

COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON THE CAISO'S JULY 2, 2007 DRAFT CRR TARIFF LANGUAGE

The Alliance for Retail Energy Markets (AReM) has reviewed the draft CRR tariff language released by the CAISO on July 2, 2007 and provides the following comments for your consideration. One unresolved issue is that most of the details relating to these CRR issues will be contained in the BPM and have not been fully resolved. AReM is unable to be completely comfortable with the tariff language until the BPM details are available and vetted. AReM's specific comments on the proposed tariff language follow.

Section 36.8.2.2 Monthly CRR Eligible Quantity -- This is the section that addresses the ability of the CAISO to make adjustments to each LSE's CRR forecast based on its RA data. AReM has previously discussed the concerns it has about using data developed on different timelines and for different purposes to adjust other data. The mechanics of how this will work will apparently be provided in the BPM. In the tariff language, the CAISO has added this phrase to the last sentence in this section, which states how the calculation is made for the monthly eligible quantity:

"... , and any adjustments necessary to reflect inconsistencies determined pursuant to Section 36.8.6."

In checking the cited section (36.8.6), it says that the CAISO will work with the "appropriate" state and local regulatory authorities to ensure that CRR forecasts are "consistent" with RA forecasts. This seems somewhat ambiguous and open-ended. AReM proposes some revisions to address this concern

36.8.5.1 Adjustments Reflected in the Annual CRR Allocation Process Due To Load Migration – The changes are meant to give LSEs gaining load access to the Priority Nomination Process (PNP), which AReM supports, but the reference to "gross amount" is confusing. AReM proposes revisions to clarify.

36.8.5.2.1 Mid-Year Adjustments in Seasonal CRRs. -- This language is confusing and has some typos and possibly missing words. AReM proposes revisions.

36.8.5.2.1.1 Tracking of Load Migration by CAISO. -- This language is confusing. AReM proposes revisions. Also, this reads as if the new CRRs are effective on the first of the month in which the load migrates. This is acceptable to AReM, but AReM thought the CAISO's proposal was to have the new CRRs take effect the month following when the load migration occurred.

36.8.5.2.2 Load Migration and Allocated Long Term CRRs -- This language is confusing. AReM proposes revisions.

AReM'S SUGGESTED REVISIONS TO DRAFT TARIFF LANGUAGE

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted monthly load forecast to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each LAP in which the LSE serves Load. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights, ~~and~~ In addition, the CAISO may adjust any adjustments the LSE's Monthly CRR Eligible Quantity, if determined necessary ~~to reflect inconsistencies determined~~ pursuant to Section 36.8.6.

36.8.5.1 Adjustments Reflected in the Annual CRR Allocation Process Due To 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 ~~gross~~ 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 ~~gross~~ amount of

Load gained through Load Migration. The reduction in PNP Eligible Quantities will be applied as a constant percentage to all CRRs allocated to that LSE in the prior annual CRR Allocation.

36.8.5.2.1 Mid-Year Adjustments in Seasonal CRRs.

Based on information provided to the CAISO as described in Section 36.8.2.1.1, when an LSE loses Load through Load Migration to another LSE at any time between annual CRR Allocations, the Load-gaining LSE will be allocated Seasonal CRRs within the same CRR Sources and CRR Sinks and MWs as the CRRs allocated to the Load-losing LSE.

In addition, the CAISO will allocate Seasonal CRRs of the same CRR Source and CRR Sink and in the same MW amount to the LoadSE-losing LSE ~~Seasonal CRRs in the opposite direction of the same CRR Source and CRR Sink combination and same MW CRRs allocated to the load-gaining LSE~~ but in the opposite direction of those allocated to the Load-gaining LSE. A Load-losing LSE will still hold the original CRRs but must take on new allocated counterflow CRRs to reflect the Load lost due to Load Migration. A Load-gaining LSE may nominate its new CRRs in the Priority Nomination Process of the next annual CRR Allocation process. A Load-losing LSE may not nominate either: (i) the CRRs lost due to Load Migration or (ii) the counterflow CRRs allocated due to Load Migration in the Priority Nomination Process. If a single LSE either has lost Load or gained Load (or both) from multiple LSEs, each Load loss or Load gain of the LSE will be tracked separately by the CAISO. For each LSE, the CAISO will calculate the LSE's net Load Migration in MW during the previous 30 days ~~for purposes of to~~ determining the appropriate amount of MW to be allocated as new CRRs to the Load-

gaining LSE, in accordance with the Business Practice Manual due to Load Migration as described above.

36.8.5.2.1.1 Tracking of Load Migration by CAISO.

The CAISO will implement the allocation of new CRRs due to Load Migration on a monthly basis. In order to determine and track the appropriate amount of new CRRs to be allocated due to Load Migration, each UDC, MSS Operator, and other entity that provides distribution service to customers will provide the following minimum information on the migration of customers between LSEs to the CAISO. The UDC, MSS Operator, or other entity providing distribution service will include: (i) customer identification information, (ii) information to establish the appropriate retail customer classes, (iii) the original and new LSEs, (iv) the effective date of the Load Migration, and (v) the most recent twelve (12) months of billing data. 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 daily basis, but will perform the calculations for any new CRRs to be allocated due to Load Migration on a monthly basis.

New CRRs allocated due to Load Migration will be made effective on the first day of ~~in~~ the first month in which the Load Migration is effective, on the first of the month.

36.8.5.2.2 Load Migration and Allocated Long-Term CRRs.

Based on information provided to the CAISO as described in Section 36.8.2.5.1.1, when an LSE loses Load through Load Migration to another LSE at any time between annual CRR Allocations, the Load-gaining LSE will be allocated Long-Term CRRs in the same CRR Sources and CRR Sinks and MWs as the Long-Term CRRs allocated to the Load-

losing LSE. In addition, the CAISO will allocate Long-Term CRRs of the same CRR Source and CRR Sink combination and in the same MW amount to the Load-losing LSE CRRs ~~in the opposite direction of the same CRR Source and CRR Sink combination and same MW Long Term CRRs allocated to the load-gaining LSE~~ but in the opposite direction of those allocated to the Load-gaining LSE. A Load-losing LSE will still hold the original Long-Term CRRs but must take on new allocated counterflow Long-Term CRRs to reflect the Load lost due to Load Migration. If a single LSE either has lost Load or gained Load (or both) from multiple LSEs, each Load loss or Load gain of the LSE will be tracked separately by the CAISO. For each LSE, the CAISO will calculate the LSE's net Load Migration in MW during the previous 30 days ~~for purposes of to~~ determining the appropriate amount of MW to be allocated as new Long-Term CRRs to the Load-gaining LSE, in accordance with the Business Practice Manual ~~due to Load Migration as described above.~~

Submitted by AReM

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