



California Independent
System Operator Corporation

Briefing on Upcoming Congestion Revenue Rights (CRR) Tariff Filings

**CAISO Board of Governors Meeting
March 7, 2007**

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Overview

- Additional FERC filings for first annual Congestion Revenue Rights (CRR) Allocation, CRR Auction and Secondary Registration System (SRS) are necessary
 - Transmission Rights and Transmission Curtailment (TRTC) Instructions further detail and early effectiveness
 - Candidate CRR Holder Registration Process & *Pro Forma* CRR Entity Agreement
 - Early Effective Date of Certain CRR Provisions
- Tariff changes are consistent with previously Board-approved policy, conditionally approved by FERC (further Board approval is not necessary)
- Update on CRR activities critical to implementation and important to interested stakeholders

Background

- CRRs are financial instruments which allow CRR holders to manage congestion costs under Locational Marginal Pricing (LMP)
- TRTC Instructions are used to honor Existing Transmission Contracts (ETCs), Transmission Ownership Rights (TORs) and Converted Rights (CVRs) (*i.e.*, existing transmission rights by ownership or contract)
- CAISO will honor existing transmission rights by affording schedules submitted under such rights the “perfect hedge” and a scheduling priority
- Because of the perfect hedge the CAISO will model forecasted usage under existing transmission rights in its allocation and auction of CRRs to minimize risk of revenue inadequacy
- Only registered & qualified entities (Candidate CRR Holders & CRR Holders) may participate in CRR Allocation, CRR Auction or SRS

Tariff Changes for TRTC Instructions

- Early Effectiveness of Tariff Provisions on TRTC Instructions
 - CAISO must collect and implement the TRTC Instructions this spring in preparation for the CRR Allocation & Auction
- Changes to Tariff Provisions
 - Additional data point on forecasted usage of existing transmission rights; this data point will have NO impact on a party's ability to exercise rights under MRTU
 - Additional detail on the nature of sinks (load) and sources (generation) that can be specified under the TRTC Instructions
 - Identification of which Scheduling Coordinator will receive the "perfect hedge"

Tariff Changes for Registration and Qualification of Candidate CRR Holders

- Early Effectiveness of Tariff Provisions
 - CAISO must register and qualify Candidate CRR Holders in time to commence the first annual CRR Allocation, CRR Auction and SRS later this summer
 - CAISO also needs early effectiveness of a number of already approved Tariff provisions in May to conduct verification activity prior to the actual CRR Allocation and Auction Process
 - CRR Entity Agreement execution is one of the requirements to qualify as a Candidate CRR Holder; binds parties to the applicable provisions of the CAISO Tariff
- Changes to Tariff Provisions
 - Additional details on Candidate CRR Holder registration and qualification process and post qualification requirements
 - *Pro forma* CRR Entity Agreement

Stakeholder Process

- **Feb 15**
 - Posted Tariff provisions for TRTC Instructions changes, CRR Registration Process, CRR Entity Agreement pro forma, and provisions seeking early effectiveness
 - Posted “*TRTC Instructions Implementation Guidelines*”
- **Feb 20**
 - Tariff implementation detail changes discussed at Market Implementation Workshop
- **Feb 27**
 - Stakeholder meeting to discuss tariff changes at CRR Issues
- **Up to March 6**
 - Deadline for receipt of stakeholder comments
- **March 7**
 - Board of Governor Informational Briefing
- **March 9**
 - File with FERC