

**Summary of Stakeholder Responses to
Questions from CRR Dry Run Workshop
and
CAISO Response**

During the April 28, 2006 Congestion Revenue Rights (CRR) Dry Run Workshop and in a subsequent market notice, the CAISO posited eight separate questions and requested Market Participant input. Seven entities offered written comments, which are summarized below along with the CAISO's conclusion for handling these issues within the CRR Dry Run.

The CAISO greatly appreciates the efforts of the market participants who submitted written comments as well as those who discussed these matters during the April 28th Workshop.

Many of these issues will continue to be examined as part of the CRR BPM, which will be reviewed initially by stakeholders in August and revised after the CRR Dry Run is completed.

Additional questions from stakeholders may be submitted to the mailbox at: mrtuimplementation@caiso.com for a posted CAISO response.

1) For the CRR Dry Run, should the ISO use three or four seasons for the annual CRR term?

Two entities supported using three seasons in line with the current WECC practice. Three entities preferred four seasons. Two entities strongly reiterated their advocacy for twelve seasons of one month each; one of these entities suggested a preference for four seasons if the monthly granularity were not possible.

The CAISO concludes that four seasons would be the best approach for the Dry Run. Moreover, as explained in Question #7 and elsewhere in the Revised CRR Dry Run Guidebook, the Dry Run will be conducted by Tiers across all four seasons. The CAISO believes this approach will minimize the data exchange, make it easier for participants to submit their requests in a timely manner and be more in line with how we would expect to operate during production.

2) What months should make up each of the seasons?

Four entities agreed that calendar quarters would be acceptable. Three participants suggested using the months within the WECC seasons, including one entity that was indifferent to having three or four seasons. One entity preferred an irregular number of months within the four seasons.

The CAISO concludes that calendar quarters would be the best approach for the Dry Run. Thus, the Dry Run will focus on the year 2008, broken down into four seasons comprised of three months each:

Winter – January, February, March
Spring – April, May, June
Summer – July, August, September
Fall – October, November, December

3) For the CRR Dry Run, the ISO has proposed doing monthly allocations and auctions for April and August 2008. Are these good representative months or should other months be chosen?

All entities agreed that April and August are good representative months. One participant suggested adding the month of November. Another participant suggested adding February.

The CAISO concludes that the Dry Run will include a monthly allocation and auction process for April and August of 2008. At the end of the Dry Run, if it is possible to conduct another monthly allocation/auction and participants are willing, the CAISO would be open to doing so. The CAISO will review this possibility again at the end of the Dry Run.

4) How should the ISO verify source locations and MWs and sink locations?

One entity suggested that the CAISO could generate its own report for the historical period of September 04 through August 05. Another participant suggested the CAISO should verify that energy deliveries during this historical period are still valid, and that CRR source locations should be updated to allow CRR requests from new generation.

One entity said the CAISO should compare each LSE's completed CRR Data Template with submitted schedules during the historical period to verify the

source was actually used, and encouraged the CAISO to develop systems to track load by LSE rather than by SC.

One entity suggested that LSEs should submit to the CAISO power contracts that show delivery and receipt points and MWs, with other confidential data blanked out. This entity suggested that the CAISO then would cross-check this data against the LSE's historical data.

One entity recommended a stakeholder process to design a template that is similar to the RA supply template. Two entities had no comments on this question.

The CAISO concludes that for the Dry Run the CAISO staff will work closely with each participant to review contracts or other documentation that demonstrate source locations were utilized during the historical period.

For the Dry Run the CAISO expects to remain consistent with the filed MRTU Tariff that specifies the historical period from which sources would be permissible. The CAISO reminds participants that Tier 3 of the annual allocation process allows requests for any new sources, including those not utilized during the historical period.

5) Should CRRs be allocated for station power?

Three participants commented "no," with one participant adding that generators can use the auction. One participant said "yes" and suggested that simultaneous startup capability could be used to validate the eligibility for the number of CRRs available for station power. One participant commented that a generator that self-provides station power may have reason to obtain CRRs. Two entities offered no comment to this question.

The CAISO is still reviewing how to handle station power for purposes of the Dry Run. A further response should be posted within two weeks.

6) How should submitted historical and forecasted load be verified?

One entity said the CAISO has the records for historical load, and forecasted loads should be consistent with RA forecasts (adjusted for any differences due to inconsistent timelines.)

One entity commented that forecasted load for CRR allocations must be based upon the same forecast utilized by RA, in recognition of the balance of incentives

between understating load for RA purposes and overstating load for CRR eligibility. Two other entities appeared to second this approach, that the CAISO should use data provided by LSEs for RA purposes to state agencies.

Three entities had no comment.

For the Dry Run the CAISO intends to review the load data submitted for RA purposes.

7) Should the ISO conduct the seasonal allocations by Tier across all seasons or complete all Tiers of each season before doing the next season?

Three entities preferred conducting all Tiers within one season before moving to the next season. One entity expressed a preference to conduct a single Tier across all seasons before moving to the next Tier. One entity also preferred conducting one Tier across all seasons, then moving to the next Tier – but also suggested trying both approaches for at least two seasons. One entity recommended a stakeholder process to resolve this question and another participant offered no response to this question.

The CAISO concludes that the best approach for the allocation during this Dry Run is to conduct Tier One consecutively across the four seasons, then Tier 2 across the four seasons and then Tier 3 across the four seasons. The auction for each season would be conducted after this allocation process, and the monthly auction would be conducted after the monthly allocation process.

8) How should the ISO handle validation of contract data information for the annual (by season) allocation when it is only valid for part of a season or when it overlaps seasons?

One participant suggested that a substantial portion (+90%) of the season to be covered by a contract in order to request a seasonal allocation. Another participant said that a contract for any part of a season should be sufficient validation for that season. One participant commented that a power contract that is the closest to the CRR allocation date should be utilized.

One entity explained further why this question should be resolved by conducting monthly allocations for each season, and argued that the additional amount of

work needed to allocate on a monthly basis may be outweighed by the improved operation of CRRs.

One participant said the CAISO should run its own analysis on the net SC-to-SC position at each trading hub to determine the portfolio picture of each LSE during the historical period.

One entity was unsure of the implications and recommended a stakeholder process, while another entity had no comment.

For the Dry Run, the CAISO will consider a contract for any part of a season to be sufficient validation for that season, and will work closely with market participants to implement this approach.