

STAMP RETURN  
COPY



California ISO  
Your Link to Power

California Independent  
System Operator Corporation

June 18, 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 JUN 18 P 4:12  
FEDERAL ENERGY  
REGULATORY COMMISSION

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket No. ER07-648-\_\_\_\_  
Import Capability Allocation Amendments to the ISO Tariff**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO")<sup>1</sup> submits an original and five copies of its filing in compliance with the Federal Energy Regulatory Commission's ("Commission") May 18, 2007 "Order Conditionally Accepting Tariff Amendments, Subject to Modifications," 119 FERC ¶ 61,164 (2007) ("May 18 Order"). Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

## I. BACKGROUND

On March 22, 2007, the CAISO proposed amendments to its tariff that revise the method for assigning transmission import capability into the ISO Control Area to Load Serving Entities ("LSEs") for resource adequacy reporting and compliance purposes ("Amendments"). The Amendments do not affect physical transmission capability of the ISO Control Grid, transmission rights, or the manner in which transmission service is obtained under the ISO Tariff.

The May 18 Order conditionally accepted the Amendments for filing, subject to modification. The May 18 Order required the CAISO to submit a compliance filing within 30 days to incorporate specific modifications, which are discussed below.

<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

## **II. CONTENTS OF FILING**

This filing consists of the following:

- This transmittal letter,
- Attachment A – Clean ISO Tariff Sheets for the Import Capability Allocation Amendments Compliance Filing, and
- Attachment B – Blacklines for the Import Capability Allocation Amendments Compliance Filing.

## **III. COMMUNICATIONS**

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Sidney M. Davies  
Assistant General Counsel  
Grant Rosenblum  
Senior Counsel  
The California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7296  
E-mail: sdavies@caiso.com  
grosenblum@caiso.com

David B. Rubin  
Troutman Sanders LLP  
401 9<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20004  
950 F Street, NW  
Tel: (202) 274-2950  
david.rubin@troutmansanders.com

## **IV. DESCRIPTION OF MODIFICATIONS**

The May 18 Order directed the CAISO to make several modifications to the Amendments. The CAISO's comments on its proposed modifications in compliance are organized in the same manner as the May 18 Order.

### **1. Transfer of Import Capability**

The Amendments permit Market Participants to bilaterally transfer import capability after the initial assignment process by the CAISO. Originally, the Amendments proposed that Market Participants provide the CAISO with specific information regarding each transfer and that the CAISO would report the received transfer information to the Commission on at least a semi-annual basis.

The May 18 Order required that the CAISO modify the Amendments to include additional reporting measures.

In addition to reporting information on transfers to the Commission, the May 18 Order requires that the CAISO “post all bilateral transfers of import capability” when conveyed to the CAISO. The posting of each transfer, whether under Step 8 of section 40.5.2.2.1 or section 40.5.2.2.2, must identify the counter-parties, MW quantity, branch group (if applicable), term of the transfer, and price on a per MW basis.<sup>2</sup> In addition, the Commission directed the CAISO to identify in its reports to the Commission the category or classification of import capability being transferred, whether Existing Contract Import Capability, Pre-RA Import Capability or Remaining Import Capability.<sup>3</sup> The May 18 Order further accepted the CAISO’s commitment to file a transfer report to the Commission each calendar quarter.<sup>4</sup>

The CAISO has complied with these Commission directives by modifying Step 8 of section 40.5.2.2.1 and section 40.5.2.2.2. A couple of items should be noted. First, the CAISO has committed to posting the information on Step 8 transfers by August 8, 2007 for RA Compliance Year 2008. August 8 was selected to provide the CAISO with a reasonable period after the close of Step 8 to accomplish this new task, while still supplying the market with transfer information contemporaneously with the anticipated start of the secondary transfer market that will follow issuance to Scheduling Coordinators of the results of the second Remaining Import Capability assignment iteration under Step 12. For future RA Compliance Years, the schedule will be set forth in the Business Practice Manual. Second, the May 18 Order only directed the CAISO to include in the quarterly reports to the Commission, not in any website posting, the information on the category of import capability transferred.<sup>5</sup> The CAISO has followed this distinction on the basis that Commission was implicitly acknowledging the commercial sensitivity of this particular class of information.

The May 18 Order further directed that CAISO “to post the recipient and quantity of assigned import capability by branch group and to indicate whether the assigned import capability is being used for resource adequacy purposes.”<sup>6</sup> These directives are reflected in new section 40.5.2.2.2.3. Given that the

---

<sup>2</sup> May 18 Order at P 30. The May 18 Order correctly recognizes that transfers under Step 8 of section 40.5.2.2.1 will not have an assigned branch group since this step relates to trading Remaining Import Capability prior to the step in which this category of import capability is assigned.

<sup>3</sup> *Id.* at P 34.

<sup>4</sup> *Id.* at P 31.

<sup>5</sup> The CAISO also notes that the May 18 Order directed the CAISO to post on its website the total quantity of excess import capability assignments in MW by branch group for each year until the last Pre-RA Import Commitment. (May 18 Order at P 57.) The May 18 Order, however, did not direct that the CAISO modify its tariff to reflect this requirement.

<sup>6</sup> *Id.* at P 32.

purpose of posting this information is to add greater transparency to facilitate bilateral secondary trading market, the CAISO has indicated that it will post updated recipient and quantity assignment data by branch group on or before the fifth calendar day of each month for RA Compliance Year 2007 beginning in September 2007. Thereafter, the schedule will be in accordance with the Business Practice Manual.

Further, with respect to the requirement to post whether assigned import capability is being "used," the CAISO will identify, by a yes or no designation, if the import capability held by an LSE was fully reflected in its annual Resource Adequacy Plans. Several factors dictate this approach. First, and most importantly, only with regard to the annual Resource Adequacy Plans will the CAISO know whether import capability remains unused in a time frame that allows parties to alter their behavior or pursue potentially available commercial opportunities. When monthly Resource Adequacy Plans are submitted to the CAISO, LSEs do not have any further opportunity to amend their submissions. Thus, posting at this time cannot facilitate transfers for the compliance month. Also, for various commercial reasons, including price, availability, credit provisions, etc., use of import capability in one month may not indicate an LSEs' intentions with regard to that import capability in any succeeding month. As such, the value to facilitating transfers by posting after-the-fact information on monthly submissions is limited. The CAISO, therefore, believes that its approach achieves that intent of the May 18 Order without disclosing potentially commercially sensitive information that only has tangential value in objective underlying this Commission objective.

## **2. Oversubscription of Branch Groups**

In response to a recommendation by the California Public Utilities Commission ("CPUC") adopted by the Commission in the May 18 Order, the CAISO is altering the language in Step 13 as suggested in the CAISO Answer.<sup>7</sup> This change clarifies that if a request by a Scheduling Coordinator for unassigned import capability is rejected, it must resubmit a request only if the Scheduling Coordinator still seeks unassigned import capability on another branch group. Simply put, this corrects the prior language that a Scheduling Coordinator was required to resubmit a request upon denial even if it no longer sought additional unassigned import capability. Also, Step 13 has been changed to replace the term "deemed withdrawn" with "rejected."

## **3. Language to Permit Flexibility on One-Year Term**

The CAISO has updated the language in section 40.5.2.2.1 to permit coordination between the CAISO and CPUC should the CPUC redefine


<sup>7</sup> *Id.* at P 43; see also CAISO April 27, 2007 Answer at 11

compliance year for its resource adequacy program.<sup>8</sup> However, the CAISO's changes to section 40.5.2.2.1 reflect an improvement from that offered in its answer. The CAISO has eliminated the need for the CPUC to modify its decision in 2007, but rather now accommodates the potential that the CPUC's decision to adjust its compliance year could occur in 2008.

## V. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Commission accept the CAISO Tariff provisions as revised in compliance with the Commission's May 18 Order with an effective date of May 22, 2007.

Respectfully submitted,



Sidney M. Davies  
Assistant General Counsel  
Grant Rosenblum  
Senior Counsel  
The California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-4400  
Fax: (916) 608-7296

David B. Rubin  
Troutman Sanders LLP  
401 9<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20004  
Tel: (202) 274-2950

---


<sup>8</sup>

*Id.* at P 54.

### CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 18th day of June 2007.

  
Grant Rosenblum

**Attachment A – Clean Sheets**

**Import Capability Assignment Compliance Filing**

**40.5.2.2 Deliverability of Imports.**

**40.5.2.2.1 Available Import Capability Assignment Process.**

For Resource Adequacy Plans covering any period after December 31, 2007, total Available Import Capability will be assigned on an annual basis for a one-year term to Load Serving Entities serving Load in the ISO Control Area and other Market Participants through their respective Scheduling Coordinators, as described by the following sequence of steps. However, should the CPUC modify by decision its compliance period from January to December of the calendar year to May through April of the calendar year, the CAISO shall extend the effectiveness of the assignment for 2008 Compliance Year through April 2009.

Step 1: Determination of Maximum Import Capability on Branch Groups into the ISO Control Area:

The ISO shall establish the Maximum Import Capability for each branch group into the ISO Control Area, and will post those values on the ISO website for RA Compliance Year 2008 by July 1, 2007, and for subsequent RA Compliance Years in accordance with the schedule and process set forth in the business practice manual.

Step 2: Determination of Available Import Capability by Accounting for Existing Contracts and

Transmission Ownership Rights Held by Out-of-ISO Control Area LSEs: For each branch group, the Available Import Capability will be determined by subtracting from the Maximum Import Capability established in Step 1 for each branch group the import capability on each branch group associated with (i) Existing Contracts and (ii) Transmission Ownership Rights held by load serving entities that do not serve Load within the ISO Control Area. The remaining sum of all branch group Available Import Capability is the Total Import Capability. Total Import Capability shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the ISO Control Area.



- c. The aggregate quantity in MW, and identify the holders, of Pre-RA Import Commitments assigned to each branch group; and
- d. The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the branch groups with Available Import Capability, and the MW quantity of Available Import Capability on each such branch group.

Step 7: ISO Notification of LSE Assignment Information: Following the completion of Step 5, by July 9, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the ISO will notify the Scheduling Coordinator for each Load Serving Entity of:

- a. The Load Serving Entity's Import Capability Load Share;
- b. The Load Serving Entity's Load Share Quantity; and
- c. The amount of, and branch group on which, the Load Serving Entity's Existing Contract Import Capability and Pre-RA Import Commitment Capability, as applicable, has been assigned; and
- d. The Load Serving Entity's Remaining Import Capability.

Step 8: Transfer of Import Capability: Up to and including July 17, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Load Serving Entity or Market Participant. The ISO will accept transfers among

LSEs and Market Participants only to the extent such transfers are reported to the ISO by July 18,

2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual through the ISO's Import Capability Transfer Registration Process by the entity receiving the Remaining Import Capability that sets forth (1) the name of the counter-parties, (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to its website by August 8, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability Received under this Step 8.

Step 9: Initial Scheduling Coordinator Request to Assign Remaining Import Capability by Branch

Group: At any time up to and including July 19, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the Scheduling Coordinator for each Load Serving Entity or Market Participant shall notify the ISO of its request to assign its post-trading Remaining Import Capability on a MW basis per available branch group. Total requests for assignment of Remaining Import Capability by a Scheduling Coordinator cannot exceed the sum of the post-traded Remaining Import Capability of its Load Serving Entities. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests for Remaining Import Capability on that branch group will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio in the same manner as set forth in Step 4. A Market Participant without an Import Capability Load Share will be assigned the Import Capability Load Share equal to the average Import Capability Load Share of those Load Serving Entities from which it received transfers of Remaining Import Capability.

Step 10: ISO Notification of Initial Remaining Import Capability Assignments and Unassigned

Capability: At any time up to and including July 27, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the ISO will:

- a. Notify the Scheduling Coordinator for each Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted request(s) for assigning Remaining Import Capability under Step 9; and

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities or Market Participants shall notify the ISO at any time, except as limited herein, of a request for unassigned Available Import Capability on a specific branch group on a per MW basis. Each request must include the identity of Load Serving Entity or Market Participant on whose behalf the request is made. The ISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving Entity or other Market Participant. The ISO will honor requests in priority of the time requests from Scheduling Coordinators were received until the branch group is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the RA Compliance Year; however, any notification by the ISO of acceptance of the request in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the acceptance.

The ISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the ISO and, within seven (7) days of receipt of the request, whether the request was honored. If honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned import capability. If the request is not honored because the branch group requested was fully assigned, the request will be deemed rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned import capability on a different branch group. For RA Compliance Year 2008, the ISO will update on its website the list of unassigned capability by branch group on or before the 5<sup>th</sup> calendar day of each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can be

credited towards satisfying the Planning Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the ISO, Scheduling Coordinators must provide the ISO with information on Pre-RA Import Commitments and any transfers or sales of assigned Total Import Capability. To the extent that the ISO's review of Resource Adequacy Plans identifies reliance upon Total Import Capability that exceeds the Total Import Capability assigned to the Load Serving Entity under this section, the ISO will inform the CPUC or appropriate Local Regulatory Authority, as appropriate.

#### **40.5.2.2.2 Bilateral Import Capability Transfers and Registration Process**

##### **40.5.2.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers**

To be eligible to engage in any bilateral assignment, sale, or other transfer of Remaining Import Capability under Step 8 of Section 40.5.2.2.1 or Section 40.5.2.2.2 or Existing Contract Import Capability, and Pre-RA Import Commitment Capability under Section 40.5.2.2.2, a Load Serving Entity or other Market Participant must provide the ISO through the Import Capability Transfer Registration Process the following information:

- a. Name of the Load Serving Entity or Market Participant
- b. E-mail contact information

For RA Compliance Year 2008, beginning in July 2007, the ISO will post to its website the information received under this Section on a monthly basis on or before the 5<sup>th</sup> calendar day of each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual. Any assignment, sale, or other transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability may only be made by or to a Load Serving Entity or Market Participant whose information received under this Section has been posted to the ISO website prior to the date of the assignment sale or other transfer of the Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability. It shall be the exclusive responsibility of the Load Serving Entity or Market Participant to ensure that the information posted to the ISO website under this Section is accurate and up to date.

**40.5.2.2.2 Reporting Process for Bilateral Import Capability Transfers**

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.5.2.2.1.

Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability in MW increments. The import capability subject to each transfer shall remain on the branch group assigned pursuant to Section 40.5.2.2.1.

The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability must report the transfer to the ISO through the ISO's Import Capability Transfer Registration Process by providing the following information:

- a. Identity of the counter-party(ies);
- b. The MW quantity;
- c. The branch group on which the Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability was assigned;
- d. The term of the transfer;
- e. Price on a per MW basis; and
- f. Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability.

The ISO will promptly post to its website the information on transfers of received under the Section, except for the information received pursuant to subpart f of this section. On a quarterly basis, the ISO shall also report to FERC the transfer information received under this Section and Step 8 of Section 40.5.2.2.1. Transfer information received in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the transfer submission.

**40.5.2.2.2.3 Other Import Capability Information Postings**

For RA Compliance Year 2008, beginning in September 2007, the ISO will post to its website on a monthly basis on or before the 5<sup>th</sup> calendar day of each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, for each branch group, the holder and that holder's quantity in MW of import capability assigned on the particular branch group as of the reporting date.

The ISO will also post to its website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each branch group, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular branch group has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

**Attachment B – Blacklines**

**Import Capability Assignment Compliance Filing June 18, 2007**

#### 40.5.2.2 Deliverability of Imports.

##### 40.5.2.2.1 Available Import Capability Assignment Process.

For Resource Adequacy Plans covering any period after December 31, 2007, total Available Import Capability will be assigned on an annual basis for a one-year term to Load Serving Entities serving Load in the ISO Control Area and other Market Participants through their respective Scheduling Coordinators, as described by the following sequence of steps. However, should the CPUC modify by decision its compliance period from January to December of the calendar year to May through April of the calendar year, the CAISO shall extend the effectiveness of the assignment for 2008 Compliance Year through April 2009.

Step 1: Determination of Maximum Import Capability on Branch Groups into the ISO Control Area:

The ISO shall establish the Maximum Import Capability for each branch group into the ISO Control Area, and will post those values on the ISO website for RA Compliance Year 2008 by July 1, 2007, and for subsequent RA Compliance Years in accordance with the schedule and process set forth in the business practice manual.

Step 2: Determination of Available Import Capability by Accounting for Existing Contracts and

Transmission Ownership Rights Held by Out-of-ISO Control Area LSEs: For each branch group, the Available Import Capability will be determined by subtracting from the Maximum Import Capability established in Step 1 for each branch group the import capability on each branch group associated with (i) Existing Contracts and (ii) Transmission Ownership Rights held by load serving entities that do not serve Load within the ISO Control Area. The remaining sum of all branch group Available Import Capability is the Total Import Capability. Total Import Capability shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the ISO Control Area.

Step 3: Determination of Existing Contract Import Capability by Accounting for Existing Contracts and

Transmission Ownership Rights Held by In-ISO Control Area LSEs: From the Available Import



Capability remaining on each branch group after Step 2 above, Existing Contracts and Transmission Ownership Rights held by Load Serving Entities that serve Load within the ISO Control Area shall be reserved for the holders of such commitments and will not be subject to reduction under any subsequent steps in this Section. The import capability reserved pursuant to this Step 3 is the Existing Contract Import Capability.

Step 4: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each branch group after reserving Existing Contract Import Capability under Step 3 above, the ISO will assign to Load Serving Entities serving Load within the ISO Control Area Pre-RA Import Commitment Capability on a particular branch group based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the RA Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the branch group selected by the Load Serving Entity during the RA Compliance Year 2007 import capability assignment process, which was required to be based on the branch group upon which the Energy or capacity from the Pre-RA Import Commitment had been primarily scheduled or, for a Pre-RA Import Commitment without a scheduling history at the time of the RA Compliance Year 2007 import capability assignment process, the primary branch group upon which the Energy or capacity was anticipated to be scheduled. To the extent a Pre-RA Import Commitment was not presented during the RA Compliance Year 2007 import capability assignment process, the Load Serving Entity shall select the branch group upon which the Pre-RA Import Commitment is primarily anticipated to be scheduled during the term of the Pre-RA Import Commitment and that selection shall be utilized in future annual Available Import Capability assignment processes.

To the extent a particular branch group becomes over requested with Pre-RA Import Commitments due to either Pre-RA Import Commitments not included in the RA Compliance Year 2007 import capability assignment process or changes in system conditions that decrease the Maximum Import Capability of the branch group, such that the MW represented in all Pre-RA Import Commitments utilizing the branch group exceed the branch group's Available Import Capability in excess of that

reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3, the Pre-RA Import Commitments will be assigned Pre-RA Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting Pre-RA Import Commitments on the particular branch group. To the extent this initial assignment of Pre-RA Import Commitment Capability has not fully assigned the Available Import Capability of the particular over requested branch group, the remaining Available Import Capability on the over requested branch group will be assigned until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted Pre-RA Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4 is the Pre-RA Import Commitment Capability.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the ISO Control Area that have not received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. This Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step based on each Load Serving Entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific branch group.

Step 6: ISO Posting of Assigned and Unassigned Capability: Following the completion of Step 5, the ISO will post to its website for RA Compliance Year 2008 by July 9, 2007 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual the following information:

- a. The Total Import Capability;

- b. The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned to each branch group, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the ISO Control Area and those held by load serving entities outside the ISO Control Area;
- c. The aggregate quantity in MW, and identify the holders, of Pre-RA Import Commitments assigned to each branch group; and
- d. The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the branch groups with Available Import Capability, and the MW quantity of Available Import Capability on each such branch group.

Step 7: ISO Notification of LSE Assignment Information: Following the completion of Step 5, by July 9, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the ISO will notify the Scheduling Coordinator for each Load Serving Entity of:

- a. The Load Serving Entity's Import Capability Load Share;
- b. The Load Serving Entity's Load Share Quantity; and
- c. The amount of, and branch group on which, the Load Serving Entity's Existing Contract Import Capability and Pre-RA Import Commitment Capability, as applicable, has been assigned; and
- d. The Load Serving Entity's Remaining Import Capability.

Step 8: Transfer of Import Capability: Up to and including July 17, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Load Serving Entity or Market Participant. The ISO will accept

transfers among LSEs and Market Participants only to the extent such transfers are reported to the ISO by July 18, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual through the ISO's Import Capability Transfer Registration Process by the entity receiving the Remaining Import Capability that sets forth (1) the name of the counter-partyies, and (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to its website by August 8, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability received under this Step 8.

Step 9: Initial Scheduling Coordinator Request to Assign Remaining Import Capability by Branch Group: At any time up to and including July 19, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the Scheduling Coordinator for each Load Serving Entity or Market Participant shall notify the ISO of its request to assign its post-trading Remaining Import Capability on a MW basis per available branch group. Total requests for assignment of Remaining Import Capability by a Scheduling Coordinator cannot exceed the sum of the post-traded Remaining Import Capability of its Load Serving Entities. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests for Remaining Import Capability on that branch group will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio in the same manner as set forth in Step 4. A Market Participant without an Import Capability Load Share will be assigned the Import Capability Load Share equal to the average Import Capability Load Share of those Load Serving Entities from which it received transfers of Remaining Import Capability.

Step 10: ISO Notification of Initial Remaining Import Capability Assignments and Unassigned Capability: At any time up to and including July 27, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the ISO will:

- a. Notify the Scheduling Coordinator for each Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted request(s) for assigning Remaining Import Capability under Step 9; and
- b. Publish on its website aggregate unassigned Available Import Capability, if any, the identity of the branch groups with unassigned Available Import Capability, and the MW quantity of Available Import Capability on each such branch group.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Branch Group: To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, at any time up to and including August 1, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, Scheduling Coordinators for Load Serving Entities or Market Participants shall notify the ISO of their requests to assign any remaining Remaining Import Capability on a MW per available branch group basis. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests on that branch group will be assigned based on each Load Serving Entity or Market Participant's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned Capability: At any time up to and including August 8, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, the ISO will:

- a. Notify the Scheduling Coordinator for each Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted request(s) for assigning Remaining Import Capability under Step 11; and

- b. Publish on its website unassigned aggregate Available Import Capability, if any, the identity of the branch groups with Available Remaining Import Capability, and the MW quantity of Availability Import Capability on each such branch group.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities or Market Participants shall notify the ISO at any time, except as limited herein, of a request for unassigned Available Import Capability on a specific branch group on a per MW basis. Each request must include the identity of Load Serving Entity or Market Participant on whose behalf the request is made. The ISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving Entity or other Market Participant. The ISO will honor requests in priority of the time requests from Scheduling Coordinators were received until the branch group is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the RA Compliance Year; however, any notification by the ISO of acceptance of the request in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the acceptance.

The ISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the ISO and, within seven (7) days of receipt of the request, whether the request was honored. If honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned import capability. If the request is not honored because the branch group requested was fully assigned, the request will be ~~deemed withdrawn~~ rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned import capability on a different branch group. For RA Compliance Year 2008, the ISO will update on its website the list of unassigned capability by branch group on or before the 5<sup>th</sup>

calendar day of each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can be credited towards satisfying the Planning Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the ISO, Scheduling Coordinators must provide the ISO with information on Pre-RA Import Commitments and any transfers or sales of assigned Total Import Capability. To the extent that the ISO's review of Resource Adequacy Plans identifies reliance upon Total Import Capability that exceeds the Total Import Capability assigned to the Load Serving Entity under this section, the ISO will inform the CPUC or appropriate Local Regulatory Authority, as appropriate.

#### **40.5.2.2.2 Bilateral Import Capability Transfers and Registration Process**

##### **40.5.2.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers**

To be eligible to engage in any bilateral assignment, sale, or other transfer of Remaining Import Capability under Step 8 of Section 40.5.2.2.1 or Section 40.5.2.2.2 or Existing Contract Import Capability, and Pre-RA Import Commitment Capability or Remaining Import Capability, whether pursuant to Step 8 of under Section 40.5.2.2.1 or Section 40.5.2.2.2, a Load Serving Entity or other Market Participant must provide the ISO through the Import Capability Transfer Registration Process the following information:

- a. Name of the Load Serving Entity or Market Participant
- b. E-mail contact information

For RA Compliance Year 2008, beginning in July 2007, the ISO will post to its website the information received under this Section on a monthly basis on or before the 5<sup>th</sup> calendar day of ~~the~~ each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice

manual. Any assignment, sale, or other transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability may only be made by or to a Load Serving Entity or Market Participant whose information received under this Section has been posted to the ISO website prior to the date of the assignment sale or other transfer of the Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability. It shall be the exclusive responsibility of the Load Serving Entity or Market Participant to ensure that the information posted to the ISO website under this Section is accurate and up to date.

#### **40.5.2.2.2 Reporting Process for Bilateral Import Capability Transfers**

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.5.2.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability in MW increments. The import capability subject to each transfer shall remain on the branch group assigned pursuant to Section 40.5.2.2.1.

The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability must report the transfer to the ISO through the ISO's Import Capability Transfer Registration Process by providing the following information:

- a. Identity of the counter-party(ies);
- b. The MW quantity;
- c. The branch group on which the Existing Contract Import Capability, Pre-RA Import Commitment Capability or Remaining Import Capability was assigned; and
- d. The term of the transfer; and
- e. Price on a per MW basis—; and
- f. Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability.



The ISO will promptly post to its website the information on transfers of received under this Section, except for the information received pursuant to subpart f of this section. At least oOn a semi-annual quarterly basis, the ISO shall also report to FERC the transfer information received under this Section and Step 8 of Section 40.5.2.2.1. Transfer information received in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the transfer submission.

#### **40.5.2.2.2.3 Other Import Capability Information Postings**

For RA Compliance Year 2008, beginning in September 2007, the ISO will post to its website on a monthly basis on or before the 5<sup>th</sup> calendar day of each month and for subsequent RA Compliance Years in accordance with the schedule set forth in the business practice manual, for each branch group, the holder and that holder's quantity in MW of import capability assigned on the particular branch group as of the reporting date.

The ISO will also post to its website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each branch group, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular branch group has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

\* \* \*