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**Straw Proposal on**

# **CRR Issues:**

- **Year 2 Release Process**
- **MW Granularity for CRR Tracking**
- **The “30-day Rule” for  
Transmission Outages**
- **Monthly CRR Eligibility for LSEs  
Without Verifiable Load Forecasts**

**April 14, 2008**

# Straw Proposal on CRR Issues

*Prepared for Discussion at Stakeholder Conference Call on April 21, 2008*

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## 1. Executive Summary

This paper offers Straw Proposals on the following policies:

- 1) New tariff language related to the conduct of the annual CRR release process for Year 2 (i.e., calendar 2009) is needed in light of the delay in MRTU start-up. This CRR Year 2 process will begin in summer 2008 so that the annual allocation and auction will be completed before these CRRs become effective starting on January 1, 2009.<sup>1</sup>

For this second annual allocation process (for 2009) the CAISO proposes:

- a. Season 1 CRRs should be subject to source verification using 2007 Quarter 1.
  - b. Seasons 2 and 3 CRRs should be treated as “Year 2” seasons that are eligible for renewal.
  - c. Season 4 CRRs also would be treated as a “Year 2” season for which the Priority Nomination Process could be utilized.
  - d. Long-Term CRRs for Quarter 1 would be treated under the CRR Year One rules while LT-CRRs for Quarters 2-4 would be treated under the Beyond CRR Year One rules.
- 2) The MW granularity for CRR Tracking should be the 0.001 MW level.
  - 3)
    - a. The “30-day Rule” for managing transmission outages that may impact CRRs should be modified so that outages initiated and completed within a 24-hour period are exempt.
    - b. The exemption provisions to the 30-day requirement should be eliminated in the next **BPM** revision.
    - c. The effectiveness of the 30-day Rule will be assessed after twelve months of market outcomes.
  - 4) The monthly CRR eligibility for certain LSEs who don't have available load forecasts should be based on their historical load of the same month from the previous five years.

**A separate paper explaining Straw Proposals for CRR Credit Enhancements is posted and will be reviewed by stakeholders concurrently within this process.**

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<sup>1</sup> The MRTU Tariff defines CRR Year One to be “The first period of time for which the CAISO conducts an annual CRR Allocation ...”, which was the period April through December 2008 based on the expectation that MRTU start-up would occur on April 1, 2008.

Similarly, CRR Year Two is defined to be: “The second period of time for which the CAISO conducts an annual CRR Allocation ...”, which will be calendar 2009 consistent with the end-state CRR process design of releasing Seasonal and Long Term CRRs on a calendar year basis.

At the same time, Section 36.8.1 of the MRTU Tariff establishes several distinctions for the CRR Year One allocation, compared to the allocation process for subsequent years. Therefore, in order to conform CRR Year Two to calendar 2009, the CAISO proposes to allocate CRRs for a portion of 2009 under the “CRR Year One” rules and for the remainder of 2009 under the “Beyond CRR Year One” rules per Section 36.8.3.5.

Although a definite start-up date has not been determined yet, the Straw Proposals explained in this document should accommodate whatever month in 2008 the LMP markets begin and CRRs become effective. In the unlikely event that MRTU start-up does not occur in 2008, the CAISO proposes to initiate a new stakeholder meeting to determine the best course to follow for CRRs.

## 2. Proposed Timetable for this Stakeholder Process

March 25	CAISO posts <b>Issues Papers</b> (this document as well as a separately posted paper on CRR Credit Policy Enhancements.)
April 1	Initial Stakeholder Meeting (10:00 am-5:00 pm @ CAISO's North and South Lake Tahoe Room)
April 8	Initial Stakeholder written comments due to <a href="mailto:CRRComments@caiso.com">CRRComments@caiso.com</a>
April 14	CAISO posts <b>Straw Proposal</b> for policy changes (this document as well as a separately posted <b>Straw Proposal</b> on CRR Credit Policy Enhancements.)
April 21	Stakeholder Conference Call
April 28	Stakeholder written comments due to <a href="mailto:CRRComments@caiso.com">CRRComments@caiso.com</a>
April 30	CAISO posts <b>Final Proposal</b> for policy changes
May 7	Final Stakeholder Conference Call
May 21-22, 2008	Presentation to CAISO Board of Governors
Late May	Filing to FERC on CRR Issues

The CAISO proposes the following additional dates for stakeholder review of draft tariff changes that will be filed at the conclusion of this stakeholder process, assuming approval by the CAISO Board of Governors.

- May 1: CAISO posts draft Tariff Language
- May 15: Stakeholder written comments due
- May 23: Stakeholder conference call to review draft Tariff Language (tentatively between 10:00 am – 1:00 pm)
- May 30: Filing to FERC on CRR Issues

### 3. Proposed Key Dates for the CRR Year 2 Release Process

The CAISO's CRR team has slightly revised the key dates for the series of interactions between the CAISO and market participants involved in the next annual release of CRRs. This process would allocate and auction seasonal and LT-CRRs that would be effective in the four seasons of calendar 2009.

This revision takes into account a suggestion by one stakeholder regarding the November 11 holiday. Thus, the only changes within this schedule below compared to the schedule posted within the *March 25 CRR Issues Paper* is to extend the close of the auction window by one day to November 12 and the posting of auction results by one day to November 19.

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## 2009 Annual CRR Allocation and Auction Schedule

The 2009 Annual CRR Allocation begins on August 8, 2008 and ends on October 29, 2008. The annual allocation consists of five parts:

- Historical Load Submittal Window opens at 0100 on August 8, 2008 and closes at 1700 on August 14, 2008.
- The Priority Nomination Tier nomination window opens at 0100 on September 3, 2008 and closes at 1700 on September 5, 2008. Results of the Priority Nomination Tier will be posted by 1700 on September 12, 2008.
- The Tier 2 nomination window opens at 0100 on September 18, 2008 and closes at 1700 on September 22, 2008. Results of Tier 2 will be posted by 1700 on September 29, 2008.
- The Tier Long Term nomination window opens at 0100 on October 7, 2008 and closes at 1700 on October 10, 2008. Results of Tier Long Term will be posted by 1700 on October 17, 2008.
- The Tier 3 nomination window opens at 0100 on October 22, 2008 and closes at 1700 on October 24, 2008. Results of Tier 3 will be posted by 1700 on October 31, 2008.

The 2009 Annual CRR Auction begins on November 7, 2008 and ends on November 19, 2008:

- The auction bidding window opens at 0100 on November 7, 2008 and closes at 1700 on November 12, 2008. The results of the annual auction will be posted by 1700 on November 19, 2008.

#### 4. STRAW PROPOSAL: The CRR Year 2 Release Process

*The CAISO anticipates that the items discussed in this section will require Tariff changes.*

##### A. CRR Source Verification for Quarter 1 (Winter Season) 2009

The current MRTU tariff provides for CRR source verification in conjunction with CRR allocation to LSEs serving internal load only for CRR Year 1. When the CAISO conducted the first annual CRR release process (for 2008), it was assumed that MRTU would start on April 1, 2008. The CAISO therefore released CRRs only for Seasons 2, 3 and 4, and indicated to participants that in the second annual allocation process (for 2009) Season 1 would be treated as a “Year 1” season and would be subject to source verification.

The reference period for verification of sources during Seasons 2, 3 and 4 of CRR Year One was the calendar year 2006. A key objective of the present stakeholder process is to determine the appropriate historical reference period for CRR source verification for Season 1 of 2009. The CAISO now proposes to use Quarter 1 of 2007 (i.e., the winter season, January through March 2007) for this purpose.

The written stakeholder comments submitted on this issue supported the use of Quarter 1 for source verification for 2009 quarter 1 CRRs. Opinions were divided on the choice of historical reference year, however: some stakeholders supported 2007 Quarter 1 while others preferred 2008 Quarter 1 or 2006 Quarter 1.

With regard to 2008 Quarter 1, the CAISO recognizes that it would be desirable to use a reference period that is as recent as possible. It must be noted however that market participants were informed by summer 2007 – well in advance of 2008 Quarter 1 – that there would be a need to perform source verification in conjunction with the release of CRRs for 2009 Quarter 1 and a need to specify an historical reference period for that purpose. The CAISO therefore believes that using 2008 Quarter 1 for source verification would not be immune to the possibility that parties have entered specific contractual arrangements with the anticipation of using such arrangements as the basis for source-verified 2009 Quarter 1 CRR allocation. Using 2007 Quarter 1 avoids this possibility.

With regard to 2006 Quarter 1, the CAISO recognizes that there is additional administrative effort involved in submitting source verification information for any period other than 2006, for which the information was already submitted for the CRR release conducted in 2007. The CAISO believes this additional effort is outweighed by the benefits of using the more recent 2007 source verification information.

Other than the specification of this historical reference period the CAISO proposes no changes to the source verification procedures and rules that were followed for the annual CRR release process conducted during 2007.

## **B. Re-do Source Verification versus Renewal for Quarters 2 and 3 in 2009<sup>2</sup>**

A second key objective of this stakeholder process is to determine whether to treat Seasons 2 and 3 of 2009 as “Year 1” or “Year 2” seasons. This question arises because CRRs were released for Seasons 2, 3 and 4 of 2008, and if we assume for the moment that MRTU will start-up on October 1, then the CRRs for Seasons 2 and 3 will not have been in effect during actual MRTU market operation. This raises the question in the CRR release for 2009 whether to treat Seasons 2 and 3 as “Year 2” seasons and allow the CRRs for 2008 to be renewed, or to treat these seasons as “Year 1” seasons and require source verification. If the latter option is selected, it will also be necessary to specify the historical reference period for the source verification.

The CAISO proposes to treat Quarters 2 and 3 as Year 2 seasons, and on that basis to conduct Tier 1 of the CRR Allocation process for those seasons in accordance with the rules for the Priority Nomination Process (PNP).

In reviewing the submitted comments on this question, the CAISO notes that there was considerable support for the CAISO’s proposed approach, but some parties did argue for two other approaches: (a) starting over with source verification for Quarters 2 and 3, which was the principal alternative the CAISO had identified in the Issues Paper, and (b) simply carrying over all allocated CRRs for Quarters 2 and 3 into 2009 without conducting a new allocation process for these quarters. For reasons discussed below, the CAISO believes that neither of the proposed alternatives would be preferable to its proposed approach.

Key considerations leading to the CAISO’s proposal to utilize the PNP for Quarters 2 and 3 were the facts that this approach avoids both a potential unintended consequence related to the previous release of Long Term CRRs, and the need to perform the source verification process for these quarters. With regard to Long Term CRRs, it is important to recall that LSEs were limited to the set of their allocated one-year Seasonal CRRs from the source-verified tiers (Tiers 1 and 2) in nominating CRRs in Tier LT. Therefore if the CAISO declares the previous round of source verification to be null and void, this would necessitate nullifying the allocated Long Term CRRs as well as the one-year Seasonal CRRs for 2008 Quarters 2 and 3. The CAISO believes that this would be an undesirable unintended consequence, as it would undermine the long-term certainty that many parties argued for and that provided the impetus to develop the Long Term CRR design in 2006 and incorporate the release of Long Term CRRs into the CAISO’s first annual CRR Allocation process. The CAISO does not believe it would be straightforward or logical to overturn the allocated one-year Seasonal CRRs for 2008 Quarters 2 and 3 and not simultaneously overturn the Long Term CRRs allocated for those seasons. Secondly, utilizing the PNP process for Quarters 2 and 3 avoids the administrative effort of having to obtain new source verification information from all eligible LSEs for these seasons.

To be clear, the CAISO does not oppose conducting the source verification process for Quarters 2 and 3 provided that there are sufficient benefits to be realized. The benefits identified in the submitted comments focused on two matters. First, the ability of parties to take maximum advantage of the greater granularity of CRR tracking that will be put in place for the next annual CRR release process (discussed elsewhere in this paper). It was not clear from the arguments, however, why the benefits of greater granularity should depend on redoing the source verification process for Quarters 2 and 3. Second, the ability of parties

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<sup>2</sup> For discussion purposes this sub-section assumes that the MRTU markets will start up on October 1, 2008. As of the date of this Issues Paper, however, the CAISO has not yet determined the actual MRTU start-up date.

to revise decisions they made last year under the CRR credit requirements established at that time in light of the proposed changes to the CRR credit requirements being considered in the present stakeholder process (also discussed elsewhere in this paper). On the latter point, the CAISO notes that some of the CRR credit requirements originally considered for revision in the Issues Paper are now being proposed for deferral to a later process, so it would be helpful for parties who share this concern to describe their concerns in terms of the specific credit policy changes that are still on the table at this time.

Finally, for at least two reasons the CAISO does not believe it would be appropriate simply to renew or carry over all allocated CRRs for Quarters 2 and 3 to 2009. First, this approach would not be consistent with either the PNP process or the source verification process, and as such would be dramatically different to any course of action parties might have expected. Several parties noted in their arguments in favor of the PNP approach that this approach is fully consistent with what parties expected at the time they made their nominations in the first annual CRR allocation process, and that it is important now to minimize alterations to that expected course of events unless there are compelling reasons to alter that course. The CAISO agrees with this perspective. Second, the ability of eligible parties to exercise choice in the annual renewal of one-year Seasonal CRRs has been a key principle in the design of the entire CRR allocation process. The CAISO sees no benefit that would justify eliminating that flexibility for the parties.

### **C. Priority Nomination Process (PNP) available for Quarter 4 in 2009**

Under the assumption of this sub-section that MRTU starts up in the last quarter of 2008, Season 4 CRRs that were previously source-verified will become effective for all or part of their three-month duration. The CAISO thus confirms that the Priority Nomination Process (PNP) would be available in CRR Year 2 for the Q4 seasonal CRRs that were awarded in Year 1.

### **D. Treatment of Long-Term CRRs**

LT-CRRs that were awarded in the Year One process may be impacted by the unwinding of previously released seasonal CRRs (e.g., for Q2 and Q3 under the working assumption of an October 1 start-up of the MRTU markets). There are a couple issues to consider.

First, because these Q2 and Q3 LT-CRRs would not be effective during 2008 under an October 1 start-up, the total duration of these LT-CRRs would be reduced to nine rather than ten years. The CAISO does not propose any new provisions to address this matter, and points out that LT-CRRs with a full ten-year duration will be available in the Year 2 process.

Second, the staggered increase in Long Term CRR availability (see MRTU Tariff sections 36.8.3.1.3.1 and 36.8.3.5.2.1) would apply differently to the four seasons of 2009, with Q1 treated under the CRR Year One rules and Q2-Q4 likely being treated under the Beyond CRR Year One rules. On this matter also the CAISO does see any problem with following the previously-approved tariff provisions and treating each of the seasons appropriately.



## 5. STRAW PROPOSAL: Increased MW Granularity of CRR Tracking

*The CAISO anticipates that the item discussed in this section will require a Tariff change.*

As a result of the CRR design process leading up to the CAISO's February 2006 MRTU Tariff filing, it was decided to establish 0.1 MW as the minimum denomination of CRRs to be tracked in the CRR system. The CRR software systems were developed and configured to reflect this decision. The 0.1 MW threshold does not affect the CRR optimization algorithm, which carries sufficient decimal places to ensure accuracy in performing its calculations, but it does mean that any CRR quantities less than 0.05 MW that result from the optimization will be rounded to zero for purposes of recording and tracking CRR holdings by CRR Holders (and quantities less than 0.1 MW but not less than 0.05 MW will be rounded to 0.1 MW).

Subsequent to the MRTU Tariff filing, the CAISO and stakeholders discussed further details related to (1) CRR transfers for load migration and (2) disaggregation of CRR nominations sourced at Trading Hubs into their constituent PNodes for purposes of CRR allocation. In those discussions it was recognized that these two processes could result in substantial quantities of small denomination CRRs that would be rounded to zero, and that the problem would be more severe the smaller the initial MW denomination.

Thus, for example, a 10 MW CRR nomination sourced at a Trading Hub would have a larger proportional share rounded to zero as a result of the disaggregation process than would a 100 MW CRR nomination. By this time, however, it was too late to revise the 0.1 MW CRR granularity threshold in the CRR systems in time to start the CRR Year 1 release process, so the CAISO agreed to increase the granularity of CRR tracking in time for the CRR Year 2 annual release process for 2009, which will start in summer 2008.

The recent Issue Paper stated that there is no question that the CRR granularity threshold will be reduced in time for the summer 2008 CRR process. The only open question was to determine the value of the CRR granularity threshold to be implemented by summer. The CAISO now proposes to set the new level of granularity of 0.001 MW (i.e., 1 kW). Based on the CAISO's assessment to date, adopting this level of granularity does not present implementation issues for the CAISO. Indeed, the CRR software vendor is making the threshold value configurable, so that the value selected for the summer 2008 CRR process could even be modified again at a later time if necessary. At the same time, the CAISO believes that this level of granularity will be sufficient to minimize the impact of rounding small CRR denominations down to zero on smaller LSEs, who are more likely to be managing smaller CRR quantities.

The CAISO believes, based on the submitted comments, that parties generally support adopting the 0.001 MW level, but notes that there was some support for less granularity (e.g., 0.01 MW). The CAISO believes that the 0.001 level achieves the best trade-off between minimizing impact on holders of small CRR denominations versus minimizing administrative complexity, but would like to hear from stakeholders if there is any opposition to this straw proposal.

### Supporting analysis

In the recent Issue Paper, the CAISO presented a "worst case" example as an illustration of the rounding problem. In this instance a 15 MW CRR was allocated with source at the NP15 Trading Hub and sink at one of the Default LAPs. The example may be considered "worst case" both because the NP15 has the highest degree of disaggregation (largest quantity of constituent

PNodes) and because the 15 MW quantity is relatively small, and therefore would suffer a large loss due to rounding to zero.

The results were:

Granularity Level (MW)	Allocated CRR (MW)	Nominated CRR (MW)	%
0.1	7.2	15	48.0%
0.01	13.73	15	91.5%
0.001	14.99	15	99.9%

In the recent stakeholder meeting, some parties requested additional analysis of this issue, which the CAISO performed and has summarized in the following tables.

**Disaggregated Nomination MWs**

Granularity (MW)	Trading Hub Nomination (MW)			
	10	100	1000	2000
0.1	4.1	87.2	984.8	1984.4
0.01	8.72	98.48	998.37	1998.39
0.001	9.848	99.837	999.846	1999.842
0.0001	9.9837	99.9846	999.9831	1999.9837
0.00001	9.99846	99.99831	999.99853	1999.9986
0.000001	9.999831	99.999853	999.999973	1999.999971

**Disaggregated Nomination % of Trading Hub Nomination**

Granularity (MW)	Trading Hub Nomination (MW)			
	10	100	1000	2000
0.1	41.00%	87.20%	98.48%	99.22%
0.01	87.20%	98.48%	99.84%	99.92%
0.001	98.48%	99.84%	99.98%	99.99%
0.0001	99.84%	99.98%	100.00%	100.00%
0.00001	99.98%	100.00%	100.00%	100.00%
0.000001	100.00%	100.00%	100.00%	100.00%

**Number of Non-Zero Disaggregated CRR awards**

Granularity (MW)	Trading Hub Nomination (MW)			
	10	100	1000	2000
0.1	16	157	276	295
0.01	157	276	315	317
0.001	276	315	322	323

0.0001	315	322	325	326
0.00001	322	325	327	327
0.000001	325	327	327	327

Note: Total 327 generator PNodes belong to this Trading Hub

**Non-Zero Disaggregated CRR Awards % of Total Number of PNodes**

Granularity (MW)	Trading Hub Nomination (MW)			
	10	100	1000	2000
0.1	4.89%	48.01%	84.40%	90.21%
0.01	48.01%	84.40%	96.33%	96.94%
0.001	84.40%	96.33%	98.47%	98.78%
0.0001	96.33%	98.47%	99.39%	99.69%
0.00001	98.47%	99.39%	100.00%	100.00%
0.000001	99.39%	100.00%	100.00%	100.00%

Note: Total 327 units belong to this Trading Hub

## 6. STRAW PROPOSAL: The “30-day Rule” for Scheduling Transmission Outages

***The items discussed in this section will require Tariff language to comply with FERC’s March 20 order.***

The CAISO will review and seek stakeholder input on a proposed change to the requirement for PTOs to notify the CAISO about planned outages of Significant Facilities at least 30 days prior to the start of the calendar month for which the outage is planned to begin. This rule is intended to provide the CAISO good data on planned outages far enough in advance to allow the CAISO to reflect them in the network model used for releasing Monthly CRRs and thereby minimize impacts to the revenue adequacy of CRRs. This section also discusses the process by which PTOs may request and receive CAISO approval for exemptions of specific facilities from the 30-day rule, and the process by which the CAISO will evaluate the potential need for any changes to the 30-day rule based on actual operating experience under LMP.

### A. Proposed modification to the 30-day rule outage scheduling requirements

The 30-day rule outage scheduling requirements as described in Section 4.2.1.1 of the ***Business Practice Manual for Outage Management***<sup>3</sup> lists three criteria characterizing the significant facilities for which planned outages must be scheduled with the CAISO at least 30-days prior to the month in which they are planned to occur. The BPM also indicates, however,

<sup>3</sup> Version 3 of the ***BPM for Outage Management*** was last revised November 15, 2007.

that outages to such facilities that are planned to be initiated and completed within a single calendar day are exempt from the 30-day requirement.

After careful consideration of a modification to the latter provision proposed by the Participating Transmission Owners, the CAISO believes it is appropriate to modify the provision such that outages to such facilities that are planned to be initiated and completed within a 24-hour period are exempt from the 30-day requirement. This allows planned outages that are scheduled to begin, for example, in the evening of one day and be completed by the morning of the next day, as long as the total duration of the outage is no greater than 24 hours, to be exempt from the 30-day scheduling requirement.

The CAISO believes that this change should have no adverse impact on CRR revenue adequacy, because the total duration of an exempt outage is not allowed to be any greater under the revised provision than it could be under the original provision. At the same time, the revised provision will allow greater flexibility to PTOs to reduce the number of planned outages that must be scheduled under the 30-day rule.

Finding no opposition to the proposed change in the latest stakeholder comments, the CAISO now intends to implement the change in the next revision of the ***BPM for Outage Management***.

#### **B. Process for requesting exemptions from the 30-day requirement**

Section 10.3.1 of the ***BPM for Congestion Revenue Rights*** provides additional criteria by which significant facilities in the categories covered by the 30-day rule may be granted exemptions. This BPM section requires the PTO requesting the exemption to demonstrate that the nominated facilities satisfy the exemption criteria. Some of the PTOs have argued that the exemption criteria (1) are conservative, i.e., would allow very few nominated facilities to be granted exemptions, (2) rely on the theoretical basis of revenue adequacy rather than empirical assessment, and (3) would require technical analysis that the PTOs are not able to perform.

The CAISO now proposes to eliminate these exemption provisions in the next revision of the ***BPM for Congestion Revenue Rights***. This proposal is based on the compelling rationale for starting MRTU operation with conservative exemption criteria in order to protect CRR revenue adequacy (as discussed in the previous Issue Paper), plus parties' stated objections to the current exemption provisions based on the revenue adequacy theorem, plus the lack of any reliable empirical basis to evaluate candidate exemptions in the absence of actual operating data from the new LMP markets.

One stakeholder proposed that the CAISO adopt an economic approach to evaluate candidate exemptions of facilities based on the magnitude of their associated auction prices in the CRR Auctions. The CAISO does not believe this is a satisfactory approach, however, because a transmission facility with a large amount of transfer capacity could have a very small or even zero value in the auction, while at the same time supporting the feasibility of a large volume of CRRs which could in turn result in a significant unfunded CRR payout requirement when the facility is taken out of service.

As discussed in the Issue Paper (as retained as section C below) the CAISO reiterates its commitment to evaluate its approach to outage modeling in the monthly CRR process, including the effectiveness of the 30-day rule provisions, as actual LMP market experience unfolds.

### C. Approach for assessing potential changes to the 30-day requirements

Given the need to use a conservative, theoretical basis for exemption criteria for MRTU start-up, the CAISO has committed to assessing the effectiveness of both the 30-day requirements and its approach to modeling outages in the Monthly CRR process as actual experience with the LMP markets is gained.

The CRR Balancing Account will be cleared at the end of each month, and thus will provide a simple indicator of CRR revenue adequacy on a monthly basis. If the end-of-month balance (net of CRR Auction revenues) is negative, it indicates CRR revenue inadequacy on average over the hours of the month, whereas if the balance is positive, it indicates that more CRRs could have been released without adversely impacting CRR revenue adequacy.

In addition, actual LMP values will be generated for each hour in the IFM and each RT dispatch interval, and these LMP values will reflect the actual grid conditions for those hours and RT intervals. These LMPs and the corresponding grid conditions and patterns of load and generation will provide a data base for estimating the impact of different transmission outages on revenue adequacy.

Although the CAISO is not prepared at this time to describe a methodological approach in any greater detail, the CAISO reaffirms its commitment to determine, after assessing twelve months of market data and consulting with stakeholders, whether revisions to the 30-day requirements for scheduling transmission outages are appropriate. The CAISO will develop and document a more detailed proposed methodology for conducting the required analysis for discussion with stakeholders at a later date.

## 7. STRAW PROPOSAL: Monthly CRR Eligibility for LSEs Without Verifiable Load Forecasts

***The CAISO anticipates that the item discussed in this section will require a Tariff change.***

The MRTU Tariff requires LSEs that are eligible for allocation of Monthly CRRs to provide monthly load forecast data to the CAISO as the basis for determining the maximum quantity each such LSE may be allocated.

The Tariff further provides that the CAISO will use load forecast data which these LSEs have provided to the California Energy Commission (CEC) as a basis to validate and if necessary adjust their CRR eligibility for consistency (see tariff sections 36.8.2.2 and 36.8.6).

The established CAISO monthly process for CRRs (explained in Section 7.2.2 of the ***BPM for Congestion Revenue Rights***) only considers scenarios where eligible entities submit independent load forecast which can be verified against CEC load data. The CAISO has identified situations where an LSE may be eligible for Monthly CRR allocation but cannot provide load forecast data which the CAISO would be able to validate against comparable data provided to the CEC. The CAISO therefore proposes the following new provisions to determine the Monthly CRR eligibility for entities without verifiable load forecast:

- For eligible LSEs that cannot provide an independent load forecast data which the CAISO would be able to validate against comparable data provided to the CEC for resource adequacy purposes, the CAISO will use the historical load of the same month from the previous five years.

For each time-of-use period and eligible sink location, a load metric for each of the five relevant months will be computed. The CRR Load Metric is the MW level of demand that is exceeded only 0.5% of the hours based on the LSE's historical load of each relevant month. Then the five load metrics will be averaged. The average based on five years of data provides a more stable load metric.

LSEs of this category will submit their historical load data following the same procedures and timeline already in place for the monthly processes.

Also, these provisions apply only for the monthly CRR allocation processes and thus there is no change in provisions for the annual CRR allocation processes.

Finally, in order to provide a fair and equitable treatment, the CAISO will use the above described approach as a standard for all eligible LSEs of this category.

## **8. Next Steps**

The CAISO requests stakeholder input on all the CRR-related issues raised within this paper. Written comments should be sent to [CRRComments@caiso.com](mailto:CRRComments@caiso.com) by close of business on April 28. The CAISO will post a suggested template for stakeholder comments after the April 14th stakeholder conference call.

The CAISO anticipates posting on April 30<sup>th</sup> a draft Final Proposal for the CRR policy issues raised within this paper, and then conducting an additional stakeholder conference call on May 7.