

California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

CRR Amendment

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36.7.3 CRR Holder Reporting Requirement

CRR Holders must report to the CAISO by way of the Secondary Registration System all bilateral CRR transactions consistent with the terms of this CAISO Tariff and the Business Practice Manuals. Both the transferor and the transferee of the CRRs must register the transfer of the CRR with the CAISO using the Secondary Registration System ~~at least~~ five (5) Business Days prior to the effective date of transfer of revenues associated with a CRR, or with sufficient time necessary for the CAISO to evaluate the creditworthiness of the transferor and transferee, whichever is shorter. The CAISO shall not transfer any Settlement related to any CRR until such time that the CRR transfer has been successfully recorded through the SRS and the transferee has met all the creditworthiness requirements as specified in Section 12 and Section 12.6. Both the transferor and transferee shall submit the following information to the Secondary Registration System: (i) the effective start and end dates of the transfer of the CRR; (ii) the identity of the transferor; (iii) the identity of the transferee; (iv) the quantity of CRRs being transferred; (v) the CRR Sources and CRR Sinks of the CRRs being transferred; and (vi) time of use period of the CRR. The transferee must meet all requirements of CRR Holders, including disclosure to the CAISO of all entities with which the transferee is affiliated that are CRR Holders or Market Participants as defined in Section 36.5.

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36.8.2.1 Seasonal CRR Eligible Quantity

The CAISO constructs Load duration curves by season and time of use periods for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. For load that is subject to variable and difficult-to-predict hydrological conditions, the LSE has the option to submit the load's five-year rolling average historical hourly load data and the CAISO will use the submitted five-year average data for constructing the load duration curves. Once the LSE has exercised this option, the LSE must continue to submit five-year rolling average historical hourly load data for the annual CRR Allocation process in subsequent years. An LSE's Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's historical

Load data. In the event that the LSE has lost or gained net Load through Load Migration during the course of the prior year, the ~~historical Load data~~Seasonal CRR Load Metric will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE's Seasonal CRR Eligible Quantity by first ~~adjusting subtracting from~~ that LSE's Seasonal CRR Load Metric based on load migration and subtracting the quantity of Load served by its TORs, ETCs, and Converted Rights to form the LSE's Adjusted Load Metric, and then multiplying the result by 0.75.

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36.8.3.5.1 Tier 1 – Priority Nomination Process

Tier 1 of the annual CRR Allocation in years beyond CRR Year One will be a Priority Nomination Process through which CRR Holders may nominate some of the same CRRs that they were allocated in the immediately previous annual CRR Allocation process. As provided in Section 36.8.3.4.2, nominations by a Qualified OBAALSE in the PNP are subject to source verification. In all annual CRR Allocations after CRR Year One, an LSE or a Qualified OBAALSE may make PNP nominations up to the lesser of: (1) ~~two-thirds of~~ its Seasonal CRR Eligible Quantity multiplied by two-thirds; minus the quantity of Long Term CRRs ~~allocated in the immediately preceding Seasonal CRR Allocation~~ for each season, time of use period and CRR Sink for that year; and minus the net MW amount of load migration CRRs valid for each season, time of use period and CRR sink for that year; or, (2) the total quantity of Seasonal CRRs allocated to that LSE in the previous annual CRR Allocation; plus the net quantity of load migration CRRs associated with the immediately preceding Seasonal CRR Allocations for the corresponding season, time of use, and CRR sink location; minus the quantity of ~~previously allocated~~ Long Term CRRs allocated in the immediately preceding Seasonal CRR Allocation for each season, time of use period and CRR Sink; and minus the net MW amount of load migration CRRs valid for each season, time of use period and CRR sink for that year ~~and minus any reduction for net loss of Load or plus any increase for net gain of Load through retail Load Migration as described in Section 36.8.5.4.~~ In addition, an LSE's or Qualified OBAALSE's nomination of any particular CRR Source-CRR Sink combination in the PNP may not exceed the MW quantity of CRRs having that CRR Source and CRR Sink that the LSE or Qualified OBAALSE was allocated in the previous annual CRR Allocation, reduced by the MW quantity of those Long-Term CRRs with the same CRR Source and CRR Sink that were awarded in the prior year's Long-Term CRR

allocation, for the same season and time of use period, and in the case of an LSE, adjusted for net Load loss or gain resulting from Load Migration as described in Section 36.8.5.2.2. An LSE or a Qualified OBAALSE may nominate CRRs awarded with a CRR Source at the Trading Hubs in the PNP. CRRs whose CRR Sink is a Sub-LAP are not eligible for nomination in the PNP. A CRR whose CRR Sink is a Custom LAP or PNode is eligible for nomination in the PNP. PNP Eligible Quantities are not affected by secondary transfers of CRRs, except as performed by the CAISO to reflect Load Migration as described in Section 36.8.5. That is, with the exception of transfers to reflect Load Migration: (i) an LSE or a Qualified OBAALSE may nominate in the PNP a CRR it was allocated in the prior annual CRR Allocation even though it transferred that CRR to another party during the year, and (ii) an LSE or a Qualified OBAALSE may not nominate in the PNP a CRR that it received through a secondary transfer from another party. CRRs received through a CRR Auction are not eligible for nomination in the PNP. CRRs received as Offsetting CRRs to reflect Load Migration are not eligible for nomination in the PNP. ~~The maximum quantity of CRRs that an LSE or a Qualified OBAALSE may nominate in the PNP is fifty (50) percent of its Adjusted Load Metric, minus any previously allocated Long Term CRRs that are valid for the term of the CRRs being nominated.~~—The CAISO does not guarantee that all CRR nominations in the PNP will be allocated. The CAISO will conduct an SFT to determine whether all CRR nominations in the PNP are simultaneously feasible. If the SFT determines that all priority nominations are not simultaneously feasible, the CAISO will reduce the allocated CRRs until simultaneous feasibility is achieved.

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36.8.3.5.3 Tier 2 In tier 2 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE and Qualified OBAALSE up to two-thirds of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of: (i) CRRs allocated to that LSE or Qualified OBAALSE in tier 1, ~~and~~ (ii) Long Term CRRs previously allocated to it that are valid for the CRR term currently being allocated, and (iii) the net MW amount of long-term Load Migrations CRRs assigned to the LSE that are valid for the term currently being allocated. In tier 2 of the annual CRR Allocation, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's Default LAP. An LSE or a Qualified OBAALSE can nominate Seasonal CRRs sourced at Trading Hubs. In

running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1.

36.8.3.5.4 Tier 3. In tier 3 of the annual CRR Allocation, the CAISO will allocate Seasonal CRRs to each LSE or Qualified OBAALSE up to one hundred (100) percent of its Seasonal CRR Eligible Quantity for each season, time of use period and CRR Sink, minus the quantity of: (i) CRRs allocated to that LSE or Qualified OBAALSE in tiers 1 and 2, ~~and~~ (ii) Long Term CRRs previously allocated to that eligible entity that are valid for the CRR term currently being allocated, and (iii) the net MW amount of long-term Load Migrations CRRs assigned to the LSE that are valid for the term currently being allocated. In tier 3 of the annual CRR Allocation, Sub-LAPs will be eligible CRR Sinks provided that the Sub-LAP is within the nominating LSE's

Default LAP. An LSE or a Qualified OBAALSE can nominate Seasonal CRRs where the CRR Source is a Trading Hub. In running the SFT the CAISO shall disaggregate the Seasonal CRR nominations sourced at Trading Hubs as described in Section 36.8.4.1.

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36.8.5.4 Load Migration and Compliance with CAISO Credit Requirements

To the extent that the credit requirements of an LSE as specified in Section 12 are updated by the allocation of new CRRs to reflect Load Migration, the LSE will have its respective credit requirements updated and any changes will be processed through the otherwise applicable credit and collateral processes delineated in Section 12 and the appropriate Business Practice Manuals. CAISO will do the following. ~~For new CRRs that result in net charges to the affected LSE over a Settlement period these charges will appear on the LSE's Settlement Statement irrespective whether the LSE has met the updated credit requirement. For new CRRs that result in net payments to the affected LSE over a Settlement period and that LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until those updated credit requirements are met. At the end of each Settlement period, if the LSE has not met the updated credit requirements resulting from Load Migration CRR transfers, the CAISO will add any net payments that accrued to the transferred CRRs to the CRR Balancing Account to be included in the daily clearing of the CRR Balancing Account, and those net payments will no longer be recoverable by the LSE. The CAISO~~

~~may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.~~—In the event that the Load gaining LSE is not a CRR Holder or Candidate CRR Holder at the time the Load Migration process takes place, then the Load Migration CRRs will not be transferred to that load gaining LSE and will not be financially settled. Instead, the unclaimed Load Migration CRRs will be absorbed within the CRR Balancing Account for the duration of the term of the Load Migration CRRs. In addition, the LSEs affected by the Load Migration will not be eligible to nominate the transferred CRRs in subsequent Priority Nomination Tiers.

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36.11.3.2.3 Step Three: the Incremental Merchant Transmission CRRs

In the third step, the CAISO will determine the Merchant Transmission CRRs to be allocated to the Project Sponsor of the Merchant Transmission Facility. The CAISO will determine the capability of the system to award incremental Merchant Transmission CRRs using a DC FNM that incorporates the proposed Merchant Transmission Facility. The CAISO will conduct separate SFTs for each time of use period and season, as needed. For each time of use period and season, as needed, the CAISO will perform a ~~multi-period SFT that simultaneously evaluates two sets of grid conditions~~. The SFT first set of grid conditions includes all existing Encumbrances for the month covered by the most recently conducted CRR Allocation and CRR Auction processes for Monthly CRRs including any temporary test CRRs from step one and any counterflow CRRs from step two. ~~The second set of grid conditions models only Transmission Ownership Rights.~~—Each SFT will consider the entire set of Merchant Transmission CRR nominations for the time of use period and will solve to award maximize the MWs of Merchant Transmission CRRs to ~~be allocated to~~ the Project Sponsor of the Merchant Transmission Facility, subject to simultaneous feasibility. The nominated Merchant Transmission CRRs that are feasible in the ~~multi-period SFTs~~ for each time of use period will be allocated to the Project Sponsor of the Merchant Transmission Facility.