

## **THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA COMMENTS ON PROPOSED MERCHANT CRRs**

April 5, 2007

The Metropolitan Water District of Southern California (“Metropolitan”) appreciates the opportunity to provide comments to the California Independent System Operator on its proposed Methodology for Determining CRRs for Merchant Transmission Upgrades.<sup>1</sup> The CAISO seeks input on the methodology and procedures it proposes to use for allocating Merchant CRRs and the characteristics of such allocated CRRs.

MWD provides the following comments on two key issues addressed in the proposal:

### **Effective Term:**

The CAISO proposes that Merchant CRRs will remain effective for thirty years or the life of the project, whichever is less. Metropolitan cautions the CAISO that the term of a Merchant CRR will depend on whether the purported transmission upgrade is subject to existing restrictions, such as interconnection with non-ISO Controlled Grid facilities. For example, in Docket No. ER03-407-000, Metropolitan warned that a PTO and a merchant should not be granted an FTR for a term that exceeds the duration of an interconnection contract with Non-ISO Controlled Grid facilities that the upgraded PTO capacity needs to deliver energy to the ISO load centers. The CAISO’s methodology should limit the longevity of Merchant CRRs as necessary to recognize applicable legal limitations such as potential termination of related interconnection agreements.

### **Transfer Capacity:**

The CAISO proposes that Merchant CRRs be point-to-point CRRs with balanced source/sink pairs, and that the quantity and source-sink pattern of Merchant CRRs allocated to the upgrading entity will be commensurate with the transfer capacity that the project adds to the CAISO Controlled Grid. Although the CAISO assumes that a nice, clean transfer capacity amount will result from a separate transmission planning process, Metropolitan is concerned that deliverability from the upgrade to the ISO Controlled Grid may not be readily ascertainable if existing contract rights are not properly considered in the power flow modeling. For example, contract rights are not limited to power flows, but may include unscheduled capacity used for ancillary services. Metropolitan recommends that the CAISO expressly recognize its obligation to consider the upgrade’s potential effect on existing contract or Non-PTO transmission ownership rights in its power flow modeling. Also, the determination of any transfer capacity or CRR amounts should be subject to public review and comment, regardless of whether its part of a WECC path rating process or not.

<sup>1</sup>

As described in CAISO’s March 23, 2007 paper and April 3, 2007 presentation