

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON THE  
CAISO'S FEBRUARY 21, 2007 CRR ISSUE PAPER**

**March 9, 2007**

The Alliance for Retail Energy Markets<sup>1</sup> (“AReM”) appreciates the opportunity to provide comments to the CAISO on its 2/21/07 CRR Issues Paper. As discussed at the February 27<sup>th</sup> meeting, the two biggest issues for AReM are (1) finding a solution to Trading Hubs that allows the CAISO to remove its prohibition for Long-Term CRRs (“LT-CRRs”) and (2) load migration.

**CRR Dry Run Results:** At present, AReM does not have enough information to provide comment. We will await the draft report. In aggregating the data, AReM asks the CAISO to consider providing some of the results in groups, such as ESPs, IOUs and POU, to identify if significant differences are apparent in the results. In addition, one statement in the paper caused concern. On p. 9, the CAISO discusses issues with its use of an “open loop” model in the CRR Dry Run and LMP Study. AReM would appreciate more discussion of this issue at the next stakeholder meeting, as well as a description of the problem, the ramifications for LSEs, potential solutions and the pros and cons of each.

**Trading Hubs and Possible Rule Changes:** As AReM stated at the 2/27 meeting, any solution adopted by the CAISO **must** allow the CAISO to remove its prohibition on obtaining LT-CRRs at Trading Hubs. At least four alternatives were proposed at the meeting. To decide on a preferred alternative, AReM requires more information on how each alternative would be implemented in the CRR program and the effects each will have on the quantity of CRRs available and their expected hedging ability.

**Set Aside for Inertie CRRs:** AReM has no comment on this issue at present.

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation comprised of electric service providers (“ESPs”) that serve the majority of the state's direct access load. The comments contained in this filing represent the position of AReM, but not necessarily the view of any affiliates of its members with respect to any specific issue.

**Source Verification Period:** AReM addresses the three topics raised at the 2/27 meeting and requests that the CAISO address one new issue – coordinating CRRs with RA imports.

- Use RA capacity showings of LTPPs for the demonstration – AReM believes this issue to be a low priority that should not be addressed. First, LTPPs only apply to the three IOUs. Second, the LTPPs are typically plans – not contracts. Third, to meet the “historical” requirement, the LSE would have had to sign an LTPP contract in 2006 allowing for delivery in 2008 – and, if it’s a new generator, the issue of commercial operation would have to be addressed. Particularly considering that source verification is a one-time event, we do not see the usefulness or fairness of introducing this added complexity.
- Length of contract used for source verification – AReM supports staying with the current requirement of a minimum contract length of 30 days.
- Eliminate source verification for monthly allocations – AReM supports this modification. Engaging in monthly source verifications will be exceedingly burdensome for all.
- **New Issue: Coordinating CRRs with RA Imports** – AReM requests that the CAISO address a new issue – the possibility of coordinating the CRR process with RA imports. To qualify for CPUC RA counting purposes, an import must be delivered to a CAISO scheduling point. Yet, power is not typically traded at the scheduling point. To deliver to the scheduling point, the LSE must take on the congestion risk for the RA capacity resource, unless it can obtain CRRs to hedge that risk. The CAISO should explore with stakeholders a way to coordinate the two programs, so that the LSE’s RA import allocations can be assigned equivalent or pro-rata CRRs in the annual CRR allocation process.

**Outages:** AReM has no comment on this issue at present.

**Use of Common Monthly Forecasts for CRR and RA:** AReM supports using the monthly RA filing as the peak for the monthly CRR forecast. We await the CAISO’s

proposal for how to convert the RA capacity peak to the CRR hourly load duration curve. We note, however, that the CPUC is currently proposing moving from a monthly to a quarterly RA forecast, which AReM does not support. If the CPUC takes that step, we would have to assess whether a different monthly approach is preferable for CRRs.

**Reduce Frequency of Monthly Allocations/Auction:** AReM has no comment on this issue at present.

**Load Migration:** As mentioned many times in the past, AReM strongly supports a Working Group comprised of ESPs, IOUs, the CPUC and CAISO to work through the mechanics of CRR transfers for load migration. We are pleased that the CAISO is now beginning this effort. We also support giving LSEs the option to nominate the transferred CRRs in the next Priority Nomination Process (PNP).

**Merchant Transmission:** AReM has no comment on this issue at present.

**CRR Credit Policy:** AReM has no comment on this issue at present.