

SWP's Comments to the CAISO's Straw Proposal on CRR Issues

SWP appreciates the CAISO's decision to allow the Market Participants to post question and comments regarding the CAISO's Straw Proposal: The CRR Year 2 Release Process

A. CRR Source Verification for Quarter 1

SWP agrees with the CAISO's proposal to use Quarter 1 of 2007 as historical reference period for CRR source verification for Season 1 of 2009.

B. Re-do Source Verification versus renewal for Q2 and Q3 in 2009.

SWP strongly disagrees with the CAISO's proposal of treating Seasons 2 and 3 of 2009 as "Year 2" seasons for the following reasons:

1. The Q2 and Q3 Yearly allocated CRR for 2009 (through PNP) and LT-CRR allocated CRR for the 2009-2018 will be based on 2006 historical load data which will likely not be representative of the energy flows and energy transactions that will happen in 2009. If Q2 and Q3 Yearly CRR Allocation are based on 2007 historical load data (as CAISO is proposing for the Q1 of 2009), there is a greater chance that CAISO's 2007 grid usage is closer to how the CAISO's grid will be used in 2009. If the Q2 and Q3 2007 are used for the source validation, this will align with the CAISO's proposed source validation for Q1 2009 (i.e Q1 of 2007) and there will be consistency across CAISO's MRTU Tariff language.

2. The above rule combined with the 0.001 granularity rule applied prior to the PNP process (Q2 and Q3 treated as "Year 1") will ensure that a smaller CRR entitlement LSE will be obtained; additionally it will likely be at a percentage much closer to a higher CRR entitlement LSE. Using as a reference the CAISO's example of an LSE with 15 MW CRR entitlement that obtained only 7 MW of CRR: the Yearly CRR allocation with 0.1 MW granularity results in LSE PNP rights that are only 3.5 MW (50% of the Yearly Allocated CRR = 7 MW). If the Q2 and Q3 are treated as Year 1 and the CAISO applies in Year 1 the 0.001 granularity, the small CRR entitlement LSE will result in 15 MW of CRR following the Yearly CRR Allocation. In other words, the PNP entitlement will increase in Year 2 to 7 MW.

3. CAISO stated that it does not oppose conducting the source verification process for Q2 and Q3, provided that there are sufficient benefits to be realized. SWP believes that doubling the amount of CRR entitlement that an LSE may request in Year 2 is a more than sufficient benefit to be realized for reasons presented above.

4. CAISO cited its lengthy administrative effort to obtain new source verification information from eligible LSE for these seasons. The administrative efforts consists of

verifying LSE's Source Verification Agreement and perform random checks of source verification on various LSE when there is a generator's Pmax violation. As LSEs were informed there were no Pmax violations in the Year 1 CRR Allocation. Moreover, the LSEs have to submit their Source Verification Agreement for Q1 of 2009 (i.e. Q1 of 2007 historical source data); LSE may be added without effort to the Q2 and Q3 data.

5. The Treatment of the CRR issue described at Point D in the proposal will be avoided if Q2 and Q3 are treated as Year 1.

C. Priority Nomination Process (PNP) available for Q4 in 2009

SWP agrees with the CAISO's proposal.

D. Treatment of Long-Term CRR

SWP strongly opposes the CAISO's proposal. If the CAISO treats the Q2 and Q3 as "Year 1" as described above there will be no issues with the treatment of the LT-CRRs.

5. Increased MW Granularity of CRR Tracking

SWP strongly agrees with moving to 0.001 granularity for the reasons mentioned under B2. As mentioned in prior SWP comments to the CRR Issues Stakeholder process, the SWP's agreement to the 0.001 granularity is subject to discussion and accord between SWP and the SWP's MRTU Implementation contractor.

6. Straw Proposal: the "30-day Rule" for Scheduling Transmission Outages

SWP agrees with the CAISO's proposal.

If you have any questions please contact Daniel Cretu at (916) 838-3969.