

**SMUD's Comments on the DRAFT Tariff Language Re:
Changes to CRR Provisions Due to MRTU Start Delay and Load Migration Calculation Timing
September 4, 2008**

Attachment B – Blacklines

Changes to CRR Provisions Due to MRTU Start Delay and Load Migration Calculation Timing

Currently Effective ISO Tariff

To Be Filed September 5, 2008

ISO TARIFF APPENDIX BB

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PART H. CONGESTION REVENUE RIGHTS

36.8.1 Structure of the CRR Allocation Process.

The CAISO conducts an annual CRR Allocation: (i) once a year for the entire year for Seasonal CRRs; and (ii) once a year for the ten-year term of Long Term CRRs. The annual CRR Allocation releases Seasonal CRRs and Long Term CRRs for four seasonal periods. The CAISO also conducts monthly CRR Allocations twelve times a year in advance of each month. Within each annual and monthly CRR Allocation process the CAISO performs distinct allocation processes for each on-peak and off-peak time of use specification. The CRR Allocation process for CRR Year One is a distinct process that differs from subsequent CRR Allocations as described in Sections 36.8.3.1 and 36.8.3.2 of this Appendix. Each CRR Allocation procedure is based on nominations to the CAISO by LSEs or Qualified OCALSEs eligible to receive CRRs. ~~The CAISO performs adjustments to the Seasonal and Long Term CRRs allocated to LSEs as necessary to reflect Load Migration between LSEs, as described in Section 36.8.5 of this Appendix.~~ A timeline of the CRR Allocation and CRR Auction processes is contained in the BPMs.

36.8.3.5 Annual CRR Allocation Beyond CRR Year One.

The annual CRR Allocation for years beyond CRR Year One consists of a sequence of four (4) tiers for each season and time of use period (on-peak and off-peak). Allocations of CRRs in each tier are considered final once they are provided by the CAISO to the respective LSEs or Qualified OCALSEs. After each tier, LSEs or Qualified OCALSEs will have an amount of time as specified in the Business Practice Manual after their receipt of the results of each tier to submit their nominations for the next tier, if there is one. The annual CRR Allocation will allow LSEs or Qualified OCALSEs to submit nominations up to their Seasonal CRR Eligible Quantities minus the quantity of previously allocated Long Term CRRs for each season of the relevant year, each time of use period and each CRR Sink at which they serve Load.

Annual CRR Allocations for years beyond CRR Year One will be conducted in the following sequence of tiers:

36.8.3.5.1 Tier 1 – Priority Nomination Process.

Tier 1 of the annual CRR Allocation in years beyond CRR Year One will be a Priority Nomination Process through which CRR Holders may nominate some of the same CRRs that they were allocated in the immediately previous year annual CRR Allocation process. As provided in Section 36.8.3.4.2 of this Appendix, nominations by a Qualified OCALSE in the PNP are subject to source verification. In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OCALSE may make PNP nominations up to the lesser of: (1) two-thirds of its Seasonal CRR Eligible Quantity, minus the quantity of previously allocated Long Term CRRs for each season, time of use period and CRR Sink for that year; or, (2) the total quantity of Seasonal CRRs allocated to that LSE in the previous annual CRR Allocation, minus the quantity of previously allocated Long Term CRRs for each season, time of use period and CRR Sink, ~~and 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 of this Appendix.~~ In addition, an LSE's or Qualified OCALSE's nomination of any particular CRR Source-Sink combination in the PNP may not exceed the MW quantity of CRRs having that CRR Source and CRR Sink that the LSE or Qualified OCALSE was allocated in the previous annual CRR Allocation for the same season and time of use period, ~~and in the case of an LSE, adjusted for net Load loss or gain resulting from Load Migration as described in Section 36.8.5.2.2 of this Appendix.~~ An LSE or a Qualified OCALSE may not nominate CRRs sourced at Trading Hubs in the PNP. CRRs whose CRR Sink is a Sub-LAP are not eligible for nomination in the PNP. A CRR whose CRR Sink is a Custom LAP or PNode is eligible for nomination in the PNP. PNP Eligible Quantities are not affected by secondary transfers of CRRs, ~~except as performed by the CAISO to reflect Load Migration as described in Section 36.8.5 of this Appendix.~~ That is, ~~with the exception of transfers to reflect Load Migration:~~ (i) an LSE or a Qualified OCALSE may nominate in the PNP a CRR it was allocated in the prior annual CRR Allocation even though it transferred that CRR to another party during the year, and (ii) an LSE or a Qualified OCALSE may not nominate in the PNP a CRR that it received through a secondary transfer from another party. For a Load-gaining LSE of Load that previously belonged to a Load-losing LSE that has gone out-of-business, and, therefore, the CAISO will manually adjust both the Load Metric

and the PNP Eligible Quantities of the Load-gaining LSE based on the percentage Load gained from the Load-losing LSE, as provided by the Load-losing LSE. CRRs received through a CRR Auction are not eligible for nomination in the PNP. ~~CRRs received as Offsetting CRRs to reflect Load Migration are not eligible for nomination in the PNP.~~ The maximum quantity of CRRs that an LSE or a Qualified OCALSE may nominate in the PNP is fifty percent (50%) of its Adjusted Load Metric, minus any previously allocated Long Term CRRs that are valid for the term of the CRRs being nominated. The CAISO does not guarantee that all CRR nominations in the PNP will be allocated. The CAISO will conduct an SFT to determine whether all CRR nominations in the PNP are simultaneously feasible. If the SFT determines that all priority nominations are not simultaneously feasible, the CAISO will reduce the allocated CRRs until simultaneous feasibility is achieved.

36.8.3.5.6 Alternate Sequencing for CRR Allocation Prior to Commencement of Effectiveness of the MRTU Tariff.

In years subsequent to CRR Year One, the annual CRR Allocation process will be conducted in the sequence described above, except that for the CRR Allocation process just prior to the time the MRTU Tariff becomes effective, the sequence of the tiers will be as follows: (1) The Priority Nomination Tier; (2) Tier 2; (3) Tier LT and (4) Tier 3.

36.8.5 Load Migration Between LSEs.

The CAISO shall track Load Migration between LSEs through Load Migration data provided to the CAISO by each UDC, MSS Operator or other entity that provides distribution service to customers. Load Migration will be reflected in the hourly Load data and load forecasts used by the CAISO to calculate the CRR Load Metrics and Seasonal and Monthly CRR Eligible Quantities for each LSE, in accordance with procedures set forth in the applicable Business Practice Manual. **Load Migration will be reflected in appropriate adjustments to each affected LSE's Seasonal and Monthly CRR Eligible Quantities in subsequent annual and monthly CRR Allocations, as well as its PNP Eligible Quantities in the next annual CRR Allocation except for during the annual and monthly CRR Allocation conducted just before the**

~~MRTU Tariff is in effect.~~ LSEs that hold Seasonal CRRs or Long Term CRRs~~s~~ and that lose or gain Load through Load Migration must comply with Section 36.8.5.3 of this ~~Appendix~~ regarding the transfers of current CRR holdings to reflect Load Migration.

36.8.5.1 Tracking of Load Migration by CAISO.

The CAISO will implement all appropriate adjustments due to Load Migration on a monthly basis. In order to enable the CAISO to track Load Migration and determine the appropriate adjustments, each UDC, MSS Operator, and other entity that provides distribution service to customers will provide to the CAISO the following minimum information on each customer that migrates between LSEs: (i) customer identification information, (ii) information to establish the customer's retail customer class, (iii) the original and new LSEs serving the customer, (iv) the effective date of the Load Migration, and (v) the most recent twelve (12) months of billing data for the customer. Each UDC, MSS Operator and other entity that provides distribution service to customers will also provide to the CAISO the number of customers served by each LSE in each retail customer class as of the start of each month, plus information on the average consumption by customers in each retail customer class. Further details regarding the information to be supplied to the CAISO is set forth in the applicable Business Practice Manual. The CAISO will receive information from each UDC, MSS Operator, and other entity providing distribution service on an ongoing

~~monthly~~daily basis, and will perform the calculations for any appropriate adjustments due to Load Migration on a monthly basis. New CRRs will be allocated ~~due to Load Migration~~ in accordance with Section 36.8.5.3 of this ~~Appendix~~ to reflect Load Migration effective by the first of the month and will be made effective on the first day of the first month following the CAISO's performance of the calculations is which the Load Migration is effective by the first of the month

36.8.5.2 ~~[Not Used] Adjustments to CRR Eligible Quantities to Reflect Load Migration.~~

~~An LSE who loses or gains net Load through Load Migration in a given year will have its Seasonal CRR Eligible Quantities in the next annual CRR Allocation reduced or increased, respectively, in proportion to the net Load lost or gained through Load Migration. In addition, an LSE that loses Load through Load Migration in a given year will have its PNP Eligible Quantities reduced in proportion to the amount of Load lost through Load Migration. An LSE that gains Load through Load Migration in a given year will have its PNP Eligible Quantities increased in proportion to the amount of Load gained through Load Migration.~~

36.8.5.3 Adjustments to Current CRR Holdings to Reflect Load Migration.

For the 2009 CRR allocation, tThe CAISO will account for the cumulative Load Migration that takes place since April 1, 2006 and the first date that the Day-Ahead Market under the MRTU Tariff is operational through an adjustment of CRR Holdings as further described in the Business Practice Manuals. For subsequent CRR allocations, the CAISO will account for cumulative Load Migration on a monthly basis as described in the Business Practice Manual. Based on the load transfer percentages calculated as described in the Business Practice Manual~~Because in between CRR Allocations each LSE can both lose Load and gain Load between itself and multiple other LSEs,~~ the CAISO will calculate and perform appropriate adjustments to current CRR holdings for each pair of LSEs affected by Load Migration to reflect the net amount of Load that migrated between those two LSEs during each Load Migration tracking period and for each LAP in which the LSEs serve Load. The CAISO will perform such calculations in accordance with the appropriate Business Practice Manual, and will perform the adjustments by creating and allocating equal and opposite sets of new CRRs for each pair of LSEs affected by Load Migration. The net Load gaining LSE of the pair will receive a set of new CRRs that match the CRR Sources and CRR Sinks of all the Seasonal and Long Term CRRs previously allocated to the net Load losing LSE of the pair, in MW quantities proportional to the net amount of the net Load losing LSE's Load that migrated to the net Load gaining LSE of the pair within each LAP in which the LSEs serve Load. The net Load losing LSE of the pair will receive a set of new Offsetting CRRs. After the assignment of Offsetting CRRs, the net Load losing LSE will still hold the CRRs it held before it was assigned the Offsetting CRRs. The Load gaining LSE may nominate its new Seasonal CRRs in the Priority Nomination Process of the next annual CRR Allocation process. The net Load losing LSE may not nominate in the Priority Nomination Process either: (i) the Seasonal CRRs corresponding to the new CRRs allocated to the Load gaining LSE, or (ii) the Offsetting CRRs allocated due to Load Migration. An LSE to which the CAISO allocates new CRRs to reflect Load Migration must be either a Candidate CRR Holder or a CRR Holder and meet all requirements applicable to such entities.

36.8.5.5 [Not Used]~~Load Migration Adjustment for CRR Year One.~~

~~For the CRR Year One CRR Allocation process, the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One CRR Allocation process and the first date that the Day-Ahead Market is operational as a single adjustment as described in the Business Practice Manuals.~~

36.13.1 Scope of the CRR Auctions.

The CAISO will conduct a CRR Auction corresponding to and subsequent to the completion of each CRR Allocation process, and prior to the start of the period to which the auctioned CRRs will apply. Each CRR Auction will release CRRs having the same seasons, months and time of use specifications as the CRRs released in the corresponding CRR Allocation; provided, however, that if the MRTU Tariff is not expected to be in effect during certain months of the next annual period, the CAISO may adjust the term of the season in which the months fall accordingly. Each CRR Auction will utilize the same DC FNM that was utilized in the corresponding CRR Allocation. For each CRR Auction, the CRRs allocated in the corresponding CRR Allocation will be modeled as fixed injections and withdrawals on the DC FNM and will not be adjusted by the SFT in the CRR Auction process. Thus the CRR Auction will release only those CRRs that are feasible given the results of the corresponding CRR Allocation. CRRs released in a CRR Auction will be indistinguishable from CRRs released in the corresponding CRR Allocation for purposes of settlement and secondary trading. The following additional provisions apply. First, participants in the CRR Auctions will have more choices regarding CRR Sources and CRR Sinks than are eligible for nomination in the CRR Allocations, as described in Section 36.13.5 of this Appendix. Second, to the extent a Market Participant receives CRRs in both a CRR Allocation and the corresponding CRR Auction, the CRRs obtained in the CRR Auction will not be eligible for nomination in the PNP. Third, in CRR Year One the CRR Auction cannot be used by CRR Holders to offer for sale CRRs they acquired in a prior CRR Allocation, CRR Auction or through the Secondary Registration System. In the annual and monthly CRR Auction processes for years following CRR Year One, CRR Holders may offer for sale any CRRs held by such holders, subject to the limitations on sale and transfer of Long Term CRRs specified in Section 36.7.1.2 of this Appendix. Merchant Transmission CRRs that are CRR Options may be offered

for sale in the annual and monthly CRR Auctions for years following CRR Year One, subject to the same temporal limitations that apply to Long Term CRRs as specified in Section 36.7.1.2 of this Appendix.