

Decision on 2011 Congestion Revenue Rights Enhancements

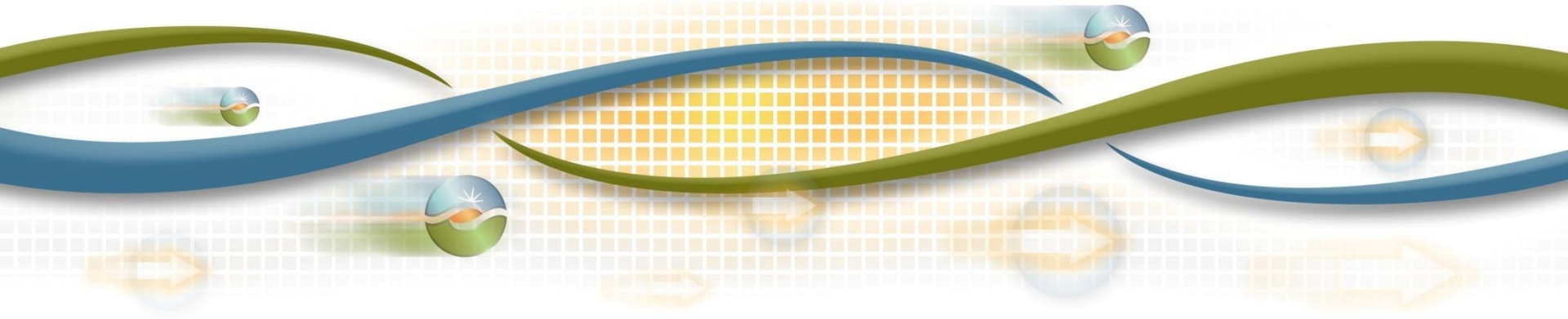
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CRRs are a financial instrument for hedging congestion cost in the day-ahead market.

- Provide payments based on the direction of congestion.
 - CRR payments allow market participants to manage their exposure to congestion costs.
- Released annually and monthly through an allocation process and auction based on capability of transmission system.
- Funded by congestion revenues collected in the day-ahead market.
 - revenues are maintained in a balancing account to account for any excess or shortage of congestion revenue.

2011 Congestion Revenue Rights Enhancements address revenue adequacy and clarify tariff language.

- New provisions to better model transmission system capability in annual process.
 - Avoid releasing too many CRRs resulting in insufficient congestion revenues to cover CRR payments
 - Requires Board approval
- Clarify current CRR tariff language.
 - Clarify language describing the release and management process.
 - Does not require Board approval

ISO proposes to include expected outages in the transmission model used to determine annual allocation of CRR capacity.

- Address issues with revenue adequacy since start of the market.
- Reduce capacity on interties and critical paths that have historically caused revenue inadequacy.
 - Focuses the capacity reductions to the source of revenue inadequacy.
- Reduce reliance on monthly global de-rate factor to ensure revenue adequacy.

Stakeholders support or conditionally support the proposal.

Conditions for support include:

- Provide information on the effectiveness of the process.
 - ISO has committed to providing this information.
- Could be other factors driving revenue inadequacy.
 - ISO will continue to analyze future drivers of revenue inadequacy.
- ISO should consider relaxing full funding requirements for CRRs.
 - Full funding of CRRs is mandated by FERC.

Management recommends that the Board approve the proposal.

- Improves revenue adequacy by including expected outages in determining the capacity released in the annual process.
- Resolves a variety of issues related to release and management processes that require tariff clarification.