



CALIFORNIA ISO

California Independent
System Operator

Rules For Eligible LSE CRR Sources

Market Surveillance Committee Meeting

July 7, 2005

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Problem Statement

- Rules are already in place regarding the eligible volume (MW) and sinks (LAP) of CRR allocations that may be requested by a LSE, but no specific rules are yet in place for eligible CRR sources
- Several alternatives are considered here in search of a preferred approach



Requested MSC Action

- MSC's opinion is sought on the proposed alternative approaches for CRR allocation source eligibility
- MSC's input is sought as to a recommended approach for CRR allocation source eligibility



Framework Proposed by LECG

- Parameters regarding annual (long forward monthly) CRRs:
 - Would LSE CRRs be grandfathered from year to year, and if so:
 - Would grandfathering apply to all CRRs or only CRRs sourced from generators with annual capacity factors above a threshold (Core CRRs)?
 - In case of load transfers, would grandfathered CRRs decrease proportionately to an LSE's loss of load, or could be retained as long as its total allocated CRRs do not exceed its eligible MW amount?
 - Would the eligible sources be locked-in at the start of the LMP market, or could vary over time:
 - Would the restriction on eligible sources apply to a first “tier” of CRR allocations, after which all LSEs could request CRR sources from any location?
 - Would an LSE be required to maintain a contractual relationship with a generator to continue its status as an eligible CRR source?



Options Formulated by LECG

- Option 1: No Grandfathering
 - LSEs redesignate CRR sources every year
 - Sources would have to be generation owned by or under contract to the LSE for the CRR period
 - CRR source quantity (MW) capped at generation owned or under contract
 - Tiering or staging approach (core vs non-core, e.g., sources with high annual capacity factor, or sources with contracts by a cut-off date, first)
- Option 2: Historical Sources Grandfathered if designated
 - LSEs can still redesignate new CRR sources every year, with no grandfathering protection
 - If LSE does not change designation from a source, it will have priority over other LSEs for CRRs from that source
 - Tiering or staging approach could be used to reduce barrier for new LSEs
 - Impact of load transfer on grandfathering has not been worked out yet



Options Formulated by LECG(2)

- Option 3: Historical Tier 1 CRR Sources Grandfathered in proportion to Retained Load regardless of Generation Ownership or Contract
 - After the initial designation, CRR source designation would not require contractual or ownership relationship to the LSE
 - If load is lost, LSE loses Tier 1 protection proportionately
 - LSEs gaining load can receive auction revenues corresponding to the proportional worth of ARR of the load's previous LSE's CRRs
- Option 4: Collectively Grandfather Tier 1
 - Each LSE gets a proportion of its Tier 1 designation, while all LSEs preserves Tier 1 collectively.