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Long Term FTRs

Market Surveillance Committee Meeting

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Long-Term Transmission Rights

- EPO Act 2005 directed FERC to enable LSEs “to secure firm transmission rights (or equivalent tradable or financial rights) on a long-term basis for long term power supply arrangements ...”
- FERC Notice of Proposed Rulemaking issued February 2, 2006.
- Comments due March 13, 2006.



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FERC Guidelines for the Design of Long-term FTRs

- 1) The long-term FTR should be a point-to-point right that specifies a source, sink and MW quantity.
- 2) The long-term FTR must provide a hedge against LMP congestion charges (or other direct assignment of congestion costs) for the period covered and quantity specified. Once allocated, the financial coverage provided by the right should not be modified during its term except in the case of extraordinary circumstances or through voluntary agreement.



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FERC Guidelines for the Design of Long-term FTRs

- 3) Long-term FTRs made feasible by transmission upgrades or expansions must be available upon request to any party that pays for such upgrades or expansions in accordance with the transmission organization's prevailing cost allocation methods for upgrades or expansions. The term of the rights should be equal to the life of the facility or a lesser term requested by the party paying for the upgrade or expansion.



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- 4) Long-term FTRs must be made available with term lengths (and/or rights to renewal) that are sufficient to meet the needs of LSEs to hedge long-term power supply arrangements made or planned to satisfy a service obligation. The length of term or renewals may be different from the original term.



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- 5) LSEs with long-term power supply arrangements to meet a service obligation must have priority to existing transmission capacity that supports long-term firm transmission rights requested to hedge such arrangements.



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- 6) A long-term transmission right held by a LSE to support a service obligation should be re-assignable to another entity that acquires that service obligation.
- 7) The initial allocation of the long-term FTR shall not require recipients to participate in an auction.



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FERC Guidelines for the Design of Long-term FTRs

- 8) Allocation of long-term FTRs should balance any adverse economic impact between participants receiving and not receiving the right.



MSC Discussion

- Given that:
 - FERC's NOPR proposes that many possible approaches to designing and implementing long-term transmission rights should be allowed.
 - The MRTU tariff creates the structure for an allocation and auction process for Congestion Revenue Rights upon implementation of LMP, including the initial terms for these CRR instruments and a procedure for granting priority nominations from long-term sources.
 - The CAISO will conduct a future stakeholder process on long-term transmission rights.

What guidance can the MSC offer for the development of long-term transmission rights?