

**SMUD Comments to the ISO CRR Issues Paper**  
**March 9, 2007**

SMUD appreciates the opportunity to provide comments to the ISO's February 21, 2007 CRR Issues Paper ("Paper").

**4.1 Source Nomination at Trading Hubs**

Due to the frequency of trading hub allocations over the summer season in the NP15 Zone, it is unclear as to how this will affect SMUD contracts with generators within Northern California. SMUD urges that ISO develop a strategy that resolves this issue and employs a thorough stakeholder review to ensure that a workable solution is derived. There may be a need for a reduced scope CRR dry run to test the revised pro-rata reduction methodology.

**4.2 Set-Aside of Import Capacity on each Inter-tie for CRR Auction.**

The ISO is well aware of SMUD's objection to the ISO's policy decision to disallow out-of-control-area load serving entities ("OCA-LSEs") from using inter-ties as a verifiable source for both long and short term CRR nominations. It has been noted by the ISO that CRRs would be available to OCA-LSEs through the auction process. Based upon the data made available through the CRR Dry Run, however, it is unclear whether any inter-tie capacity will be available to auction after reducing the available Inter-tie capacity volumes by internal LSE verifiable sources, then setting aside 50%, to be pro-rata shared by internal LSEs, and, finally, allowing the remainder to be auctioned in annual auction process. We understand this not only to be a concern of SMUD but of other entities, such as external suppliers, as well. SMUD therefore urges the ISO to ensure that it has set aside sufficient capacity to ensure, in particular, entities with load serving obligations, can have access to CRRs in order to hedge their transactions.

**4.3 CRR Source Verification Rules**

The ISO should allow single-day contracts pro-rated to reflect energy over the CRR term. This will allow SMUD to utilize additional source contracts to supply load within their control area. The restriction for specific generators should be eliminated and SMUD should be treated similar to Internal LSEs.

**4.6 Frequency of Monthly Allocation and Auction**

Given the unknowns of the proposed market structure, including the potential need for market participants to adjust their risk management activities after MRTU goes live, SMUD suggests that frequency is, at least for the first year, a good thing. Therefore, SMUD supports a monthly process, which can be evaluated once some experience is gained. Perhaps there should be additional capacity reserved for the monthly auction to

allow parties to react to LMP pricing trends after initial MRTU implementation, at least for seasons 1 and 2.

### **6.3 Registration**

The ISO proposes the use of a pro forma CRR Entity Agreement to ensure compliance with relevant provisions of the ISO tariff. For SMUD and other entities that serve load outside of the ISO control area, there is reference in the CRR Entity Agreement (Section 4.5) to an additional Schedule 3, which covers the obligation of the OCA-LSE to pre-pay the Wheeling Access Charges attributable to each MW of CRRs allocated. As of the date of these comments, that schedule has not been made available. SMUD urges that the ISO develop and make this schedule available for comment as soon as possible, given the timeframe for the ISO's initial proposed CRR allocation is rapidly approaching.