faceted.