

Comments regarding the California ISO “2012 Congestion Revenue Rights Tariff Clarifications” proposal

Customized Energy Solutions appreciates the opportunity to submit comments on the California ISO’s proposed Tariff changes, as described in the draft proposal issued on April 25, 2012 titled “2012 Congestion Revenue Rights Tariff Clarifications”.

1 Annual Allocation Nomination Eligibility

Given the importance of making sure that the California ISO follows the letter of its Tariff in all its procedures, and considering that the current Tariff language does not fully support the California ISO’s processes to calculate nomination eligibility for the annual allocation of Congestion Revenue Rights (CRRs) we offer in the following sub-sections suggestions that we believe would make the Tariff language more accurate and transparent

Alternatively, calculation details could be removed from the Tariff and replaced by a reference to the Business Practices Manual (BPM), which is generally the appropriate place for this type of detail. This would also avoid duplication of maintenance efforts and potential inconsistencies between the Tariff and the BPM.

1.1 Priority Nomination Process

In order to facilitate the discussion the California ISO provided an example that illustrates the proposed calculation. Based on that example, the Seasonal Eligible Quantity (SEQ) is calculated from the adjusted load metric, which includes changes due to TOR, ETC or converted rights held by the Load Serving Entity (LSE), as well as load migration adjustments. It is, therefore, incorrect to state that nominations are limited by two thirds of the SEQ “minus any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration”.

Section 36.8.2.1 of the Tariff describes the way the California ISO will calculate the Seasonal Eligible Quantity for the annual CRR allocation.

An LSE’s Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE’s historical Load data. In the event that the LSE has lost or gained net Load through Load Migration during the course of the prior year, the historical Load data will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE’s Seasonal CRR Eligible Quantity by first subtracting from that LSE’s Seasonal CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights to form the LSE’s Adjusted Load Metric, and then multiplying the result by 0.75.

We shaded the portion of the Tariff language that suggests that historical load data submitted to the California ISO will be adjusted due to load migration. While not fully inaccurate, this language is misleading, as we believe the California ISO does not change historical load data, but calculates a load metric and then adjusts the load metric based on load migration. The definition of SEQ does not make it clear that load migration adjustments are included in the calculation of the Adjusted Load Metric.

We suggest the following changes to section 36.8.2.1:

An LSE’s Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE’s historical Load data. In the event that the LSE has lost or gained net Load through Load Migration during the course of the prior year, the ~~historical Load data~~ Seasonal CRR Load Metric will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE’s Seasonal CRR Eligible Quantity by first ~~subtracting from~~ adjusting

that LSE's Seasonal CRR Load Metric based on Load Migration and subtracting the quantity of Load served by its TORs, ETCs, and Converted Rights to form the LSE's Adjusted Load Metric, and then multiplying the result by 0.75.

Since the calculation of the SEQ already accounts for load migration, we believe that the shaded portion of the proposed Tariff language below is not necessary and suggests that load migration adjustments are made twice.

In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OBAALSE may make PNP nominations up to the lesser of: (1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of Long Term CRRs ~~allocated in the immediately preceding Seasonal CRR Allocation~~ for each season, time of use period and CRR Sink for that year and minus any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration as described in Section 36.8.5.1; or, (2) the total quantity of Seasonal CRRs allocated to that LSE in the previous annual CRR Allocation, minus the quantity of previously allocated Long Term CRRs allocated in the immediately preceding Seasonal CRR Allocation for each season, time of use period and CRR Sink, and minus any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration as described in Section 36.8.5.1.

However, the example provided by the California ISO shows that, in addition to subtracting from the SEQ all long term CRRs valid on the allocation period, it subtracts load migration CRRs. While arguably such CRRs are included in the set of long term CRRs, we believe that explicitly stating that term would improve the clarity of the language. This becomes even more important in the portion of the proposed language that defines the Sink Upper Bound (SUB), as all valid load migration CRRs are not part of "the quantity of previously allocated Long Term CRRs allocated in the immediately preceding Seasonal CRR Allocation".

In practice, when calculating the SUB the California ISO deducts from the previous year's allocation every load migration CRR valid for the allocation period. Assuming such is the intent of the rule, we suggest the following changes to the proposed Tariff language in section 36.8.3.5.1:

In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OBAALSE may make PNP nominations up to the lesser of: (1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of Long Term CRRs for each season, time of use period and CRR Sink for that year and minus the net MW amount of load Migration CRRs valid for each season, time of use period and CRR sink ~~any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration as described in Section 36.8.5.1;~~ or, (2) the total quantity of Seasonal CRRs allocated to that LSE in the previous annual CRR Allocation, minus the quantity of previously allocated Long Term CRRs allocated in the immediately preceding Seasonal CRR Allocation for each season, time of use period and CRR Sink, minus the net MW amount of Load Migration CRRs valid for each season, time of use period and CRR Sink, and minus any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration as described in Section 36.8.5.1.

1.2 Seasonal Eligible Quantity for Remaining Annual Tiers

According to the Tariff, LSEs can nominate in tier 2 two thirds of their SEQ minus tier 1 allocation, minus long term CRRs allocated in previous years.

In tier 2 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE and Qualified OBAALSE up to two-thirds of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of: (i) CRRs allocated to that LSE or Qualified OBAALSE in tier 1, and (ii) Long Term CRRs previously allocated to it that are valid for the CRR term currently being allocated.

Again, this language fails to reflect the California ISO's current procedures as, in addition to reducing the two thirds of the SEQ by tier 1 and "Long Term CRRs previously allocated to [the LSE or Qualified OBAALSE]", the California ISO deducts the net load migration CRR MW amount.

In order to adjust the Tariff language to match the current process to calculate tier 2 nomination eligibility, we suggest the following change to section 36.8.3.5.3:

In tier 2 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE and Qualified OBAALSE up to two-thirds of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of: (i) CRRs allocated to that LSE or Qualified OBAALSE in tier 1, ~~and~~ (ii) Long Term CRRs previously allocated to it that are valid for the CRR term currently being allocated, and (iii) the net MW amount of Load Migration CRRs assigned to it that are valid for the CRR term currently being allocated.

We suggest making a similar change to section 36.8.5.4, which describes the calculation of the eligible quantities for tier 3.

2 Secondary Registration System Trade Notification

We support the suggestion made in the initial discussion to remove the phrase “at least”.

3 CRR PNode Retirement Process

While reducing the set of locations available for re-mapping terminated PNodes may impact feasibility and the value of re-mapped CRR, we believe that gaining the option of liquidating CRR positions, especially when they are associated with locations that are no longer active (a retired generator, for example) is worth the potential downside.

Again, Customized appreciates the opportunity to share our thoughts with the California ISO as they work to improve the clarity and accuracy of their Tariff language. Please feel free to contact us if any clarification or additional detail is needed.

Thank you.

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