

Stakeholder Comments Template

Subject: May 18, 2007 Congestion Revenue Rights (CRR) Issues Paper

Submitted by	Company	Date Submitted
Bob Tang (626) 812-5214 btang@ci.azusa.ca.us	City of Azusa	June 4, 2007

This template has been created for submission of stakeholder comments on the following CRR topics covered in the May 18, 2007 CRR Issues Paper. Upon completion of this template please submit (in MS Word) to CRRComments@caiso.com. Submissions are requested by close of business on Monday June 4, 2007.

- 1) **Transfer of CRRs between LSEs to reflect load migration.**
- 2) **Ensuring consistent LSE load forecasts used for CRR eligibility and RA requirements.**
- 3) **Monthly transmission outage modeling in CRR network model.**
- 4) **Provision to facilitate early release of Converted Rights (CVR).**

Please submit your comments to the following questions for each topic in the spaces indicated.

1) **Transfer of CRRs between LSEs to reflect load migration.**

a. **Requirement to transfer a pro-rata share of CRRs' value**

(Stakeholder Submit Comments Here)

b. **Objectives and principles of transfers**

(Stakeholder Submit Comments Here)

c. **Transfers of CRRs as MW values vs. financial equivalent**

(Stakeholder Submit Comments Here)

d. **Load metric**

(Stakeholder Submit Comments Here)

e. Sources of data

(Stakeholder Submit Comments Here)

f. Frequency of tracking transfers

(Stakeholder Submit Comments Here)

g. Eligibility of transferred CRRs for renewal in Priority Tier

(Stakeholder Submit Comments Here)

h. How to count new customers

(Stakeholder Submit Comments Here)

i. Other comments not covered by topics itemized above

2) Ensuring consistent LSE load forecasts used for CRR Eligibility and RA requirements.

a. Use of year-ahead and month-ahead RA forecast for CPUC jurisdictional LSEs.

(Stakeholder Submit Comments Here)

b. How to adjust load duration curve data to be consistent with CEC peak data.

(Stakeholder Submit Comments Here)

c. How to address the different forecast methods between CPUC and non-CPUC jurisdictional LSEs?

(Stakeholder Submit Comments Here)

d. Other comments not covered by topics itemized above

3) Modeling of transmission outages

a. How to specify which facilities and/or outages are categorized as “significant” outages.

(Stakeholder Submit Comments Here)

b. How to incorporate “significant” outages in the CRR network model.

(Stakeholder Submit Comments Here)

c. How to reduce grid capacity to account for outages that are not known at least 30 days in advance.

(Stakeholder Submit Comments Here)

d. How to account for the lack of information on “significant” outages for the Feb 2008 monthly allocation auction.

(Stakeholder Submit Comments Here)

e. Please comment on the objective to fully fund CRRs without reliance on CRR auction revenues.

(Stakeholder Submit Comments Here)

f. Other comments not covered by topics itemized above

4) Please comment on the Converted Rights proposal.

Azusa appreciates the opportunity to provide these comments regarding the conceptual proposal for early releases of Converted Rights (CVRs). It is our understanding that the current CAISO CRR allocation program is predicated upon several principles, among them (1) a more precise match of congestion hedging needs of LSEs for their resource portfolio; (2) provide a transition mechanism to CVR holders under the “perfect hedge” through the TAC transition period ending December 31, 2010; and (3) a reasonable opportunity for the CVR Rights holders to obtain LT-CRRs beyond the TAC transition period with the same sources and sinks of their “expiring” CVRs.

Over time, it is highly desirable and more efficient to reallocate the CVRs that CVR holders no longer find useful to other LSEs who might value them and let the CVR holders to nominate CRRs that better fit CVR holder’s hedging needs.

However, due to the unequal value of the CVRs and CRRs in terms of congestion hedging qualities and their implications to LT-CRR allocation, it is highly unlikely that CVR holders will

find it attractive to release CVRs before the end of TAC transition period in exchange for **the expectation** that they will obtain CRR allocation in return. Giving up the value of CVRs is a sure thing, but receiving commensurate value in CRRs is only speculative at best.

The conceptual proposal attempts to partially balance the value exchange between the early released CVRs and the potential CRRs allocated to CVR holders by giving the CVR holders **the opportunity but not the guarantee** to “reacquire” their early released CVRs in the Priority Nomination Tier (PNT) in subsequent years prior to the end of TAC transition period.

In our view the proposal strikes the proper balance due to its limited applicability and duration; and the potential efficiencies it can bring to the CRR allocation process in the early years.

Thus, we believe the proposal deserves consideration and full adoption without delay.