

# Stakeholder Comments on CRR Issues

Submitted by (name and phone number):	Company or entity:	Date Submitted:
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The CAISO is requesting initial written comments on the various CRR-related issues discussed at the April 1, 2008 stakeholder meeting. This template is offered as an easy guide for entities to submit comments; however, any participant should feel free to submit comments in any format. Submitted comments will be posted on the CAISO website unless participants expressly ask that their comments not be posted.

The Issues Papers and presentations discussed at the April 1 CRR Stakeholder meeting are posted at: <http://www.caiso.com/1b8c/1b8cdf25138a0.html>

**Stakeholder comments should be submitted by close of business on Tuesday, April 8, 2008 to: [CRRComments@caiso.com](mailto:CRRComments@caiso.com)**

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The CAISO offers the following questions as a structure for stakeholder comments:

## A. CRR Year 2 Release Process

1. Does your company or entity have comments or suggestions on the historical reference period for verifying Season 1 source nominations in the next annual CRR release process?

Answer: For verifying Season 1 source nominations in the next annual CRR release process and in order to be consistent with the MRTU Tariff and CAISO's use of a five year average historical load for the SWP, CAISO should use the historical reference period of Q1 2006 except that for non-conforming loads, such as SWP's, CAISO should use Q1 2002-2006.

2. Does your company or entity have comments or suggestions on whether CRR Seasons 2 and 3 should be treated as “Year 1” or “Year 2” seasons?

Answer: SWP favors the treatment of CRR Seasons 2 and 3 as “Year 1” seasons. The same treatment should apply for CRR Season 4 in the event the MRTU start-up is delayed past December 2008.

3. Does your company or entity have any comments about the treatment of LT-CRRs?

Answer: The treatment of LT-CRRs correlates to the treatment of CRR Seasons 2, 3 and 4 (see response to Question #2). If the result is to use CRR Seasons 2, 3, and possibly 4 as “Year 1” seasons then the 2009 LT-CRRs will have a term of 10 years (2009-2018). Otherwise, SWP agrees with the CAISO’s proposal to keep the LT-CRRs in effect but shorten the term to 9 years (2009-2017) and increase the LT-CRR eligibility to 30%.

## **B. CRR MW Granularity**

4. Please indicate the MW granularity that your company or entity prefers for 2009 CRRs:
  - a. 0.1 MW granularity
  - b. 0.01 MW granularity
  - c. 0.001 MW granularity

For 2009 CRRs, the SWP favors the 0.001 MW granularity (option c) because this option allows more CRRs to be allocated to the LSEs (especially CRRs from the EZGTH to the LSEs’ loads); however, the SWP cautions that stakeholders first need to better assess the implications of increased granularity. Due to the complexity of administering CRRs with 0.001 MW granularity and to the CAISO’s limited implementation experience of such granularity, the SWP recommends that CAISO present a more detailed explanation of how it will track and settle such CRRs. The SWP will reserve additional comments until after it has thoroughly reviewed CAISO’s proposals along with their implications (i.e. disaggregation).

## **C. 30-Day Rule on Outage Scheduling**

5. Does your company or entity have comments or concerns about changing the 30-Day Rule to allow exemptions within a 24-hour period?

Answer: Not applicable.

6. Does your company or entity have any further comments about exemptions to the 30-Day Rule?

Answer: Not applicable.

#### **D. Monthly CRR Eligibility for LSEs Without Verifiable Load Forecasts**

7. Please indicate and explain any preference how the CAISO should determine monthly CRR eligibility for an LSE in the absence of load forecasts:
  - a) Use load data from the last five relevant months
  - b) Use load data from the immediate previous month
  - c) Use load data from the same month of the previous year
  - d) Other suggestions?

Answer: The SWP believes the best option to determine the monthly CRR eligibility for a LSE without Verifiable Load Forecast is to use the averaged load data from the same month of the previous five years.

Explanation: It is SWP understanding that Pump Storage facilities (such as Helms P/S) are not required to submit RAR to CEC, therefore the P/S facilities would qualify as LSE without Verifiable Loads. Since, generally, P/S loads do not increase over the year, SWP believes that the use of an average of previous five years of the same month data will result in an accurate method of determining the monthly CRR eligibility.

#### **E. CRR Credit Policy Enhancements**

General Comments: In general, SWP welcomes and advocates enhancements to the CRR Credit Policy that will lessen the likelihood of defaults by market participants. SWP also understands that a balance is required between a policy that encourages market participation and the liquidity associated with more participants but at the same time protects the load served in the CAISO markets from unnecessary default risk.

8. What is your entity's view on the proposed options to mitigate the credit risk of CRR transfers associated with load migration as discussed in the CRR Credit Issue Paper?

Answer: With regard to CAISO's proposed options for mitigating the credit risk of CRR transfers associated with load migration, SWP favors the proposal that would require an LSE who sold its allocated CRRs to maintain sufficient credit coverage for potential counter-flow obligations that could be imposed through load migration later. Otherwise, if the CAISO

implements the second option prohibiting an LSE from selling its allocated CRRs, SWP recommends that this prohibition apply only to LSEs with load migration; LSEs without load migration should be allowed to sell and purchase allocated CRRs.

9. What is your entity's view regarding enhancing the credit requirement calculation for holding Short-Term CRRs?

Answer: SWP agrees with the proposed enhancement to base the credit requirement calculation for holding Short-Term CRRs on the larger of the auction price or the historical expected value.

10. Please comment on the CAISO's intent to re-file the full-term credit coverage for LT-CRRs with the proposed modified credit requirement calculation formula.

Answer: With regard to the re-filing of the full-term credit coverage for LT-CRRs, SWP agrees with the proposed enhancement to include the (1 year) historical expected value of the CRR when calculating the credit requirement for holding LT-CRRs.

11. What is your entity's view on whether to enhance the bidding requirement for auction participation? Should the full Credit Margin, or a portion of the Credit Margin be included in the bidding requirements? If a portion of the Credit Margin is preferred, what is your entity's suggestion on the appropriate percentage?

Answer: With regard to enhancing the bidding requirement for auction participation, and since the MRTU Tariff states that LSEs with allocated CRRs must meet their CRR Holder Credit Requirements, the SWP believes that any Market Participant that obtains CRRs through the auction should also meet the CRR Holder Credit Requirements as well. Therefore, SWP agrees with the CAISO's proposal to add a full Credit Margin to the Minimum Available Credit for auction participation. Under this condition, and since there would be a cost associated with collateral that would affect bidding decisions/participation, SWP suggests that it might be useful for the CAISO to inform the Market Participants of their Credit Margin requirements associated with their desired CRRs prior to participating in the auction.

12. Please comment on the proposed Tariff clarification to increase credit requirements for CRRs due to extraordinary circumstances such as extended outage or other circumstances that could dramatically change the risk profile of a CRR.

Answer: SWP agrees that Tariff clarification is needed to increase credit requirement due to extraordinary circumstances; however, SWP would like clarification on the time period that CAISO proposes to allow Market Participants to provide collateral.

13. Does your company or entity have comments on the concept for requiring corporate parent credit backing of affiliated market participants' Estimated Aggregated Liability? Is there merit in this potential change? Should this concept apply to other forms of collateral or just guarantees? Would this concept present regulatory difficulties for affected entities?

Answer: SWP favors changing the current policy to make it mandatory that a corporate parent write a "blanket" Guaranty backing the aggregate liabilities of two or more of its Market Participant affiliates. The allocation/reallocation process should be as formal as needed to ensure that the CAISO can "reach across" where needed to lessen the risk of defaults. SWP also favors applying this concept to what ever form of collateral a parent corporation puts up for its affiliates.

#### **F. Other CRR Issues**

14. Does your company or entity have further comments or suggestions on these various CRR issues?