

CRR Allocation Rules – Resolution of Open Issues

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Today's Topics

- **Trading Hubs as Sources for Allocated CRRs**
- **New Alternative – Reserving Grid Capacity for Auctions**
- **Source Verification Rules**
 - New Variant 3 – Substitution for Expiring Sources
 - Minimum Contract Length
 - Retaining Monthly Source Verification
- **Set-Aside of Import Capacity for Auctions**
- **Renewal of Expiring LT-CRR and ETC/CVR**

Trading Hubs as CRR Sources

● Option 1 – Nomination Limits

- Year 1, Tier 1 limit = 50% of seasonal verified quantity at any source (gen node, hub, scheduling point)
- Year 1, Tier LT limit on Trading Hub sources =
 - (a) 50% of Hub CRRs awarded in Tiers 1-2
 - (b) 50% + factor for large Hub share of awards
- Year 2, Tier 1 (PNT) limit =
 - (a) 50% of Hub CRRs awarded in previous Tiers 1-3
 - (b) 50% + factor for large Hub share of awards
- Year 2, Tier LT limit = same as Year 1

Trading Hubs - continued

- **Option 2 – Disaggregate EZGen Hubs**
 - Awards of CRR “bundles” will not match market energy settlement
 - Software change needed to track fractional CRR MW (down to .01 or even 0.001 MW resolution)
- **Option 3 – Create Alternative Trading Hubs**
 - Considerable time & effort to identify and agree upon viable Alt-Hubs
 - Alt-Hub awards will not match market energy settlement perfectly

Reserving Grid Capacity for Auctions

- **Increment the availability of grid capacity (ratings of all grid facilities) over successive CRR release steps:**
 - 60% available for Annual CRR Allocation
 - 50% available for Long-Term CRR Allocation
 - 70% available for Annual CRR Auction
 - 90% available (after accounting for expected outages and derates) for Monthly CRR Allocation
 - 100% available for Monthly CRR Auction
 - Note: Limit of 70% for Annual CRR Auction (instead of 75% as in filed MRTU Tariff) is to provide additional margin for modeling transmission outages in the monthly process.



Reserving Grid Capacity – cont'd

- **This proposal potentially addresses both sections 4.2 and 4.3 in the Issues Paper**
- **Section 4.2 – Special set-aside of import capacity would no longer be needed since capacity would be set aside on the entire grid.**
- **Section 4.3 – Reduced capacity for allocation and explicit amount for auction provides opportunity to obtain CRR sources not in 2006 verification set**
 - Avoids complexities of allowing future sources to be verified
 - Need for pro-rationing of verified sources among multiple LSEs
 - Inconsistency of sourcing new generating capacity at grid locations where existing transmission may be inadequate



Source Verification Rules

- **Basic proposal – Allow sources associated with contracts signed prior to 1/1/07 for delivery at a future date**
- **Variant 1 – Allow import sources associated with contracts for future delivery, and utilize SFT to allocate shares of import capacity to LSEs**
- **Variant 2 – Allow import sources associated with contracts for future delivery, and calculate pro rate shares of import capacity for each LSE**
- **New Variant 3 – Only allow substitution of a contract for future delivery in cases where an LSE's 2006 contract has expired.**

Source Verification – cont'd

- **Minimum contract length is proposed to be one day (all hours of relevant TOU) – as in CRR Dry Run**
 - LSEs may submit as documentation a detailed listing of all contracts less than one month duration, with executive affidavit, and CAISO ability to require contract submission on a spot check basis
 - All contracts of one month or more must be submitted for verification.
- **Retaining Monthly Source Verification**
 - CAISO proposes to retain the monthly source verification rules
 - Modify to allow contracts less than one month as described above
 - All other source verification provisions for the monthly process would remain as filed.



Set-aside of Import Capacity

- **Option 1 – Retain set-aside calculation based on LSE verified quantities per filed Tariff, but try to maintain Dry Run set-aside quantities**
 - For Year 2 calculate set-aside quantities after PNT
- **Option 2 – Determine fixed percentage of import capacity on each inter-tie to reserve for annual and monthly auctions**
 - Range of 10-15% in annual
 - Range of 10% in monthly

Renewal of Expiring LT-CRRs and ETC/CVR

- **3/19 Issue Paper Sec. 4.4 identified a problem but did not offer a solution**
- **New solution idea (PG&E suggestion):**
 - Allow holder of expiring rights to nominate those rights for LT-CRRs in the first Tier LT process in which the expiring rights are eliminated in all years
- **In the example in the paper (pp. 23-25), LSE1 would be allowed to nominate its expiring LT-CRRs in the 2016 Tier LT covering years 2018-2026**
 - LT-CRR nominations would be allowable even though the CRRs did not go through the 2016 PNT first
 - Provides 9-year renewal, not 10-year