

## **TransAlta Comments on CAISO's CRR Allocation Rules - Resolution of Open Issues, April 3, 2007**

Of the issues discussed in the April 3, 2007 CRR Stakeholder Meeting, TransAlta is, and has been most concerned about capacity set aside for CRR auctions in Year 1 and subsequent years.

Specifically, TransAlta is concerned that access to set-aside capacity for market participants that are not Load Serving Entities (LSEs) could erode over time because the set-aside is proposed to occur after the Tier 1 and Tier 2 allocations, which have no verification requirement beyond Year One.

TransAlta is also concerned about the CAISO's CRR Dry Run observation that setting aside just intertie capacity can be ineffective because CRR nominations or bids often fail to clear due to *internal* constraints.

For these reasons, TransAlta supports the proposal to reserve grid capacity (not just intertie capacity) as described in the April 3, 2007 Stakeholder meeting, but only if the adopted solution includes two important provisions.

1. The set-aside of grid capacity must be a significant percentage, such as 75%. This should be acceptable to all market participants for many reasons. For example, CRR auctions are open to all market participants with the ability to post collateral; auctions do not bind LSEs to verification requirements; and more bids may clear because auctions take into account counterflow bids that are submitted.
2. The set aside must be a fixed percentage going forward, and it must occur after Tier 1, provided that Tier 1 continues to be source-verified after Year One. Again, this should strike a balance with all market participants: LSEs get exclusive and first opportunity at obtaining CRRs, and non-LSEs that participate in auctions will be assured that meaningful capacity will remain to be bid on.

TransAlta suggests that the CAISO must not underestimate the importance of providing sustained access to CRRs for *all market participants*. History has demonstrated that providing equal access to FTRs facilitates a liquid wholesale electricity marketplace and helps ensure sufficient imports to meet California's needs.