

# Comments of Pacific Gas and Electric Company

## Subject: 2012 CRR Tariff Clarifications

Submitted by	Company	Date Submitted
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PG&E appreciates the opportunity to provide comments on the draft tariff language associated with the 2012 Congestion Revenue Rights Tariff Clarifications<sup>1</sup>.

PG&E has the following comments regarding the Proposed 2012 CRR Tariff Clarifications.

### Priority Nomination Process

The 2012 tariff clarification corrects tariff section 36.8.3.5.1 which was revised in last year's CRR stakeholder process. In 2011, market participants agreed to revise the Load Serving Entities (LSE) upper bound in priority nomination process (PNP). The tariff language approved by the CAISO Board of Governors in 2011 did not implement the changes as intended by stakeholders. The proposed tariff revision seeks to implement what was agreed to by stakeholders in 2011 but incorrectly implemented.

In addition to the revised tariff language specified in the April 25 Draft Proposal, CAISO has provided each LSE with sample calculations of its 2012 PNP Upper Bound as it would have been calculated under the current proposal. PG&E has reviewed these sample calculations and believes it correctly calculates the PNP Upper Bound as intended by the 2011 stakeholder process and described by the 2012 tariff revision of section 36.8.3.5.1.

PG&E supports the proposed tariff clarifications. PG&E also suggests clarifying the following, emphasized portion of the Proposed Modified Tariff Language:

*In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OBAALSE may make PNP nominations up to the lesser of: **(1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of Long Term CRRs for each season, time of use period and CRR Sink for that year and minus any***

<sup>1</sup> 2012 Congestion Revenue Rights Tariff Clarifications Draft Proposal, <http://www.caiso.com/Documents/DraftProposal-CongestionRevenueRightsTariffClarifications2012.pdf> (April 25, 2012)

**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;**

When expressing the underlined passage as a mathematical formula, it is unclear from the tariff language whether CAISO intends

$$\frac{2}{3}SEQ_{TOU} - LTCRR_{TOU} \pm LM_{TOU} \quad (\text{Equation 1})$$

or

$$\frac{2}{3}[SEQ_{TOU} - LTCRR_{TOU} \pm LM_{TOU}] \quad (\text{Equation 2})$$

where

TOU is a season and time of use period

SEQ is the Seasonal CRR Eligible Quantity

LTCRR is the quantity of Long Term CRRs

LM is the net loss or gain of Load through retail Load Migration as described in §36.8.5.1

Previous PNP processes and samples provided by CAISO indicate Equation 1 has been implemented in the past, but the tariff language is ambiguous.

For clarity, PG&E suggests changing the aforementioned clause to “(1) the product of its Seasonal CRR Eligible Quantity multiplied by two-thirds; minus the quantity of Long Term CRRs for each season, time of use period and CRR Sink for that year; 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;”

**Seasonal Eligible Quantity for Remaining Annual Tiers**

PG&E agrees that the existing Tier 2, Tier 3 and Tier Long-Term SEQ calculations should not be modified and that tariff modifications are not warranted.

**Secondary Registration System Trade Notification**

PG&E supports CAISO’s proposal to modify tariff section 36.7.3 to potentially shorten the time before registering the transfer of CRRs using the Secondary Registration System.

PG&E also supports SCE’s suggestion to strike the phrase “at least” from the section 36.7.3. PG&E supports the following proposed tariff language:

*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, or with sufficient time necessary for the CAISO to evaluate the credit-worthiness of the transferor and transferee, whichever is shorter.*

### CRR PNode Retirement Process

PG&E supports the modification to the PNode Retirement Process. Many CRR holders have CRRs whose initial Pnodes have been retired and subsequently mapped to non-biddable Pnodes. These CRRs have limited value in that they settle on a location(s) which cannot bid in the IFM nor can they be reversed or converted in the CRR process. CRRs should have a source and sink Pnodes which are biddable so as to meet the congestion hedging needs of the CRR holder.

### Credit Requirements for Load Migration Transfers

PG&E supports CAISO's proposed modification to tariff section 36.8.5.4 to reflect updated credit processes.

PG&E notes that the existing language in section 36.8.5.4 states "The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent." This statement appears to be inconsistent with the resolution of a CRR stakeholder initiative in 2009.

In its Straw Proposal<sup>2</sup> dated September 1, 2009, CAISO proposed a "Process for liquidating the CRRs of a defaulting CRR holder" in Section 4.1.2. Summarizing the proposal, "The ISO propose[d] to offer for resale all CRRs in the defaulting party's portfolio."

In its reply comments, PG&E wrote<sup>3</sup>:

*PG&E does not support the CAISO [proposal] for Liquidating the CRRs of a Defaulting CRR Holder through auction at this time...Key issues remain unanswered. The CAISO has failed to address stakeholder concerns as to whether the CRR should be liquidated and resold in auction, liquidated and made available through the allocation process, or if CAISO should hold the CRR to expiration. Each of these and possibly other alternatives will have important cost [allocation] implications that have yet to be sufficiently considered. This proposal*

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<sup>2</sup> Straw Proposal on CRR-Related Credit Issues Near-term Enhancements to Congestion Revenue Rights (CRR), <http://www.caiso.com/Documents/StrawProposalonCRR-RelatedCreditIssues.pdf> (September 1, 2009)

<sup>3</sup> Comments of Pacific Gas and Electric Company; CAISO CRR Enhancements as Discussed in 9/8/09 Stakeholder Meeting, [http://www.caiso.com/Documents/PGECommentsonCRREnhancements\\_2009-2010.pdf](http://www.caiso.com/Documents/PGECommentsonCRREnhancements_2009-2010.pdf) (September 15, 2009)

*is premised on CAISO liquidating the CRRs of defaulting parties but stakeholders have raised concerns whether this [is] appropriate or the best course of action. Given these concerns, it is premature to offer recommendations with respect to the timing of possible liquidations.*

In response to stakeholder opposition to this proposal, CAISO revised its position in its subsequent straw proposal<sup>4</sup>. CAISO stated “The ISO appreciates the comments that stakeholders submitted, which expressed diverse opinions. At this time, the need to proceed with this proposal does not appear to be imminent, and the ISO will consider the refinement of this process at a future date.”

To date, CAISO has not proposed a refinement of the process.

The concerns PG&E raised in September 2009 remain valid for the 2012 tariff modification. In the specific case of Load Migration CRRs, PG&E emphasizes that if a LSE is persistently in “non-compliance with credit or applicable Financial Security requirements,” it is likely that the LSE will not be able to serve its customers and that the default obligation to serve retail load resides with the three Utility Distribution Companies. As such, any CRRs obtained through a CRR allocation process should remain available to the ultimate LSE in case of default.

In addition to the modifications proposed by CAISO for section 36.8.5.4, PG&E believes (for the reasons stated) that the following sentence should be eliminated: “The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.”

### Merchant Transmission Process

CAISO’s proposal to modify tariff section 36.11.3.2.3 is intended to make clear how the SFT process will work for awarding Merchant Transmission CRRs. PG&E supports efforts to clarify the Merchant Transmission Process of awarding CRRs.

However, on the May 2 conference call to discuss the draft proposal, PG&E raised general issues regarding the Merchant Transmission Process. For example, PG&E asked whether summer and winter Full Network Models would be used as part of the Merchant Transmission Process. The May 2 discussion leads PG&E to believe additional clarification and general education of Merchant Transmission Process would be beneficial for CAISO and the CRR market participants.

For follow-up or questions, please contact Dan Sparks (415-973-4130) or [wds6@pge.com](mailto:wds6@pge.com).

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<sup>4</sup> Straw Proposal on Non-Credit Issues Near-term Enhancements to Congestion Revenue Rights (CRR), <http://www.caiso.com/Documents/StrawProposal-CRRNon-CreditIssues.pdf> (November 9, 2009)