California ISO
Your Link to Power

California Independent
System Operator Corporation

Long-Term Congestion Revenue Rights

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Board Decision Required

- **Approve Management's proposal to incorporate Long Term Congestion Revenue Rights ("LT-CRR") into MRTU, to be implemented with MRTU start-up.**
- **File this proposal, with Tariff provisions, with FERC on January 29, 2007, in compliance with FERC's July 2006 Final Rule on Long Term Firm Transmission Rights.**

FERC Order 681 (Issued 7/20/06)

- Pursuant to provisions of 2005 Energy Policy Act
- Applicable to “transmission organizations” with organized electricity markets.
- Requires LT-FTRs be made available with terms sufficient to meet the reasonable needs of load serving entities (“LSEs”) to support long-term power supply arrangements.
- Specifies 7 required design guidelines, but allows flexibility under each guideline.
- Requires LT rights under MRTU but not under current ISO markets.

What The Proposal Accomplishes

- **Meets all 7 FERC guidelines**
- **Can be implemented for MRTU start-up within current approved budget and timetable**
- **Provides level playing field for 1-year and LT-CRR, so LSEs can obtain their preferred mix**
- **Integrates smoothly with FERC-approved proposal for 1-year CRRs**
  - Leverages systems and production processes already planned, with minimal additions
  - Avoids adding complex new rules and procedures

Key Characteristics of LT-CRRs

- **10-year term differentiated by season and time-of-use (on-peak or off-peak).**
- **Awarded LT-CRRs are guaranteed "MW firm" over 10-year term**
  - Initial test verifies feasibility at time of release
  - Grid planning provisions maintain feasibility in later years as grid conditions change.
- **Awarded LT-CRRs, as well as 1-year and monthly CRRs are all "fully funded"**
  - Any end-of-month shortfall (or surplus) will be charged (or paid) to metered demand to ensure all CRRs receive their full value.
- **The current year of a LT-CRR may be unbundled and sold, but later years must be held by LSE to which it was allocated**
  - Ensures LT-CRR can be transferred when load switches LSE.

Process for Releasing LT-CRRs

- **Embedded within annual CRR allocation process to allow fair competition for allocation of 1-year CRRs versus LT-CRRs.**
- **Allows LSEs to add new supply sources to their LT-CRR holdings in a manner that prevents adverse impacts on all LSEs' existing holdings.**
- **Allows each LSE to obtain LT-CRRs to cover its base load (roughly 50% of peak hourly load) for each season and time-of-use period.**
- **Permits expiring LT-CRRs to be renewed at the end of their term, subject to feasibility over the next ten years.**

Recent Revisions to Address Stakeholder Concerns

- **Full funding cost allocation.**
- **Historical reference period for source verification – adopt a more recent, more relevant historical period.**
- **Expiring ETCs – can qualify, upon expiration, for the priority renewal process, subject to standard LSE eligibility limits.**
- **LSEs serving external loads – may be allocated LT-CRRs per agreement to pre-pay access charges in annual payments.**
- **Load migration – CAISO will develop procedure for tracking load migration and proper transfer of CRR holdings between LSEs.**

Completion of LT-CRR Process

- **Draft Final CAISO proposal released Jan. 5th**
- **Stakeholder all-day meeting Jan. 9th**
- **Written stakeholder comments received Jan. 5-18**
- **Calls with individual stakeholders Jan. 10-18**
- **Final version released Jan. 17th**
- **Draft Tariff Language published January 8th**
  - Conference call discussion January 16th
  - Written comments due January 18th
- **Filing due to FERC Jan. 29th**