Stakeholder Process: Long Term CRRs

Summary of Submitted Comments

This matrix summarizes written comments submitted by stakeholders on the following dates:

- Round One, August 18, 2006
- Round Two, October 16, 2006
- Round Three, November 20, 2006
- Round Four, December 8, 2006
- Round Five, January 5, 2007
- Round Six, January 11, 2007

In addition to this summary, the full content of stakeholder comments are posted at: **http://www.caiso.com/1845/1845dca750770.html**

Other stakeholder efforts include:

- Market Issues Forum and panel discussion with Board participation: October 18, 2006
- Three conference calls with stakeholders: August 10, 2006, December 19, 2006, and January 16, 2007
- Four working days of stakeholder meetings: October 3, 2006, November 9, 2006, November 29, 2007,January 9, 2007
- Five White Papers posted for stakeholder review: August 18, 2006, November 7, 2006, November 28, 2006, December 15, 2006, and January 5, 2006
- Ongoing meetings/calls with individual entities: August 2006 through January 2007
- Three separate MSC public discussions (August 2006 through January 2007)

Stakeholder	Comment	ISO Response
PG&E	**Term Length:** LT FTRs should be available in term lengths of up to 20 years, and not be limited to the 10year minimum requirement. If term lengths greater than 10 years are not to be made available, renewal rights *must* be assured to the fullest extent possible. Include renewal rights to provide coverage for 50% x 10 forward years. Consider market based cost mechanism. **Quantity:** The allocation of LT FTRs should be sufficient in quantity to cover 75% of a	**Term Length --** In contrast to all earlier proposals, the CAISO has now proposed to provide an explicit renewal opportunity for holders of expiring LT-CRRs, with the expectation that it would be "highly likely" to maintain the LT-CRR if needed. PG&E states that this represents a significant improvement. **Quantity –** The CAISO revised its proposal to allocate approximately

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	LSE's eligible peak load. Allowing (but not requiring) hedging opportunities for LSEs to cover a significant portion of their load obligations with LT FTRs will improve market certainty and will better provide for the benefits outlined above. Some staggering of initial allocations could be explored so that all LT FTRs don't start and expire simultaneously. LSEs should have the ability to return to the CAISO, with sufficient notice, LT FTRs that no longer serve their intended functions.	50% of their peak hourly load for that season and time of use.
	Auction: Through revisions to the LT-CRR renewal process, include dedicated capacity set-asides for use in auctions. This will minimize uncertainty and enable PG&E to obtain sufficient long-term hedges.	**Auction -** CAISO staff evaluated the potential for LT-CRR auction and concluded that adding the capabilities for LT-CRR auction to the existing framework for releasing CRRs would be extremely challenging to implement upon MRTU startup. Any auction of additional products likely adds several weeks to the production process (that is, the flow of information between the CAISO and market participants) that would significantly strain the MRTU implementation schedule. Moreover, an auction for LT-CRRs in Year 1 would have consequences that would affect the balance in the release of long-term and annual CRRs that the CAISO's proposal seeks. The CAISO will, however, review this auction idea with stakeholders in considering enhancements to the CRR processes in the future.
	Full Funding Uplift Costs: Any uplift costs associated with the 'full funding' requirement should be the responsibility of those who benefit from the stability and long-term infrastructure investments provided through this requirement, which ultimately are the LSEs. The CAISO Tariff should allocate those costs directly to Scheduling Coordinators for all LSEs, as all LSEs benefit from the reliability and stability provided by the investments resulting from long-term power supply arrangements, and as it is the LSEs that are most likely to receive whatever benefit may result from over-issuance of LT FTRs. Allocating such costs to PTOs would cause unhelpful conflict and tensions in grid planning and upkeep, and would be inequitable, as PTOs have little or no control over the primary factors that could cause revenue insufficiency. If the CAISO does adopt an insufficiency cost allocation to the PTOs, that allocation must flow through the PTOs' Transmission Revenue Balancing Accounts.	**Full Funding --** The CAISO modified its proposal to include auction revenues to offset any potential charges, and assess potential charges to measured demand and exports via a monthly clearing account.
	Implementation Date: LT FTR requirement is tied to operation of an organized electricity market and not specifically tied to MRTU or locational marginal pricing ("LMP"), LT FTRs should be implemented and available by November 1, 2007 even if the MRTU implementation were to slip past this date. Move forward without unnecessary delay.	**Implementation Date --** The CAISO is able to begin implementing the new design at the MRTU startup.

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	Load Migration To the extent that load migrates, LT FTR allocations must be re-assignable as required by the FERC order. However, this should not require loss of specific LT FTRs associated with verifiable and on-going supply arrangements held by the existing LT FTR holder. The process of load migration will ultimately result in migration of specific supplies; however any enforced remittance of actively used and required LT FTRs would be premature and should be avoided. **Credit:** Credit issues must be examined, to ensure that recipients of LT FTRs do not sell off such LT FTRs and, if they lose load thereafter, are unable to reassign accompanying LT FTRs. **Granularity:** LT FTRs should provide sufficient granularity to address sub-periods. PG&E recommends that on-peak, off-peak, monthly and seasonal LT FTRs should be available **Options vs Obligations:** LT-FTRs should be obligations both to maximize their availability and to assure consistency with CRRs. **Review Process** Include a date to review the LT CRR process. **Transmission Planning:** Build upon existing CAISO/PTO Transmission Planning Process and generator interconnection process. **Trading Hubs: If** Trading Hubs are not allowed for Year 1, then the design fix should ensure they are not restricted by Year 1 LT-CRRs. The CAISO may have to reduce the use of the FNM in Year 1 to allow Trading Hubs in Year 2. **Historical Period used for Validation:** The proposed historical validation period of September 1, 2004 through August 31, 2005 should be updated. **ETC Renewal:** Expiring Existing Transmission Contract (ETC) holders would be given the opportunity to request allocation of successor LT-CRR, specifically as part of the Priority Nomination Process. PG&E requests that the CAISO provide significantly more detail; specifically the CAISO should develop and issue a formal, written proposal that would	**Load Migration -** The updated proposal provides important additions to describe how LT-CRRs would be reassigned due to load migration. A stakeholder process will continue for this issue. **Credit –** Credit issues will be addressed via a more comprehensive credit-oriented stakeholder process, after the compliance filing is made. **Granularity –** The CAISO proposal includes the level of granularity proposed by PG&E (except for monthly LT CRRs). **Options vs Obligations –** The CAISO's proposal is based on obligations and not options. This structure provides for larger amounts of Long Term CRRs to be released. In addition, obligations are consistent with the existing CRR market design. **Review -** The CAISO will pursue an ongoing review of the market design and implementation. **Transmission Planning –** The CAISO has agreed to build on the existing transmission and generator interconnection process. **Trading Hubs –** CAISO staff is currently evaluating the use of trading hubs in the seasonal CRR allocation and auction process. More communication on this topic will take place during future stakeholder sessions in the evaluation of the CRR Dry Run results process. **Historical Period --** The CAISO's proposal now includes a more recent historical period for validation. **ETC Renewal –** The CAISO final proposal will allow expiring ETCs to be nominated as Long Term CRRS in priority nomination tier. This issue was discussed at the Jan. 9 meeting and the Jan. 16 conference call. The CAISO would be willing to add clarification if further questions

Stakeholder	Comment	ISO Response
	support more informed stakeholder review and comments process.	arise.
SMUD	**Repudiate CRR Proposal in MRTU Filing:** Early comments stated that service must be available to all load-serving entities ("LSEs") that contribute significantly to the recovery of the system's embedded costs - and that means an allocation akin to CAISO's CRR allocation proposal in its MRTU filing must be repudiated now and not left for negotiation in the stakeholder process **Implement by January 2006:** Early comments stated that by the January compliance date, the CAISO must adopt a proposed effective data for the service effective date "as soon as possible" in order to carry out Congressional intent. If CAISO cannot implement long-term firm service using a financial rights model within a few months if its compliance filing, it must offer an interim service, such as physical rights service, if necessary **Seams Issue:** MRTU Order holds that "seams issues are critically important," acknowledges that the current lack of long-term firm service in the ISO is an existing seam, and orders the ISO to "continue working towards addressing any seams issues as they develop. The current lack of long-term firm service in the ISO is an existing seam, and orders the ISO to "continue working towards addressing any seams issues as they develop." **Options:** SMUD asked that the CAISO use "Option" Congestion Revenue Rights (CRRs) as opposed to "Obligation" CRRs; **Marginal Losses:** Waive the use of marginal losses as applied to LT-CRRs; **ETCs vs CRRs:** Explore other alternatives to ensure the ease of implementation of LT-CRRs consistent with the FERC's Order 681, such as an ETC-like mechanism. **WAC Charge:** Provide clarification as to the treatment of OCAL as it pertains to both the pre-payment of wheeling access charges (WAC) for a period greater than what is currently provided in its MRTU tariff;	**Repudiate -** The FERC approved the CRR market design in its September 2006 MRTU Order. **January 2006 Start Date:** The CAISO will propose in its January compliance filing to implement the Long Term Transmission market design at the start of MRTU. **Seams –** The CAISO continues to evaluate Seams issues, and has not identified new seams associated with this proposal. **Options –** While the CAISO initially considered the concept of options, the ultimate proposal achieves balance among stakeholders by incorporating an allocation process into the existing CRR market design. **Marginal Losses –** CAISO staff did not understand the connection between marginal losses as applied to LT-CRRs, and determined that this topic did not fit within the context of this proposal. **ETCs –** The CAISO staff and stakeholders explored various alternatives to achieve the goals in Order 681. Reverting to an ETC mechanism was not a viable solution. However, the CAISO has made an accommodation to ETC holders by allowing expiring ETCs to qualify for the priority nomination tier. **WAC –** The CAISO proposal envisions the ability for OCALSEs to sign a pro forma contract to make annual payments, rather than pay ten years as a lump sum. Details will be worked out after the

Stakeholder	Comment	ISO Response
	Wheel Through: Allow OCAL to obtain LT-CRRs for wheel-through transactions necessary to serve their native load customers.	compliance filing. **Wheel Through –** Wheel throughs compete with internal load for use of the existing grid capacity. The CAISO has interpreted the FERC Order such that OCALSE must demonstrate need based on ownership or contract with generation inside the CAISO control area. Scheduling Points cannot be nominated by OCALSEs as sources for LT-CRR nominations. Wheel through entities may acquire CRRs through the CAISO auction or the secondary market.
SDG&E	**Auction:** Preferences to LTFTR's should not be granted to certain market participants. Long term power supply arrangement should not be given a preference over short term market power supply arrangements. SDG&E strongly supports an auction of LTFTR's to complement an initial allocation of rights. SDG&E joins with PG&E in calling for 20 percent of all CRRs, including boundary CRRs, to be set-aside and auctioned along with the residual, un-nominated CRRs. **Allocation:** LTFTRs should be part of an equitable allocation process in proportion to contributions made to the network – that is, load ratio contribution by LSEs. **Historical Period:** Opposes reliance on a one-year snapshot to determine the validation priorities that can be affixed to tier 1 and tier 2 nominations. The "historical" period that has been used to drive the CRR "dry-run" exercises is September 2004 through August 2005. This period does not reflect accurately either past or known future usage of the grid. SDG&E proposes that the CRR validation process be linked to the ten-year procurement planning standards that have been adopted in California. **Reopener:** Allocation of CRRs may produce anomalous results that undermine fully competitive wholesale markets and compliance with the fundamental ratemaking principle that the benefits obtained by the allocation of CRRs must be kept in reasonable alignment with the proportion of fixed costs being shouldered by each LSE. joins PG&E in calling for a built-in re-opener to assess how well the allocation process is working.	**Auction -** CAISO staff evaluated the potential for LT-CRR auction and concluded that adding the capabilities for LT-CRR auction to the existing framework for releasing CRRs would be extremely challenging to implement upon MRTU startup. Any auction of additional products likely adds several weeks to the production process (that is, the flow of information between the CAISO and market participants) that would significantly strain the MRTU implementation schedule. Moreover, an auction for LT-CRRs in Year 1 would have consequences that would affect the balance in the release of long-term and annual CRRs that the CAISO's proposal seeks. The CAISO will, however, review this auction idea with stakeholders in considering enhancements to the CRR processes in the future. **Allocation -** The CAISO revised its proposal to allocate approximately 50% of LSE's peak hourly load for that season and time of use. **Historical Period –** CAISO staff has updated its proposal to include a more recent base period. **Reopener / Review -** The CAISO will pursue an ongoing review of the market design and implementation. If problems arise, the CAISO stands ready to file for changes. Because stakeholders will make business decisions based on this proposed design, the CAISO is

Stakeholder	Comment	ISO Response
		concerned that a "reopener" could create uncertainty associated with business decisions.
PowerEx	**Consideration of Internal Load:** Powerex wants to ensure that the priority provided to LSEs over non-LSEs are limited to those LSEs with an obligation to serve load inside the CAISO control area consistent with the Final Rule. **Auction:** Powerex asks that the CAISO allow for a scenario where intertie CRRs are allocated via an auction process instead of allocated through nomination and direct assignment. Powerex does not believe that the Final Rule allows for any priority to LSEs for LT FTRs in the export direction. Powerex initially proposed that the portion of transmission capability for LT FTRs be auctioned off for a term of 5 years and the winner of the auction will have rollover rights. Powerex supports the PG&E to set aside for auction a certain % of the 75% of total network capacity (both ties and internal transmission) in the year 1 annual CRR allocation for either long term or seasonal periods to address the unintended and inefficient outcomes of the allocation process. Powerex believes that this would add symmetry between the auction and allocation process where both LT and Seasonal CRRs are offered. **Source Verification:** Powerex believes that the CAISO should apply its source verification process in its CRR Proposal to any LT FTR design that is allowed under the Final Rule. **Percentage of Intertie Capacity:** Powerex requests that the CAISO confirm that the ISO is not proposing in the LT CRR proposal any change to setting aside a certain % of intertie transmission capacity for the auction as part of its FERC approved CRR allocation/auction process. **Load Migration *(Sales/Transfers):**Clarify whether the CAISO defines transfers and sales to be the same and that the limitation is that transfers resulting from load migration as the only form of sale that is allowed. If this is not the case then the CAISO should clarify why not.	**Consideration of Internal Load –** The CAISO proposal is consistent with the existing CRR allocation in that the priority for the Long Term CRR allocation is limited to LSEs inside the control area. OCALSEs with a verified source inside the CAISO control area may also obtain Long Term CRRs by prepaying WAC. **Auction -** CAISO staff evaluated the potential for LT-CRR auction and concluded that adding the capabilities for LT-CRR auction to the existing framework for releasing CRRs would be extremely challenging to implement upon MRTU startup. Any auction of additional products likely adds several weeks to the production process (that is, the flow of information between the CAISO and market participants) that would significantly strain the MRTU implementation schedule. Moreover, an auction for LT-CRRs in Year 1 would have consequences that would affect the balance in the release of long-term and annual CRRs that the CAISO's proposal seeks. The CAISO will, however, review this auction idea with stakeholders in considering enhancements to the CRR processes in the future. **Source verification** – The CAISO proposal is consistent with CRR allocation in requiring source nominations for first two tiers of year one only. **Intertie Capacity -** There has been no change in the intertie set aside for the CRR auction. **Load Migration (Sales/Transfers)** -- The ISO clarifies that LSEs would be free to sell CRRs and, with certain limitations, the LT-CRRs they have been allocated. However, only a portion of the 10-year term may be transferred through the CAISO' secondary registration system or through CAISO-sponsored auctions. This restriction ensures that

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		LT-CRRs would be transferable to another LSE if warranted by load migration. This limitation is clarified further in Section 8.3 of the attached White Paper.
	Trading Hubs: Powerex believes that the prohibition on Trading Hubs as Sources should also apply to Trading Hubs as Sinks given that the ISO has yet to provide Stakeholders with a complete explanation or the results of the CRR dry run on why this has become a problem.	**Trading Hubs -** CAISO staff is currently working on a more detailed explanation on this topic and this will be discussed with stakeholders More communication on this topic will take place during future stakeholder sessions in the evaluation of the CRR Dry Run results process.
TANC	**Term:** LTTR terms are limited to 10 year rights and should be modified to allow greater flexibility in the terms. Ultimately this will support long term investment in generation. Should be for more than 10 years. The CAISO should consider 30 year LTTR and intermediate lengths of 10 and 20 years. **Full Funding:** The proposal could result in an allocation of uplifts for external load based on wheeling charges even though they are not receiving LTTR or participating in the LTTR allocation process. **Historical Period:** LTTR rights should be allocated or available to LSE based on some flexibility beyond usage or commitments in the 2004/2005 timeframe. The CAISO has proposed that outside control area load (OCAL) will be eligible for LTTR (and CRR) but under terms or conditions different from load located in the CAISO control area. **Transmission Planning:** Transmission planning and expansion features of the LTTR need to be more clearly defined and established to ensure that necessary transmission projects and improvements are constructed in a cost effective manner and fully reflect stakeholder needs and concerns. **Hedge for Congestion:** Does not allow for LTTR holders to use their LTTR to actually schedule their resource entitlements or get a priority for scheduling as well as provide a hedge for congestion costs after day-ahead markets.	**Term -** In contrast to all earlier proposals, the CAISO has now proposed to provide an explicit renewal opportunity for holders of expiring LT-CRRs, with the expectation that it would be "highly likely" to maintain the LT-CRR if needed. In addition, the CAISO proposal provides the ability for expiring ETCs to qualify for the priority nomination tier. **Full Funding --** The CAISO modified its proposal to include auction revenues to offset any potential charges, and assess potential charges to in-control area measured demand and exports through a monthly clearing account. **Historical Period –** The CAISO has revised its proposal to include a more recent historical base period. **Transmission Planning** – The CAISO agrees, and the transmission planning features will be more clearly defined after the submittal of the compliance filing. **Hedges -** CRRs are financial in the day ahead market, and do not provide scheduling priority. However, the MRTU framework does provide for the perfect hedge for ETC, TORs and CVRs.
EUF and CMTA	**Allocation:** Strong preference is for pro rata allocation of rights. Advocate that (1) allocations do not interfere with future California initiatives, (2) allocations are fair and	**Allocation -** A key objective of the LT CRR stakeholder process was to be consistent with the existing CRR market design. Pro rata

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	are not biased for or against any category of LSE and should not extend any biases garnered from the CRR allocation process **Amount:** Only a small fraction of the grid should be allocated in this first process. The ISO's proposal discriminates against new and small LSEs. The amount of SEQs allowed to be converted to LT-CRRs (50%) is too large. Advocate a smaller fraction. **Term is too long:** Given the "historical base period", state regulatory changes and other issues, allowing a ten year term rather than an annual roll over is a major concern. **Trading Hubs and Historical Period:** We disagree with Trading Hub CRRs being allocated in Tier 1 if they are being prorated in Tier 2. With the choice of historical base period and the demonstration rules, Tier 1 allocations discriminate against new and small LSEs. If tier 2 Trading Hub CRRs are prorated, then the discrimination against new and small LSEs is even worse than anticipated.	allocations were considered previously in the design process for CRRs, but stakeholders clearly preferred a direct allocation. **Amount** – Understanding this stakeholder's strong preference for a small amount of grid capacity to be allocated as LT-CRRs, the CAISO explored a number of options, including earlier proposals to allocate only 20% of the grid for long-term rights. Other parties raised objections and pointed to the FERC order that generally suggests that long-term rights should be sufficient to meet long term power supply arrangements. Thus the CAISO proposal seeks to balance stakeholder input on this topic with the FERC requirements by permitting LSEs to have the flexibility to hold approximately 50% of their peak hourly load as LT-CRRs; however, the amount of LT-CRR holdings will reduce eligibility for seasonal CRRs, thus enforcing a careful balance between the allocation of long-term and seasonal rights. Moreover, the CAISO has amended its final proposal so that, for Year 1, the Tier LT will be modeled on a transmission grid derated to 60% of network capacity, so to ensure that LT-CRRs would be available beyond Year 1. The CAISO believes its final proposal balances the diverse needs of stakeholders in hedging congestion costs on a long term basis, and best meets the seven FERC guidelines for the design of this instrument, in a manner that is fully compatible with the MRTU market redesign. **Term --** The Guidelines in the FERC Order suggested that the term length would need to satisfy long-term power arrangements. The CAISO proposal meets this intent of this guideline. **Historical Period --** The final proposal incorporates a more recent historical period.
State Water Project	**Expiring ETCs:** SWP has existing transmission contracts that expire around 2014. SWP Notes that the CAISO has indicated that such a design would permit the holder to nominate the same source/sink associated with the expired ETC in the Priority Nomination Process (PNP); those CRRS would then be eligible for LT-CRRs in Tier LT up to the proposed cap (i.e., 50% of Adjusted Load Metric). The SWP supports this approach.	**Expiring ETCS --** As explained in footnote 13 of the Final CAISO Proposal (attachment 1), the CAISO will permit expiring ETCs to be nominated as priority CRRs.

Stakeholder	Comment	ISO Response
	Historical Period: The SWP asks that the CAISO reconsider another period that will accurately reflect entities' power procurements; otherwise, the SWP requests that CAISO provide to stakeholders and/or FERC clear reasons for choosing this period. **Auctions:** Supports CAISO's decision to not incorporate auctions into the LT-CRR process. As stated in previous comments, doing so could diminish the amount of CRRs that would be available for the annual and monthly allocations. **Options:** Option rights would provide entities with protection from congestion charges without being a financial liability, offering the basic certainty needed to support investment in grid infrastructure. SWP requests clarification from CAISO as to the supporting information the CAISO relied on to verify any real reduction in CRR amounts. **Stakeholder Review:** SWP states that they need more time for stakeholder review, and that we should request an extension for the Compliance filing.	**Historical Period --**The CAISO revised the proposal to reflect a more recent base period. **Auctions vs. Allocation –** With stakeholder input, the final CAISO proposal is based on allocation principles, and not an auction. **Options --** CAISO staff evaluated offering options, but concluded that offering options would greatly diminish the number CRRs made available. **Stakeholder Process --** CAISO staff believes we can work in remaining weeks to better address SWP's concerns regarding their outstanding issues.
MID	**Payment of WAC:** For load-serving entities located outside of the control area, such entities should not have to prepay Wheeling Access Charges ("WAC") or other charges in order to obtain LTTRs. **Wheel Through:** LTTRs that provide for rights to wheel-through power through the CAISO Control Area should be permitted. MID believes that Congress's intent in the Energy Policy Act of 2005 and the prohibition against undue discrimination in the Federal Power Act would require that the CAISO make the technical changes to the CAISO's CRR software necessary to permit fair and non-discriminatory allocation of LTTRs/LT-CRRs that accommodate long-term wheel-throughs. **Eligibility:** The demonstration of long-term supply arrangements should only be used to determine eligibility for allocation of CRRs.	**WAC --** The CAISO proposal envisions the ability for OCALSEs to sign a pro forma contract to make annual payments, rather than pay ten years as a lump sum. Details will be worked out after the Compliance filing date. **Wheel Throughs -** Wheel throughs compete with internal load for use of the existing grid capacity. The CAISO has interpreted the FERC Order such that OCALSE must demonstrate need based on ownership or contract with generation inside the CAISO control area. Scheduling Points cannot be nominated by OCALSEs as sources for LT-CRR nominations. Wheel through entities may acquire CRRs through the CAISO auction or the secondary market. **Eligibility –** The CAISO proposal strikes a balance among stakeholders by utilizing the source validation process in Year 1 in the allocation of LT-CRRs for the first year only.
Northern California Power Agency (NCPA)	**Physical vs Financial Rights:** To provide strong incentives for long-term investment in generation infrastructure, LTFTRs should be "firm" physical rights that extend all the way into the real-time market, rather than "financial" rights. **Source Validation:** The imposition of the source validation as developed for year 1 is a	**Physical vs Financial --** The CAISO and most stakeholders concluded that physical rights do not promote efficient transmission allocation. The proposal, therefore, is oriented toward financial rights.

Stakeholder	Comment	ISO Response
	positive step in the right direction.	
	Historical Period: NCPA suggests that this historical period be reexamined, and updated to September 1, 2005, through August 31, 2006 to ensure a more relevant representation of the current portfolios of LSEs.	**Historical Period --**The CAISO updated its proposal to include a more recent base period.
	Obligation vs Option: If the value of this hedge is not guaranteed over the life of the instrument, the "obligation" versus "option" nature will create significant risk and uncertainty.	**Options vs Obligations –** The CAISO's proposal is based on obligations and not options. This structure provides for larger amounts of Long Term CRRs to be released. In addition, obligations are consistent with the existing CRR market design.
	Multi Year Differentiation: Additional functionality such as multi-year differentiation, in which subgroups of years could be tailored to meet more specific needs, would be beneficial to the business needs of market participants. But NCPA also believes that the proposed type of seasonal and time-of-use functionality is an improvement to previous proposals that seemed to lack this attribute.	**Multi Year Differentiation --**The CAISO proposal incorporates seasonal and time-of-use functionality.
	Auction: LSEs will not be required to participate in an auction in order to acquire LT-CRRs, and that the LT-CRRs would be allocated to eligible LSEs at no additional cost. NCPA believes that this is a positive aspect of the proposal because California LSEs who have contributed to the historical cost of the grid should be entitled to LTFTRs on a nondiscriminatory basis at no additional cost based on their historical and continued use of the grid.	**Allocation –** With stakeholder input, the final CAISO proposal is based on allocation principles, and not an auction.
	Out of Control Area Allocation: California LSE's serving load located outside of the CAISO control area with ownership or contractual interest in generation internal to the CAISO control area should be eligible to be allocated LTFTRs, as discussed below in more detail. (This applies to the City of Roseville, in particular)	**Out of Control Area Allocation --**The CAISO proposal is consistent with the existing CRR allocation in that the priority for the Long Term CRR allocation is limited to LSEs inside the control area. OCALSEs with a verified source inside the CAISO control area may also obtain Long Term CRRs by prepaying WAC.
	Amount: The CAISO has proposed a target cap of 50% of an LSE's Adjusted Load Metric. NCPA has recommended that the amount of grid capacity released as LTFTRs should be dictated by the amount needed to hedge the long term resource commitments of LSEs. NCPA generally is encouraged by this attempt to link the amount of released capacity with existing long term commitments, and believes that this aspect of the proposal is more in line with the business needs of LSEs than the previous proposals that have been discussed.	**Amount –** The CAISO proposal links the amount of released capacity with existing long term commitments.

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	Full Funding and Exports: The draft proposal suggests that any surplus or shortfall in the annual true-up process would be allocated to the PTOs in proportion to their TRR. NCPA generally believes that this proposal is more consistent with the FERC order by ensuring full funding of LTFTRs. HoweverOut of Control Area Load- OCALSE (eg Roseville) should not be required to pay for uplift costs associated with LTFTRs full-funding through export fees, which would be the result if a revenue shortfall were to be collected through the PTOs' derived Wheeling Access Charge. This cost should be limited to those entities that receive the benefit, which in this case may be limited to CAISO internal load. **Prepayment of WAC and applicability to OCALSEs**: NCPA recommends that details be incorporated into the current draft proposal so that equal and fair discussion can take place to ensure that LSEs serving load located outside of the CAISO control area have a legitimate ability to access the proposed LT-CRRs. **Credit Requirements:** NCPA understands tariff language to mean that CRR portfolios acquired through the CRR Allocation process will have no associated collateral requirement regardless of whether the individual CRRs are long-term, short-term or a mixture of both. NCPA does support this understanding, but the current draft proposal should be made more explicit on this point. **Transmission Planning:** NCPA believes that the relationship between transmission planning and CRR feasibility is important, not only to maintain full funding of CRRs but to ensure that allocated LTFTRs continue to be feasible. The CAISO should make the key decisions based on transparent and openly applied criteria taking reliability and economics for the benefit of the grid as a whole into consideration.	**Full Funding --** The CAISO has considered this issue, and in its final proposal (1) includes auction revenues to offset any potential charges, and (2) assesses potential charges only to measured demand and exports through a monthly clearing account. **Prepayment of WAC -** The CAISO proposal envisions the ability for OCALSEs to sign a pro forma contract to make annual payments, rather than pay ten years as a lump sum. Details will be worked out after the compliance filing. **Credit -** Credit issues will be addressed via a more comprehensive credit-oriented stakeholder process, after the compliance filing is made. **Transmission Planning** – The CAISO agrees, and the transmission planning features will be more clearly defined after the submittal of the compliance filing.
MWD	**ETC Rights:** Metropolitan recommends that the CAISO treat the ETC holder in the same fashion it proposes to treat holders of LT-CRRs in the year following their expiration, i.e., permit the holder to nominate the same source/sink associated with the expired ETC/LT-CRR in the Priority Nomination Process. **Historical Period:** Metropolitan supports recommendations for reconsideration of Base Period for Year 1, if that would not delay MRTU implementation. Updating the base period would strengthen the logical nexus between CRR allocation and import capacity allocation for RA purposes, the current absence of which is problematic. Updating the Base Period would facilitate convergence between CRR allocations and RA import capacity.	**Expiring ETCs --** As explained in footnote 13 of the Final CAISO Proposal (attachment 1), the CAISO will permit expiring ETCs to be nominated as priority CRRs. **Historical Period –** The CAISO agrees and its final proposal includes a more recent base period.

Stakeholder	Comment	ISO Response
	Date Certain Review of CRR Allocation: Recommends setting a date-certain review of the CAISO's CRR allocation beginning about two years after initial implementation, to assess what has worked and what hasn't. **Methodology for Allocation of Merchant Transmission CRRs:** Developing the CRR allocation methodology for merchant transmission projects. Allocation LT-CRRs for merchant transmission projects must not adversely affect or otherwise diminish TORs.	**Date Certain for Review –** The CAISO will pursue an ongoing review of the market design and implementation. If problems arise, the CAISO stands ready to file for changes. Because stakeholders will make business decisions based on this proposed design, the CAISO is concerned that a specific "reopener" date could create uncertainty associated with business decisions. **Methodology for Merchant –** The CAISO will conduct a stakeholder process to develop a methodology for allocation of merchant transmission CRRs. This will be done soon after the compliance filing is made.
SCE	**Support:** SCE generally supports the CAISO LT-CRR proposal as a reasonable compromise of the various interested party's desires. The proposal leaves intact and builds upon the FERC approved methodology for short-term (seasonal and monthly) CRRs, and meets the objectives of compliance with the FERC final rule on long-term transmission rights while providing load-serving entities the ability to hedge congestion risk associated with their portfolio **Transition to Permanent Design:** the interim LTTRs do not present market difficulties in transitioning to a permanent long-term design **Need based on Long Term Supply:** Entities that can demonstrate a need for long-term rights based upon long-term supply arrangements should have priority over those that can not. **Uplifts:** for revenue inadequacy are kept to a minimum. **Full Funding:** The under or over-collection of revenues should not be allocated to the PTO. The PTO does not have the ability to prevent under collections and is not the holder of the rights and therefore should not benefit from over collections. Under and over collections should be allocated to those who benefit from the rights, which is the load. **Load Migration:** SCE continues to support the CAISO's conceptual proposal to transfer a portion of allocated rights when load migrates. However, SCE continues to urge the CAISO	**Transitioning to Permanent Design -** The CAISO proposal does not present market difficulties in transitioning to a permanent long-term design. **Long Term Supply --** The demonstration required in year one provides for a reasonable allocation and the lack of a demonstration in the following years will provide for decreased complexity. **Uplifts –** The CAISO proposal provides for minimization of uplift costs by utilizing any auction revenues to offset and revenue under collection. **Full Funding -** The CAISO modified its final proposal to include auction revenues to offset any potential charges, and assess potential charges to area measured demand and exports through a monthly clearing account. **Load Migration** The updated January proposal provides important additions to describe how LT-CRRs would be reassigned due to load

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	to begin a process to develop the details of how such a policy will be implemented by the CAISO. **ETC, TOR, and CVRs:** SCE recommends that the CAISO adjust the amount of LTTRs an LSE is eligible to receive by the entire amount of the ETCs, TORs, or CVRs held. **Credit:** SCE acknowledges that the CAISO is currently modifying the credit and collateral policies pursuant to the FERC Order on MRTU. SCE understands that the CAISO intends to pursue a stakeholder process to make the modifications necessary to accommodate the FERC order. **Withdrawal of a PTO:** SCE believes that any rights that are no longer simultaneously feasible after the withdrawal of a PTO should be recalled by the CAISO. **Customer Funded transmission upgrades:** To date, the CAISO has not provided details of how such a concept would be accomplished. SCE encourages the CAISO to work with stakeholders to further develop this concept. **Don't include an Auction:** The current proposal provides for the FERC approved priority for native load. Thus, the inclusion of an auction for LT-CRRs is unnecessary. **OCALSE Allocation**: The allocation of rights to Out of Control Area Load Serving Entities has already been approved by FERC in the MRTU order for short-term rights and should not be modified for long-term rights.	migration. More discussion is required on this topic, and the CAISO supports creation of a working group. **ETC Eligibility –** CAISO staff's evaluation shows that adjusting these values would cause added complexity for a small impact. The majority of ETCs will expire in less than ten years, thus they are not comparable to the ten year long-term CRR product. **Credit-** Credit issues will be addressed via a more comprehensive credit-oriented stakeholder process, after the compliance filing is made. **Withdrawal of PTO –** This policy for extinguishing certain rights that reside within a departing PTO area is reflected in the latest CAISO proposal. **Transmission Upgrades –** CAISO will work with stakeholders to further develop this concept after the January compliance filing date. **Auction –** The final CAISO proposal does not include an auction for LT-CRRs. **OCALSE Allocation --** The CAISO proposal is consistent with the existing CRR allocation in that the priority for the Long Term CRR allocation is limited to LSEs inside the control area. OCALSEs with a verified source inside the CAISO control area may also obtain Long Term CRRs by prepaying WAC.
AReM	**Support for Latest Proposal:** Initally supported CAISO's proposed "go slow" approach for Release 1 of MRTU with future enhancements and modified LTTRs to be considered for Release 2 to (1) minimize the number of initial LTTRs that might be incompatible with future LTTRs and (2) allow stakeholders time to assess the effectiveness of CRRs in hedging congestion costs and the liquidity of the secondary CRR market. As the proposal developed, AReM (in its January 11 comments) stated that they support the CAISO's December 15th proposal and finds it to be generally consistent with the Order 681 requirements.	

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	Tie Breaker: If the MW amount does not meet the standard, (a) what "tiebreaker" rules should be established for verifying long-term power supply contracts, (b) what allocation is to be used if additional LTTR MWs are available after providing for the "tiebreaker" and (c) how to define the "temporary period" during which those rules will be in effect?	**Tie Breaker** – These early questions were addressed by modifying the LTCRR design to incorporate the allocation of long term CRRs into the existing CRR framework, and conduct simultaneous feasibility analysis for determining awarding of Long Term and Short Term CRRs.
	Credit: AReM would like the CAISO to provide a proposal for credit requirements	**Credit -** Credit issues will be addressed in a comprehensive stakeholder process after the compliance filing is made.
	Full Funding: AReM supports the CAISO's proposal for full funding for all CRRs and concurs that it should minimize the likelihood of shortfalls.	
	Quantity: AReM supports the CAISO's proposal whereby an LSE could designate up to 50% of its Tier 1 eligibility for LTTRs (which would amount to 16.5% of all CRRs). As a simpler alternative, however, AReM would also support adopting a specific percentage of CRRs that would be eligible for LTTRs. Again, to minimize the potential for the initial LTTRs to be incompatible with LTTRs issued in Release 2, AReM recommends fixing the designated percentage for LTTRs in the interim at no more than 20% of all CRRs released. AReM recommends that the CAISO annually set a maximum percentage of CRRs that can be designated or held as LTTRs.	**Quantity -** The CAISO revised its proposal to allocate approximately 50% of their peak hourly load for that season and time of use.
	Priority Nomination Tier: In earlier comments, AReM recommended eliminating the PNP, to reduce complexity, reduce administrative costs, and mitigate some of the discriminatory effects of the PNP. Eliminating the PNP would also make moot the CAISO's obligation to justify to FERC the different percentages proposed for the Priority Nomination Tier in Years 2 and 3.	**Priority Nomination Tier –** The CAISO proposal maintains the CRR allocation rules conditionally approved by the FERC, including priority nomination.
	Historical Year: Keep Current Historical Verification Period or Slightly Modify It While some of AReM's members have, in the past, recommended this approach as a simpler way to allocate rights, we do not agree that now is the time to make this change. AReM does not support changing the historical verification period to match the utilities' long-term procurement plans, as proposed by SDG&E. To address the CAISO's and FERC's concern about improper incentives, the period chosen would have to be "historical".	**Historical Year –** The CAISO's proposal now includes a more recent base year.
	Trading Hubs: Restriction of LT-CRRs at Trading Hubs Unduly Harmful to ESPs - The proposed restriction (for at least the first year of MRTU operation) on LT-CRRs at Trading Hubs may create undue harm for ESPs, making it infeasible for them to obtain LT-CRRs. Virtually all energy supply contracts held by the ESPs during the historical period	**Trading Hubs –** The final proposal includes more detail and explanation on this topic.

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	were at the Trading Hubs. Whereas the utilities meet a large part of their loads through their own generation, the ESPs contract to meet 100% of their loads. This restriction could mean that none of the ESPs' CRRs can qualify for designation as LT-CRRs Jim Bushnell suggested that some alternatives are being explored, such as offering the "equivalent" of the LT-CRR at a Trading Hub. AReM urges the CAISO to find such a solution. **Expiring ETCs:** Proposal for Allowing Requests for Expiring ETCs in Tier 1 Is Discriminatory - In response to questions from the State Water Project, the CAISO suggested that it may allow those with expiring Existing Transmission Contracts (ETCs) to request the full MW amount in Tier 1 of the Priority Nomination Process (PNP). As AReM replied at the meeting, this proposal is discriminatory to other LSEs. Currently, the CAISO does not allow LSEs gaining load to request the MWs to support the new load in Tier 1. AReM suggests the following alternatives: (1) Treat LSEs with expiring ETCs the same as LSEs gaining load – they may only request the MWs in Tier 2, or (2) Allow in Tier 1 (a) LSEs with expiring ETCs to have the option to request the same MWs of sources and sinks that expired and (b) LSEs gaining load to have the option to request the same MWs of sources and sinks that were transferred by the LSE losing load. **Clarification for Sale of LTCRRs:** AReM seeks clarification on the proposed restriction on LSEs to sell LT-CRRs. From the discussion, the LSE would seem to have the right to sell the LT-CRR for a period of up to one calendar year, but any sale beyond that period would not be allowed. Restricting sales in this way could make LT-CRRs extremely unattractive. At minimum, AReM asks that the CAISO allow the sale of LT-CRRs for up to one calendar year. **Quantification of "Very Little Impact" from Capping Long-Term Rights:** The CAISO rejected SCE's and AReM's request for a cap on long-term transmission rights by stating that it had "evaluated" the issue and found "very little impact" because most of the ETCs and CVRs expire within 10 years. **Load Migration:** AReM supports the idea of a Load Migration Working Group (WG) to define the details of how load migration will be handled for both CRRs and LTTRs. In January, AreM stated that we need Progress on Load Migration Details The CAISO would benefit from discussions with the LSEs who actually track load migration today.	 **Expiring ETCs --** As explained in footnote 13 of the Final CAISO Proposal (attachment 1), the CAISO will permit expiring ETCs to be nominated as priority CRRs. The CAISO will consider further these proposals for LSEs gaining load within the context of the stakeholder process for detailing CRR transfers due to load migration. **Sale of LTCRRs –** The CAISO proposal does restrict the transfer of financial obligation beyond one year to account for possible CRR transfers due to load migration. The CAISO proposal does not preclude bilateral sales of LTCRRs outside of the CAISO Long Term CRR framework. **Quantifying Impact** – CAISO staff's evaluation shows that adjusting these values would cause added complexity for a small impact. **Load Migration –** CAISO staff will work with stakeholders to gain additional insight prior to the compliance filing. Due to time constraint, it is unlikely a working group can be created by compliance filing due date.
CMUA	**Design:** CMUA expressed concerned that the CAISO has already expressed its preference for LTTR design in conformance with CRR design.	**Design –** A guiding principle for the market design was to maintain consistency with the existing CRR framework already approved by FERC.

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	CMUA requested that the CAISO consider a Working Group approach to examine and resolve LTTR issues.	
	Perfect Hedge: The Perfect Hedge mechanism may be a way to provide LSEs LTTRs within the current design parameters.	**Hedge –** The CAISO staff and stakeholders explored various alternatives to achieve the goals in Order 681. Reverting to an ETC mechanism was not a viable solution that promoted efficient markets. However, the CAISO has made an accommodation to ETC holders by allowing expiring ETCs to qualify for the priority nomination tier.
	Allocation: All LSEs that have historically paid and continue to pay the embedded cost of the transmission grid should be eligible for LTTR allocation. CMUA supports allocation and opposes auction.	**Allocation –** The CAISO proposal is based on allocation principles, and not an auction.
	Options: CMUA urged consideration of an "Options" instrument as part of the overall design. This is because the nature of load and resource mix (hydro scheduling, seasonal exchanges) would be best reflected by some availability of Options in the LTTR design.	**Options vs Obligations –** The CAISO's proposal is based on obligations and not options. This structure provides for larger amounts of Long Term CRRs to be released. In addition, obligations are consistent with the existing CRR market design.
	Link to Planning Process: LTTR feasibility should be ensured through the planning process. This is a basic obligation of the CAISO and the PTOs. The December 15th Proposal does not contain a transmission planning link, although earlier White Papers did.	**Transmission Planning –** The CAISO has agreed to build on the existing transmission and generator interconnection process.
	Term Length: The CAISO has proposed up to 10-year rights. CMUA is concerned that this limitation will not support the longer-term investments in generation that some LSEs may undertake. CMUA suggests that a renewal right, similar to that available under Order No. 888 OATT service, could bridge the gap on this issue and allow LSEs with the desire to invest in long term generation to obtain some delivered price certainty.	**Term** The CAISO proposal includes a ten year minimum for LT CRRs. In contrast to all earlier proposals, the CAISO has now proposed to provide an explicit renewal opportunity for holders of expiring LT-CRRs, with the expectation that it would be "highly likely" to maintain the LT-CRR if needed. In addition, the CAISO proposal provides the ability for expiring ETCs to qualify for the priority nomination tier.
	Amount Released for LTTRs: Based on some research, CMUA believes that it has certain members within the CAISO Control Area that receive more of their energy deliveries through long term commitments than the 50% proxy number. In other areas such as import capacity allocation, the CAISO has adopted a methodology that honors historical levels on a LSE by LSE basis. The CAISO should consider this approach for LTTRs.	**Amount Released -** The CAISO revised its proposal to allocate approximately 50% of LSE's peak hourly load for that season and time of use.

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	Earlier comments also stated that On peak/Off peak and seasonal LTTRs should be considered. Because of the nature of load requirements and generation for many LSEs in California, this would be a useful component of the overall design.	
	Seams Issues: Since CA imports so much energy, addressing seams is important. Some of the design elements such as full funding, hedging of marginal losses (below), seasonal LTTRs and Options, may help address design differences between the CAISO market and its neighbors.	**Seams –** The CAISO continues to evaluate seams issues, and has not identified new seams associated with this proposal.
	Implementation Date: CMUA does not agree with the CAISO arguments and assumptions that it is not required to provide LTTRs prior to MRTU start-up.	**Implementation Date –** By building on the existing CRR design, the CAISO's proposal can be implemented by MRTU Start-up. This is already an aggressive schedule.
	Historical Period: The MRTU Tariff also includes a source verification time period beginning September 1, 2004 and ending August 31, 2005. CMUA agrees with NCPA's suggestion that this historical period be reexamined, and updated to September 1, 2005, through August 31, 2006 to ensure a more relevant representation of the current portfolios of LSEs.	**Historical Period --** The CAISO proposal now includes a more recent historical period for validation.
	Treatment of Outside of Control Area Load : All LSEs that have historically paid and continue to pay the embedded cost of the transmission grid should be eligible for LTTR allocation. It is appropriate therefore for all entities to have the tools necessary to meet their long term service commitments to their customers. It is inappropriate to exclude LSEs outside the CAISO Control Area from the LTTR/CRR allocation process.	**Out of Control Area Load --** The CAISO proposal is consistent with the existing CRR allocation in that the priority for the Long Term CRR allocation is limited to LSEs inside the control area. OCALSEs with a verified source inside the CAISO control area may also obtain Long Term CRRs by prepaying WAC. Long Term CRRs at the interties are not permitted.
Cities of Asuza and Colton	**Testing and Simulation:** Complexities in the CRR and LTCRR allocation process persist that will make it extremely difficult for LSEs to make economically rational nominations for LT-CRRs so as to optimize their ability to manage the risks associated with long-term resource commitments. The CAISO should commit to undertake sufficient testing and simulation of the LT-CRR multi-period SFT algorithm to allow identification and mitigation of any non-obvious flaws in the design. Such additional simulation and testing can be made consistent with the FERC's directive to make long-term transmission rights available at the start of the MRTU market design, because the CAISO can go forward with the allocation of annual CRRs for Year 1 and hold the tier-LT allocation at a later date.	**Testing and Simulation --** The CAISO does not anticipate another CRR dry run process. If further studies are identified that can be conducted prior to MRTU startup, the CAISO will make every possible effort to conduct this type of review.
	Change Timing of Tier Long Term : For both the first year and subsequent years, the CAISO should consider running the tier-LT after completing the process of awarding annual	**Change Timing of Tier Long Term –** The timing of the Long Term Tier enables market participants to have additional flexibility because

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	CRRs. As compared with the timing for the tier-LT run reflected in the current proposal, placing tier-LT after the completion of the annual CRR process would provide more information to LSEs with respect to their allocations through the annual process (Tier 3 in Year 1 and Tiers 2 and 3 from Year 2 forward), thereby providing additional guidance for their nominations in the LT-CRR process. This suggested change in the order of the processes would not affect the overall timing. **Publish Results of Annual CRR Allocation:** To maximize the information available to LSEs to guide their nominations for LT-CRRs, the CAISO also should publish the results of the annual CRR allocation process before tier-LT is run as well as publishing the results of the LT-CRR process once it is completed.	they can nominate annual CRRs after they receive their long term awards. Stakeholder input led the CAISO team to structure the proposal this way. **Publish Results of Annual CRR Allocation –** LSEs will be notified of their CRR awards immediately upon the completion of the SFT analysis, and before the LSE submits nominations for the following tier.
CPUC	**Support:** The CPUC provides overall support for the CAISO's latest LT-CRR proposal. The latest proposals are more robust than earlier versions and incorporate innovations on how to build on the existing framework to integrate LT-CRRs into MRTU start-up. The CPUC also appreciates the flexibility the current proposal provides for LSEs to balance their interests in long-term and/or short-term CRRs depending on their contract portfolio as well as their developing understand of the benefits provided by various CRR products. **Transmission Planning:** CPUC staff urges the CAISO to provide more detail about how it will preserve LT-CRRs allocation and auction rights within its transmission planning process, given that elements to be added to the grid over time may necessarily change the effectiveness of long-term transmission rights that have already been allocated. **CRR Dry Run:** The CPUC requests that the CAISO include in its report a section on lessons learned from the CRR dry run process. The CPUC requests that the CAISO conduct a stakeholder meeting after its report is issued to ensure that any lessons learned are discussed and translated to appropriate updated tariff language. **MRTU Implementation:** The CAISO plans to implement MRTU in early 2008 . Although the CPUC originally supported a CAISO LT CRR stakeholder process and implementation efforts some time after MRTU start-up, FERC directed the CAISO to file a LT-CRR proposal on January 29, 2007 and implement long-term CRR rights at the same time as MRTU start up. [September 21, 2006, Order 681, and FERC Order on Rehearing of 681] In complying with this directive, the CAISO has developed a proposal that builds on the CRR allocation and auction market rules that it filed in its tariff in February of 2006, and will be able to allocate and auction LT-CRRs with the implementation of MRTU.	 **Transmission Planning** – The CAISO agrees, and the transmission planning features will be more clearly defined after the submittal of the compliance filing. **CRR Dry Run –** The CAISO will hold stakeholder meetings to review the results and lessons learned from the CRR dry run. **MRTU** – The CAISO revised its proposal to accommodate a start-up that coincides with the start of MRTU.

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	Review: The CPUC staff also supports a critical review of the CRR process and its effectiveness in hedging transmission costs a reasonable time after MRTU is implemented so that needed changes in the program can be incorporated as soon as possible.	**Review –** The CAISO agrees and will conduct periodic reviews of the new CRR process.
	Adjusted Load Metric: The CPUC staff supports the CAISO's Nomination Process in which each LSE may nominate up to 50% of its Adjusted Load Metric as LT CRR in Year 1. The CPUC supports this upward revised nomination level because it meets the goal of allowing LSEs to achieve a reasonable hedge against potentially volatile transmission costs that may arise from fulfillment of long-term energy supply agreements, consistent with FERC Order 681.	
	Updated Historical Period: The CPUC Supports Use Of An Updated Reference Year As The basis for initial CRR Allocation	**Historical Period** – The CAISO revised its proposal to include a more recent historical base period.
	Transmission Process: The CAISO Must Evaluate How the Transmission Planning Process will Ensure the Feasibility of LT CRRs. The CAISO has not, however, clearly elucidated how it would perform this evaluation and how the feasibility of the LT CRRs will be assured over a 10-year period, given the likelihood of desirable changes to the grid. Further, CPUC staff is concerned that the need to assure the value of LT CRRs should not impede the development and incorporation into the grid of new, needed transmission projects. Such new grid elements may necessarily change energy flows within the CAISO control area, and thus, the value of LMPs and CRRs. CPUC staff requests that the CAISO more fully address this issue in its long-term transmission planning process and continue to make available a transmission planning representative to work with stakeholders as part of the LT CRR stakeholder process.	**Transmission --** The CAISO agrees, and the transmission planning features will be more clearly defined after the submittal of the compliance filing.
	Full Funding: The CPUC opposes the CAISO proposal to allocate any shortfalls at the end of the year to PTOs in proportion to their transmission revenue requirement . The CPUC suggests that expenses arising from full funding may more appropriately accrue towards a broader group of market participants who benefit from the stability provided by the congestion hedge. The CPUC thus requests that the CAISO update its proposal to allocate any annual shortfalls to all metered demand.	**Full Funding --** The CAISO modified its proposal to include auction revenues to offset any potential charges, and assess potential charges to measured demand and exports via a monthly clearing account.
	Clearly Define "Extraordinary Circumstance": CPUC requests that the CAISO flesh out the definition of "extraordinary circumstances" in the CAISO tariff. This step will provide necessary guidance to LSEs so that they may most accurately anticipate the likelihood and	**Extraordinary Circumstance –** The CAISO agrees and will provide additional clarification.

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	scope of impact arising from such "extraordinary circumstances," and thus adequately protect ratepayers against unexpected conditions that may adversely affect CRR values. **Credit:** The CPUC staff requests that the CAISO staff provide a basic analysis of how credit requirements will operate for LT CRRs. The CPUC recognizes that the CAISO will be developing the BPM that focused on credit requirements at a later date after obtaining clarity from FERC on open issues. The CPUC staff requests some up-front discussion of the interplay of the issuance of LT CRRs and CAISO credit requirements in order to inform the upcoming discussion. **Tracking System To Track Load Migration For The Purpose Of CRR Reallocation:** The CAISO must work with stakeholders to develop a program for it to track CRRs that follow load via load migration if such a feature is to be implemented. The CPUC staff is interested in some parties' suggestions that the calculation of load migration for CRR reallocation may be coordinated the calculation of load migration for allocation of CPUC Resource Adequacy obligations, as such coordination may balance countervailing incentives to over and underestimate such changes in load volume. Once a tracking program is implemented CPUC staff is interested discussing the value of an evaluation and reporting system to determine the efficacy of the load migration reallocation system eventually implemented.	 **Credit --** Credit issues will be addressed via a more comprehensive credit-oriented stakeholder process, after the compliance filing is made **Tracking System -** CAISO will develop a mechanism for tracking CRR transfers due to load migration. CAISO will work with stakeholders to develop this mechanism. The CAISO will coordinate with the CPUC in both the development and evaluation of the new tracking system.