California ISO
Your Link to Power

California Independent
System Operator Corporation

Discussion of May 18, 2007 CRR Issues Paper

Stakeholder Conference Call

May 29, 2007

Today's Topics

- Important dates
- Transfer of CRRs between Load Serving Entities to reflect load migration
- Ensuring consistency between LSE load forecasts used for CRR eligibility and for Resource Adequacy Requirements
- Modeling transmission outages in the CRR network model for monthly CRR releases
- Provision to facilitate early release of Converted Rights

Important Dates

- June 4 – written comments requested (CRRComments@caiso.com)
- June 7 – CAISO will post straw proposals
- June 14 – meeting at CAISO to discuss straw proposals (10 am – 4 pm)
- Other activities (see 5/18 Issues Paper)
- July 18 – presentation to CAISO Board for approval

CRR Transfers for Load Migration

- **Foundational Issues**
- **Objectives and Principles**
- **Implementation Issues:**
  - What is transferred
  - Load metric
  - Data sources
  - Frequency of transfer
  - Eligibility for renewal
  - How to count new customers since CRR allocation

Foundational Issues

- **MRTU Tariff section 36.8.5.1.1 requires an LSE that loses Load through migration to transfer a percentage of its allocated Seasonal CRRs to the LSE that gained the Load, or a financial equivalent, in a quantity proportionate to the percentage of Load lost through migration.**
  - Long Term CRR filing applies the same requirement, but limits financial equivalent to the calendar year for which Seasonal CRRs have already been released.
  - Alternative stakeholder proposal: Distinguish CRRs that are "ineligible" for transfer and allow load-losing LSE to transfer substitute MW of "eligible" CRRs.
- **Several details are involved in implementing section 36.8.5.1.1 (renumbered 36.8.5.2 in 1/29/07 LT CRR filing)**

Objectives and Principles

- **Initial discussions with stakeholders identified these candidates:**
  1. CRRs belong to the Load (consistent with filed MRTU tariff).
  2. A share of the actual CRR value should be transferred.
  3. The process should be fair to all LSEs.
  4. LSEs receiving CRRs need to qualify as CRR holders.
  5. LSE can desire retention of Long-Term (LT) CRRs that are still needed for their resource portfolios.
  6. There should be fair access by LSEs to recover lost CRRs.
  7. The CAISO should be responsible for tracking CRR migration.
  8. A percentage of load migration should have an equal % of CRR transfer.
  9. The process for transfer can't advantage or disadvantage either the losing or gaining LSE.
  10. The process should be supportive of new investment in generation (at least, not create disincentives).
  11. The solution must be practical and workable.

Implementation Issues: What Is Transferred

- **Issues of transferring CRRs vs. financial equivalent:**
  - How is a financial equivalent implemented: cash payment vs. future settlements?
  - What if the receiving LSE is ineligible to hold CRRs?
  - Is there a default mechanism, & how is non-default chosen?
  - Can the mechanism apply to LT CRRs?
  - Is a financial equivalent that is executed by a transfer of future settlements equivalent to transferring actual CRRs, if the receiving LSE also gets the eligibility for renewing the CRR?
  - Does “transfer” require an actual change of CRR Holder, or could CAISO issue additional CRRs (counter-flow CRR assigned to load-losing LSE)?
- **Note: transfers can occur outside of SRS, but then the “holder of record” and its obligations do not change.**

Implementation Issues: Other

- **Load metric:**
  - Uniform kW/customer by customer class
  - Load factor by customer class, times MWh transferred
  - 8760 hourly loads (maybe limited to large customers)
- **Alternative data sources:**
  - Direct Access Service Request & billing history sent by UDC
  - Summary data sent by UDC
  - Summary data sent by CPUC
- **Frequency of transfer:**
  - Monthly
  - Daily (limited by rounding of CRR holdings to 0.1 MW)
- **Eligibility of transferred CRRs for renewal in Priority Tier**
- **How to count new customers since CRR allocation**

Consistency of Load Forecasts

- **LSE load forecasts are used by CAISO to calculate monthly CRR eligible quantities**
  - Load duration curve containing hourly load data
- **CEC collects load forecasts from all LSEs**
  - Coincident peak forecasts for CPUC-jurisdictional LSEs (IOUs, ESPs, CCAs) used to determine monthly RA requirements
    - CEC can provide non-coincident peak forecasts for CAISO CRR needs
  - Monthly non-coincident peak load forecasts are submitted to CEC by non-CPUC LSEs, in year-ahead process
- **Consistency between forecasts creates a balance of incentives to produce unbiased forecasts.**

Consistency of Load Forecasts

- **Input requested on methodology questions:**
  1. What adjustments to data are appropriate to bring load duration curves submitted for CRRs into consistency with CEC peak data?
     - Related issue: How would such adjustment affect the off-peak hours of the load duration curve?
  2. How to address differences in forecast methods between CPUC and non-CPUC LSEs?

Modeling Transmission Outages

- **Network model for monthly CRRs will incorporate transmission outages to reflect and minimize impact of outages on CRR revenue adequacy.**
  - Objective is to fully fund CRRs without relying on CRR auction revenues to make up any shortfall.
- **Two categories of outages:**
  - Significant outages reported by PTOs 30 days prior to start of month (in time for explicit incorporation in CRR model)
  - Planned outages reported by PTOs with 72 hours notice, and unplanned outages and derates.

Modeling Transmission Outages

Issues to be resolved:

- **For "30-day notice" outages**
  - Specify which lines & facilities are included in this category
  - Develop rules for incorporating into CRR model
- **For other outages**
  - Determine an appropriate margin to reduce grid capacity available for CRRs
- **For Month One of Year One – February 2008**
  - Determine any additional margin needed due to lack of information on 30-day notice outages.

Early Release of Converted Rights

Facts:

- **Converted Rights (CVR) will receive "perfect hedge" treatment under MRTU until end of 2010.**
- **Load served under CVR rights is not exposed to congestion and not eligible for CRR allocation.**
- **Holders of CVR can increase their eligibility for CRR allocation by relinquishing some CVR early.**
- **Current MRTU Tariff provisions do not allow CVR holder to reclaim CVR in a subsequent CRR release once relinquished.**

Converted Rights Proposal

New CVR holder proposal:

- If a CVR holder relinquishes some CVR in CRR Year 1 or 2 (2008 or 2009), the CVR holder may "reclaim" the CRR sources associated with the relinquished CVR by nominating them as CRRs in the Priority Nomination Tier (PNT) of a subsequent year (2009 or 2010).

Example:

- CVR holder has 100 MW CVR from PNode A to load, and relinquishes 40 MW in Year 1 to be able to nominate 40 MW CRR from PNode B, and receives these CRRs.
- In Year 2 the CVR holder may "reclaim" the 40 MW from PNode A by nominating 40 MW CRRs from PNode A in the PNT instead of the PNode B CRRs.