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

February 9, 2007

California Department of Water Resources (CDWR) State Water Project (SWP) staff attended the Federal Energy Regulatory Commission (FERC) technical conference on Thursday, February 1, 2007, to address issues related to the California Independent System Operator Corporation (CAISO) Market Redesign and Technology Upgrade (MRTU) Program’s allocation of import capacity for Resource Adequacy (RA) purposes. Based upon input at the meeting, as well as continuing participation in this and related issues, SWP submits the following comments on the CAISO RA Import Allocation Process.

SWP concurs with CAISO’s proposal to calculate available import capacity based on individual branch groups, by first recognizing the rights inherent under Existing Transmission Contracts (ETCs) and other contractual resource commitments. Any remaining transmission capacity should be allocated to load serving entities (LSEs) based upon the load share ratio of each LSE at the system coincident peak (CP) in the CAISO Control Area. The CP methodology is consistent with counting conventions already in place under the Interim Reliability Requirements Program (IRRP) tariff and in the proposed MRTU tariff.

SWP supports the CAISO’s import allocation process as a methodology to determine the amount of imports that can be counted for RA purposes. As a counting methodology only, there is no need for discussions in the context of the RA Import Allocation Process to address the characteristics of a physical product, the related concept of a multi-year product, or a market where such physical rights would be traded or exchanged. However, the desire for such products does demonstrate the continuing need for development of Long-Term Physical Transmission Rights that would provide certainty of power delivery above and beyond the financial tool of Congestion Revenue Rights.

Since the 2008 RA procurement deadlines occur in June 2007, an expedited process will be necessary to revise and implement CAISO’s RA import allocation methodology. SWP encourages CAISO to dedicate the time and resources necessary to investigate and develop criteria for physical transmission products over short and long timeframes, as well as the platform for trading these physical rights under a separate, comprehensive investigation.

1 Specifically, contracts in place as of March 10, 2006