



California ISO
Your Link to Power

California Independent
System Operator Corporation

July 20, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

FILED
 OFFICE OF THE
 SECRETARY
 2007 JUL 20 P 4: 05
 FEDERAL ENERGY
 REGULATORY COMMISSION

**Re: Amendments in Compliance with the Commission's July 6, 2007 Order in
Docket Nos. ER07-869-000; ER07-475-000; and ER06-615-001**

Dear Secretary Bose:

Pursuant to the orders issued by the Federal Energy Regulatory Commission ("FERC" or "Commission") in the above-captioned dockets on September 21, 2006,¹ April 20, 2007,² June 25, 2007,³ and July 6, 2007,⁴ the California Independent System Operator Corporation ("CAISO") submits an original and five (5) copies of proposed tariff revisions.

Respectfully submitted,

Anna McKenna
Anna McKenna

Counsel for the
The California Independent System Operator
Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296

¹ *California Independent System Operator Corporation*, 116 FERC ¶ 61,274 (2006) ("September 2006 Order").

² *California Independent System Operator Corporation, Order on Reh'g*, 119 FERC ¶ 61,076 ("April 20 Rehearing Order").

³ *California Independent System Operator Corporation, Order on Compliance*, 119 FERC ¶ 61,313 ("June 25 Compliance Order") in Docket Nos. ER06-615-000 to 003 and ER06-615-005.

⁴ *California Independent System Operator Corporation*, 120 FERC ¶ 61,023 (2007) ("July 6 Order") in Docket Nos. ER07-869-000; ER07-475-000; and ER06-615-001.



July 20, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Amendments in Compliance with the Commission's July 6, 2007 Order in
Docket Nos. ER07-869-000; ER07-475-000; and ER06-615-001**

Dear Secretary Bose:

Pursuant to the orders issued by the Federal Energy Regulatory Commission ("FERC" or "Commission") in the above-captioned dockets on September 21, 2006,¹ April 20, 2007,² June 25, 2007³ and July 6, 2007,⁴ the California Independent System Operator Corporation ("CAISO") submits an original and five (5) copies of proposed tariff revisions. There are two general aspects to this filing.

The first aspect involves a set of tariff changes on three Congestion Revenue Right ("CRR") topics that were the subject of a recent CAISO stakeholder process.⁵ The three topics involve tariff provisions related to: (i) the transfer of CRRs due to Load Migration and the CAISO's tracking of these transfers, (ii) the modeling of transmission outages in the network model used for CRR purposes,⁶ and (iii) the use of common load forecasts for monthly CRR

¹ *California Independent System Operator Corporation*, 116 FERC ¶ 61,274 (2006) ("September 2006 Order").

² *California Independent System Operator Corporation, Order on Reh'g*, 119 FERC ¶ 61,076 ("April 20 Rehearing Order").

³ *California Independent System Operator Corporation, Order on Compliance*, 119 FERC ¶ 61,313 ("June 25 Compliance Order") in Docket Nos. ER06-615-000 to 003 and ER06-615-005.

⁴ *California Independent System Operator Corporation*, 120 FERC ¶ 61,023 (2007) ("July 6 Order") in Docket Nos. ER07-869-000; ER07-475-000; and ER06-615-001.

⁵ See *July 6 Order* at P 209 (mentioning the filing to be made on Load Migration and the modeling of transmission outages in the CRR network model) and P 232 (mentioning the filing to be made regarding the modeling of transmission outages in the CRR network model and the use of common load forecasts for monthly CRR eligibility and monthly resource adequacy showings).

⁶ With regard to the modeling of transmission outages and the criteria for determining what constitutes a "significant transmission outage" the Commission noted that the criteria will be included in the CAISO's Business Practice Manuals which will be available prior to MRTU implementation. See *April 20 Rehearing Order* at P 646.

eligibility and monthly resource adequacy showings.⁷ As discussed in greater detail herein, the CAISO submits tariff revisions on each of the three CRR topics in compliance with Commission orders.

The second aspect of this filing involves proposed revisions to the MRTU Tariff submitted in compliance with nine requirements contained in the Commission's *July 6 Order*. The CAISO notes that the *July 6 Order* established several compliance obligations for the CAISO with varying due dates. Certain directives in the *July 6 Order* require the CAISO to collect additional information from load-serving entities ("LSEs") external to the CAISO's Control Area. Acquiring the additional information from these external LSEs (referred to as "Out-of-Control Area Load Serving Entities" or "OCALSEs" under the MRTU Tariff) necessarily delays the start of the CRR process. On July 13, 2007, the CAISO filed a motion to extend the due date for compliance for those items ordered within ten days of *July 6 Order*. The CAISO requested that it be allowed to make the compliance filing on or about July 20, 2007, but in no event later than August 3, 2007. On July 16, 2007, the Commission granted the CAISO's motion.⁸ As discussed in greater detail herein in Section II.B., *infra*, the CAISO submits its filing in compliance with the *July 6 Order*.

I. BACKGROUND

A. MRTU Filing and September 2006 Order

On February 9, 2006, the CAISO filed the MRTU Tariff with the Commission. On September 21, 2006, the Commission accepted the MRTU Tariff for filing to become effective November 1, 2007, subject to a number of modifications.⁹ With regard to CRRs, the Commission conditionally accepted the proposed rules for the provision of Annual and Monthly CRRs.¹⁰

B. January 2007 Filing in Compliance with the Commission's Final Rule Regarding Long Term Firm Transmission Rights in Organized Electricity Markets in Docket No. ER07-475-000

On January 29, 2007, the CAISO submitted its filing in compliance with the Commission's Final Rule regarding Long-Term Firm Transmission Rights in Organized

⁷ See *July 6 Order* at P 232.

⁸ See the notice issued by the Commission in the above-captioned proceeding on July 16, 2007, FERC document # 20070716-3026.

⁹ See *September 2006 Order*.

¹⁰ See generally *September 2006 Order* at PP 704-873.

Electricity Markets.¹¹ The CAISO proposed to implement long-term firm transmission rights as an extension of the short term (Annual and Monthly) CRR program under the MRTU Tariff.¹²

C. April 20, 2007 Order on Rehearing in Docket No. ER06-615-001

On April 20, 2007, the Commission issued an order on rehearing of the *September 2006 Order*, in which it directed further modifications to the proposed short-term (*i.e.*, Seasonal and Monthly) CRR tariff provisions under the MRTU Tariff.¹³ Among other things, the *April 20 Order* required the CAISO to continue working with the State Water Project to resolve any outstanding issues associated with allocating CRRs to pump load entities, including how to treat water pumping facilities' greater annual load shifts than other load serving entities.

D. May 7, 2007 Filing in Docket No. ER07-869-000

On May 7, 2007, the CAISO submitted a filing in order to collect information and begin the multi-stage, multi-month process of releasing CRRs for the first year of operation under the MRTU Tariff. The CRR release process has to begin well in advance of February 1, 2008 - the date for the start of operation under the MRTU Tariff. The May 7 Filing sought the effectiveness of the conditionally-accepted CRR rules: (i) as filed in compliance with the *September 2006 Order* on November 20, 2006 in Docket ER06-615; (ii) as filed on March 9, 2007 in Docket No. ER07-613-000; (iii) as filed in the CAISO's January 29, 2007 submission in compliance with Commission *Order Nos. 681 and 681-A* regarding long term firm transmission rights in organized electricity markets, and (iv) as further amended in the May 7 Filing itself.

The amendments proposed in the May 7 Filing fell into two broad categories: (a) those CRR-related changes filed under FPA Section 205 that came out of either the stakeholder process following the CRR Dry Run or the process of reconciling the material in the BPM for CRRs and the conditionally-approved MRTU Tariff,¹⁴ and (b) those CRR-related changes filed in compliance with either the *September 2006 Order* or the *April 20 Rehearing Order*.¹⁵

¹¹ *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, 71 FR 43564 (Aug. 1, 2006), FERC Stats. & Regs. ¶ 31,226 (2006) ("Order No. 681" or "Final Rule"); and Order No. 681-A, 117 FERC ¶ 61,201 (2006) ("Order No. 681-A" or "Rehearing Order").

¹² The introduction of Long Term CRRs required small but important terminology changes in the MRTU Tariff. The short term CRRs, applicable in any single year were re-named "Monthly" and "Seasonal" CRRs. The generic term "CRR" was retained as general reference to any of the specific types of CRRs (*i.e.*, Monthly, Seasonal, Long Term, and Merchant CRRs) under the MRTU Tariff.

¹³ *See April 20 Rehearing Order*.

¹⁴ The rule changes relating to the stakeholder process following the CRR Dry Run involved: (i) the use of Trading Hubs as sources for Long Term CRRs, (ii) the process of renewing an expiring Long Term CRR as well as allowing expiring Existing Transmission Contracts and Converted Rights to transition to Long Term CRRs, and (iii) a change to the proposed historical reference period for source verification for CRR Year One to calendar year 2006.

¹⁵ The proposed amendments in compliance with the *September 2006 Order* and the *April 20 Rehearing Order* involved: (i) additional detail on the allocation of CRRs to the sponsors of Merchant Transmission upgrades

E. The Commission's June 25 Order on the MRTU Compliance Filings in Docket Nos. ER06-615-000 to 003 and ER06-615-005.

The Commission's *June 25 Order* accepted for filing, subject to further modifications, two compliance filings submitted by the CAISO in response to the Commission's directives in a *September 2006 Order* conditionally accepting for filing, subject to modifications, the CAISO-proposed MRTU Tariff. In this order, the Commission also directed, among other things, that the following two modifications to the CAISO's MRTU Tariff be submitted in conjunction with compliance filings the CAISO will make on or before August 3, 2007. The modifications were: (i) to address participating load in the Priority Nomination Process and to coordinate efforts with the State Water Project to develop tariff language that addresses the issue¹⁶; and (ii) to include Southern California Edison's suggestion that Section 36.8.5.1.1 be amended to provide that an LSE may transfer a percentage of CRRs that were allocated including any adjustments to that allocation pursuant to their load migration for that year.¹⁷

F. The Commission's July 6 Order acting on: (i) the CAISO's Long Term Firm Transmission Rights Filing in Docket No. ER07-475-000, and (ii) the May 7 Filing in Docket No. ER07-869-000

The Commission's *July 6 Order* conditionally accepted the tariff provisions filed in the various proceedings subject to certain modifications and it also granted in part and denied in part certain rehearing requests. The Commission acted on nine different items in the *July 6 Order* in for which it required a compliance filing within ten (10) days of the order.¹⁸ Specifically, the Commission directed the CAISO:

1. To provide OCALSEs with the ability to nominate CRRs with Trading Hub sources;
2. To provide creditworthy OCALSE's with the ability to pre-pay the relevant wheeling access charges for nominating Long Term CRRs on a monthly basis;
3. To limit an LSE's and OCALSE's eligibility for Long Term CRRs to 20 percent of the LSE's and OCALSE's adjusted load metric in CRR Year One;
4. To: (i) explain whether the simultaneous feasibility test as applied to Long Term CRRs requires additional time sensitive parameters (*i.e.*, modeling of future system conditions),

or projects, and (ii) tariff language regarding the allocation of CRRs to Load external to the CAISO Control Area. See *April 20 Rehearing Order* at PP 368-380.

¹⁶ *June 25 Compliance Order* at P 232.

¹⁷ *June 25 Compliance Order* at P 237.

¹⁸ As noted earlier, certain directives in the *July 6 Order* required the CAISO to collect additional information from OCALSEs. Acquiring the additional information from OCALSEs necessarily delays the start of the CRR process. On July 13, 2007, the CAISO filed a motion to extend the due date for compliance for those items ordered within ten days of *July 6 Order*. On July 16, 2007, the Commission granted the CAISO's motion.

- (ii) explain how the issue is being addressed, including whether or not the details are included in the relevant Business Practice Manual (“BPM”), and (iii) file tariff changes (if necessary) in a separate 205 filing;
5. To provide OCALSEs with the opportunity to nominate Long Term CRRs associated with wheel-through transactions in the CRR allocation process;
 6. To require a forward-looking demonstration of need for all CRR nominations by OCALSEs so that the CAISO can verify the OCALSE’s on-going usage of the transmission system;
 7. To clarify the phrase “within a reasonable time” regarding refunds of prepayments of wheeling access charges in Section 36.9.2 and the phrase “exposed to congestion charges” in Section 36.9.3;
 8. To implement: (i) the proposal regarding transfers of CRRs due to Load Migration, (ii) the stakeholders’ request that the CAISO take on the responsibility of performing the transfers according to clearly-specified procedures, and (iii) to include the phrase “adjusted for prior load migration” in Section 36.8.5.2; and
 9. To include details demonstrating how the timing of the resource adequacy load ratio share calculation will be synchronized with the need to make mid-year adjustments to CRR holdings.

The CAISO’s compliance with each of the Commission’s directions is discussed in Section II.B., *infra*.

II. DISCUSSION

A. Proposed Amendments to Facilitate the Initial CRR Allocation and Auction Process under the MRTU Tariff

For the last several years the CAISO has diligently pursued establishing a CRR program that will allow transmission customers to hedge their congestion costs in conjunction with the use of location-based marginal prices (“LMPs”) under the MRTU Tariff. The milestones in this effort included: (i) the February 9, 2006 MRTU Filing, (ii) filings in compliance with the *September 2006 Order*, (iii) the January 29, 2007 filing in compliance with the Final Rule regarding long term firm transmission rights, (iv) filing the CRR Dry Run Report, (v) the filing to ensure that the CAISO can obtain the necessary information from entities with Existing Transmission Contracts (“ETCs”), Transmission Ownership Rights (“TORs”), and Converted Rights (“CVRs”) for CRR purposes in Docket No. ER07-613-000,¹⁹ and the May 7, 2007 filing (including revisions pursuant to the *April 20 Rehearing Order*).

¹⁹ The Commission conditionally-accepted the CAISO’s filing with certain modifications. *See California Independent System Operator Corporation*, 119 FERC ¶ 61,124 (May 8, 2007).

In the May 7, 2007 filing (Docket No. ER07-869-000), the CAISO noted an upcoming CRR milestone to file rules related to: (i) CAISO’s ability to track Load Migration between load serving entities for CRR purposes, and (ii) the modeling of transmission outages in the network model used for CRR purposes.²⁰ The stakeholder process for developing these proposed rules included the following:

Load Migration, Outage Modeling and Load Forecast Timeline

Date	Stakeholder Activity
May 18, 2007	CRR Issues Paper (www.caiso.com/1be2/1be2dd2449840.pdf) posted on website
May 29, 2007	Stakeholder conference call to review Issues Paper
June 4, 2007	Written stakeholder comments due to be submitted to CAISO
June 7, 2007	Straw Proposals (www.caiso.com/1bf7/1bf76e4e35b80.pdf) issued by CAISO
June 14, 2007	Stakeholder meeting to review CAISO Straw Proposals
June 20, 2007	Written stakeholder comments due to be submitted to CAISO
June 25, 2007	Final Proposal (www.caiso.com/1c08/1c08139603fc70.pdf) issued by CAISO
June 28, 2007	Conference call with stakeholders to review Final Proposal
July 2, 2007	Draft Tariff language (www.caiso.com/1c0f/1c0fe931159d0.doc) Posted
July 9, 2007	Written stakeholder comments due to be submitted to CAISO
July 13, 2007	Conference call with stakeholders to review Tariff language
July 18-19, 2007	Proposal presented to CAISO Board of Governors for approval

The CAISO is grateful for the effort of its stakeholders in participating in this process in a compact time frame. The CAISO considered all stakeholder feedback and acted on stakeholder suggestions wherever possible and appropriate. The details of the various options considered by the CAISO are contained in the May 18, 2007 Issues Paper, the Final Proposal issued on June 25, 2007, and the July 9, 2007 Board of Governors memorandum on the Load Migration process and CRRs.²¹

²⁰ See May 7, 2007 Transmittal Letter at 6. The CRR milestone issues included looking at ways to better ensure consistency between the LSE load forecasts used for CRR eligibility and those used for establishing Resource Adequacy Requirements. See also *July 6 Order* at PP 209, 232.

²¹ The memorandum can be found at (<http://www.caiso.com/1c18/1c18b4e952d40.pdf>).

1. Transferring the Value of Allocated CRRs to Reflect Load Migration

a. Tracking of Load Migration by the CAISO

An important element in being able to take on the responsibility of performing the transfers of CRRs due to Load Migration is the ability to track Load Migration. The tracking of load migration is in turn highly dependent on the CAISO receiving adequate data regarding the movement of such customers. The CAISO has coordinated with the California Public Utility Commission and the California Energy Commission to develop method for the direct submission by the Utility Distribution Companies or other entity that provides distribution service to end-use customers information on migration of customers between LSEs. The CAISO greatly appreciates the efforts of staff with both the CPUC and CEC whom has endeavored significantly to arrive to a workable construct for effectuating the transfer of the necessary information. The CAISO will continue to work with the CPUC and the CEC to continue to refine the procedures, the detail of which will reside in the CAISO's Business Practice Manual for CRRs.

The CAISO will track the transfer of of load from one LSE to another due to Load Migration on a monthly basis. If a single LSE either has lost Load or gained Load (or both) from multiple LSEs, each Load loss or Load gain of the LSE will be tracked separately by the CAISO. Regarding the method used to track Load Migration, each Utility Distribution Company ("UDC"), Metered Sub-System ("MSS") Operator, or other entity that provides distribution service to customers will provide the certain minimum information to the CAISO on the migration of customers between LSEs. The minimum information includes: (i) customer identification information, (ii) information to establish the customer's retail customer class, (iii) the original and new LSEs serving the customer, (iv) the effective date of the Load Migration, and (v) the most recent twelve (12) months of billing data for the customer.²² The CAISO will implement all appropriate adjustments due to Load Migration on a monthly basis.²³ New CRRs allocated due to Load Migration will be made effective on the first day of the first month in which the Load Migration is effective by the first of the month.²⁴

b. Adjustments to CRR Eligible Quantities to Reflect Load Migration

Under the CAISO's proposal regarding Load Migration, an LSE who loses or gains net Load through Load Migration in a given year will have its eligible quantity for CRRs reduced or increased, respectively, in the next annual CRR Allocation in proportion to the net Load lost or gained through Load Migration.²⁵ In addition, an LSE that loses or gains Load through Load Migration in a given year will have its eligible quantities in the Priority Nomination Process

²² See proposed MRTU Tariff § 36.8.5.1. Further details regarding the information to be supplied will be set forth in the applicable BPM.

²³ *Id.*

²⁴ *Id.*

²⁵ See proposed MRTU Tariff § 36.8.5.2.

(“PNP”) reduced or increased, respectively, in proportion to the amount of Load lost or gained through Load Migration.²⁶

c. Adjustments to Current CRR Holdings to Reflect Load Migration

Under the CAISO’s proposal, in between CRR Allocations the CAISO will make adjustments to the current CRR holdings to reflect the net amount of Load that migrated between two LSEs.²⁷ The CAISO will perform such adjustments by creating and allocating equal and opposite sets of new CRRs for each pair of LSEs affected by Load Migration.

The net Load-gaining LSE (of the pair of LSEs) will receive a set of new CRRs that match the CRR Sources and CRR Sinks of all the Seasonal and Long Term CRRs previously allocated to the net Load-losing LSE. The new CRRs allocated to the Load-gaining LSE will be in the same MW quantities that are proportional to the net amount of the net Load that migrated to the Load-gaining LSE within each Load Acquisition Point (“LAP”) in which the LSEs serve Load.²⁸

The Load-losing LSE (of the pair of LSEs) will receive a set of new Offsetting CRRs that are opposite in direction to each of the new CRRs allocated to the Load-gaining LSE. The new Offsetting CRRs allocated to the Load-losing LSE will match the MW quantity of the new CRRs allocated to the net Load-gaining LSE.²⁹

After the assignment of Offsetting CRRs, the net Load-losing LSE will still hold the CRRs it held before it was assigned the Offsetting CRRs. However, the Load-losing LSE may not nominate in the PNP either: (i) the Seasonal CRRs corresponding to the new CRRs allocated to the Load-gaining LSE, or (ii) the Offsetting CRRs allocated due to Load Migration.³⁰ The Load-gaining LSE may nominate its new Seasonal CRRs in the PNP of the next annual CRR Allocation process.³¹ An LSE to which the CAISO allocates new CRRs to reflect Load Migration must be either a Candidate CRR Holder or a CRR Holder and meet all requirements applicable to such entities.³²

There are advantages to reflecting the Load Migration in the manner described above. First, by creating and allocating equal and opposite sets of new CRRs for each pair of LSEs affected by Load Migration there is a net zero impact on other outstanding CRRs. Second, the

²⁶ *Id.*

²⁷ *See* proposed MRTU Tariff § 36.8.5.3.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

fact that the actual instrument (*i.e.*, the allocated CRRs) held by the Load-losing LSEs is not transferred eases some of the tracking burdens. In addition, the difficulties of trying to track an allocated CRR that had been auctioned or sold (bilaterally) by a Load-losing LSE to another LSE are avoided.³³

d. AReM Proposal to Allow LSEs Gaining Load Through Load Migration to Request CRRs in the Priority Nomination Process.

AReM proposed to allow LSEs that gaining Load through Load Migration to request CRRs in the PNP.³⁴ As noted in the *July 6 Order*, the CAISO believes AReM's proposal will achieve appropriate and sufficient parity in the treatment of LSEs who participate in retail direct access.³⁵ If the CAISO did not adopt AReM's proposal, the Commission directed the CAISO to make a compliance filing no later than August 3, 2007 explaining why it was not appropriate to do so.³⁶ As noted above, a Load-gaining LSE may nominate its new Seasonal CRRs in the PNP of the next annual CRR Allocation process³⁷ and, therefore, there is no further compliance obligation on AReM's proposal.

e. Load Migration in CRR Year One and CAISO Credit Requirements

LSEs that receive CRRs due to Load Migration must continue to meet the CAISO's credit requirements.³⁸ If new CRRs (due to Load Migration) result in net charges to the affected LSE over a Settlement period, these charges will appear on the LSEs Settlement statement irrespective whether the LSE has met the updated credit requirement.³⁹ If the new CRRs (due to Load Migration) result in net payments to the affected LSE over a Settlement period, and if the LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until the updated credit requirements are met.⁴⁰ The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.⁴¹

³³ Through its stakeholder process and in consultation with the MSC, CPUC and the CEC, the CAISO considered a number of options in establishing its proposal. For a more detailed discussion of the options considered, see the July 9, 2007 Board Memo on Load Migration (<http://www.aiso.com/1c18/1c18b4e952d40.pdf>) at 2-6.

³⁴ See *July 6 Order* at P 207.

³⁵ *July 6 Order* at P 210.

³⁶ *Id.* at P 212.

³⁷ See proposed MRTU Tariff § 36.8.5.3.

³⁸ See proposed MRTU Tariff § 36.8.5.4.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

For the CRR Year One CRR Allocation process, the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One CRR Allocation process and the first day that the Day-Ahead Market is operational as a single adjustment as described in the BPMs.⁴²

2. Modeling of Transmission Outages in the Network Model Used for the Monthly CRR Release Process

Through the most recent CRR stakeholder process, the CAISO discussed four issues related to the modeling of transmission outages for the monthly CRR release process. The tariff authority for first three of the four issues below already is contained in the conditionally-approved MRTU Tariff and therefore the new implementation provisions associated with these issues will reside in the BPMs. Tariff language to address the fourth issue is submitted with the instant filing.

a. Criteria for Defining Significant Transmission Outages

The first issue involves establishing criteria for “significant transmission outages.” For planned outages of transmission facilities that have a “significant effect” upon CRR revenue adequacy, the relevant Participating Transmission Owner (“PTO”) is required under the existing MRTU Tariff to submit an outage request to the CAISO at least thirty (30) days in advance of the month in which the outages is planned to occur.⁴³ The Commission stated in the *April 20 Rehearing Order* that it anticipated that the CAISO would establish criteria for “significant transmission outages” in the BPMs.⁴⁴

The CAISO has in its most recent stakeholder process developed a proposal and continues to hold discussions with the Transmission Maintenance Coordinating Committee (“TMCC”) to discuss this proposal. This proposal would be included in the BPM once finalized. This proposal is an attempt to define the transmission facilities which would have a significant impact on revenue adequacy as related to CRRs if such facilities were taken out of service. The proposal is also intended to provide flexibility within the month to move outages without significantly impacting the revenue adequacy for CRRs. The current proposal defines the following types of “significant facilities” as having significant impact to CRRs when the outage of such a facility impacts the capacity of the electrical system: (i) all transmission facilities rated at or above 200 kV; (ii) all transmission facilities that are part of any defined flow limit as described in a CAISO transmission operating procedure; and (iii) any transmission facility that was out of service in the last three years and for which the CAISO determined a special flow limit was needed for real-time operation.⁴⁵ Once finalized these criteria will reside in the BPM for CRRs.

⁴² See proposed MRTU Tariff § 36.8.5.5.

⁴³ See MRTU Tariff § 9.3.6.3.2.

⁴⁴ *April 20 Rehearing Order* at P 646.

⁴⁵ See the CAISO’s June 25, 2007 Final Proposal at 23 (www.aiso.com/1c08/1c08139603fc70.pdf).

Based on the criteria ultimately adopted the CAISO will establish a list and/or definition of the “significant facilities” that meet at least one of the criteria being considered and to which the 30-day requirement applies. The CAISO intends that once this is created it will be stable and will not change except as new facilities may be added to the grid or other facilities are determined by experience to have a significant impact on CRR revenue adequacy.⁴⁶ For facilities qualifying as significant per the above criteria and appearing on the corresponding list created by the CAISO, PTOs will be required to submit outage requests to the CAISO at least 30 days in advance of the month in which the outage is planned to occur, irrespective of the planned duration of the outage.

The criteria and reporting requirement will serve to provide the best possible information on significant planned transmission outages to the CAISO in sufficient time to be reflected in the network model to be used in the next monthly CRR release process. At the same time, this requirement is not intended to preclude needed maintenance on facilities in cases where an outage request thirty days in advance was not made. Therefore the description of the thirty-day requirement that will be included in the BPM will specify certain exceptional cases in which the CAISO will approve outage requests without classifying them as forced.

While the CAISO believes it has made considerable progress in developing a possible methodology that reflects a collaborative effort between the CAISO staff and stakeholders, the CAISO has not yet finalized its criteria to be included in the BPM for CRRs. The CAISO will continue to refine this proposal through its discussions with stakeholders and will provide the final methodology in sufficient time to be implemented so that appropriate planned outage information will be provided to the CAISO in time to be reflected in the second monthly CRR release process (*i.e.*, for March 2008). As discussed elsewhere in this transmittal letter, the first monthly CRR release process (for February 2008) will be conducted further than 30 days in advance of the month, and therefore the 30-day requirement would not be effective for that process.

b. Clarification Regarding How Unplanned Outages are Reflected in the Release of Monthly CRRs

The second issue involves how unplanned outages and derates are reflected in the release of Monthly CRRs.⁴⁷ As with the first issue, the authority to make an adjustment for unplanned outages and derates with regard to calculating Monthly Available CRR Capacity already is contained in the MRTU Tariff.⁴⁸

⁴⁶ *Id.*

⁴⁷ For the release of annual (*i.e.*, Seasonal) CRRs all facilities are assumed to be in service at normal ratings unless planned outages of one or more “significant facilities” are expected. *See* MRTU Tariff § 36.4.

⁴⁸ *See* MRTU Tariff § 36.4.

Under the MRTU Tariff, the DC Full Network Model (“FNM”) is used in calculating Monthly Available CRR Capacity and provides for, *inter alia*, “adjustments to compensate for the expected impact of Outages that are *not required to be scheduled thirty (30) days in advance or are planned*.”⁴⁹ This latter phrase refers two types of outages: (i) those that are planned with less than 30 day notice but more than 72 hours notice and (ii) unplanned outages. The proposed revisions to the Section 36.4 clarify the intent of the adjustment, *i.e.*, that it includes adjustments for unplanned transmission outages.⁵⁰

c. Accounting for Transmission Outages in the Release of Monthly CRRs for the First Month of MRTU

The final proposed tariff revision related to transmission outages involves the fact that the first CRR Allocation and Auction covering the month of February 2008 will take place in October of 2007, almost three months before planned outage information is available to the CAISO under the 30-day advance notice rule. Therefore, to account for any planned or unplanned Outages that may occur for the first month of CRR Year One, the CAISO proposes to derate all flow limits, including Transmission Interface limits, and normal thermal limits based on a statistical factor determined provided in the BPMs.⁵¹

3. Ensuring Consistency Between the LSE Load Forecasts Used for CRR Eligibility and Load Forecasts Used for Establishing Resource Adequacy Requirements

The CAISO has an existing obligation in the MRTU Tariff to work closely with state and Local Regulatory Authorities to ensure that historical Load data and Load forecasts that are used to establish Seasonal and Monthly CRR Eligible Quantities are consistent with the data and forecasts used to establish Resource Adequacy requirements.⁵² Pursuant to that obligation, the CAISO discussed with stakeholders how to ensure greater consistency among the load forecasts.⁵³ While most details of what was discussed with stakeholders will reside in the BPMs, the CAISO proposes a minor revision to Section 36.8.2.2 to reflect its authority to modify an LSE’s Monthly CRR Eligible Quantity if necessary to ensure the consistency between LSE Load forecasts used to establish Monthly CRR Eligible Quantities and the forecasts used to establish resource adequacy requirements. Although the details of how this adjustment will be performed will reside in the BPM, the CAISO provides an explanation of the adjustment later in this transmittal letter, in its compliance with paragraph 204 of the July 6 Order requiring the CAISO

⁴⁹ *Id.* (emphasis added).

⁵⁰ *See* proposed revisions to MRTU Tariff § 36.4.

⁵¹ *Id.*

⁵² *See* MRTU Tariff § 36.8.6.

⁵³ *See* the CAISO’s June 25, 2007 Final Proposal at 19-20 (www.caiso.com/1c08/1c08139603fc70.pdf). *See also* CAISO’s June 7, 2007 CRR Straw Proposals (www.caiso.com/1bf7/1bf76e4e35b80.pdf) at 6; and CAISO’s May 18, 2007 CRR Issues Paper (www.caiso.com/1be2/1be2dd2449840.pdf) at 18-19.

“to include details demonstrating how the timing of the resource adequacy load ratio share calculation will be synchronized with the need to make mid-year adjustments to CRR holdings.”

B. Tariff Revisions in Compliance with the July 6 Order.

The CAISO submits the following revised tariff provisions and explanations in compliance with the *July 6 Order*.

1. The Ability of OCALSEs to Nominate CRRs with Trading Hub Sources

In paragraph 46 of the *July 6 Order*, the Commission directed CAISO to provide OCALSEs with the ability to nominate CRRs with Trading Hub sources.⁵⁴ The CAISO has revised the MRTU Tariff to provide OCALSEs with the ability to nominate CRRs with Trading Hub sources.⁵⁵

2. Monthly Pre-Payment of the Wheeling Access Charge by OCALSEs with Long Term CRRs

In paragraphs 56 and 190 of the *July 6 Order*, the Commission directed CAISO to provide creditworthy OCALSEs with the ability to pre-pay the relevant wheeling access charges for nominating Long Term CRRs on a monthly basis.⁵⁶ The Commission’s determination means that creditworthy OCALSEs that nominate either *Seasonal CRRs* or *Long Term CRRs* may pre-pay the relevant Wheeling Access Charge (“WAC”) on a monthly basis.

In compliance with the Commission’s statements, the CAISO proposes to revise the MRTU Tariff such that a creditworthy OCLASE may pay the relevant WAC on a monthly basis for a Long Term CRR.⁵⁷ However, as a pre-condition to making monthly payments, the creditworthy OCLASE must demonstrate its commitment to pay the WAC for the entire term of the Long Term CRR by submitting to the CAISO a written sworn statement to that effect by an executive that can bind the entity.⁵⁸

3. Limiting the Eligibility of LSEs and OCALSEs to Nominate Long Term CRRs to 20 Percent of the Entities’ Adjusted Load Metric

In paragraph 136 of the *July 6 Order*, the Commission found that there is a strong incentive for parties to lock-up a significant portion of grid capacity as Long Term CRRs in CRR Year One which would reduce flexibility for LSEs in later years. Consequently, the Commission

⁵⁴ *July 6 Order* at P 46.

⁵⁵ See revised MRTU Tariff § 36.8.3.1.1, § 36.8.3.1.2, § 36.8.3.1.3, § 36.8.3.1.4, § 36.8.3.2, § 36.8.3.5.3, § 36.8.3.5.4, and § 36.8.3.6.

⁵⁶ *July 6 Order* at PP 56, 190.

⁵⁷ See revised MRTU Tariff § 36.9.2.

⁵⁸ *Id.*

accepted a proposal to limit an LSE's or OCALSE's Long Term CRR eligibility to twenty percent (20%) of its Adjusted Load Metric ("ALM") in CRR Year One.⁵⁹ In the subsequent three years, the capacity eligible for Long Term CRRs will increase in increments of ten percent (10%) each year until all LSEs and OCALSEs are eligible for Long Term CRRs up to fifty percent (50%) of their ALM.⁶⁰

The Commission also accepted the CAISO's suggestion that the new allocation rule include an exception.⁶¹ The exception allows LSEs and OCALSEs who can demonstrate that more than 20% of their load in CRR Year One is covered by long-term procurement arrangements of ten (10) years or greater or ownership of generation resources to nominate the full amount of those contracts or owned resources up to 50% of their Adjusted Load Metric. *Id.*

The CAISO has revised the proposed tariff provisions in compliance with the Commission's Order.⁶² For LSEs, the quantity of Seasonal CRRs that an LSE can nominate as Long Term CRRs is limited to 20% of the LSE's Adjusted Load Metric. There is an exception to this restriction if the LSE can demonstrate that more than 20% of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of 10 years or greater and ownership of generation resources.⁶³ Such a demonstration must be accompanied by a written sworn declaration by an executive employee authorized to represent the LSE attesting to the accuracy of the data demonstration.⁶⁴

If an LSE can demonstrate that more than 20% of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of 10 years or greater and ownership of generation resources, then the amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and long-term procurement arrangements of 10 years or more and (ii) 50% of the LSE's Adjusted Load Metric.⁶⁵ Per the Commission's Order, the cap on Long Term CRR nominations increases in increments of 10% each year until all LSEs are eligible for Long Term CRRs up to 50% of their Adjusted Load Metric.⁶⁶

For OCALSEs, the quantity of Seasonal CRRs that an OCALSE can nominate as Long Term CRRs is up to 50% of its Adjusted Load Metric for each season, time of use period, and

⁵⁹ *July 6 Order* at P 136.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² The revised MRTU Tariff provisions implementing the Commission's directions can be found in § 36.8.3.1.3.1 - Tier LT for LSEs, and § 36.8.3.1.3.2 – Tier LT for OCALASEs.

⁶³ *See* revised MRTU Tariff § 36.8.3.1.3.1.

⁶⁴ *Id.* As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration.

⁶⁵ *Id.*

⁶⁶ *See* revised MRTU Tariff § 36.8.3.5.2.1.

Scheduling Point.⁶⁷ A Qualified OCALSE must demonstrate that all of its nominated Long Term CRRs are supported by a combination of long-term procurement arrangements of 10 years or greater and ownership of generation resources.⁶⁸ Such a demonstration must be accompanied by a written sworn declaration by an executive employee authorized to represent the Qualified OCALSE attesting to the accuracy of the data demonstration.⁶⁹

The CAISO notes that there is a difference between an LSE and an OCLASE regarding the demonstration required to show long-term procurement arrangements of 10 years or greater and/or ownership of generation resources. An LSE has no requirement for such a showing up to the percentage caps on their Adjusted Load Metric; while an OCALSE must make such a showing for all of its nominated Long Term CRRs up to 50% of its Adjusted Load Metric.⁷⁰

The reason for difference is because of the requirement of a legitimate showing of need for OCLASEs. OCALSEs are situated differently than internal LSEs because OCALSEs may have the option of not using the CAISO transmission system.⁷¹ The Commission accepted the need for a mechanism through which the CAISO can verify an OCALSEs' on-going reliance on the CAISO transmission system.⁷² An inability to verify the on-going usage of the transmission system by an OCLASE could result in the allocation of CRRs to OCALSEs that are not using the CAISO transmission system to serve their load which, the Commission notes, is inconsistent with allocating CRRs to hedge the actual congestion cost incurred by OCLASEs.⁷³

4. Explanation of Whether the Simultaneous Feasibility Test as Applied to Long Term CRRs Requires Additional Time Sensitive Parameters

In paragraph 169 of the *July 6 Order*, the Commission directed CAISO to explain how CAISO is addressing the issue that transmission system conditions could change over time and how that affects the feasibility of Long Term CRRs.⁷⁴ The Commission wanted the CAISO to consider whether the simultaneous feasibility test ("SFT") applied to Long Term CRRs requires additional time sensitive parameters (*i.e.* modeling of future system conditions) that currently are not modeled in the SFT.⁷⁵

⁶⁷ See revised MRTU Tariff § 36.8.3.1.3.2.

⁶⁸ *Id.*

⁶⁹ *Id.* As necessary, the CAISO may request, and such Qualified OCALSE must produce in a timely manner, documents in support of such declaration.

⁷⁰ For example, *compare* proposed MRTU Tariff § 36.8.3.5.2.1 *with* proposed MRTU Tariff § 36.8.3.5.2.2.

⁷¹ *July 6 Order* at P 189.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *July 6 Order* at P 169.

⁷⁵ *Id.*

As part of the stakeholder process on Long Term CRRs, the CAISO discussed the possibility of using a “multi-period” optimization that could incorporate different network model assumptions for each year of the 10-year time horizon of Long Term CRRs, and would allocate constant-MW 10-year Long Term CRRs in an optimal manner over these time-varying grid conditions. Until a multi-period optimization can be implemented the CAISO must assume a single snapshot of network assumptions over the 10-year time horizon. The CAISO has determined that the software needed to implement this feature cannot be available until CRR Year Two and, consequently, for CRR Year One the SFTs used to evaluate nominated Long Term CRRs will reflect the transmission system in use at the start of the CRR Year One annual release process. At this time the CAISO does intend to implement the multi-period optimization beginning with the CRR Year Two annual release process and will explain to the Commission, in a compliance filing as directed in Paragraph 238 of the *July 6 Order*, the details of this change including the benefits of the multi-period approach, the specific categories of network assumptions that will vary from year to year, and the associated changes to Long Term CRR nominations the multi-period approach will entail. In anticipation of this CRR Year Two upgrade to the CRR software, the CAISO intends to conduct a stakeholder process to ensure that parties are fully informed and have opportunity to provide comments.

Regarding the long-term feasibility of Long Term CRRs released in CRR Year One or subsequently, the CAISO expects this to be ensured primarily through the transmission planning process, the details of which the CAISO will explain to the Commission in a later filing as directed in paragraph 222 of the *July 6 Order*.⁷⁶ In addition, on an ongoing basis the hour-to-hour feasibility of all CRRs, both short-term and long-term, is ensured in a financial sense through the CRR Balancing Account. Although the CRR Balancing Account will be supplemented by the deposit of CRR auction revenues, the CAISO affirms that its intention is to achieve a zero end-of-month balance between collected congestion revenues and CRR payments without relying on the auction revenues. This objective will be achieved through the combination of prudent release of CRRs (*i.e.*, neither overly conservative nor overly liberal) plus effective transmission planning provisions that take account of released Long Term CRRs.

5. The Ability of OCALSEs to Nominate Long Term CRRs For Wheel-Through Transactions in the CRR Allocation Process

In paragraph 188 of the *July 6 Order*, the Commission directed CAISO to provide OCALSEs with the opportunity to nominate Long Term CRRs associated with wheel-through transactions in the CRR allocation process.⁷⁷ The CAISO has revised the MRTU Tariff to remove the restrictions on OCALSEs nominating Long Term CRRs associated with wheel-through transactions.⁷⁸

⁷⁶ The CAISO also notes that pursuant to Commission’s Final Rule regarding long term firm transmission rights, it added provisions to the transmission expansion section of the MRTU Tariff that require the CAISO to ensure the feasibility of all allocated Long Term CRRs over the length of the terms. *See* MRTU Tariff § 24.1.3.

⁷⁷ *July 6 Order* at P 188.

⁷⁸ *See* revised MRTU Tariff § 36.8.4.2 and § 36.8.4.2.3.

6. The Forward-Looking Demonstration of Need for CRR Nominations of OCALSEs to Verify On-Going Usage of the CAISO Controlled Grid for Wheel-Through Transactions

In paragraph 189 of the *July 6 Order*, the Commission directed CAISO to require a forward-looking demonstration of need for all CRR nominations by OCALSEs so that the CAISO can verify the OCALSE's on-going usage of the transmission system for "wheel-through" CRR nominations.⁷⁹ Specifically, the Commission stated that:

As discussed in prior orders, the allocation of CRRs is intended to provide LSEs with a means to hedge congestion costs incurred while using the CAISO transmission system to serve their load. Furthermore, external LSEs are situated differently than internal LSEs because external LSEs may have the option of not using the CAISO transmission system. Therefore, in order to support the CAISO in the process of evaluating whether external LSEs are utilizing its system, we accept the CAISO request to modify its proposal, in response to SoCal Edison's concerns, to incorporate a mechanism through which it can verify an external LSE's on-going reliance on the CAISO transmission system. We find that the inability to verify on-going usage of the transmission system could result in the allocation of wheel-through CRRs to external entities that are no longer using the CAISO transmission system to serve their load, which is inconsistent with allocating CRRs to LSEs to hedge the actual congestion cost they incur. Accordingly, we find that the CAISO's proposal to apply the "forward-looking showing to all CRR nominations" in conjunction with MRTU Tariff section 36.9.3 is just and reasonable.⁸⁰

The CAISO has revised the MRTU Tariff to implement a forward looking determination of need for all of an OCALSE's CRR nominations.⁸¹ An OCALSE must make a showing of legitimate need to enable the CAISO to verify the CRR Sources the OCALSE wants to nominate. All CRR nominations by OCALSEs in all CRR Years must be source verified based on the showing of legitimate need.⁸²

The CAISO's verification of legitimate need will be based on demonstration that the OCALSE has either an executed Energy contract from a Generating Unit or System Resource that covers the time period of the CRRs nominated, or, ownership of such Generating Unit or

⁷⁹ *July 6 Order* at P 189.

⁸⁰ *Id.* (citations omitted).

⁸¹ *See* revised MRTU Tariff § 36.9.1.

⁸² *Id.* The Verified CRR Source Quantity and Adjusted Verified CRR Source Quantity corresponding to any CRR Source nominated by an OCALSE will be calculated in accordance with revised § 36.8.3.4, with the modification that for an OCALSE these quantities will be calculated for each CRR Allocation process in which the Qualified OCALSE wants to participate, consistent with the requirement for an ongoing demonstration of legitimate need. *See* revised MRTU Tariff Sections 36.9.1.

System Resource.⁸³ For such CRR Sources the showing of legitimate need must be made for each CRR term for which the OCALSE wants to nominate CRRs in a timely manner prior to the start of the relevant annual or monthly CRR Allocation process.

For CRR Sources that are located outside the CAISO Control Area, a Scheduling Point must be nominated as the corresponding CRR Source. Generating resources located outside of the CAISO Control Area used by the OCALSE to verify a Scheduling Point as a CRR Source must not be located within the OCALSE's own Control Area.⁸⁴ For a CRR Source that is a Scheduling Point, an OCALSE must demonstrate that it has procured the appropriate transmission service from the transmission provider outside the CAISO Control Area to the Scheduling Point for the term of the CRR being nominated.⁸⁵

7. Clarification of Phrases in Section 36.9.2 and Section 36.9.3

In paragraph 191 of the *July 6 Order*, the Commission directed CAISO to clarify: (i) the phrase "within a reasonable time" regarding refunds of prepayments of WAC charges in Section 36.9.2 and, (ii) the phrase "exposed to congestion charges" in Section 36.9.3.⁸⁶ Consistent with the Commission's direction, the CAISO has made the appropriate clarifying revisions to the tariff language.

Regarding refunds of prepayments of WAC charges "within a reasonable time," the CAISO has revised the MRTU Tariff to provide that if an OCALSE prepays a quantity of the WAC and it is not allocated the full amount of CRRs nominated, the WAC prepayment for CRRs not allocated will be refunded by the CAISO within 30 days following the completion of the relevant CRR Allocation process.⁸⁷ Regarding the phrase "exposed to congestion charges" in Section 36.9.3, the CAISO has revised the section to indicate that the required data is the prior year's "hourly metered load for the end-use customers the OCALSE served outside the CAISO Control Area *and that were not served from sources other than exports from the CAISO Control Area.*"⁸⁸

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.* Such demonstrations shall be provided by the OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the OCALSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such OCALSE must produce in a timely manner, documents in support of such declaration.

⁸⁶ *July 6 Order* at P 191.

⁸⁷ *See* revised MRTU Tariff § 36.9.2.3.

⁸⁸ *See* revised MRTU Tariff § 36.9.3 (emphasis added).

8. The CAISO's tracking of Load Migration and CRRs

In paragraph 204 of the *July 6 Order*, the Commission directed CAISO to implement, with regard to Load Migration and CRRs, stakeholders' request that the CAISO take on the responsibility of performing the transfers according to clearly-specified procedures.⁸⁹ The Commission noted that while the CPUC's recommendation to tie load share for long-term CRR reallocation to the CPUC's resource adequacy load share calculation may be reasonable, that it would reserve judgment until the CAISO's proposal is before the Commission. *Id.* The Commission directed the CAISO to include details demonstrating how the timing of the resource adequacy load ratio share calculation will be synchronized with the need to make mid-year adjustments to CRR holdings. *Id.* Finally, the Commission required the CAISO to include the phrase "adjusted for prior load migration" in Section 36.8.5.2.⁹⁰

As discussed in Section II.A.1, *supra*, the CAISO highlighted the Load Migration issue as an upcoming CRR milestone in the May 7, 2007 Filing in Docket No. ER07-869-000. Subsequent to the May 7 Filing, the CAISO engaged in a two month stakeholder process that culminated in the proposed tariff revisions described earlier. The tariff revisions proposed with this filing satisfy the compliance obligation in paragraph 2004 of the *July 6 Order*. In addition, the CAISO notes that due to its proposal to account for Load Migration between LSEs (described in Section II.A.1, *supra*), the compliance obligation to include the phrase "adjusted for prior load migration" in Section 36.8.5.2 is no longer necessary.

9. Synchronizing the Need to Make Mid-year Adjustments to CRR Holdings with the Resource Adequacy Load Ratio Share calculation

Apart from transfers of allocated CRRs to reflect Load Migration, the primary means to make mid-year adjustments to LSEs' allocated CRR holdings is through the monthly CRR allocation process. Unlike the annual CRR allocation process which uses historical load data as the basis for determining LSEs' Seasonal Eligible Quantities, the monthly CRR allocation uses load forecasts for determining Monthly Eligible Quantities so as to give LSEs the opportunity to nominate and be allocated CRRs in quantities that reflect the most up-to-date estimate of their loads for the coming month. Therefore the monthly CRR allocation is the appropriate place to validate the consistency of the CRR load forecasts with the Resource Adequacy load forecasts and to make adjustments as appropriate.

For CRR purposes, a monthly load forecast is submitted to the CAISO by each LSE for each month in which the LSE wants to nominate Monthly CRRs in the allocation process. The monthly load forecast consists of hourly load values for all hours of the month. The deadline for

⁸⁹ *July 6 Order* at P 204.

⁹⁰ *July 6 Order* at P 211.

submitting such load forecasts will be specified in the CRR BPM, but will be at least 30 days prior to the start of the month for which CRRs will be nominated.

Independent of these LSE submissions to the CAISO, on an annual basis each LSE submits to the California Energy Commission (CEC) a set of twelve monthly non-coincident peak load forecasts. The CEC groups these forecasts geographically by each of the three major investor-owned utility (IOU) service territories, applies a coincidence adjustment to the forecasts, sums them for comparison against its own forecast for each IOU territory, and if the difference exceeds a specified tolerance the CEC applies an adjustment to the LSE peak forecasts to achieve consistency. The CEC has agreed to provide the non-coincident peak forecasts, adjusted if necessary for consistency with the CEC's IOU service territory forecasts, to the CAISO on a year-ahead basis.

For CPUC-jurisdictional LSEs (IOUs, retail Electric Service Providers or ESPs, and Community Choice Aggregators or CCAs) these year-ahead coincident peak forecast values are used for establishing LSE Resource Adequacy Requirements (RAR) for which compliance must be demonstrated in the annual year-ahead RA showing. In addition to these year-ahead values, the CPUC-jurisdictional LSEs provide revised non-coincident peak load forecasts to the CEC on a monthly basis 60 days prior to the start of the relevant month. The only difference between the year-ahead forecasts and the 60-days ahead forecasts is an accounting for direct access load migration that occurred since the year-ahead forecast was submitted. The CEC will also provide these 60-days ahead non-coincident peak forecasts to the CAISO.

For non-CPUC jurisdictional LSEs the CEC currently receives only the year-ahead monthly non-coincident peak load forecast values to support its annual supply adequacy report. The CEC does not receive updated monthly forecasts from these entities.

For purposes of the consistency check and adjustment, the CAISO will use the 60-day ahead forecasts from the CEC for CPUC-jurisdictional LSEs, and the year-ahead forecasts from the CEC for the non-CPUC jurisdictional LSEs. The CAISO believes this is appropriate because the monthly LSE forecast data submitted to the CAISO for CRR purposes should be consistent with the year-ahead CEC forecasts, except for the effect of direct access load migration. Because direct access load migration is the only source of change between the year-ahead and the 60-days ahead CEC forecasts for the jurisdictional LSEs, and because the non-jurisdictional LSEs do not have direct access in their distribution territories, the forecast data submitted to the CAISO by the two groups of LSEs will be treated in a consistent manner and subjected to the appropriate comparison.

The CAISO will utilize the CEC-provided non-coincident peak load forecasts in the following manner. If the peak-hour value of an LSE's forecast hourly load data submitted to the CAISO for a particular month is "X" MWh, and the non-coincident peak forecast provided by the CEC for that LSE for the same month is "Y" MWh. The CAISO will multiply all the hourly values of the data submitted to it by the LSE by the factor Y/X , and use the resulting adjusted hourly load values for purposes of calculating the LSE's eligibility for allocation of Monthly

CRRs. With this adjustment, the LSE load forecasts used for CRR eligibility will be made consistent with the LSE load forecasts used for RA requirements.

C. Additional Compliance Items

1. April 20 Rehearing Order

In compliance with the requirement in the *April 20 Rehearing Order* that the CAISO continue working with the State Water Project to resolve any outstanding issues associated with allocating CRRs to pump load entities, including how to treat water pumping facilities' greater annual load shifts than other load serving entities,⁹¹ the CAISO has continued to work with employees of the State Water Project in the collection of data necessary to determine the State Water Project's eligible load. The CAISO has provided the State Water Project the option to use the five year average historical load information and will include this option in its BPM for CRRs. The CAISO has since received and accepted historical load information based which the CAISO will use to determine historical grid usage, as requested by the State Water Project. The CAISO believes that this will address State Water Project's concerns and requires no further compliance with this directive.

2. June 25 Compliance Order

a. Participating Load in Priority Nomination Process

In the *June 25 Compliance Order* the Commission accepted the CAISO's commitment to address participating load in the priority nomination process and required the CAISO to coordinate efforts with the State Water Project to develop tariff language that addresses this issue.⁹² While the CAISO has not had discussions with SWP to develop specific language, the CAISO has used the language proposed by State Water Project to formulate language that the CAISO believes addresses the State Water Project's concerns. Specifically, the CAISO has included the following statement in Section 36.8.3.5.1: "CRRs whose CRR Sink is a Custom LAP or PNode are eligible for nomination in the PNP." This is to provide certainty a Participating Load's sinks are eligible for nomination in the PNP. The CAISO notes that the prior sentence in that section which reads "CRRs whose CRR Sink is a Sub-LAP are not eligible for nomination in the PNP" continues to remain in place and continues to be accurate. That sentence does not limit, however, a Participating Load's participation in the PNP in any way. The Sub-LAP as defined in the tariff on May 7, 2007 in Docket No. ER07-869, consists of a subset of PNodes defined by the CAISO that fall within a Default LAP. These were created to provide flexibility to break down the Default LAP in the free tier of the tiered allocation process. This was not intended to prohibit nomination of CRRs whose CRR Sinks are Custom LAPs or single PNodes from participating in the PNP. The CAISO has included the language in Section 36.8.3.5.1 noting the eligibility of such CRRs to avoid any further misunderstandings.

⁹¹ *April 20 Rehearing Order* at P 396.

⁹² *June 25 Compliance Order* at P 232.

b. Load Migration Seasonal CRR Allocations

In the *June 25 Compliance Order*, the Commission had accepted the CAISO's agreement to include language proposed by Southern California Edison regarding the transfer of financial equivalent of CRRs.⁹³ As described above, as part of its new methodology for effectuating the transfer of the CRRs from the Load-losing LSE to the Load-gaining LSE, there is no longer the option that parties transfer the financial equivalent of the CRRs in fulfillment of the required transfer. The new rules specified in Section 36.8.5 specify the mechanism of creating equal and opposite sets of new CRRs as a means to effect the transfer and the rules also specify which allocated CRRs will comprise these sets of new CRRs. The new rules ensure that the migrating Load will receive its appropriate share of the value of the CRRs allocated to the Load-losing LSE. Therefore, the language proposed by Southern California Edison no longer is applicable.

III. CONTENTS OF FILING

The CAISO's compliance filing consists of this transmittal letter and the following:

- Attachment A MRTU Clean Tariff Sheets
- Attachment B Blacklined Tariff Sheets
- Attachment C Chart Describing Each Tariff Change

IV. COMMUNICATIONS

Correspondence and other communications regarding this filing should be directed to:

Nancy Saracino
Vice President, General Counsel
and Corporate Secretary

Anthony Ivancovich
Assistant General Counsel

Anna McKenna*
Counsel
California Independent System Operator
Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296

Roger E. Smith*
Troutman Sanders LLP
401 9th Street, N.W., Suite 1000
Washington, D.C. 20004
(202) 274-2950
(202) 274-2994 (facsimile)
roger.smith@troutmansanders.com

⁹³ *June 25 Compliance Order* at P 237.

amckenna@caiso.com

* Individual designated for service.

V. CONCLUSION.

Wherefore, for the reasons expressed herein, the CAISO respectfully requests that the Commission accept the CAISO's compliance filing as proposed and as discussed herein.

Respectfully submitted,

Nancy Saracino
Vice President, General Counsel
and Corporate Secretary

Anthony Ivancovich
Assistant General Counsel

Anna McKenna
Counsel
California Independent System Operator
Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296
amckenna@caiso.com

Roger E. Smith
TROUTMAN SANDERS LLP
401 9th Street, N.W., Suite 1000
Washington, D.C. 20004
(202) 274-2950
(202) 274-2994 (facsimile)
roger.smith@troutmansanders.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day electronically served a copy of the foregoing document on each party named in the official service list in this proceeding.

Dated at Folsom, CA this 20th day of July, 2007.

Anna McKenna

ATTACHMENT A

Attachment A – Clean Sheets

Congestion Revenue Rights Compliance Filing – July 20, 2007

4.4.8.4 Installation of and Rights of Access to UDC Facilities.

4.4.8.4.1 Installation of Facilities.

4.4.8.4.1.1 Meeting Service Obligations. The ISO and the UDC shall each have the right on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property.

4.4.8.4.1.2 Governing Agreements for Installations. The ISO and the UDC shall enter into agreements governing the installation of equipment or other facilities containing customary, reasonable terms and conditions.

4.4.8.4.2 Access to Facilities.

The UDCs shall grant the ISO reasonable access to UDC facilities free of charge for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the UDC's system, provided that the ISO must provide reasonable advance notice of its intent to access UDC facilities and opportunity for UDC staff to be present. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

4.4.8.4.3 Access During Emergencies.

Notwithstanding any provision in this Section 4.4 the ISO may have access, without giving prior notice, to any UDC's equipment or other facilities during times of a System Emergency or where access is needed in connection with an audit function.

4.4.8.5 Provision of Information for CRRs to Reflect Load Migration.

Each UDC shall provide to the CAISO information as provided in Section 36.8.5.2 of Appendix BB that enables the CAISO to perform transfers of CRRs that reflect Load Migration in a timely manner as required in Section 36.8.5 of Appendix BB.

4.4.9 UDC Facilities under ISO Control.

The ISO and each UDC shall enter into an agreement in relation to the operation and maintenance of the UDC's facilities which are under the ISO's Operational Control.

becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO Controlled Grid or the integrity of the MSS respectively. Each MSS Operator and the ISO each shall also inform the other as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of the MSS Operator, is reasonably likely to threaten the reliability of the ISO Controlled Grid, or, in the case of the ISO, is reasonably likely to adversely affect the MSS. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the entity receiving the information of the threat and, in the case of the ISO, not unduly discriminatory with respect to the ISO's provision of similar information to other entities.

4.9.10.3.5 Forms. The ISO shall, in consultation with MSS Operators, jointly develop and, as necessary, revise, any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

4.9.10.4 Each MSS Operator shall provide to the CAISO information as provided in Section 36.8.5.2 of Appendix BB that enables the CAISO to perform transfers of CRRs to reflect Load Migration in a timely manner as required in Section 36.8.5 of Appendix BB.

4.9.14 Installation of and Rights of Access to MSS Facilities.

4.9.14.1 Installation of Facilities.

4.9.14.1.1 Meeting Service Obligations.

The ISO and each MSS Operator shall each have the right, if mutually agreed, on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property.

4.9.14.1.2 Governing Agreements for Installations.

The ISO and the MSS Operator shall enter into agreements governing the installation of equipment or other facilities containing customary and reasonable terms and conditions.

Adjusted Load Metric	A Load Serving Entity's Load Metric minus the megawatts of Load served using Existing Transmission Contracts, Converted Rights, and Transmission Ownership Rights.
Adjusted Verified CRR Source Quantity	The MW amount eligible for nomination by an LSE or Qualified OCALSE in a verified tier of the CRR Allocation process, determined by reducing a Verified CRR Source Quantity to account for circumstances where the ownership or contract right to a generating resource is effective only for a portion of a particular season or month for which CRRs are being nominated.
CAISO	See ISO in Appendix A.
CAISO Controlled Grid	The system of transmission lines and associated facilities of the Participating TOs that have been placed under the CAISO's Operational Control.
CAISO Tariff	The California Independent System Operator Corporation Operating Agreement and Tariff, dated March 31, 1997, as it may be modified from time to time.
CAISO Website	The CAISO internet home page at http://www.aiso.com / or such other internet address as the CAISO shall publish from time to time.
CRR Balancing Account	The financial account held by the CAISO for CRRs.
CRR Charge	The Charge assessed by the CAISO on the holder of a CRR Obligation when Congestion is in the opposite direction of the CRR Source to CRR Sink specification.
CRR Year Four	The fourth period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.
CRR Year One	The first period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manuals.
CRR Year Three	The third period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.
CRR Year Two	The second period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.
Existing Transmission Contract (ETC) or Existing Contracts	The contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.

Fixed CRRs	Congestion Revenue Rights that are used in the running of an SFT to represent known encumbrances on the transmission system and which may include some or all of the following: previously allocated or awarded Monthly, Seasonal, Long Term, and Merchant Transmission CRRs, Existing Transmission Contracts, and Converted Rights.
Inter-SC Trade	A trade between Scheduling Coordinators of Energy or Ancillary Services in accordance with the CAISO Tariff.
Load Migration	The transfer of the responsibility to serve Load from one Load Serving Entity to another.
Load-Serving Entity (LSE)	Any entity (or the duly designated agent of such an entity, including, e.g. a Scheduling Coordinator), including a load aggregator or power marketer, that (a) (i) serves End Users within the CAISO Control Area and (ii) has been granted authority or has an obligation pursuant to California state or local law, regulation, or franchise to sell electric energy to End Users located within the CAISO Control Area; (b) is a federal power marketing authority that serves End Users; or (c) is the State Water Resources Development System commonly known as the State Water Project of the California Department of Water Resources.
Merchant Transmission CRRs	Incremental CRRs that are created by the addition of a Merchant Transmission Facility. Merchant Transmission CRRs are effective for thirty (30) years or for the pre-specified intended life of the facility, whichever is less.
Merchant Transmission Facility	A transmission facility or upgrade that is part of the CAISO Controlled Grid and whose costs are paid by a Project Sponsor that does not recover the cost of the transmission investment through the CAISO's Access Charge or WAC or other regulatory cost recovery mechanism.
Monthly CRR	A Congestion Revenue Right whose term is one calendar month in length and distributed in the monthly CRR Allocation and monthly CRR Auction.
Multi-Point CRR	A CRR Obligation specified according to one or more CRR Sources and one or more CRR Sinks and a flow from the CRR Source(s) to the CRR Sink(s), provided that at least the CRR Sink or the CRR Source identifies more than one point.

Offsetting CRR	One of the pair of new equal and opposite CRRs created and allocated by the CAISO to reflect Load Migration between two LSEs pursuant to the provisions in Section 36.8.5 of this Appendix, which is allocated to the Load losing LSE and is opposite in direction to the corresponding CRR previously allocated to that LSE and is denominated in a MW quantity that reflects the net amount of Load Migration between the two LSEs.
Out-of-Control Area Load Serving Entity (OCALSE)	An entity serving end-users located outside the CAISO Control Area and that has been granted authority or has an obligation pursuant to Federal, State or local law, or under contracts to provide electric service to such end-users located outside the CAISO Control Area.
PMax	The maximum normal capability of the Generating Unit. PMax should not be confused as an emergency rating of the Generating Unit.
PNP Eligible Quantity	The maximum MW quantity of CRRs an LSE is eligible to nominate in the Priority Nomination Process of the CRR Allocation.
Point-to-Point CRR	A CRR Option or CRR Obligation with a single CRR Source to a single CRR Sink.
Priority Nomination Process (PNP)	The step in an annual CRR Allocation in years beyond CRR Year One through which CRR Holders re-nominate (1) Seasonal CRRs they were allocated in the prior year, (2) Long Term CRRs that are expiring, and (3) Existing Transmission Contracts and Converted Rights that are expiring.
Qualified OCALSE	An OCALSE which the CAISO has certified has met all the requirements for eligibility for CRR Allocation in accordance with Section 36.9 of this Appendix.
Real-Time Interchange Export Schedule	An agreement to transfer Energy from the CAISO Control Area to a interconnected Control Area at a Scheduling Point based on agreed-upon size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and Energy between the source and sink Control Areas involved in the transaction.

Seasonal Available CRR Capacity	The upper limit of network capacity that will be used in the annual CRR Allocation and annual CRR Auction calculated by effectively reducing OTC for Transmission Ownership Rights as if all lines will be in service for the relevant year.
Sub-LAP	A CAISO defined subset of PNodes within a Default LAP.
Tier LT	The tier of the annual CRR Allocation process through which the CAISO allocates Long Term CRRs.
Transmission Interface	A CAISO-defined set of transmission facilities that comprise an important transmission corridor for Energy or capacity.
Verified CRR Source Quantity	The MW amount corresponding to a verified CRR Source and the LSE or OCALSE that submitted that verified CRR Source to the CAISO, as described in Section 36.8.3.4 of this Appendix.

36.3.2 Term.

CRRs are Monthly CRRs, Seasonal CRRs, Long Term CRRs or Merchant Transmission CRRs. For CRR purposes, the applicable seasons are conventional calendar quarters as defined in the Business Practice Manual.

36.3.3 On-Peak and Off-Peak Specifications.

CRRs are defined either for on-peak or off-peak hours as specified by the CAISO in the applicable Business Practice Manuals consistent with the WECC standards at the time of the relevant CRR Allocation or CRR Auction.

36.4 FNM for CRR Allocation and CRR Auction.

When the CAISO conducts its CRR Allocation and CRR Auction, the CAISO shall use the most up-to-date DC FNM which is based on the AC FNM used in the Day-Ahead Market. The Seasonal Available CRR Capacity shall be based on the DC FNM, taking into consideration the following, all of which are discussed in the applicable Business Practice Manual: (i) any long-term scheduled transmission Outages, (ii) OTC adjusted for any long-term scheduled derates, and (iii) a downward adjustment due to TOR as determined by the CAISO. The Monthly Available CRR Capacity shall be based on the DC FNM, taking into consideration: (i) any scheduled transmission Outages known at least thirty (30) days in advance of the start of that month, (ii) adjustments to compensate for the expected impact of Outages that are not required to be scheduled thirty (30) days in advance, including unplanned transmission Outages,

(iii) adjustments to restore Outages or derates that were applied for use in calculating Seasonal Available CRR Capacity but are not applicable for the current month, (iv) any new transmission facilities added to the CAISO Controlled Grid that were not part of the DC FNM used to determine the prior Seasonal Available CRR Capacity and that have already been placed in-service and energized at the time the CAISO starts the applicable monthly process, (v) OTC adjusted for any scheduled derates or Outages for that month, and (vi) a downward adjustment due to TOR as determined by the CAISO. For the first monthly CRR Allocation and CRR Auction for CRR Year One, to account for any planned or unplanned Outages that may occur for the first month of CRR Year One, the CAISO will derate all flow limits, including Transmission Interface limits and normal thermal limits based on statistical factors determined as provided in the Business Practice Manuals.

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, the Secondary Registration System, or are assigned CRRs for Load Migration.

36.5.1 Creditworthiness Requirements.

All CRR Holders and Candidate CRR Holders must comply fully with all creditworthiness requirements as provided in Section 12 of the CAISO Tariff and Section 12.6 of this Appendix and as further developed in the applicable Business Practice Manuals. The amount of available credit for participating in a CRR Auction cannot exceed the entity's Aggregate Credit Limit as provided in Section 12.

36.5.2 Required Training.

CRR Holders and Candidate CRR Holders must attend a training class at least once prior to participating in the CRR Allocations or CRR Auctions. The CAISO may update training requirements annually or on an as-needed basis. Unless granted a waiver by the CAISO, Candidate CRR Holders and CRR Holders shall at all times have in their employment a person that has attended the CAISO's CRR training class and shall notify the CAISO as soon as practicable of a change in such status.

of record of the entire Long Term CRR for CAISO Settlement purposes. Allocated Long Term CRRs represent binding ten-year commitments by a CRR Holder that holds Long Term CRRs and may not be terminated or otherwise modified by the CRR Holder prior to the end of the Long Term CRR's ten-year term.

36.7.2 Responsibility of the CAISO.

The CAISO provides Market Participants a Secondary Registration System to facilitate and track CRR bilateral transactions. The bulletin board of the Secondary Registration System enables any entity that wishes to purchase or sell CRRs to post that information.

36.7.3 CRR Holder Reporting Requirement.

CRR Holders must report to the CAISO by way of the Secondary Registration System all bilateral CRR transactions consistent with the terms of this CAISO Tariff and the Business Practice Manuals. Both the transferor and the transferee of the CRRs must register the transfer of the CRR with the CAISO using the Secondary Registration System at least five (5) Business Days prior to the effective date of transfer of revenues associated with a CRR. The CAISO shall not transfer any Settlement related to any CRR until such time that the CRR transfer has been successfully recorded through the SRS and the transferee has met all the creditworthiness requirements as specified in Section 12 of the CAISO Tariff and Section 12.6 of this Appendix. Both the transferor and transferee shall submit the following information to the Secondary Registration System: (i) the effective start and end dates of the transfer of the CRR; (ii) the identity of the transferor; (iii) the identity of the transferee; (iv) the quantity of CRRs being transferred; (v) the CRR Sources and CRR Sinks of the CRRs being transferred; and (vi) time of use period of the CRR. The transferee must meet all requirements of CRR Holders, including disclosure to the CAISO of all entities with which the transferee is affiliated that are CRR Holders or Market Participants as defined in Section 36.5 of this Appendix.

36.8 CRR Allocation.

The CAISO allocates CRRs to Load Serving Entities serving Load internal to CAISO Control Area, including MSS Operators as described in Section 36.10 of this Appendix, as well as Qualified OCALSEs. All CRRs allocated under the terms of this Section 36.8 will be CRR Obligations.

36.8.1 Structure of the CRR Allocation Process.

The CAISO conducts an annual CRR Allocation: (i) once a year for the entire year for Seasonal CRRs; and (ii) once a year for the ten-year term of Long Term CRRs. The annual CRR Allocation releases Seasonal CRRs and Long Term CRRs for four seasonal periods. The CAISO also conducts monthly CRR Allocations twelve times a year in advance of each month. Within each annual and monthly CRR Allocation process the CAISO performs distinct allocation processes for each on-peak and off-peak time of use specification. The CRR Allocation process for CRR Year One is a distinct process that differs from subsequent annual CRR Allocations as described in Sections 36.8.3.1 and 36.8.3.2 of this Appendix. Each CRR Allocation procedure is based on nominations to the CAISO by LSEs or Qualified OCALSEs eligible to receive CRRs. The CAISO performs adjustments to the Seasonal and Long Term CRRs allocated to LSEs as necessary to reflect Load Migration between LSEs, as described in Section 36.8.5 of this Appendix. A timeline of the CRR Allocation and CRR Auction processes is contained in the BPMs.

36.8.2.1 Seasonal CRR Eligible Quantity.

The CAISO constructs load duration curves by season and time of use periods for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. 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.

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted hourly load forecast data for the relevant month to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each CRR Sink in which the LSE serves Load. Each LSE's submitted hourly forecast data should reflect any Load growth that is not due to Load Migration as well as the effect of net Load Migration for that LSE. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights. In addition the CAISO will adjust the LSE's Monthly CRR Eligible Quantity, if such an adjustment is determined to be necessary pursuant to Section 36.8.6 of this Appendix.

36.8.3 CRR Allocation Process.

36.8.3.1 Annual CRR Allocation for CRR Year One.

The annual CRR Allocation process for CRR Year One consists of a sequence of four (4) tiers for each season and time of use period (on-peak and off-peak). Each tier will feature a SFT applied to the CRR nominations submitted by eligible LSEs or Qualified OCALSEs, the results of which are provided by the CAISO to the respective LSEs or Qualified OCALSEs prior to the LSEs or Qualified OCALSEs submitting their nominations to the next tier. Allocations of CRRs in each tier are considered final once they are provided by the CAISO to the respective LSEs or Qualified OCALSEs. After each tier, LSEs or Qualified OCALSEs will have an amount of time as specified in the Business Practice Manual after their receipt of the results of each tier to submit their nominations for the next tier, if there is one. The annual CRR Allocation allows LSEs or Qualified OCALSEs to submit nominations for Seasonal CRRs up to their Seasonal CRR Eligible Quantities for each season of the relevant year, each time of use CRR Sink as provided in Sections 36.8.3.1.1, 36.8.3.1.2 and 36.8.3.1.4 of this Appendix. The annual CRR Allocation also allows LSEs to submit nominations for Long Term CRRs up to twenty percent (20%) of their Adjusted Load Metric for each season, time of use period and each LAP; except that an LSE that demonstrates that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources is able to submit nominations for a greater amount as specified in Section 36.8.3.1.3 of this Appendix. As provided in Section 36.8.3.1.3.2 of this Appendix, the annual CRR Allocation allows a Qualified OCALSE to submit nominations for Long Term CRRs up to fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point provided that the Qualified OCALSE demonstrates that all of its nominated Long Term CRR Sources are covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. The annual CRR Allocation for CRR Year One will be conducted in the following sequence of tiers:

36.8.3.1.1 Tier 1. In tier 1, an LSE or Qualified OCALSE may nominate and the CAISO will allocate to the LSE or a Qualified OCALSE Seasonal CRRs up to fifty percent (50%) of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.2 Tier 2. In tier 2, an LSE or a Qualified OCALSE may nominate and the CAISO will allocate to the LSE or Qualified OCALSE Seasonal CRRs up to seventy-five percent (75%) of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of CRRs allocated to that LSE or Qualified OCALSE in tier 1. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. In tier 2 an LSE or a Qualified OCALSE with a verified Trading Hub CRR Source may nominate up to seventy-five percent (75%) of the Adjusted Verified CRR Source Quantity for that Trading Hub, minus the total MW quantity of Point-to-Point CRRs the LSE or Qualified OCALSE was allocated in tier 1 as a result of its tier 1 nomination of CRRs sourced at that Trading Hub. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.3 Tier LT. Tier LT will follow tier 2 for CRR Year One. In Tier LT, an LSE or a Qualified OCALSE may nominate Long Term CRRs from the Seasonal CRRs allocated in tiers 1 and 2 as provided in this Section 36.8.3.1. The cleared Point-to-Point CRRs awarded in tier 1 and tier 2 that resulted from disaggregated CRR nominations sourced at a Trading Hub may not be nominated in Tier LT in CRR Year One. Any Point-to-Point CRRs awarded as a result of disaggregated CRR nominations sourced at a Trading Hub, as described in Section 36.8.4.1 of this Appendix, must be nominated as Trading Hub CRRs as described in this Section 36.8.3.1.3 of this Appendix. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated Long Term CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.3.1 Tier LT for LSEs.

The quantity of Seasonal CRRs that an LSE can nominate as Long Term CRRs is limited to twenty percent (20%) of the LSE's Adjusted Load Metric, except that an LSE that can demonstrate that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources is able to submit nominations for a greater amount as provided in this section. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration. If the LSE has demonstrated that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, the amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and

long-term procurement arrangements of ten (10) years or more and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric. Subject to the maximum quantities described above in this Section 36.8.3.1.3.1, an LSE can nominate CRRs sourced at a Trading Hub in Tier LT up to the total MW amount of the Point-to-Point CRRs the LSE was allocated in tiers 1 and 2 as a result of its disaggregated tier 1 and 2 nominations of CRRs sourced at that Trading Hub.

36.8.3.1.3.2 Tier LT for Qualified OCALSEs.

A Qualified OCALSE may submit nominations for Long Term CRRs up to fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point. The Qualified OCALSE must demonstrate that all of its nominated Long Term CRRs are supported by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. Such demonstrations shall be provided by the requesting Qualified OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the Qualified OCALSE attesting to the accuracy of the data demonstration. As necessary, the CAISO may request, and such Qualified OCALSE must produce in a timely manner, documents in support of such declaration.

36.8.3.1.3.3 Tier LT SFT.

After receiving nominations for Long Term CRRs from LSEs and Qualified OCALSEs, the CAISO will run SFTs to ensure the feasibility of the nominated Long Term CRRs for the remaining nine years of the ten-year term of the Long Term CRR. The SFT runs in Tier LT will test the feasibility of only the Long Term CRR nominations and will not include in the analysis those Seasonal CRRs allocated in tiers 1 and 2 that are not nominated as Long Term CRRs. The quantity of Long Term CRRs that can be allocated for any season and time of use period must be feasible for the entire ten-year term of the Long Term CRR. As a result of the Tier LT SFT runs, Long Term CRR nominations may not be fully allocated; however, such a result will not affect the CRR Year One validity of the Seasonal CRR allocated in tiers 1 and 2. The CAISO will inform the nominating entity of the results of the Tier LT SFTs before the deadline for submission of the tier 3 nominations.

36.8.3.1.4 Tier 3. In tier 3, an LSE or a Qualified OCALSE may nominate and the CAISO will allocate to the LSE or Qualified OCALSE Seasonal CRRs up to one hundred percent (100%) of its Seasonal CRR Eligible Quantity for each season, minus the quantity of CRRs allocated to that LSE or Qualified OCALSE in tiers 1 and 2. In tier 3, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub. A Qualified OCALSE can only nominate CRRs from its verified CRR Sources as provided in Section 36.8.3.4 of this Appendix.

36.8.3.2 Monthly CRR Allocation for CRR Year One.

The monthly CRR Allocation in CRR Year One shall consist of a sequence of two (2) tiers for each time of use period (on-peak and off-peak). The monthly CRR Allocation will distribute Monthly CRRs to each LSE or Qualified OCALSE up to one hundred percent (100%) of its Monthly CRR Eligible Quantity, minus CRRs allocated to that LSE or Qualified OCALSE in the annual CRR Allocation for the relevant month and time of use period. The monthly CRR Allocation for CRR Year One will be conducted as follows:

36.8.3.2.1 Tier 1. In tier 1 of the monthly CRR Allocations, an LSE or a Qualified OCALSE may nominate and the CAISO will allocate to the LSE or Qualified OCALSE Monthly CRRs up to fifty percent (50%) of the difference between its Monthly CRR Eligible Quantity and the quantity of Seasonal CRRs and previously allocated Long Term CRRs that apply to that month and time of use period. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.2.2 Tier 2. In tier 2 of the monthly CRR Allocations, an LSE or a Qualified OCALSE may nominate and the CAISO will allocate to the LSE or Qualified OCALSE Monthly CRRs up to one hundred percent (100%) of the difference between its CRR Eligible Quantity and the quantity of Seasonal CRRs and previously allocated Long Term CRRs that apply to that month and time of use period, minus the quantity of CRRs the entity was allocated in tier 1 of the CRR Year One monthly CRR Allocation. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. In tier 2 of the monthly CRR Allocation, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. A Qualified OCALSE can only nominate CRRs from its verified CRR Sources as provided in Section 36.8.3.4.2 of this Appendix.

36.8.3.3 [NOT USED]

36.8.3.4 Source Verification.

Source verification is required for LSE CRR nominations in tiers 1 and 2 of the CRR Year One annual allocation process and in tier 1 of each CRR Year One monthly allocation process. Source verification is required for all Qualified OCALSE CRR nominations in all tiers of all CRR Allocation processes.

36.8.3.4.1 CRR Year One Source Verification for LSEs.

In CRR Year One, nominations for tier 1 and tier 2 of the annual CRR Allocation and tier 1 of the monthly CRR Allocations must be source verified for all LSEs. The CAISO will make available, prior to the beginning of the allocation process, a list of allowable CRR Sources to be used in the allocation. An LSE must demonstrate that it could actually submit Bids, including Self-Schedules and Inter-SC Trades, for Energy

from the locations to be nominated as CRR Sources to serve its Load either through ownership of, or contractual rights to receive Energy from, the relevant Generating Units, or a contract to take ownership of power at the relevant source such as a Trading Hub or a Scheduling Point. Source verification will use data for the period beginning January 1, 2006 and ending December 31, 2006 as the basis for verification. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration.

36.8.3.4.2 Source Verification for Qualified OCALSEs.

All CRR nominations by Qualified OCALSEs must be source verified. A Qualified OCALSE's source verification will be based on its legitimate need showing as specified in Section 36.9.1 of this Appendix.

36.8.3.4.3 Calculation of Verified CRR Source Quantity.

The Verified CRR Source Quantity associated with each verified CRR Source for a particular LSE or Qualified OCALSE will be: (i) for an owned generation resource the PMax of the unit multiplied by the LSE's or Qualified OCALSE's ownership share; (ii) for a contract with a generation resource, the hourly MWh of Energy specified in the contract averaged over all hours of the relevant time of use period, but no greater than the PMax of the unit; or (iii) for a contract that delivers Energy to a Trading Hub or Scheduling Point, the hourly MWh of energy specified in the contract for delivery from the supplier to the LSE or Qualified OCALSE at the Trading Hub or Scheduling Point, averaged over all hours of the relevant time of use period. Energy contracts submitted by an LSE to demonstrate that the LSE can submit Bids, including Self-Schedules and Inter-SC Trades, for Energy from the nominated CRR Sources to serve its Load must be at least one month in duration. Energy contracts submitted by a Qualified OCALSE to demonstrate that the Qualified OCALSE can submit Bids, including Self-Schedules and Inter-SC Trades, for Energy from the nominated CRR Sources to serve its Load must be at least one month in duration to support nominations of Monthly and Seasonal CRRs, and at least ten (10) years in duration to support nominations of Long Tem CRRs. Nominations of CRRs for which the CRR Source is a Scheduling Point must be source verified in accordance with Section 36.8.4.2 of this Appendix.

36.8.3.4.4 Calculation of Adjusted Verified CRR Source Quantity.

For nominations by an LSE and a Qualified OCALSE, except for a Qualified OCALSE's nomination of Long Term CRRs, the CAISO will consider a contract that covers a portion of a season (but not less than one month) to be acceptable verification, with the adjustment described below, for the entire season for which a CRR is nominated. The CAISO will also consider a contract not less than one month in duration that covers portions of two consecutive months to be acceptable verification, with the adjustment described below, for both of the months that are partially covered. In such cases, for a contract that covers only a portion of the season or month for which the

LSE or Qualified OCALSE wishes to nominate source-verified CRRs, the CAISO will calculate an Adjusted Verified CRR Source Quantity, which equals the Verified CRR Source Quantity times the ratio of the number of days covered by the contract for a particular month or season to the total number of days in that month or season, consistent with the time of use period of the CRRs being nominated. Contracts submitted by a Qualified OCALSE to support nomination of Long Term CRRs must be at least ten (10) years in duration and cover the entire season of the Long Term CRR being nominated, and therefore the Adjusted Verified CRR Source Quantity calculation does not apply to such nominations.

36.8.3.5 Annual CRR Allocation Beyond CRR Year One.

The annual CRR Allocation for years beyond CRR Year One consists of a sequence of four (4) tiers for each season and time of use period (on-peak and off-peak). Allocations of CRRs in each tier are considered final once they are provided by the CAISO to the respective LSEs or Qualified OCALSEs. After each tier, LSEs or Qualified OCALSEs will have an amount of time as specified in the Business Practice Manual after their receipt of the results of each tier to submit their nominations for the next tier, if there is one. The annual CRR Allocation will allow LSEs or Qualified OCALSEs to submit nominations up to their Seasonal CRR Eligible Quantities minus the quantity of previously allocated Long Term CRRs for each season of the relevant year, each time of use period and each CRR Sink at which they serve Load. Annual CRR Allocations for years beyond CRR Year One will be conducted in the following sequence of tiers:

36.8.3.5.1 Tier 1 – Priority Nomination Process.

Tier 1 of the annual CRR Allocation in years beyond CRR Year One will be a Priority Nomination Process through which CRR Holders may nominate some of the same CRRs that they were allocated in the immediately previous year. As provided in Section 36.8.3.4.2 of this Appendix, nominations by a Qualified OCALSE in the PNP are subject to source verification. In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OCALSE may make PNP nominations up to the lesser of: (1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of previously allocated Long Term CRRs for each season, time of use period and CRR Sink for that year; 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 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 of this Appendix. In addition, an LSE's or Qualified OCALSE's nomination of any particular CRR Source-Sink combination in the PNP may not exceed the MW quantity of CRRs having that CRR Source and CRR Sink that the LSE or Qualified OCALSE was allocated in the previous annual CRR Allocation for the same season and time of use period, and in the case of an LSE, adjusted for net Load loss or gain resulting from Load Migration as described in Section 36.8.5.2.2 of this Appendix. An LSE or a Qualified OCALSE may not nominate CRRs sourced at Trading Hubs in the PNP. CRRs whose CRR Sink is a Sub-LAP are not eligible for nomination in the PNP. A CRR whose CRR Sink is a Custom LAP or PNode is eligible for nomination in the PNP. PNP Eligible Quantities are not affected by secondary transfers of CRRs, except as performed by the CAISO to reflect Load Migration as described in Section 36.8.5 of this Appendix. That is, with the exception of transfers to reflect Load Migration: (i) an LSE or a Qualified OCALSE may nominate in the PNP a CRR it was allocated in the prior annual CRR Allocation even though it transferred that CRR to another party during the year, and (ii) an LSE or a Qualified OCALSE may not nominate in the PNP a CRR that it received through a secondary transfer from another party. CRRs received through a CRR Auction are not eligible for nomination in the PNP. CRRs received as Offsetting CRRs to reflect Load Migration are not eligible for nomination in the PNP. The maximum quantity of CRRs that an LSE or a Qualified OCALSE may nominate in the PNP is fifty percent (50%) of its Adjusted Load Metric, minus any previously allocated Long Term CRRs that are valid for the term of the CRRs being nominated. The CAISO does not guarantee that all CRR nominations in the PNP will be allocated. The CAISO will conduct an SFT to determine whether all CRR nominations in the PNP are simultaneously feasible. If the SFT determines that all priority nominations are not simultaneously feasible, the CAISO will reduce the allocated CRRs until simultaneous feasibility is achieved.

36.8.3.5.2 Tier LT.

In years subsequent to CRR Year One, Long Term CRRs will be allocated as provided in this section.

36.8.3.5.2.1 Tier LT for LSEs.

In Tier LT of CRR Year Two, an LSE may nominate Long Term CRRs from any of the Seasonal CRRs it was allocated in the PNP up to a maximum of thirty percent (30%) of its Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that year; except that the LSE may nominate Long Term CRRs in amounts greater than thirty percent (30%) but no more than fifty percent (50%) of its Adjusted Load Metric if the LSE demonstrates that more than thirty percent (30%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration. If the LSE has demonstrated that more than thirty percent (30%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, the amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and long-term procurement arrangements of ten (10) years or more, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year, and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. In CRR Year Three, the limit on Long Term CRR nominations will increase by ten percent (10%) to forty percent (40%) of the eligible entity's Adjusted Load Metric but shall not exceed fifty percent (50%) of the Adjusted Load Metric. In CRR Year Three, an LSE may exceed the

forty percent (40%) limit on Long Term CRR nominations if it demonstrates that its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. The amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and long-term procurement arrangements of ten (10) years or more, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year, and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. In CRR Year Four and all subsequent years, an LSE may nominate Long Term CRRs from any of the Seasonal CRRs allocated in the PNP up to the maximum of fifty percent (50%) of its Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that year.

36.8.3.5.2.2 Tier LT for Qualified OCALSEs.

A Qualified OCALSE may submit nominations for Long Term CRRs up to the portion of its Adjusted Load Metric for which it has demonstrated coverage by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, up to a maximum of fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. Such demonstrations shall be provided by the requesting Qualified OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the Qualified OCALSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such Qualified OCALSE must produce in a timely manner, documents in support of such declaration. Contracts submitted in support of OCALSE nominations of Long Term CRRs must cover the entire season of the Long Term CRR being nominated.

36.8.3.5.2.3 Tier LT SFT.

After receiving nominations for Long Term CRRs, the CAISO will run SFTs to ensure the feasibility of the nominated Long Term CRRs for the remaining nine years of the ten (10) year term of the Long Term CRR. The SFT run in Tier LT will test the feasibility of only the Long Term CRR nominations and will not include in the analysis those Seasonal CRRs allocated in the PNP that were not nominated as Long Term CRRs. The quantity of Long Term CRRs that can be allocated for any season and time of use period must be feasible for the entire ten (10) year term of the Long Term CRR. As a result of the Tier LT SFT runs, Long Term CRR nominations may not be fully allocated; however, such a result will not affect the validity of: (i) the Long Term CRRs allocated in previous years, or (ii) the Seasonal CRRs allocated in the PNP. The CAISO will inform nominating eligible entities of the results of the Tier LT SFTs before the deadline for submission of the tier 2 nominations.

36.8.3.5.3 Tier 2. In tier 2 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE and Qualified OCALSE 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 OCALSE in tier 1, and (ii) Long Term CRRs previously allocated to it that are valid for the CRR term currently being allocated. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.3.5.4 Tier 3. In tier 3 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE or Qualified OCALSE up to one hundred percent (100%) 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 OCALSE in tiers 1 and 2, and (ii) Long Term CRRs previously allocated to that eligible entity that are valid for the CRR

term currently being allocated. In tier 3 of the annual CRR Allocation, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Seasonal CRRs where the CRR Source is a Trading Hub. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.3.5.5 Alternatives for Renewal of Long Term CRRs and for the Transition of Expiring ETCs and Converted Rights to Long Term CRRs.

Eligible entities may, in the final year of a Long Term CRR, nominate the identical CRR Source, CRR Sink, and MW terms of the expiring Long Term CRR in the PNP conducted that year, subject to any applicable quantity limitations specified in this Section 36. An eligible entity with an Existing Transmission Contract or Converted Rights that expire by the start of the year for which the CRR Allocation process is conducted may participate in the PNP as if its Existing Transmission Contract or Converted Rights sources and sinks were previously allocated Seasonal CRRs, subject to any applicable quantity limitations specified in this Section 36. In either case, if Seasonal CRRs are awarded to an LSE or Qualified OCALSE in the PNP based on its nomination of its expiring rights, such entity may then nominate those Seasonal CRRs in Tier LT of the same year's annual CRR Allocation process, subject to any applicable quantity limitations specified in this Section 36. Alternatively, CRR Holders of expiring LT CRRs, expiring Existing Transmission Contracts or expiring Converted Rights may bypass the tier 1 Priority Nomination Process and nominate their expiring rights as Long Term CRRs in Tier LT one year prior to the year of expiration, subject to any applicable quantity limitations specified in this Section 36. This alternative allows the holder of the expiring rights to nominate Long Term CRRs in the first Tier LT SFT in which the capacity corresponding to the expiring rights becomes available for the full nine year period of the Tier LT SFT. For any entity who elects this alternative and obtains an allocated Long Term CRR, the length of the renewed Long Term CRR (or initial Long Term CRR in the case of expiring Existing Transmission Contracts or expiring Converted Rights) will be nine years, corresponding to the years included in the Tier LT SFT.

36.8.3.6 Monthly CRR Allocation Beyond CRR Year One.

The monthly CRR Allocation shall consist of a sequence of two (2) tiers of allocations for each time of use period (on-peak and off-peak). The monthly CRR Allocation will distribute Monthly CRRs and will allow an LSE and a Qualified OCALSE to nominate CRRs up to one hundred percent (100%) of its Monthly CRR Eligible Quantity, minus the total of any Seasonal CRRs allocated in the annual CRR Allocation, and minus any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated. All CRR nominations by Qualified OCALSEs must be source verified.

36.8.3.6.1 Tier 1. In tier 1 of the monthly CRR Allocations, each LSE or Qualified OCALSE may nominate Monthly CRRs up to fifty percent (50%) of the difference between its Monthly CRR Eligible Quantity and the total of any Seasonal CRRs allocated in the annual CRR Allocation and any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated. An LSE or a Qualified OCALSE can nominate Monthly CRRs where the CRR Source is a Trading Hub. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.3.6.2 Tier 2. In tier 2 of the monthly CRR Allocations, each LSE or Qualified OCALSE may nominate Monthly CRRs up to one hundred percent (100%) the difference between its Monthly CRR Eligible Quantity and the total of any Seasonal CRRs allocated in the annual CRR Allocation and any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated, minus the quantity of CRRs allocated to that LSE or Qualified OCALSE in tier 1 of the current monthly CRR Allocation. In tier 2 of the monthly CRR Allocation, Sub-LAPs will be eligible CRR Sinks, provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.4 Eligible Sources for CRR Allocation.

In the CRR Allocation processes for Seasonal CRRs, Monthly CRRs, and Long Term CRRs, nominated CRR Sources can be either PNodes (including Scheduling Points) or Trading Hubs. An LSE or a Qualified OCALSE may nominate up to one hundred percent (100%) of its Adjusted Verified CRR Source Quantities for Seasonal or Monthly CRRs in the combined tiers of the annual and monthly CRR Allocation processes as provided in this Section. For tiers 1 and 2 of the annual CRR Allocation in CRR Year One, an LSE may nominate CRRs from each of its verified CRR Sources in a quantity no greater than seventy-five percent (75%) of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source. The LSE may then use tier 1 of the monthly CRR Allocations in CRR Year One to nominate up to the full one hundred percent (100%) of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source. In tiers 1, 2 and 3 of the annual CRR Allocation in each year in which it participates, a Qualified OCALSE may nominate CRRs from each of its verified CRR Sources in a quantity no greater than seventy-five percent (75%) of the Adjusted Verified CRR Source Quantity corresponding to each CRR Source. The Qualified OCALSE may then use tiers 1 and 2 of the monthly CRR Allocations in the same year to nominate up to the full one hundred percent (100%) of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source.

36.8.4.1 CRRs with Trading Hub Sources.

For purposes of the CRR Allocation processes the CAISO shall disaggregate CRR nominations with Trading Hub CRR Sources into Point-to-Point CRR nominations each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub. In performing this disaggregation the MW quantity of each Point-to-Point CRR nomination will equal the MW quantity of the CRR nomination multiplied by the weighting factor of the corresponding Generating Unit PNode in the defined Trading Hub. The disaggregated, individual Point-to-Point CRRs will be used by the CAISO in conducting the SFTs for the nominated CRRs. In CRR years other than CRR Year One, an LSE may nominate in the PNP any Point-to-Point CRRs it was allocated the previous year as a result of Seasonal CRR nominations with Trading Hubs as CRR Sources, and may then nominate those Seasonal CRRs awarded in the PNP as Long Term CRRs in Tier LT. In CRR Year One, an LSE that was allocated individual Point-to-Point CRRs in tiers 1 and 2 as a result of nominating CRRs sourced at a Trading Hub must nominate CRRs sourced at Trading Hubs in Tier LT in accordance with Section 36.8.3.1.3.1 of this Appendix. For Qualified OCALSEs, all nominated CRR Sources must be source verified as specified in Section 36.9.1 of this Appendix. Any Long Term CRRs allocated by the CAISO as a result of nominations of CRRs sourced at Trading Hubs will be Point-to-Point CRRs each of whose CRR Sources is a Generating Unit PNode that is an element of the Trading Hub.

36.8.4.2 Import CRRs.

An LSE or a Qualified OCALSE may nominate Seasonal, Monthly or Long Term CRRs whose CRR Source is a Scheduling Point in the annual and monthly CRR Allocation in accordance with this Section.

36.8.4.2.1 Scheduling Points as CRR Sources for LSEs in CRR Year One.

In CRR Year One, in tiers 1 and 2 of the annual CRR Allocation process an LSE may nominate Seasonal CRRs whose CRR Source is a Scheduling Point to the extent that it can demonstrate to the CAISO that, for the verification period stated in Section 36.8.3.4 of this Appendix, it owned or was a party to a contract with a System Resource, and that it or the counter-party to the contract had procured appropriate transmission from the applicable transmission provider outside the CAISO to the Scheduling Point. In addition, also in tiers 1 and 2 of the annual CRR Allocation in CRR Year One, all LSEs eligible to nominate CRRs under this Section 36.8 may nominate as CRR Sources, without any verification, shares of the residual import CRR capacity at each Scheduling Point that remains after the completion of the CRR Source verification process. Each LSE's share of the residual import CRR capacity will be calculated as follows. Starting with the total capacity at each Scheduling Point that is available in the DC FNM for the annual CRR Allocation and Auction process, the CAISO will calculate the residual amount of capacity that remains at each Scheduling Point after subtracting the capacity accounted for by those Scheduling Point CRR Sources submitted by LSEs for verification that have been verified. The CAISO will then set aside fifty percent (50%) of this residual amount at each Scheduling Point for the annual CRR Auction, and will allow LSEs to nominate pro rata shares of the other fifty percent (50%) in proportion to their Seasonal CRR Eligible Quantities. In each monthly CRR Allocation during CRR Year One, CRR Source verification will be required in tier 1 as in the annual CRR Allocation process. Following the verification process, the CAISO will calculate and set aside for the

monthly CRR Auction fifty percent (50%) of the import capacity that remains at each Scheduling Point after accounting for the verified Scheduling Point CRR Source submissions to the monthly process and the annual CRR Allocation and Auction results for that month, and will allow LSEs to nominate in tier 1 Monthly CRRs with CRR Sources at each Scheduling Point in quantities up to their pro rata shares of the other fifty percent (50%) in proportion to their Monthly CRR Eligible Quantities.

36.8.4.2.2 Scheduling Points as CRR Sources for LSEs Beyond CRR Year One.

In the annual CRR Allocation processes subsequent to CRR Year One, there will be no special provisions regarding CRR Sources at Scheduling Points in tiers 1 and 2 for LSEs. For tier 3 the CAISO will calculate and set aside for the annual CRR Auction fifty percent (50%) of the import capacity at each Scheduling Point that remains after the tier 1 and tier 2 CRR Allocations and after considering any previously allocated Long Term CRRs that are valid for that month as described in Section 36.4.1 of this Appendix. In the monthly CRR Allocation processes subsequent to CRR Year One there will be no special provisions regarding CRR Sources at Scheduling Points in tier 1 for LSEs. For tier 2 the CAISO will calculate and set aside for the monthly CRR Auction fifty percent (50%) of the import capacity that remains at each Scheduling Point after accounting for the annual CRR Allocation and Auction results for that month, any previously allocated Long Term CRRs that are valid for that month, and the results of tier 1 of the monthly CRR Allocation.

36.8.4.2.3 Scheduling Points as CRR Sources for Qualified OCALSEs.

In the annual CRR Allocation process a Qualified OCALSE may nominate CRRs whose CRR Source is a Scheduling Point to the extent it meets the requirements of Section 36.9.1 of this Appendix.

36.8.5 Load Migration Between LSEs.

The CAISO shall track Load Migration between LSEs through Load Migration data provided to the CAISO by each UDC, MSS Operator or other entity that provides distribution serve to customers. Load Migration will be reflected in the hourly Load data and load forecasts used by the CAISO to calculate the CRR Load Metrics and Seasonal and Monthly CRR Eligible Quantities for each LSE, in accordance with procedures set forth in the applicable Business Practice Manual. Load Migration will be reflected in appropriate adjustments to each affected LSE's Seasonal and Monthly CRR Eligible Quantities in subsequent annual and monthly CRR Allocations, as well as its PNP Eligible Quantities in the next annual CRR Allocation. LSEs that hold Seasonal CRRs or Long Term CRRS and that lose or gain Load through Load Migration must comply with Section 36.8.5.3 of this Appendix regarding the transfers of current CRR holdings to reflect Load Migration.

36.8.5.1 Tracking of Load Migration by CAISO.

The CAISO will implement all appropriate adjustments due to Load Migration on a monthly basis. In order to enable the CAISO to track Load Migration and determine the appropriate adjustments, each UDC, MSS Operator, and other entity that provides distribution service to customers will provide to the CAISO the following minimum information on each customer that migrates between LSEs: (i) customer identification information, (ii) information to establish the customer's retail customer class, (iii) the original and new LSEs serving the customer, (iv) the effective date of the Load Migration, and (v) the most recent twelve (12) months of billing data for the customer. Each UDC, MSS Operator and other entity that provides distribution service to customers will also provide to the CAISO the number of customers served by each LSE in each retail customer class as of the start of each month, plus information on the average consumption by customers in each retail customer class. Further details regarding the information to be supplied to the CAISO is set forth in the applicable Business Practice Manual. The CAISO will receive information from each UDC, MSS Operator, and other entity providing distribution service on an ongoing daily basis, and will perform the calculations for any appropriate adjustments due to Load Migration on a monthly basis. New CRRs allocated due to Load Migration in accordance with Section 36.8.5.3 of this Appendix will be made effective on the first day of the first month, following the CAISO's performance of the calculations, in which the Load Migration is effective by the first of the month.

36.8.5.2 Adjustments to CRR Eligible Quantities to Reflect Load Migration.

An LSE who loses or gains net Load through Load Migration in a given year will have its Seasonal CRR Eligible Quantities in the next annual CRR Allocation reduced or increased, respectively, in proportion to the net Load lost or gained through Load Migration. In addition, an LSE that loses Load through Load Migration in a given year will have its PNP Eligible Quantities reduced in proportion to the amount of Load lost through Load Migration. An LSE that gains Load through Load Migration in a given year will have its PNP Eligible Quantities increased in proportion to the amount of Load gained through Load Migration.

36.8.5.3 Adjustments to Current CRR Holdings to Reflect Load Migration.

Because in between CRR Allocations each LSE can both lose Load and gain Load between itself and multiple other LSEs, the CAISO will calculate and perform appropriate adjustments to current CRR holdings for each pair of LSEs affected by Load Migration to reflect the net amount of Load that migrated between those two LSEs during each Load Migration tracking period and for each LAP in which the LSEs serve Load. The CAISO will perform such calculations in accordance with the appropriate Business Practice Manual, and will perform the adjustments by creating and allocating equal and opposite sets of new CRRs for each pair of LSEs affected by Load Migration. The net Load gaining LSE of the pair will receive a set of new CRRs that match the CRR Sources and CRR Sinks of all the Seasonal and Long Term CRRs previously allocated to the net Load losing LSE of the pair, in MW quantities proportional to the net amount of the net Load losing LSE's Load that migrated to the net Load gaining LSE of the pair within each LAP in which the LSEs serve Load. The net Load losing LSE of the pair will receive a set of new Offsetting CRRs. After the assignment of Offsetting CRRs, the net Load losing LSE will still hold the CRRs it held before it was assigned the Offsetting CRRs. The Load gaining LSE may nominate its new Seasonal CRRs in the Priority Nomination Process of the next annual CRR Allocation process. The net Load losing LSE may not nominate in the Priority Nomination Process either: (i) the Seasonal CRRs corresponding to the new CRRs allocated to the Load gaining LSE, or (ii) the Offsetting CRRs allocated due to Load Migration. An LSE to which the CAISO allocates new CRRs to reflect Load Migration must be either a Candidate CRR Holder or a CRR Holder and meet all requirements applicable to such entities.

36.8.5.4 Load Migration and Compliance with CAISO Credit Requirements.

To the extent that the credit requirements of an LSE as specified in Section 12 are updated by the allocation of new CRRs to reflect Load Migration, the CAISO will do the following. For new CRRs that result in net charges to the affected LSE over a Settlement period these charges will appear on the LSE's Settlement Statement irrespective whether the LSE has met the updated credit requirement. For new CRRs that result in net payments to the affected LSE over a Settlement period and that LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until those updated credit requirements are met. At the end of each Settlement period, if the LSE has not met the updated credit requirements resulting from Load Migration CRR transfers, the CAISO will add any net payments that accrued to the transferred CRRs to the CRR Balancing Account to be included in the end-of-month clearing of the CRR Balancing Account, and those net payments will no longer be recoverable by the LSE. The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.

36.8.5.5 Load Migration Adjustment for CRR Year One.

For the CRR Year One CRR Allocation process, the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One CRR Allocation process and the first date that the Day-Ahead Market is operational as a single adjustment as described in the Business Practice Manuals.

36.8.5.6 Load Migration Reflected in the Monthly CRR Allocation Process.

An LSE who loses or gains net Load through Load Migration must reflect that loss or gain in the monthly Load forecasts it submits to the CAISO for determining its monthly CRR Eligible Quantities for future monthly CRR Allocations.

36.9 CRR Allocation to OCALSEs.

OCALSEs who wish to nominate and be allocated CRR Obligations in the same annual and monthly CRR Allocation processes described in Section 36.8 of this Appendix may do so subject to the provisions of this Section 36.9 of this Appendix and if such OCALSEs are qualified and registered as Candidate CRR Holders or CRR Holders. An OCALSE may participate in the CRR Allocation processes and be allocated CRRs to the extent that: (1) such OCALSE makes a showing of legitimate need for the CRRs nominated as provided by Section 36.9.1 of this Appendix; (2) such OCALSE pre-pays or commits to pay the appropriate Wheeling Access Charge in the amount of MW of CRRs nominated as provided in Section 36.9.2 of this Appendix; (3) the external load for which CRRs are nominated will be exposed to CAISO Congestion charges because it is not served by Supply resources other than exports from the CAISO Control Area; (4) the external load for which CRRs are nominated is not served through an ETC, TOR or Converted Rights by which it has been designated as eligible to receive the reversal of Congestion charges; (5) such OCALSE complies with the verification requirements in Section 36.9.4 of this Appendix; and (6) the nominated CRRs clear the relevant SFTs. An OCALSE that participates in the CRR Allocation processes will be subject to the applicable rules governing the tiered structure of these processes. All CRRs allocated under the terms of this Section 36.9 will be CRR Obligations.

36.9.1 Showing of Legitimate Need.

An OCALSE must make a showing to the CAISO of legitimate need to enable the CAISO to verify the CRR Sources it wants to nominate. All CRR nominations by OCALSEs in all CRR years must be source verified based on the showing of legitimate need. The CAISO's verification of legitimate need will be based on demonstration by the OCALSE of an executed Energy contract from a Generating Unit or System Resource that covers the time period of the CRRs nominated, or ownership of such Generating Unit or System Resource. For such CRR Sources the showing of legitimate need must be made for each CRR term for which the OCALSE wants to nominate CRRs in a timely manner prior to the start of the relevant annual or monthly CRR

Allocation process. For CRR Sources that will be verified based on generating resources located outside the CAISO Control Area, a Scheduling Point must be nominated as the corresponding CRR Source. Generating resources located outside of the CAISO Control Area to be used by the OCALSE to verify a Scheduling Point as a CRR Source must not be located within the OCALSE's own Control Area. The Verified CRR Source Quantity and Adjusted Verified CRR Source Quantity corresponding to any CRR Source nominated by an OCALSE will be calculated in accordance with Section 36.8.3.4 of this Appendix, with the modification that for an OCALSE these quantities will be calculated for each CRR Allocation process in which the Qualified OCALSE wants to participate, consistent with the requirement for ongoing source verification based on a forward showing in conjunction with the OCALSE's annual showing of legitimate need. For a CRR Source that is a Scheduling Point, pursuant to the legitimate need showing requirement, an OCALSE must demonstrate that it has procured the appropriate transmission service from the transmission provider outside the CAISO Control Area to the Scheduling Point that the OCALSE intends to nominate as a CRR Source for the term of the CRR being nominated. Such demonstrations shall be provided by the OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the OCALSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such OCALSE must produce in a timely manner, documents in support of such declaration.

36.9.2 Prepayment of Wheeling Access Charges.

36.9.2.1 Prepayment of Wheeling Access Charges for Allocated CRRs.

An OCALSE will be required to prepay relevant Wheeling Access Charges, to be calculated as described in this section and further specified in the Business Practice Manual, for the full term of the Monthly, Seasonal and Long Term CRRs it intends to nominate in order to participate in the CRR Allocation processes and be allocated CRRs. To be eligible for the allocation of Seasonal CRRs or Monthly CRRs the OCALSE must submit the full required prepayment and have it accepted by the CAISO prior to the OCALSE's submission of nominations for the relevant annual or monthly CRR Allocation, except as provided below in Section 36.9.2.2 of this Appendix. To be eligible for nominations of Long Term CRRs,

the OCALSE must submit the full prepayment and have it accepted by the CAISO prior to the OCALSE's submission of nominations of Long Term CRRs in Tier LT, except as provided below in Section 36.9.2.2 of this Appendix. For each MW of Monthly, Seasonal or Long Term CRR to be nominated the nominating OCALSE must prepay one MW of the relevant Wheeling Access Charge, which equals the per-MWh WAC that is associated with the Scheduling Point the OCALSE intends to nominate as a CRR Sink and that is expected at the time the CRR Allocation process is conducted to be applicable for the period of the CRR nominated, times the number of hours comprising the period of the CRR nominated as further specified in the applicable Business Practice Manual.

36.9.2.2 Eligibility for Prepayment of WAC on an Annual or Monthly Basis.

An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may elect to prepay the determined WAC responsibility on a monthly basis for the Seasonal or Long Term CRRs that it seeks to be allocated, provided that such OCALSE has demonstrated a commitment to pay the required WAC for the entire term of the CRRs sought by submitting to the CAISO a written sworn statement by an executive that can bind the entity. In order to be eligible for this option, the OCALSE must submit and the CAISO must accept this sworn statement prior to the applicable CRR Allocation process in which the OCALSE intends to nominate a CRR. An OCALSE choosing to pay on a monthly basis shall make its monthly payments on a schedule specified in the applicable Business Practice Manual. An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may also elect to prepay its determined WAC responsibility associated with an allocated Long Term CRR on an annual basis, provided that such OCALSE has demonstrated a commitment to pay for the entire term of the Long Term CRRs sought by submitting to the CAISO and the CAISO accepting a written sworn statement by an executive that can bind the entity. An OCALSE choosing to pay such WAC obligation on an annual basis shall make its payment each year on a schedule specified in the applicable Business Practice Manual.

36.9.2.3 Refund of Prepaid WAC for Unallocated CRRs.

To the extent that an OCALSE prepays a quantity of the WAC and is not allocated the full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within thirty (30) days following the completion of the relevant CRR Allocation process.

36.9.3 CRR Eligible Quantities.

The CAISO will calculate the Seasonal and Monthly CRR Eligible Quantities for OCALSEs as described in Section 36.8.2 of this Appendix with the following modifications. The OCALSE must submit two sets of hourly data from which the CAISO will construct load duration curves for determining the Seasonal and Monthly CRR Eligible Quantities. One set of hourly data must reflect the OCALSE's historical hourly exports at the Scheduling Point that is the CRR Sink of the nominated CRRs. The historical hourly exports shall be based on the tagged Real-Time Interchange Export Schedules for the OCALSE. An OCALSE that wishes to nominate multiple Scheduling Points as CRR Sinks in the CRR Allocation process will have distinct CRR Eligible Quantities for each nominated Scheduling Point, and prior to each annual CRR Allocation process must submit historical hourly export data at each such Scheduling Point from which the CAISO will calculate the associated CRR Eligible Quantities. The second set of hourly data must reflect the prior year's hourly metered load for the end-use customers the OCALSE served outside the CAISO Control Area and that were not served from sources other than exports from the CAISO Control Area. The OCALSE's Seasonal and Monthly CRR Eligible Quantities will be based on the lesser of (1) the total historical hourly export data for all Scheduling Points submitted as CRR Sinks, and (2) the hourly metered load for the external end-use customers served by the OCALSE and that were not served from sources other than exports from the CAISO Control Area. An OCALSE also must demonstrate that it has firm transmission rights pursuant to the tariffs of intervening transmission providers from its Scheduling Point sink to the end-use customers in the OCALSE's Control Area. The OCALSE shall support its data submission and the demonstration of transmission rights to its end-use customers with a sworn affidavit by an executive employee authorized to represent the OCALSE and attest to the accuracy of the data and demonstration. As necessary, the CAISO may request, and such OCALSE must produce in a timely manner, the raw data and calculations used to develop the submitted data set and the demonstration of transmission rights to its end-use customers.

ATTACHMENT B

Attachment B – Blacklines

Congestion Revenue Rights Compliance Filing – July 20, 2007

* * *

4.4.8 Information Sharing.

* * *

4.4.8.5 Provision of Information for CRRs to Reflect Load Migration.

Each UDC shall provide to the CAISO information as provided in Section 36.8.5.2 of Appendix BB that enables the CAISO to perform transfers of CRRs that reflect Load Migration in a timely manner as required in Section 36.8.5 of Appendix BB.

* * *

4.9.10.4 Each MSS Operator shall provide to the CAISO information as provided in Section 36.8.5.2 of Appendix BB that enables the CAISO to perform transfers of CRRs to reflect Load Migration in a timely manner as required in Section 36.8.5 of Appendix BB.

* * *

ISO TARIFF APPENDIX BB

PART G. DEFINITIONS

CRR Year Four The fourth period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.

* * *

CRR Year Three The third period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.

* * *

CRR Year Two The second period of time for which the CAISO conducts an annual CRR Allocation, as defined in the Business Practice Manual.

* * *

Load Migration

The transfer of the responsibility to serve Load from one Load Serving Entity to another.

* * *

Offsetting CRR

One of the pair of new equal and opposite CRRs created and allocated by the CAISO to reflect Load Migration between two LSEs pursuant to the provisions in Section 36.8.5 of this Appendix, which is allocated to the Load losing LSE and is opposite in direction to the corresponding CRR previously allocated to that LSE and is denominated in a MW quantity that reflects the net amount of Load Migration between the two LSEs.

* * *

Transmission Interface

A CAISO-defined set of transmission facilities that comprise an important transmission corridor for Energy or capacity.

* * *

PART H. CONGESTION REVENUE RIGHTS

36 Congestion Revenue Rights.

* * *

36.4 FNM for CRR Allocation and CRR Auction.

When the CAISO conducts its CRR Allocation and CRR Auction, the CAISO shall use the most up-to-date DC FNM which is based on the AC FNM used in the Day-Ahead Market. The Seasonal Available CRR Capacity shall be based on the DC FNM, taking into consideration the following, all of which are discussed in the applicable Business Practice Manual: (i) any long-term scheduled transmission Outages, (ii) OTC adjusted for any long-term scheduled derates, and (iii) a downward adjustment due to TOR as determined by the CAISO. The Monthly Available CRR Capacity shall be based on the DC FNM, taking into consideration: (i) any scheduled transmission Outages known at least thirty (30) days in advance of the start of that month, (ii) adjustments to compensate for the expected impact of Outages that are not required to be scheduled thirty (30) days in advance, including ~~or are~~ unplanned transmission Outages, and (iii) adjustments to restore Outages or derates that were applied for use in calculating Seasonal

Available CRR Capacity but are not applicable for the current month; (iv) any new transmission facilities added to the CAISO Controlled Grid that were not part of the DC FNM used to determine the prior Seasonal Available CRR Capacity and that have already been placed in-service and energized at the time the CAISO starts the applicable monthly process, (viii) OTC adjusted for any scheduled derates or Outages for that month, and (vi) a downward adjustment due to TOR as determined by the CAISO. For the first monthly CRR Allocation and CRR Auction for CRR Year One, to account for any planned or unplanned Outages that may occur for the first month of CRR Year One, the CAISO will derate all flow limits, including Transmission Interface limits and normal thermal limits based on statistical factors determined as provided in the Business Practice Manuals.

* * *

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, ~~or the Secondary Registration System,~~ or are assigned CRRs for Load Migration.

* * *

36.7 Bilateral CRR Transactions.

* * *

36.7.1.2 Specific Provisions for Transfer of Long Term CRRs.

A CRR Holder that holds Long Term CRRs may sell or transfer through the Secondary Registration System MW portions and temporal segments of a Long Term CRR corresponding to the current calendar year as well as the calendar year covered by the most recently completed annual CRR Allocation. For such sales or transfers the Long Term CRR will be subject to the same limits on granularity that apply to Seasonal CRRs and Monthly CRRs, as specified in Section 36.7.1 of this Appendix. A CRR Holder that holds Long Term CRRs may not transfer or sell through the Secondary Registration System any temporal segment of a Long Term CRR beyond the calendar year covered by the most recently completed annual CRR Allocation. For temporal segments beyond the year covered by the most recently completed annual CRR Allocation, the CRR Holder to whom a Long Term CRR was originally allocated remains the holder of record of the entire Long Term CRR for CAISO Settlement purposes, ~~unless and until such segments~~

~~of the Long Term CRR or MW portion thereof are transferred to another LSE due to Load migration as described in Section 36.8.5 of this Appendix.~~ Allocated Long Term CRRs represent binding ten-year commitments by a CRR Holder that holds Long Term CRRs and may not be terminated or otherwise modified by the CRR Holder prior to the end of the Long Term CRR's ten-year term.

* * *

36.8.1 Structure of the CRR Allocation Process.

The CAISO conducts an annual CRR Allocation: (i) once a year for the entire year for Seasonal CRRs; and (ii) once a year for the ten-year term of Long Term CRRs. The annual CRR Allocation releases Seasonal CRRs and Long Term CRRs for four seasonal periods. The CAISO also conducts monthly CRR Allocations twelve times a year in advance of each month. Within each annual and monthly CRR Allocation process the CAISO performs distinct allocation processes for each on-peak and off-peak time of use specification. The CRR Allocation process for CRR Year One is a distinct process that differs from subsequent annual CRR Allocations as described in Sections 36.8.3.1 and 36.8.3.2 of this Appendix. Each CRR Allocation procedure is based on nominations to the CAISO by LSEs or Qualified OCALSEs eligible to receive CRRs. The CAISO performs adjustments to the Seasonal and Long Term CRRs allocated to LSEs as necessary to reflect Load Migration between LSEs, as described in Section 36.8.5 of this Appendix. A timeline of the CRR Allocation and CRR Auction processes is contained in the BPMs.

* * *

36.8.2.1 Seasonal CRR Eligible Quantity.

The CAISO constructs load duration curves by season and time of use periods for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. 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.

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted ~~hourly~~ monthly load forecast data for the relevant month to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each ~~LAP~~ CRR Sink in which the LSE serves Load. Each LSEs submitted hourly forecast data should reflect any Load growth that is not due to Load Migration as well as the effect of net Load Migration for that LSE. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights. In addition the CAISO will adjust the LSE's Monthly CRR Eligible Quantity, if such an adjustment is determined to be necessary pursuant to Section 36.8.6 of this Appendix.

36.8.3 CRR Allocation Process.

36.8.3.1 Annual CRR Allocation for CRR Year One.

The annual CRR Allocation process for CRR Year One consists of a sequence of four (4) tiers for each season and time of use period (on-peak and off-peak). Each tier will feature a SFT applied to the CRR nominations submitted by eligible LSEs or Qualified OCALSEs, the results of which are provided by the CAISO to the respective LSEs or Qualified OCALSEs prior to the LSEs or Qualified OCALSEs submitting their nominations to the next tier. Allocations of CRRs in each tier are considered final once they are provided by the CAISO to the respective LSEs or Qualified OCALSEs. After each tier, LSEs or Qualified OCALSEs will have an amount of time as specified in the Business Practice Manual after their receipt of the results of each tier to submit their nominations for the next tier, if there is one. The annual CRR Allocation allows LSEs or Qualified OCALSEs to submit nominations for Seasonal CRRs up to their Seasonal CRR Eligible Quantities for each season of the relevant year, each time of use ~~period and each~~ LAP CRR Sink as provided in Sections 36.8.3.1.1, 36.8.3.1.2 and 36.8.3.1.4 of this Appendix. The annual CRR Allocation also allows LSEs to submit, ~~and~~ and nominations for Long Term CRRs up to ~~fifty~~ twenty percent (~~5~~ 20%) of their Adjusted Load Metric for each season, time of use period and each LAP; except

that an LSE that demonstrates that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources is able to submit nominations for a greater amount as specified in Section 36.8.3.1.3 of this Appendix. As provided in Section 36.8.3.1.3.2 of this Appendix, the annual CRR Allocation allows a Qualified OCALSE to submit nominations for Long Term CRRs up to fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point provided that the Qualified OCALSE demonstrates that all of its nominated Long Term CRR Sources are covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. The annual CRR Allocation for CRR Year One will be conducted in the following sequence of tiers:

36.8.3.1.1 Tier 1. In tier 1, an LSEs or Qualified OCALSEs may nominate and the CAISO will allocate to the LSEs or a Qualified OCALSEs Seasonal CRRs up to fifty percent (50%) of their-its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.2 Tier 2. In tier 2, an LSEs or a Qualified OCALSEs may nominate and the CAISO will allocate to the LSEs or Qualified OCALSEs Seasonal CRRs up to seventy-five percent (75%) of their-its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of CRRs allocated to that LSE or Qualified OCALSEs in tier 1. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. ~~In running the SFT for Seasonal CRR nominations sourced at Trading Hubs the CAISO will disaggregate the nominations into Point-to-Point CRRs.~~ In tier 2 an LSE or a Qualified OCALSE with a verified Trading Hub CRR Source may nominate up to seventy-five percent (75%) of the Adjusted Verified CRR Source Quantity for that Trading Hub, minus the total MW quantity of Point-to-Point CRRs the LSE or Qualified OCALSE was allocated in tier 1 as a result of its tier 1 nomination of

CRRs sourced at that Trading Hub. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.3 Tier LT. Tier LT will follow tier 2 for CRR Year One. In Tier LT, an LSEs or a Qualified OCALSEs may nominate Long Term CRRs from the Seasonal CRRs allocated in tiers 1 and 2 as provided in this Section 36.8.3.1. The cleared Point-to-Point CRRs awarded in tier 1 and tier 2 that resulted from disaggregated CRR nominations sourced at a Trading Hub may not be nominated in Tier LT in CRR Year One. , except that Any Point-to-Point CRRs awarded as a result of disaggregated CRR nominations sourced at a Trading Hub, as described in Section 36.8.4.1 of this Appendix, must be nominated as Trading Hub CRRs as described in this Section 36.8.3.1.3 of this Appendix. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated Long Term CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.1.3.1 Tier LT for LSEs.

The quantity of Seasonal CRRs that an LSE can be-nominated as Long Term CRRs is limited to fifty twenty percent (520%) of the LSE's eligible entity's Adjusted Load Metric-, except that an LSE that can demonstrate that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources is able to submit nominations for a greater amount as provided in this section. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration. If the LSE has demonstrated that more than twenty percent (20%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, the amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and

long-term procurement arrangements of ten (10) years or more and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric. Subject to the maximum quantities described above in this Section 36.8.3.1.3.1,
aAn LSE can nominate ~~Seasonal~~CRRs sourced at a Trading Hub in Tier LT up to the total MW amount of the Point-to-Point CRRs the LSE was allocated in tiers 1 and 2 as a result of its disaggregated tier 1 and 2 nominations of CRRs sourced at that Trading Hub. ~~The cleared Point to Point CRRs from the tier 1 and tier 2 that resulted from disaggregated CRR nominations sourced at a Trading Hub may not be nominated as Point to Point CRRs in Tier LT in CRR Year One.~~

36.8.3.1.3.2 Tier LT for Qualified OCALSEs.

A Qualified OCALSE may submit nominations for Long Term CRRs up to fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point. The Qualified OCALSE must demonstrate that all of its nominated Long Term CRRs are supported by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. Such demonstrations shall be provided by the requesting Qualified OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the Qualified OCALSE attesting to the accuracy of the data demonstration. As necessary, the CAISO may request, and such Qualified OCALSE must produce in a timely manner, documents in support of such declaration.

36.8.3.1.3.3 Tier LT SFT.

~~Qualified OCALSEs may not nominate as a Long Term CRR a Seasonal CRR that has a Scheduling Point as a CRR Source.~~After receiving nominations for Long Term CRRs from LSEs and Qualified OCALSEs, the CAISO will run SFTs to ensure the feasibility of the nominated Long Term CRRs for the remaining nine years of the ten-year term of the Long Term CRR.~~In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1.~~
The SFT runs in Tier LT will test the feasibility of only the Long Term CRR nominations and will not include in the analysis those Seasonal CRRs allocated in tiers 1 and 2 that are not nominated as Long Term CRRs. The quantity of Long Term CRRs that can be allocated for any season and time of use period must be feasible for the entire ten-year term of the Long Term CRR. As a result of the Tier LT SFT runs, Long Term CRR nominations may not be fully allocated; however, such a result will not affect the CRR Year One validity of the Seasonal CRR allocated in tiers 1 and 2. The CAISO will inform the

nominating entity of the results of the Tier LT SFTs before the deadline for submission of the tier 3 nominations. ~~All allocated Long Term CRRs will be Point-to-Point CRRs.~~

36.8.3.1.4 Tier 3. In tier 3, an LSEs or a Qualified OCALSEs may nominate and the CAISO will allocate to the LSEs or Qualified OCALSE Seasonal CRRs up to one hundred percent (100%) of their-its Seasonal CRR Eligible Quantity for each season, minus the quantity of CRRs allocated to that LSE or Qualified OCALSE in tiers 1 and 2. In tier 3, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub. A Qualified OCALSEs can only nominate CRRs from ~~their-its~~ verified CRR Sources as provided in Section 36.8.3.4 of this Appendix.

36.8.3.2 Monthly CRR Allocation for CRR Year One.

The monthly CRR Allocation in CRR Year One shall consist of a sequence of two (2) tiers for each time of use period (on-peak and off-peak). The monthly CRR Allocation will distribute Monthly CRRs to each LSE or Qualified OCALSE up to one hundred percent (100%) of its Monthly CRR Eligible Quantity, minus CRRs allocated to that LSE or Qualified OCALSE in the annual CRR Allocation for the relevant month and time of use period. The monthly CRR Allocation for CRR Year One will be conducted as follows:

36.8.3.2.1a- Tier 1. In tier 1 of the monthly CRR Allocations, an LSEs or Qualified a OCALSEs may nominate and the CAISO will allocate to the LSEs or Qualified OCALSEs Monthly CRRs up to fifty percent (50%) of the difference between ~~their-its~~ Monthly CRR Eligible Quantities and the quantity of Seasonal CRRs and previously allocated Long Term CRRs they were allocated that apply to that month and time of use period. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs in accordance with the LSE's or Qualified OCALSE's verified CRR Sources. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. All allocated CRRs that result from such disaggregation will be Point-to-Point CRRs each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.

36.8.3.2.2b- Tier 2. In tier 2 of the monthly CRR Allocations, an LSEs or a Qualified OCALSEs may nominate and the CAISO will allocate to the LSEs or Qualified OCALSEs Monthly CRRs up to one hundred percent (100%) of the difference between ~~their-its~~ CRR Eligible Quantities and the quantity of Seasonal CRRs and previously allocated Long Term CRRs they were allocated that apply to that month and time of use period, minus the quantity of CRRs they entity was were allocated in tier 1 of the CRR Year One monthly CRR Allocation. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs ~~in accordance with the LSE's verified CRR Sources~~. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix. In tier 2 of the monthly CRR Allocation, ~~s~~Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. A Qualified OCALSEs can only nominate CRRs from ~~its~~ their verified CRR Sources as provided in Section 36.8.3.4.2 of this Appendix.

* * *

36.8.3.4 Source Verification.

Source verification is required for LSE CRR nominations in tiers 1 and 2 of the CRR Year One annual allocation process and in tier 1 of each CRR Year One monthly allocation process. Source verification is required for all Qualified OCALSE CRR nominations in all tiers of all CRR Allocation processes.

36.8.3.4.1 CRR Year One Source Verification for LSEs.

In CRR Year One, nominations for tier 1 and tier 2 of the annual CRR Allocation and tier 1 of the monthly CRR Allocations must be source verified for all LSEs. The CAISO will make available, prior to the beginning of the allocation process, a list of allowable CRR Sources to be used in the allocation. An LSE must demonstrate that it could actually submit Bids, including Self-Schedules and Inter-SC Trades, for Energy from the locations to be nominated as CRR Sources to serve its Load either through ownership of, or contractual rights to receive Energy from, the relevant Generating Units, or a contract to take ownership of power at the relevant source such as a Trading Hub or a Scheduling Point. Source verification will use data for the period beginning January 1, 2006 and ending December 31, 2006 as the basis for verification. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent

the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration.

36.8.3.4.2 Source Verification for Qualified OCALSEs.

All CRR nominations by Qualified OCALSEs must be source verified. A Qualified OCALSE's source verification will be based on its~~The provisions on source verification requirements based on~~ legitimate need showing as specified in Section 36.9.1 of this Appendix apply for Qualified OCALSEs.

36.8.3.4.3 Calculation of Verified CRR Source Quantity.

The Verified CRR Source Quantity associated with each verified CRR Source for a particular LSE or Qualified OCALSE will be: (i) for an owned generation resource the PMax of the unit multiplied by the LSE's or Qualified OCALSE's ownership share; (ii) for a contract with a generation resource, the hourly MWh of Energy specified in the contract averaged over all hours of the relevant time of use period, but no greater than the PMax of the unit; or (iii) for a contract that delivers Energy to a Trading Hub or Scheduling Point, the hourly MWh of energy specified in the contract for delivery from the supplier to the LSE or Qualified OCALSE at the Trading Hub or Scheduling Point, averaged over all hours of the relevant time of use period. Energy contracts submitted by an LSEs to demonstrate that the LSE can submit Bids, including Self-Schedules and Inter-SC Trades, for Energy from the nominated CRR Sources to serve its Load must be at least one month in duration. Energy contracts submitted by a Qualified OCALSE to demonstrate that the Qualified OCALSE can submit Bids, including Self-Schedules and Inter-SC Trades, for Energy from the nominated CRR Sources to serve its Load must be at least one month in duration to support nominations of Monthly and Seasonal CRRs, and at least ten (10) years in duration to support nominations of Long Tem CRRs. Nominations of CRRs for which the~~whose~~ CRR Source is a Scheduling Point must be source verified in accordance with Section 36.8.4.2 of this Appendix.

36.8.3.4.4 Calculation of Adjusted Verified CRR Source Quantity.

For nominations by an LSE and a Qualified OCALSE, except for a Qualified OCALSE's nomination of Long Term CRRs, ~~the~~ CAISO will consider a contract that covers a portion of a season (but not less than one month) to be acceptable verification, with the adjustment described below, for the entire season for which a CRR is nominated. The CAISO will also consider a contract not less than one month in

duration that covers portions of two consecutive months to be acceptable verification, with the adjustment described below, for both of the months that are partially covered. In such cases, for a contract that covers only a portion of the season or month for which the LSE or Qualified OCALSE wishes to nominate source-verified CRRs, the CAISO will calculate an Adjusted Verified CRR Source Quantity, which equals the Verified CRR Source Quantity times the ratio of the number of days covered by the contract for a particular month or season to the total number of days in that month or season, consistent with the time of use period of the CRRs being nominated. Contracts submitted by a Qualified OCALSE to support nomination of Long Term CRRs must be at least ten (10) years in duration and cover the entire season of the Long Term CRR being nominated, and therefore the Adjusted Verified CRR Source Quantity calculation does not apply to such nominations.

36.8.3.5 Annual CRR Allocation Beyond CRR Year One.

* * *

36.8.3.5.1 Tier 1 – Priority Nomination Process.

Tier 1 of the annual CRR Allocation in years beyond CRR Year One will be a Priority Nomination Process through which CRR Holders may nominate some of the same CRRs that they were allocated in the immediately previous year. As provided in Section 36.8.3.4.2 of this Appendix, nominations by a Qualified OCALSE in the PNP are subject to source verification. In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OCALSEs may make PNP nominations up to the lesser of: (1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of previously allocated Long Term CRRs for each season, time of use period and CRR Sink for that year; 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 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 of this Appendix. In addition, an LSE's or Qualified OCALSE's nomination of any particular CRR Source-Sink combination in the PNP may not exceed the MW quantity of CRRs having that CRR Source and CRR Sink that the LSE or Qualified OCALSE was allocated in the previous annual CRR Allocation for the same season and time of use period, and in the case of an LSE, adjusted for net

Load loss or gain resulting from Load ~~m~~Migration as described in Section 36.8.5.2.2 of this Appendix. An LSE or a Qualified OCALSE may not nominate CRRs sourced at Trading Hubs in the PNP. CRRs whose CRR Sink is a Sub-LAP are not eligible for nomination in the PNP. A CRR whose CRR Sink is a Custom LAP or PNode is eligible for nomination in the PNP. PNP Eligible Quantities are not affected by secondary transfers of CRRs, except as performed by the CAISO to reflect Load Migration as described in Section 36.8.5 of this Appendix. That is, with the exception of transfers to reflect Load Migration: (i) an LSE or a Qualified OCALSE may nominate in the PNP a CRR it was allocated in the prior annual CRR Allocation even though it transferred that CRR to another party during the year, and (ii) an LSE or a Qualified OCALSE may not nominate in the PNP a CRR that it received through a secondary transfer from another party. CRRs received through a CRR Auction are not eligible for nomination in the PNP. CRRs received as Offsetting CRRs to reflect Load Migration are not eligible for nomination in the PNP. The maximum quantity of CRRs that ~~such an LSE or a Qualified OCALSE eligible entity~~ may nominate in the PNP is fifty percent (50%) of ~~the eligible entity's~~ Adjusted Load Metric, minus any previously allocated Long Term CRRs that are valid for the term of the CRRs being nominated. The CAISO does not guarantee that all CRR nominations in the PNP will be allocated. The CAISO will conduct an SFT to determine whether all CRR nominations in the PNP are simultaneously feasible. If the SFT determines that all priority nominations are not simultaneously feasible, the CAISO will reduce the allocated CRRs until simultaneous feasibility is achieved.

36.8.3.5.2 Tier LT.

In years subsequent to CRR Year One, Long Term CRRs will be allocated as provided in this section.

36.8.3.5.2.1 Tier LT for LSEs.

In Tier LT of CRR Year Two, ~~eligible entities~~ an LSE may nominate Long Term CRRs from any of the Seasonal CRRs it was allocated in the PNP up to a maximum of ~~so long as the amount of the nominated Long Term CRRs is less than or equal to fifty-three percent (53%) of the eligible entity's~~ Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for ~~the term that year;~~ except that of the CRRs being nominated. ~~A Qualified OCALSE may not nominate as a Long Term CRR a Seasonal CRR where the CRR Source is a Scheduling Point.~~ the LSE may nominate Long Term CRRs

in amounts greater than thirty percent (30%) but no more than fifty percent (50%) of its Adjusted Load Metric if the LSE demonstrates that more than thirty percent (30%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. Such demonstrations shall be provided by the requesting LSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the LSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such LSE must produce in a timely manner, documents in support of such declaration. If the LSE has demonstrated that more than thirty percent (30%) of its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, the amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and long-term procurement arrangements of ten (10) years or more, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year, and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. An LSE or a Qualified OCALSE may not nominate CRRs sourced at Trading Hubs in Tier LT. A Qualified OCALSE may not nominate as a Long Term CRR a Seasonal CRR where the CRR Source is a Scheduling Point. In CRR Year Three, the limit on Long Term CRR nominations will increase by ten percent (10%) to forty percent (40%) of the eligible entity's Adjusted Load Metric but shall not exceed fifty percent (50%) of the Adjusted Load Metric. In CRR Year Three, an LSE may exceed the forty percent (40%) limit on Long Term CRR nominations if it demonstrates that its Adjusted Load Metric is covered by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources. The amount of Long Term CRRs that it may nominate is equal to the minimum of: (i) the sum of the owned resources and long-term procurement arrangements of ten (10) years or more, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year, and (ii) fifty percent (50%) of the LSE's Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. In CRR Year Four and all subsequent years, an LSE may nominate Long Term CRRs from any of the Seasonal CRRs allocated in the PNP up to the maximum of fifty percent (50%) of its Adjusted Load Metric, minus the quantity of previously allocated Long Term CRRs that are valid for that year.

36.8.3.5.2.2 Tier LT for Qualified OCALSEs.

A Qualified OCALSE may submit nominations for Long Term CRRs up to the portion of its Adjusted Load Metric for which it has demonstrated coverage by a combination of long-term procurement arrangements of ten (10) years or greater and ownership of generation resources, up to a maximum of fifty percent (50%) of its Adjusted Load Metric for each season, time of use period and Scheduling Point, minus the quantity of previously allocated Long Term CRRs that are valid for that CRR year. Such demonstrations shall be provided by the requesting Qualified OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the Qualified OCALSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such Qualified OCALSE must produce in a timely manner, documents in support of such declaration. Contracts submitted in support of OCALSE nominations of Long Term CRRs must cover the entire season of the Long Term CRR being nominated.

36.8.3.5.2.3 Tier LT SFT.

After receiving nominations for Long Term CRRs, the CAISO will run SFTs to ensure the feasibility of the nominated Long Term CRRs for the remaining nine years of the ten (10)-year term of the Long Term CRR. The SFT run in Tier LT will test the feasibility of only the Long Term CRR nominations and will not include in the analysis those Seasonal CRRs allocated in the PNP that were not nominated as Long Term CRRs. The quantity of Long Term CRRs that can be allocated for any season and time of use period must be feasible for the entire ten (10)-year term of the Long Term CRR. As a result of the Tier LT SFT runs, Long Term CRR nominations may not be fully allocated; however, such a result will not affect the validity of: (i) the Long Term CRRs allocated in previous years, or (ii) the Seasonal CRRs allocated in the PNP. The CAISO will inform nominating eligible entities of the results of the Tier LT SFTs before the deadline for submission of the tier 2 nominations.

36.8.3.5.3 Tier 2. In tier 2 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE and Qualified OCALSE up to two-thirds of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, ~~plus 50% of the net Load gained by the LSE through Load migration during the year,~~ minus the quantity of: (i) CRRs allocated to that LSE or Qualified OCALSE in tier 1, and

(ii) Long Term CRRs previously allocated to ~~that eligible entity~~ that are valid for the CRR term currently being allocated. An LSE or a Qualified OCALSE can nominate Seasonal CRRs sourced at Trading Hubs. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.3.5.4 Tier 3. In tier 3 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE or Qualified OCALSE up to one hundred percent (100%) of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink~~LAP~~, minus the quantity of: (i) CRRs allocated to that LSE or Qualified OCALSE in tiers 1 and 2, and (ii) Long Term CRRs previously allocated to that eligible entity that are valid for the CRR term currently being allocated. In tier 3 of the annual CRR Allocation, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Seasonal CRRs where the CRR Source is a Trading Hub. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

* * *

36.8.3.6 Monthly CRR Allocation Beyond CRR Year One.

The monthly CRR Allocation shall consist of a sequence of two (2) tiers of allocations for each time of use period (on-peak and off-peak). The monthly CRR Allocation will distribute Monthly CRRs and will allow an LSEs and a Qualified OCALSEs to nominate ~~LSEs~~ CRRs up to one hundred percent (100%) of ~~their~~ its Monthly CRR Eligible Quantity~~ies~~, minus the total of any Seasonal CRRs allocated in the annual CRR Allocation~~1~~, and minus any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated. All CRR nominations by Qualified OCALSEs must be source verified.

36.8.3.6.1a- Tier 1. In tier 1 of the monthly CRR Allocations, each LSE or Qualified OCALSE may nominate Monthly CRRs up to fifty percent (50%) of the difference between its Monthly CRR Eligible Quantity and the total of any Seasonal CRRs allocated in the annual CRR Allocation and any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated. An LSE or a Qualified OCALSE can nominate Monthly CRRs where the CRR Source is a Trading Hub~~in accordance with the LSE's verified CRR Sources~~. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

36.8.3.6.2b. Tier 2. In tier 2 of the monthly CRR Allocations, each LSE or Qualified OCALSE may nominate Monthly CRRs up to one hundred percent (100%) the difference between ~~of~~ its Monthly CRR Eligible Quantity and the total of any Seasonal CRRs allocated in the annual CRR Allocation and any holdings of Long Term CRRs that are valid for the month and time of use of the CRRs being nominated, minus the quantity of CRRs allocated to that LSE or Qualified OCALSE in tier 1 of the current monthly CRR Allocation. In tier 2 of the monthly CRR Allocation, Sub-LAPs will be eligible CRR Sinks, provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OCALSE can nominate Monthly CRRs sourced at Trading Hubs ~~in accordance with the LSE's verified CRR Sources~~. In running the SFT the CAISO shall disaggregate the Monthly CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.

* * *

36.8.4 Eligible Sources for CRR Allocation.

In the CRR Allocation processes for Seasonal CRRs, Monthly CRRs, and Long Term CRRs, nominated CRR Sources can be either PNodes (including Scheduling Points) or Trading Hubs. An LSEs or a Qualified OCALSEs may nominate up to one hundred percent (100%) of ~~their~~its Adjusted Verified CRR Source Quantities for ~~their~~ Seasonal or Monthly CRRs in the combined tiers of the annual and monthly CRR Allocation processes ~~all relevant tiers except~~ as provided in this Section. ~~In the CRR Allocation processes for Seasonal CRRs, Monthly CRRs, and Long Term CRRs, sources of CRR nominations can be either PNodes (including Scheduling Points) or Trading Hubs.~~ For tiers 1 and 2 of the annual CRR Allocation in CRR Year One, an LSE may nominate CRRs from each of its verified CRR Sources in a quantity no greater than seventy-five percent (75%) percent of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source. The LSE may then use tier 1 of the monthly CRR Allocations in CRR Year One to nominate up to the full one hundred percent (100%) of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source. ~~For tiers 1, 2 and 3 of the annual CRR Allocation in CRR Year One, a~~ In tiers 1, 2 and 3 of the annual CRR Allocation in each year in which it participates, a Qualified OCALSE may nominate CRRs from each of its verified CRR Sources in a quantity no greater than seventy-five percent (75%) percent of the Adjusted Verified CRR Source Quantity corresponding to each CRR Source. The Qualified OCALSE may then use tiers 1 and 2 of the

monthly CRR Allocations in the same year to nominate up to the full one hundred percent (100%) of the Adjusted Verified CRR Source Quantity corresponding to each verified CRR Source.

36.8.4.1 CRRs with Trading Hub Sources.

For purposes of the CRR Allocation processes the CAISO shall disaggregate CRR nominations with Trading Hub CRR Sources into Point-to-Point CRR nominations each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub. In performing this disaggregation the MW quantity of each Point-to-Point CRR nomination will equal the MW quantity of the CRR nomination multiplied by the weighting factor of the corresponding Generating Unit PNode in the defined Trading Hub. The disaggregated, individual Point-to-Point CRRs will be used by the CAISO in conducting the SFTs for the nominated CRRs. In CRR years other than CRR Year One, an LSE may nominate in the PNP any allocated Point-to-Point CRRs it was allocated the previous year that are the as a result of Seasonal CRR nominations with Trading Hubs as CRR Sources, can be nominated in the PNP tier and may then nominate those Seasonal CRRs, if awarded in the PNP, may be nominated as Long Term CRRs in Tier LT. In CRR Year One, an LSE that was allocated individual Point-to-Point CRRs in tiers 1 and 2 as a result of nominating CRRs sourced at a Trading Hub must nominate CRRs sourced at Trading Hubs in Tier LT in accordance with Section 36.8.3.1.3.1 of this Appendix. The allocated Point-to-Point CRRs that are Seasonal CRRs will be used to conduct the SFTs for Tier LT. For Qualified OCALSEs, all nominated CRR Sources must be source verified as specified in Section 36.9.1 of this Appendix. Any Long Term CRRs allocated by the CAISO as a result of nominations of CRRs sourced at Trading Hubs will be Point-to-Point CRRs each of whose CRR Sources is a Generating Unit PNode that is an element of the Trading Hub.

* * *

36.8.4.2 Import CRRs.

An LSEs or a Qualified OCALSE may nominate Seasonal, Monthly or Long Term CRRs whose CRR Source is a Scheduling Point in the annual, and monthly, and long term CRR Allocation in accordance with this Section.

36.8.4.2.1 Scheduling Points as CRR Sources for LSEs in CRR Year One.

In CRR Year One, in tiers 1 and 2 of the annual CRR Allocation process an LSE may nominate ~~such~~ Seasonal CRRs whose CRR Source is a Scheduling Point to the extent that it can demonstrate to the CAISO that, for the verification period stated in Section 36.8.3.4 of this Appendix, it owned or was a party to a contract with a System Resource, and that it or the counter-party to the contract had procured appropriate transmission from the applicable transmission provider outside the CAISO to the Scheduling Point. In addition, also in tiers 1 and 2 of the annual CRR Allocation in CRR Year One, all LSEs eligible to nominate CRRs under this Section 36.8 may nominate as CRR Sources, without any verification, shares of the residual import CRR capacity at each Scheduling Point that remains after the completion of the CRR Source verification process. Each LSE's share of the residual import CRR capacity will be calculated as follows. Starting with the total capacity at each Scheduling Point that is available in the DC FNM for the annual CRR Allocation and Auction process, the CAISO will calculate the residual amount of capacity that remains at each Scheduling Point after subtracting the capacity accounted for by those Scheduling Point CRR Sources submitted by LSEs for verification that have been verified. The CAISO will then set aside ~~50-fifty~~ percent (50%) of this residual amount at each Scheduling Point for the annual CRR Auction, and will allow LSEs to nominate pro rata shares of the other ~~50-fifty~~ percent (50%) in proportion to their Seasonal CRR Eligible Quantities. In each monthly CRR Allocation during CRR Year One, CRR Source verification will be required in tier 1 as in the annual CRR Allocation process.

Following the verification process, the CAISO will calculate and set aside for the monthly CRR Auction ~~50~~ fifty percent (50%) of the import capacity that remains at each Scheduling Point after accounting for the verified Scheduling Point CRR Source submissions to the monthly process and the annual CRR Allocation and Auction results for that month, and will allow LSEs to nominate in tier 1 Monthly CRRs with CRR Sources at each Scheduling Point in quantities up to their pro rata shares of the other ~~50-fifty~~ percent (50%) in proportion to their Monthly CRR Eligible Quantities.

36.8.4.2.2 Scheduling Points as CRR Sources for LSEs Beyond CRR Year One.

In the annual CRR Allocation processes subsequent to CRR Year One, there will be no special provisions regarding CRR Sources at Scheduling Points in tiers 1 and 2 for LSEs. For tier 3 the CAISO will calculate and set aside for the annual CRR Auction ~~50~~ fifty percent (50%) of the import capacity at each Scheduling Point that remains after the tier 1 and tier 2 CRR Allocations and after considering any previously

allocated Long Term CRRs that are valid for that month as described in Section 36.4.1 of this Appendix. In the monthly CRR Allocation processes subsequent to CRR Year One there will be no special provisions regarding CRR Sources at Scheduling Points in tier 1 for LSEs. For tier 2 the CAISO will calculate and set aside for the monthly CRR Auction ~~50-fifty percent~~ (50%) of the import capacity that remains at each Scheduling Point after accounting for the annual CRR Allocation and Auction results for that month, any previously allocated Long Term CRRs that are valid for that month, and the results of tier 1 of the monthly CRR Allocation.

36.8.4.2.3 Scheduling Points as CRR Sources for Qualified OCALSEs.

In the annual CRR Allocation process a Qualified OCALSE may nominate CRRs whose CRR Source is a Scheduling Point to the extent it meets the requirements of Section 36.9.1 of this Appendix.

* * *

36.8.5 Load Migration Between LSEs.

The CAISO shall track Load Migration between LSEs through Load Migration data provided to the CAISO by each UDC, MSS Operator or other entity that provides distribution serve to customers. Load Migration between LSEs will be reflected in the hourly Load data and load forecasts used by the CAISO to calculate the CRR Load Metrics and Seasonal and Monthly CRR Eligible Quantities for each LSE, in accordance with procedures set forth in the applicable Business Practice Manual. ~~When Load migration occurs during an annual CRR cycle, such Load Migration~~ will be reflected in appropriate adjustments to each affected LSE's Seasonal and Monthly CRR Eligible Quantities in subsequent annual and monthly CRR Allocations, as well as its PNP Eligible Quantities in the next annual CRR Allocation. LSEs ~~with that~~ hold Seasonal CRRs or Long Term CRRS and that lose or gain Load through Load Migration must comply with Section 36.8.5.32 of this Appendix regarding the transfers of current CRR holdings to reflect Load Migration.

36.8.5.1 Tracking of Load Migration by CAISO.

The CAISO will implement all appropriate adjustments due to Load Migration on a monthly basis. In order to enable the CAISO to track Load Migration and determine the appropriate adjustments, each UDC, MSS Operator, and other entity that provides distribution service to customers will provide to the

CAISO the following minimum information on each customer that migrates between LSEs: (i) customer identification information, (ii) information to establish the customer's retail customer class, (iii) the original and new LSEs serving the customer, (iv) the effective date of the Load Migration, and (v) the most recent twelve (12) months of billing data for the customer. Each UDC, MSS Operator and other entity that provides distribution service to customers will also provide to the CAISO the number of customers served by each LSE in each retail customer class as of the start of each month, plus information on the average consumption by customers in each retail customer class. Further details regarding the information to be supplied to the CAISO is set forth in the applicable Business Practice Manual. The CAISO will receive information from each UDC, MSS Operator, and other entity providing distribution service on an ongoing daily basis, and will perform the calculations for any appropriate adjustments due to Load Migration on a monthly basis. New CRRs allocated due to Load Migration in accordance with Section 36.8.5.3 of this Appendix will be made effective on the first day of the first month, following the CAISO's performance of the calculations, in which the Load Migration is effective by the first of the month.

36.8.5.21 ~~Adjustments to CRR Eligible Quantities to Reflected in the Annual CRR Allocation Process Due To Load Migration.~~

An LSE who loses or gains net Load through Load Migration in a given year will have its Seasonal CRR Eligible Quantities in the next annual CRR Allocation reduced or increased, respectively, in proportion to the net Load lost or gained through Load Migration. In addition, an LSE that loses Load through Load Migration in a given year will have its PNP Eligible Quantities reduced in proportion to the gross amount of Load lost through Load Migration. An LSE that gains Load through Load Migration in a given year will have its PNP Eligible Quantities increased in proportion to the amount of Load gained through Load Migration.~~The reduction in PNP Eligible Quantities will be applied as a constant percentage to all CRRs allocated to that LSE in the prior annual CRR Allocation. There is no increase in an LSE's PNP Eligible Quantities due to an increase in Load due to Load migration. Such an LSE may acquire additional CRRs for net Load gained in tiers 2 and 3 of the subsequent annual CRR Allocation. The CAISO will reserve CRRs in the annual PNP corresponding to the CRRs released by LSEs whose PNP Eligible Quantities were reduced, and will then release these CRRs for tiers 2 and 3. This mechanism will ensure, in the event that changes to the DC-FNM prevent the full allocation of PNP Eligible Quantities, the CRRs~~

nominated in the PNP undergo the same proportional reduction as CRRs released by the LSEs who lose Load due to Load migration, so as not to unfairly disadvantage those LSEs who gain Load through Load migration. The Load-gaining LSE will not be required to request the precise CRRs released by the relevant Load-losing LSE but will be able to nominate its preferred CRRs in tiers 2 and 3.

36.8.5.32 Adjustments to Transfers of Allocated Current CRRs Holdings to Reflect Load Migration.

Because in between CRR Allocations each LSE can both lose Load and gain Load between itself and multiple other LSEs, the CAISO will calculate and perform appropriate adjustments to current CRR holdings for each pair of LSEs affected by Load Migration to reflect the net amount of Load that migrated between those two LSEs during each Load Migration tracking period and for each LAP in which the LSEs serve Load. The CAISO will perform such calculations in accordance with the appropriate Business Practice Manual, and will perform the adjustments by creating and allocating equal and opposite sets of new CRRs for each pair of LSEs affected by Load Migration. The net Load gaining LSE of the pair will receive a set of new CRRs that match the CRR Sources and CRR Sinks of all the Seasonal and Long Term CRRs previously allocated to the net Load losing LSE of the pair, in MW quantities proportional to the net amount of the net Load losing LSE's Load that migrated to the net Load gaining LSE of the pair within each LAP in which the LSEs serve Load. The net Load losing LSE of the pair will receive a set of new Offsetting CRRs. After the assignment of Offsetting CRRs, the net Load losing LSE will still hold the CRRs it held before it was assigned the Offsetting CRRs. The Load gaining LSE may nominate its new Seasonal CRRs in the Priority Nomination Process of the next annual CRR Allocation process. The net Load losing LSE may not nominate in the Priority Nomination Process either: (i) the Seasonal CRRs corresponding to the new CRRs allocated to the Load gaining LSE, or (ii) the Offsetting CRRs allocated due to Load Migration. LSEs that have been allocated Seasonal CRRs or Long Term CRRs and that lose Load through Load migration must transfer allocated Seasonal CRRs and Long Term CRRs in accordance with this Section 36.8.5.2. An LSE to which the CAISO allocates new CRRs to reflect that receives shares of allocated CRRs due to Load migration must be either a Candidate CRR Holder or a CRR Holder and meet all requirements applicable to such entities CRR Holders.

36.8.5.2.1 Mid-Year Adjustments in Seasonal CRRs.

If an LSE loses Load through Load migration to another LSE at any time between annual CRR Allocations, the Load-losing LSE must compensate the Load-gaining LSE in one of the following two manners: 1) using the SRS, the Load-losing LSE may transfer a percentage of each of the Seasonal CRR that it was allocated for the remainder of the annual CRR cycle and for both on-peak and off-peak periods to the Load-gaining LSE in a quantity proportionate to the percentage of its Load lost to the other LSE through Load migration; or 2) the LSE who loses Load through Load migration to another LSE may make cash payments to the relevant Load-gaining LSE in a value commensurate with the hourly CRR Payment stream that would have accrued to the CRRs transferred, based on the quantity of CRRs awarded to the Load-losing LSE.

~~36.8.5.2.2~~ — Load Migration and Allocated Long Term CRRs.

An LSE that is a CRR Holder that holds a Long Term CRR and that loses Load to Load migration must transfer a proportionate share of each of its Long Term CRRs to the Load-gaining LSE, in a quantity proportionate to the percentage of its Load lost to the other LSE through Load migration. After the transfer of the Long Term CRR (or the proportionate share thereof) to the Load-gaining LSE, the Load-gaining LSE is the holder of record for the transferred Long Term CRR for CAISO Settlement purposes.

~~36.8.5.2.3~~ — Load Migration That Occurs After Completion of the Annual Allocation Process.

If Load migration occurs after the annual CRR Allocation process has been completed for the following year, a CRR Holder that holds Long Term CRRs may transfer the following year's segment of the Long Term CRR using the options set forth in Section 36.8.5.2.1 of this Appendix. For all of the other remaining years of the Long Term CRR, the CRR Holder that holds Long Term CRRs may not use the options set forth in Section 36.8.5.2.1 of this Appendix to transfer the Long Term CRR (or the proportionate portion thereof) to the Load-gaining LSE.

36.8.5.4 — Load Migration and Compliance with CAISO Credit Requirements.

To the extent that the credit requirements of an LSE as specified in Section 12 are updated by the allocation of new CRRs to reflect Load Migration, the CAISO will do the following. For new CRRs that result in net charges to the affected LSE over a Settlement period these charges will appear on the LSE's Settlement Statement irrespective whether the LSE has met the updated credit requirement. For new

CRRs that result in net payments to the affected LSE over a Settlement period and that LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until those updated credit requirements are met. At the end of each Settlement period, if the LSE has not met the updated credit requirements resulting from Load Migration CRR transfers, the CAISO will add any net payments that accrued to the transferred CRRs to the CRR Balancing Account to be included in the end-of-month clearing of the CRR Balancing Account, and those net payments will no longer be recoverable by the LSE. The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.

36.8.5.5 Load Migration Adjustment for CRR Year One.

For the CRR Year One CRR Allocation process, the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One CRR Allocation process and the first date that the Day-Ahead Market is operational as a single adjustment as described in the Business Practice Manuals.

36.8.5.63 Load Migration Reflected in the Monthly CRR Allocation Process.

An LSE who loses or gains net Load through Load Migration must reflect that loss or gain in the monthly Load forecasts it submits to the CAISO for determining its monthly CRR Eligible Quantities for future monthly CRR Allocations.

~~36.8.5.4 Adjustments for Load Growth.~~

~~LSEs who experience Load growth that is not due to Load migration will reflect such Load growth in the data submitted to the CAISO for determining Seasonal and Monthly CRR Eligible Quantities for the CRR Allocation processes.~~

* * *

36.9 CRR Allocation to OCALSEs.

OCALSEs who wish to nominate and be allocated CRR Obligations in the same annual and monthly CRR Allocation processes described in Section 36.8 of this Appendix may do so subject to the provisions of this Section 36.9 of this Appendix and if such OCALSEs are qualified and registered as Candidate CRR

Holders or CRR Holders. An OCALSEs may participate in the CRR Allocation processes and be allocated CRRs to the extent that: (1) such OCALSE makes a showing of legitimate need for the CRRs nominated as provided by Section 36.9.1 of this Appendix; (2) such OCALSE pre-pays or commits to pay the appropriate Wheeling Access Charge in the amount of MWs of CRRs nominated as provided in Section 36.9.2 of this Appendix; (3) ~~the nominated CRRs clear the relevant SFTs~~ external load for which CRRs are nominated will be exposed to CAISO Congestion charges because it is not served by Supply resources other than exports from the CAISO Control Area; (4) the external load for which CRRs are nominated is not served through an ETC, TOR or Converted Rights by which it has been designated as eligible to receive the reversal of Congestion ~~Charges~~; ~~and~~ (5) such OCALSE complies with the verification requirements in Section 36.9.4 of this Appendix; ~~and~~ (6) the nominated CRRs clear the relevant SFTs. ~~Such~~ An OCALSEs that participates in the CRR Allocation processes will be subject to the applicable rules governing the tiered structure of these processes. All CRRs allocated under the terms of this Section 36.9 will be CRR Obligations.

36.9.1 Showing of Legitimate Need.

An OCALSEs must make a showing to the CAISO of legitimate need to enable the CAISO to verify the CRR Sources it wants to nominate. All CRR nominations by OCALSEs in all CRR years must be source verified based on the showing of legitimate need for the CRRs requested. ~~The showing of legitimate need for OCALSEs will have different requirements depending on whether the generation source to be used to verify the CRR Source to be nominated is internal or external to the CAISO Control Area. For internal Generating Units to be used to verify the CRR Sources~~ ~~†The CAISO's verification determination~~ of legitimate need will be based on demonstration by the OCALSE of an executed Energy contract from a Generating Unit or System Resource that covers the time period of the CRRs nominated, or ownership of such ~~Generating Unit~~ or System Resource. For such CRR Sources the showing of legitimate need must be made for each ~~year~~ CRR term for which ~~that~~ the OCALSE wants to nominate ~~such~~ CRRs in a timely manner prior to the start of the relevant annual or monthly CRR Allocation process. ~~For CRR Sources that will be verified based on an Energy contract from or ownership of a generating resource located outside of the CAISO Control Area, source verification rules in Section 36.8.3.4 of this Appendix will apply.~~ For CRR Sources that will be verified based on generating resources located outside the CAISO

Control Area, a Scheduling Point must be nominated as the corresponding -CRR Source. Generating resources located outside of the CAISO Control Area to be used by the OCALSE to verify a Scheduling Point as a CRR Source must not be located within the OCALSE's own Control Area. ~~Nominations by OCALSEs of Scheduling Points as CRR Sources shall be subject to the same verification and showing requirements as described in Section 36.8.4.2 of this Appendix.~~ The Verified CRR Source Quantity and Adjusted Verified CRR Source Quantity corresponding to any CRR Source nominated by an OCALSE will be calculated in accordance with Section 36.8.3.4 of this Appendix, with the modification that for an OCALSE these quantities~~the Verified CRR Source Quantities and Adjusted Verified CRR Source Quantities corresponding to CRR Sources that are based on an internal Generating Unit and not a Scheduling Point~~ will be calculated for each CRR Allocation process in which the Qualified OCALSE wants to participate, consistent with the requirement for ongoing source verification based on a forward showing annually in conjunction with the OCALSE's annual showing of legitimate need. For a CRR Source that is a Scheduling Point, the annual~~annual~~ pursuant to the legitimate need showing requirement, an OCALSE must demonstrate that it has for all OCALSEs will include a showing that the OCALSE has firm transmission rights pursuant to the tariffs of intervening transmission providers between the CAISO Control Area and their designated end users procured the appropriate transmission service from the transmission provider outside the CAISO Control Area to the Scheduling Point that the OCALSE intends to nominate as a CRR Source for the term of the CRR being nominated. Such demonstrations shall be provided by the ~~requesting~~ OCALSE to the CAISO through the submission of a written sworn declaration by an executive employee authorized to represent the OCALSE and attest to the accuracy of the data demonstration. As necessary, the CAISO may request, and such OCALSE must produce in a timely manner, documents in support of such declaration.

36.9.2 Prepayment of Wheeling Access Charges.

36.9.2.1 Prepayment of Wheeling Access Charges for Allocated CRRs.

An OCALSE will be required to prepay relevant Wheeling Access Charges, to be calculated as described in this section and further specified in the Business Practice Manual, for the full term of the Monthly, Seasonal and Long Term CRRs it intends to nominate in order to participate in the CRR Allocation processes and be allocated CRRs. To be eligible for the allocation of Seasonal CRRs or Monthly CRRs

the OCALSE must submit the full required prepayment and have it accepted by the CAISO prior to the OCALSE's submission of nominations for the relevant annual or monthly CRR Allocation, except as provided below in Section 36.9.2.2 of this Appendix. To be eligible for nominations of Long Term CRRs, the OCALSE must submit the full prepayment and have it accepted by the CAISO prior to the OCALSE's submission of nominations of Long Term CRRs in Tier LT, except as provided below in Section 36.9.2.2 of this Appendix. For each MW of Monthly, Seasonal or Long Term CRR to be nominated the nominating OCALSE must prepay one MW of the relevant Wheeling Access Charge, which equals the per-MWh WAC that is associated with the Scheduling Point the OCALSE intends to nominate as a CRR Sink and that is expected at the time the CRR Allocation process is conducted to be applicable for the period of the CRR nominated, times the number of hours comprising the period of the CRR nominated as further specified in the applicable Business Practice Manual.~~An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may elect to prepay the determined WAC responsibility on a monthly basis for the Seasonal CRRs that they seek to be allocated, provided that such OCALSE has demonstrated a commitment to pay for the entire term of the CRRs sought by submitting to the CAISO a written sworn statement by an executive that can bind the entity. Allocated CRRs represent binding commitments by a CRR Holder that holds the CRRs and may not be terminated or otherwise modified by the CRR Holder prior to the end of the CRR's term. An OCALSE choosing to pay on a monthly basis shall make its prepayment for the first month of the applicable term prior to submitting nominations in the annual CRR Allocation. Monthly prepayments for subsequent months of the applicable CRR term of allocated Seasonal CRRs or for participation in a monthly CRR Allocation shall be made prior to the start of the monthly CRR Allocation process for the applicable month. To the extent that an OCALSE prepays a quantity of the WAC and is not allocated the full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within a reasonable time following the completion of the relevant CRR Allocation process.~~

36.9.2.21 Eligibility for Prepayment of Wheeling Access Charges on an Annual or Monthly Basis for Long Term CRRs.

~~An OCALSE will be required to prepay for the full ten-year term of the CRR to be nominated as a LT CRR the relevant Wheeling Access Charges in order to participate in the CRR Allocation process to be~~

~~allocated such LT CRRs. An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may elect to prepay its determined WAC responsibility on an annual basis, provided that such OCALSE has demonstrated a commitment to pay for the entire term of the LT CRRs sought by submitting to the CAISO a written sworn statement by an executive that can bind the entity. An OCALSE choosing to pay such WAC obligation on an annual basis shall make its prepayment each year at the beginning of the annual CRR Allocation process for the following year. An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may elect to prepay the determined WAC responsibility on a monthly basis for the Seasonal or Long Term CRRs that it seeks to be allocated, provided that such OCALSE has demonstrated a commitment to pay the required WAC for the entire term of the CRRs sought by submitting to the CAISO a written sworn statement by an executive that can bind the entity. In order to be eligible for this option, the OCALSE must submit and the CAISO must accept this sworn statement prior to the applicable CRR Allocation process in which the OCALSE intends to nominate a CRR. An OCALSE choosing to pay on a monthly basis shall make its monthly payments on a schedule specified in the applicable Business Practice Manual. An OCALSE deemed creditworthy pursuant to the requirements of Section 12 may also elect to prepay its determined WAC responsibility associated with an allocated Long Term CRR on an annual basis, provided that such OCALSE has demonstrated a commitment to pay for the entire term of the Long Term CRRs sought by submitting to the CAISO and the CAISO accepting a written sworn statement by an executive that can bind the entity. An OCALSE choosing to pay such WAC obligation on an annual basis shall make its payment each year on a schedule specified in the applicable Business Practice Manual.~~

36.9.2.3 Refund of Prepaid WAC for Unallocated CRRs.

To the extent that an OCALSE prepays a quantity of the WAC and is not allocated the full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within thirty (30) days following the completion of the relevant CRR Allocation process.

36.9.3 CRR Eligible Quantities.

The CAISO will calculate the Seasonal and Monthly CRR Eligible Quantities for OCALSEs as described in Section 36.8.2 of this Appendix with the following modifications. The OCALSE must submit two sets of hourly data from which the CAISO will construct load duration curves for determining the Seasonal and

Monthly CRR Eligible Quantities. One set of hourly data must reflect the OCALSE's historical hourly exports at the Scheduling Point that is the CRR Sink of the nominated CRRs. The historical hourly exports shall be based on the tagged Real-Time Interchange Export Schedules for the OCALSE. An OCALSE that wishes to nominate multiple Scheduling Points as CRR Sinks in the CRR Allocation process will have distinct CRR Eligible Quantities for each nominated Scheduling Point, and prior to each annual CRR Allocation process must submit historical hourly export data at each such Scheduling Point from which the CAISO will calculate the associated CRR Eligible Quantities. The second set of hourly data must reflect the prior year's hourly metered load for the end-use customers the OCALSE served outside the CAISO Control Area and that were not served from sources other than exports from~~exposed to Congestion Charges for use of the CAISO Controlled Area~~Grid. The OCALSE's Seasonal and Monthly CRR Eligible Quantities will be based on the lesser of (1) the total historical hourly export data for all Scheduling Points submitted as CRR Sinks, and (2) the hourly metered load for the external end-use customers served by the OCALSE and that were not served from sources other than exports from the CAISO Control Area~~exposed to CAISO Congestion Charges~~. An OCALSE also must demonstrate that it has firm transmission rights pursuant to the tariffs of intervening transmission providers from its Scheduling Point sink to the end-use customers in the OCALSE's Control Area. The OCALSE shall support its data submission and the demonstration of transmission rights to its end-use customers with a sworn affidavit by an executive employee authorized to represent the OCALSE and attest to the accuracy of the data and demonstration. As necessary, the CAISO may request, and such OCALSE must produce in a timely manner, the raw data and calculations used to develop the submitted data set and the demonstration of transmission rights to its end-use customers.

* * *

ATTACHMENT C

Description of Proposed Tariff Changes

Tariff Section	Nature of Change	Origin and Explanation of Change
App. A: New Definition of “Load Migration”	Compliance	Definition added as part of complying with the Commission’s requirements regarding Load Migration. <i>July 6 Order</i> at P 204, 211.
App. A: New Definition of “CRR Year Two”	Compliance / conforming	Definition added as part of complying with the Commission’s requirement to: (i) limit eligibility for Long Term CRRs to 20% of an entity’s Adjusted Load Metric, but (ii) also allow eligibility to increase in increments of 10% each year until limit of 50% of Adjusted Load Metric is reached. <i>July 6 Order</i> at P 136.
App. A: New Definition of “CRR Year Three”	Compliance / conforming	Definition added as part of complying with the Commission’s requirement to: (i) limit eligibility for Long Term CRRs to 20% of an entity’s Adjusted Load Metric, but (ii) also allow eligibility to increase in increments of 10% each year until limit of 50% of Adjusted Load Metric is reached. <i>July 6 Order</i> at P 136.
App. A: New Definition of “CRR Year Four”	Compliance / conforming	Definition added as part of complying with the Commission’s requirement to: (i) limit eligibility for Long Term CRRs to 20% of an entity’s Adjusted Load Metric, but (ii) also allow eligibility to increase in increments of 10% each year until limit of 50% of Adjusted Load Metric is reached. <i>July 6 Order</i> at P 136.
App. A: New Definition of “Offsetting CRRs”	Compliance	Definition added as part of complying with the Commission’s requirements regarding the transfer of CRRs due to Load Migration and the CAISO’s tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
App. B: New Definition of “Transmission Interface”	Conforming	Definition added as part of complying with the Commission’s requirements regarding the modeling of transmission outages for CRR purposes. Term is used to describe one of the flow limits the CAISO might derate to account for planned or unplanned Outages. <i>July 6 Order</i> at P 232 (mentioning the filing to be made regarding the modeling of transmission outages in the CRR network model).
4.4.8.5	Compliance	New subsection allows CAISO to receive information in order to comply with the Commission’s requirements regarding Load Migration. <i>July 6 Order</i> at P 204, 211.
4.9.10.4	Compliance	New subsection allows CAISO to receive information in order to comply with the Commission’s requirements regarding Load Migration. <i>July 6 Order</i> at P 204, 211.
36.4	Compliance	Changes clarify: (i) how transmission outages are accounted for in the BPM, (ii) the intent of an adjustment regarding the determination of Monthly Available CRR Capacity (the

		provision includes adjustments for unplanned transmission outages, and (iii) how the CAISO will account for transmission outages in the release of Monthly CRRs for the first month of MRTU. <i>July 6 Order</i> at P 209 (mentioning the filing to be made on the modeling of transmission outages in the CRR network model) and P 232 (mentioning the filing to be made regarding the modeling of transmission outages in the CRR network model).
36.5	Conforming	Material added to section regarding CRR allocated due to Load Migration requirements. <i>July 6 Order</i> at P 204, 211.
36.7.1.2	Conforming	Language deleted in light of new methodology for the transfer of CRRs due to Load Migration and the CAISO’s tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
36.8.1	Conforming	Description of the structure of the CRR Allocation process amended to reflect possible adjustments due to Load Migration. <i>July 6 Order</i> at P 204, 211.
36.8.2.1	Conforming	“Load Migration” capitalized as a defined term. <i>July 6 Order</i> at P 204, 211.
36.8.2.2	Compliance / Conforming	(i) Existing language from Section 36.8.5.4 regarding adjustments for Load growth moved to § 38.8.2.2 (new material placed in § 36.8.5.4); and (ii) language added regarding the Load forecasts used to calculate CRR MW eligibility and the consistency between the Load forecast information used for CRR purposes and the Load forecast information used for resource adequacy requirements. <i>July 6 Order</i> at PP 232, 233.
36.8.3.1	Compliance	The additional language is related to the Commission’s acceptance of CPUC’s proposal to: (i) limit eligibility for Long Term CRRs to 20% of an entity’s Adjusted Load Metric, but (ii) also allow eligibility to increase in increments of 10% each year until limit of 50% of Adjusted Load Metric is reached. <i>July 6 Order</i> at P 136.
36.8.3.1.1	Compliance	Additional language added regarding the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.1.2	Compliance	Additional language added regarding the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.1.3	Compliance	Additional language added regarding the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46. In addition to the new material added, this section was restructured to provide clarity as follows: 1) “The cleared Point-to-Point CRRs from the tier 1 and tier 2 that resulted from disaggregated CRR nominations sourced at a Trading Hub may not be nominated as Point-to-Point CRRs in Tier LT in CRR Year One.” was moved to the top part of the paragraph; 2) “All allocated Long Term CRRs will be Point-

		to-Point CRRs.” was modified as follows and moved to upper parts of the Section “All allocated Long Term CRRs <u>that result from such disaggregation</u> will be Point-to-Point CRRs <u>each of whose CRR Source is a Generating Unit PNode that is an element of the Trading Hub.</u> ”; and 3) The sentence “In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1 of this Appendix.” was moved to the upper parts of the paragraph.
36.8.3.1.3.1	Compliance	New subsection created; existing and new language contained in the new subsection. The additional language is related to LSEs and the Commission’s acceptance of CPUC’s proposal to: (i) limit eligibility for Long Term CRRs to 20% of an entity’s Adjusted Load Metric, but (ii) also allow eligibility to increase in increments of 10% each year until limit of 50% of Adjusted Load Metric is reached. <i>July 6 Order</i> at P 136.
36.8.3.1.3.2	Compliance	New subsection created; existing and new language contained in the new subsection. The additional language is related to legitimate showing of need for OCALSEs and Commission’s direction regarding forward-looking showings for all CRR nominations. <i>July 6 Order</i> at P 189.
36.8.3.1.3.3	Compliance / Conforming	Section contains existing language editing to remove restriction on OCALSEs for wheel-through transactions for Long Term CRRs. <i>July 6 Order</i> at P 188.
36.8.3.1.4	Compliance	Revisions related to the Commission’s directions on Trading Hubs and OCALSEs and cross reference clarified. <i>July 6 Order</i> at P 46.
36.8.3.2	Clarifying	Revisions clarify that Monthly CRRs in CRR Year One can be distributed to Qualifying OCALSEs as well as LSEs.
36.8.3.2.1	Compliance	Revisions related to the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.2.2	Compliance	Revisions related to the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.4	Compliance	Changes being proposed in compliance with forward-looking showing requirement in P 189 of <i>July 6 Order</i> and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs.
36.8.3.4.1	Conforming	New subsections created to separate source verification for LSEs from source verification for OCALSEs; subsection contains existing language. <i>July 6 Order</i> at P 189.
36.8.3.4.2	Compliance	New subsection created regarding source verification for OCALSEs. The new subsection is related to the Commission’s directions regarding the forward-looking determination of need for OCALSEs and the source verification aspect of the forwarding-looking

		demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.3.4.3	Compliance	The additional language is related to the Commission’s directions regarding the forward-looking determination of legitimate need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.3.4.4	Compliance	New subsection created with existing material; new material added to clarify that the calculation for the Adjusted Verified Source Quantity does not apply to Long Term CRR nominations by OCALSEs. The additional language is related to the Commission’s directions regarding the forward-looking determination of legitimate need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.3.5	Conforming	Subsection becomes first section in a series of newly numbered subsections on Annual Allocation in CRR Year One.
36.8.3.5.1	Compliance	The additional language is related to: (i) the Commission’s directions regarding the transfer of CRRs due to Load Migration and the CAISO’s tracking of such transfers, and (ii) the participation of a Load-losing or a Load-losing LSE in the Priority Nomination Process. <i>July 6 Order</i> at P 204, 211. In compliance with P 232 of the <i>June 25 Order on Compliance</i> , the CAISO added “A CRR whose CRR Sink is a Custom LAP or PNode is eligible for nomination in the PNP.”
36.8.3.5.2	Clarifying	Introductory language added regarding allocation of Long Term CRRs after CRR Year One. Subsequent subsections related to the Commission’s: (i) acceptance of CPUC proposal to cap Long Term CRR nominations at 20% for LSEs, <i>July 6 Order</i> at P 136; and (ii) regarding the forward-looking determination of need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.3.5.2.1	Compliance	Additional material is related to the Commission’s: (i) acceptance of CPUC proposal to cap Long Term CRR nominations at 20% in Year One, <i>July 6 Order</i> at P 136; and (ii) removing restrictions on OCALSEs regarding wheel-through transactions for Long Term CRRs. <i>July 6 Order</i> at P 188.
36.8.3.5.2.2	Compliance	New subsection is related to the Commission’s directions regarding the demonstration of forward-looking determination of legitimate need by OCALSEs for Long Term CRRs. <i>July 6 Order</i> at P 189.
36.8.3.5.2.3	Conforming	Existing material placed under new subsection with some conforming changes.

36.8.3.5.3	Compliance	Revisions related to the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.5.4	Compliance	Revisions related to the Commission’s directions on Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.6	Compliance	The additional language is related to the Commission’s directions regarding the forward-looking determination of legitimate need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.3.6.1	Compliance	Subsection numbered; revisions related to the Commission’s directions regarding Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.3.6.2	Compliance	Subsection numbered; revisions related to the Commission’s directions regarding Trading Hubs and OCALSEs. <i>July 6 Order</i> at P 46.
36.8.4	Compliance	The additional language is related to the Commission’s directions regarding the forward-looking determination of legitimate need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.4.1	Compliance / clarifying	Additional language is related to the Commission’s directions regarding the forward-looking determination of legitimate need for OCALSEs and the source verification aspect of the forwarding-looking demonstration of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189. Other clarifications made regarding CRRs sourced at Trading Hubs and the Priority Nomination Process.
36.8.4.2	Compliance	The additional language is related to the Commission’s directions regarding OCALSEs and wheel-through transactions for Long Term CRRs. <i>July 6 Order</i> at P 188.
36.8.4.2.1	Compliance	The additional language is related to the Commission’s directions regarding OCALSEs and wheel-through transactions for Long Term CRRs. <i>July 6 Order</i> at P 188.
36.8.4.2.2	Conforming	Section re-titled and applied to LSEs; new subsection added (see next item).
36.8.4.2.3	Compliance	The new material is related to (i) the Commission’s directions regarding OCALSEs and wheel-through transactions for Long Term CRRs, <i>July 6 Order</i> at P 188; and (ii) the forward-looking determination of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.8.5	Compliance	The additional language is related to the Commission’s directions regarding the transfer of CRRs due to Load Migration and the CAISO’s tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
36.8.5.1	Compliance	New subsection and new material related to the Commission’s directions regarding the

		transfer of CRRs due to Load Migration and the CAISO's tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
36.8.5.2	Compliance	Section renumbered and new language added to the existing material. The new related to the Commission's directions regarding the transfer of CRRs due to Load Migration, the CAISO's tracking of such transfers, and CRR Eligible Quantities. <i>July 6 Order</i> at P 204, 211.
36.8.5.3	Compliance	Section renumbered and new language added to the existing material. The new material explains how the CAISO will transfer CRRs from Load-losing to Load-gaining LSEs using: (i) allocation of new matching CRR to Load-gaining LSE, and (ii) the allocation of an Offsetting CRRs to the Load-losing LSE. New language is related to the Commission's directions regarding the transfer of CRRs due to Load Migration, the CAISO's tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
36.8.5.4	Compliance / Conforming	New material related to the Commission's directions regarding CRRs, Load Migration and CAISO credit requirements. <i>July 6 Order</i> at P 204, 211.
36.8.5.5	Compliance / Conforming	New subsection describes how the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One Allocation process and the first day that the Day-Ahead Market is operational. New material is related to the Commission's directions regarding the transfer of CRRs due to Load Migration and the CAISO's tracking of such transfers. <i>July 6 Order</i> at P 204, 211.
36.8.5.6	Conforming	Existing Section renumbered; also contains a minor change regarding use of capitalized term "Load Migration" as a defined term. <i>July 6 Order</i> at P 204, 211.
36.9	Compliance	The additional language is related to: (i) payment of Wheeling Access Charge by OCALSEs, <i>July 6 Order</i> at P 56, 190; and (ii) the Commission's directions regarding the forward-looking determination of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189. The clause "the nominated CRRs clear the relevant SFTs" was moved to the listed numbered item in that section.
36.9.1	Compliance	The additional language is related to the Commission's directions regarding the forward-looking determination of legitimate need for OCALSEs. <i>July 6 Order</i> at P 189.
36.9.2	Compliance	New subsections established, existing section becomes first section in a series of subsections on prepayment of Wheeling Access Charges.
36.9.2.1	Compliance	Subsection renumbered; the additional language is related to payment of the Wheeling Access Charge by OCALSEs. <i>July 6 Order</i> at P 56, 190.
36.9.2.2	Compliance	Subsection renumbered; the additional language is related to the Commission's directions

		regarding eligibility for paying Wheeling Access on monthly basis. <i>July 6 Order</i> at P 56, 190.
36.9.2.3	Compliance	New material related to the timing of refunds for pre-paying Wheeling Access Charges. <i>July 6 Order</i> at P 191.
36.9.3	Compliance	New material related to Commission's directions on clarifying the term "exposed to CAISO congestion charges" in the section. <i>July 6 Order</i> at P 191.