



California ISO
Your Link to Power

MRTU Technical Bulletin

2007-08-010

Existing Transmission Contracts, Converted Rights, and Eligibility for Allocation of Congestion Revenue Rights

Originally issued August 27, 2007

Revised July 10, 2008

**MRTU Technical Bulletin
2007-08-010**

**Existing Transmission Contracts, Converted Rights, and Eligibility for
Allocation of Congestion Revenue Rights**

Table of Contents

1. Introduction.....	3
2. Increasing CRR Eligibility by Waiving ETC or CVR Rights	4
3. Procedure for Executing a Waiver of ETC or CVR Entitlement.....	6
4. Appendix: Sample Waiver Agreement	7

Existing Transmission Contracts, Converted Rights, and Eligibility for Allocation of Congestion Revenue Rights

Purpose of this Revision (July 10, 2008)

This revision to the original August 27, 2007 Technical Bulletin is intended to (1) revise some key dates to be consistent with the annual CRR release process for CRR Year Two to be conducted in 2008, and (2) update some terminology that has changed since the first version was issued. Other than these changes there have been no substantive changes to the subject matter discussed in this document.

1. Introduction

The quantity of Congestion Revenue Rights (CRR) that a Load Serving Entity (LSE) or Out of Balancing Authority Area Load Serving Entity (OBAALSE) may be allocated by the CAISO depends on the quantity of Load the entity serves that is exposed to Congestion Charges for the use of the CAISO Controlled Grid. If the entity holds Existing Transmission Contracts (ETC) or Converted Rights (CVR) that provide for the use of the CAISO Controlled Grid to deliver Energy to its Load, the Energy deliveries scheduled under those rights receive the “perfect hedge” treatment in the CAISO Settlement process whereby the associated Congestion Charges are reversed. The Load served under ETC and CVR is therefore not exposed to Congestion Charges and is appropriately deducted from the entity’s Load Metric to form the Adjusted Load Metric (ALM) upon which CRR eligibility is based.¹ In calculating the ALM the CAISO subtracts the full contractual MW amount of the ETC or CVR to accurately reflect the entity’s entitlement and potential use of the CAISO Controlled Grid under the ETC or CVR.

Some entities who hold ETC or CVR and utilize the CAISO Controlled Grid to serve their Load have indicated that they do not expect to fully utilize their contractual

¹ See MRTU Tariff Sections 36.8.2.1 and 36.8.2.2 with respect to LSEs and Section 36.9.3 with respect to OBAALSEs.

ETC or CVR MW amounts and have expressed an interest in waiving a portion of their ETC or CVR MW amounts in order to increase their CRR Allocation eligibility. This Technical Bulletin describes the features of such a waiver, explains how it may be executed, and includes a sample waiver that may be utilized by a rights holder that wants to exercise the provisions described herein.

2. Increasing CRR Eligibility by Waiving ETC or CVR Rights

An LSE or OBAALSE that holds ETC or CVR rights may execute a waiver of its ETC or CVR rights or a portion thereof and receive a commensurate increase in its CRR Allocation eligibility in accordance with the following provisions:

1. To qualify for an increase in CRR eligibility, the ETC or CVR rights being waived must provide for delivery to the location of the LSE's Load or, in the case of an OBAALSE, to the Scheduling Point on the CAISO Controlled Grid at which the OBAALSE exports Energy to serve its Load. The CRR Allocation process only allocates CRRs whose CRR Sink is the LSE's Load location or the OBAALSE's Scheduling Point of export from the CAISO Controlled Grid. Therefore the only ETC or CVR MW amounts that are relevant for purposes of calculating an entity's ALM are the MW amounts of rights that provide for Energy delivery to the LSE's Load location or the OBAALSE's Scheduling Point of export from the CAISO Controlled Grid.
2. The waiver provides a MW-for-MW increase in the entity's CRR Allocation eligibility. The entity's ALM is calculated by subtracting the MW amount of its maximum ETC or CVR entitlement from its Load Metric; therefore a one MW decrease in ETC or CVR entitlement translates directly to a one MW increase in the ALM.
3. The waiver must be executed prior to the calculation of the Seasonal CRR Eligible Quantity for Tier 1 of the CAISO's annual CRR Allocation process. This

timing is necessary because the CAISO must calculate ALMs for all participating LSEs and OBAALSEs prior to opening the Tier 1 nomination period.²

4. The waiver is permanent, except as noted later in this paragraph and in the sample waiver here attached. Once a rights holder waives a MW quantity of an ETC or CVR and receives a commensurate increase in its ALM for CRR Allocation eligibility, the rights holder cannot reclaim the ETC or CVR benefits associated with the waived MW in a subsequent CRR Allocation process. This provision is necessary (1) to ensure that the rights holder cannot receive both CRR coverage and the benefits of ETC or CVR coverage (the perfect hedge Settlement treatment and the scheduling priority) for the same MW of Load that it serves, and (2) to protect the value of the CRRs allocated to other entities, specifically the renewability of those rights in the Priority Nomination Process (PNP) and the revenue adequacy of those rights, either or both of which could be diminished if waived ETC or CVR MW amounts could be subsequently reclaimed by the rights holder. The exception mentioned above would apply in the event of a major change to the CAISO's market design that substantially changes the Congestion Management rules and procedures, including elimination of the use of Locational Marginal Pricing and CRRs from the CAISO Tariff. In that event, provided the ETC or CVR has not yet expired, the Existing Rights or Converted Rights holder may revoke its waiver and reclaim the full ETC or CVR entitlement that is applicable under the contract at the time the CAISO's market change takes effect.
5. The waiver will be reflected in the Transmission Rights and Transmission Curtailment (TRTC) Instructions as submitted by the Participating Transmission Owner for the associated ETC or CVR, so that the remaining ETC or CVR MW are treated appropriately with respect to scheduling and Settlement in the CAISO's market processes. The waiver will apply to both the perfect hedge Settlement treatment and the scheduling priority of the waived MW of the ETC or CVR. In addition, the forecasted usages will be updated accordingly.

² NOTE. Entities who want to execute a waiver of ETC or CVR rights for CRR Year Two and Beyond must execute and return the waiver to the CAISO no later than close-of-business on August 15, 2008.

6. The waiver must be executed in a legally binding manner, as described in the next section.

3. Procedure for Executing a Waiver of ETC or CVR Entitlement

Holders of ETC or CVR rights that desire to waive such rights in accordance with the provisions above must execute and submit to the CAISO a Waiver in the form of the attached sample Waiver. Prior to submitting such a Waiver, the holder of such rights must obtain a letter of agreement from its applicable Participating Transmission Owner (PTO) to reflect the reduced MW eligible quantities under the ETC or CVR in the TRTC Instructions, or the applicable PTO must submit revised TRTC Instructions to the CAISO reflecting the reduced amounts. TRTC Instructions reflecting reduced amounts pursuant to such waivers must clearly refer to the applicable waiver and attach a copy (electronic or hard copy) of the waiver submitted and accepted by the CAISO. For CRR Year Two and Beyond, for the waiver to take effect in time for the first annual CRR Allocation, all such Waivers must be completed and submitted to the CAISO no later than August 15, 2008.

4. Appendix: Sample Waiver

**WAIVER OF RIGHT TO USE TRANSMISSION RIGHTS UNDER EXISTING
TRANSMISSION CONTRACTS AND CONVERTED RIGHTS FOR PURPOSES
OF INCREASING CRR ALLOCATION ELIGIBILITY**
(“Waiver”)

I, *[INSERT NAME AND TITLE OF REPRESENTATIVE OF ENTITY]* hereby certify and attest to the waiver provided in this document by *[ENTITY NAME]* duly organized in the State of California, (“Entity”) with my requisite knowledge and experience given my position with the Entity, declare the following:

1. In connection with the Entity’s anticipated participation in the Congestion Revenue Rights (“CRR”) Allocation for the annual period *[insert years]* administered by the California Independent System Operator Corporation, a California nonprofit corporation (“CAISO”), the undersigned declares on behalf of the Entity that the Entity is either an entity eligible to participate in the CRR Allocation as either a Load Serving Entity (“LSE”) or an Out of Balancing Authority Area Load Serving Entity (“OBAALSE”), both as defined in the CAISO Tariff as filed with and accepted by the Federal Energy Regulatory Commission (“FERC”), and as amended from time to time.
2. I understand that all terms capitalized in this document, unless otherwise specified herein, are as defined in the current CAISO Tariff.
3. On behalf of the Entity, I represent and warrant that the Entity holds the following Existing Transmission Contract(s) (“ETC”) *[insert Name or Names of ETC]* signed and executed on *[insert date]* as filed and approved by FERC in Docket No(s). *[insert docket numbers]*, and as listed in the Appendix *[inset name]* of the Transmission Control Agreement Among The Independent System Operator and Transmission Owners, *California Independent System Operator Corporation, FERC Electric Rate Tariff No. 7, as filed and amended from time to time*, (“TCA”).
4. On behalf of the Entity, I represent and warrant that the Entity holds the following Converted Rights as listed in Appendix *[insert name]* of the TCA.
5. On behalf of the Entity, I represent and warrant that the Entity is entitled to use of the CAISO Controlled Grid pursuant to such rights as specified in Column B of Schedule A to this Waiver and on behalf of the Entity I hereby warrant that the Entity shall only use such rights to the extent specified in Column C of Schedule A.
6. On behalf of the Entity, I waive the Entity’s rights to use under ETC or CVR the any rights in excess of the amounts specified in Column C of Schedule A during the Applicable Time Period as defined in Paragraph 9 of this Waiver.

7. On behalf of the Entity, I acknowledge and accept that as a result of this Waiver, the Entity shall be entitled to specify and the CAISO shall use the amounts specified in Column C of Schedule A in calculating the Entity's Adjusted Load Metric as opposed to the amounts specified in Column B of Schedule A for the purposes of determining its CRR eligibility for the CAISO CRR Allocation.
8. On behalf of the Entity, I acknowledge and accept that as a result of this waiver the CAISO shall use the amounts specified in Column C of Schedule A in implementing and honoring the Entity's Existing Rights in the CAISO Day-Ahead and Real-Time Market operations under the specified [ETC] and/or [CVR] as opposed to the amounts specified in Column B of Schedule A. On behalf of the Entity, I further acknowledge and accept that as a result of such treatment in the event that the Entity's designated Scheduling Coordinator submits an ETC or CVR Self-Schedule in excess of the amounts specified in Column C of Schedule A, all such ETC or CVR Self-Scheduled amounts shall be treated as a Self-Schedule under the CAISO Tariff and not a ETC Self-Schedule or CVR Self-Schedule.
9. The "Applicable Time Period" is defined as the time in which this Waiver shall be in effect and shall start on such date that this Waiver is submitted to and accepted by the CAISO and shall terminate on such date that the CAISO shall implement rules and procedures in the CAISO Tariff as approved by FERC that adopts substantially new Congestion Management procedures, including elimination of Locational Marginal Pricing and Congestion Revenue Rights.
10. Attached and incorporated into this Waiver is Schedule A, which on behalf of the Entity, I represent and warrant contains an accurate listing of the contractual amounts of the ETCs and CVRs, including those for which the Entity seeks a waiver.
11. On behalf of the Entity, I represent that the Entity has consulted with the Participating Transmission Owner ("PTO") that is the counterparty of such ETC or underlying rights that support the CVR listed in Paragraphs 6 and 7 and provide the attached Letter of Agreement here attached by the PTO whom has agreed to the use of the amounts specified in Column C of Schedule A in the applicable Transmission Rights and Transmission Curtailment Instructions ("TRTC Instructions") to be submitted to the CAISO or has already submitted such TRTC Instructions for the purposes of implementing the rights specified in Paragraphs 6 and 7.
12. On behalf of the Entity, I acknowledge and agree that all information provided in this Waiver, including Schedule A is complete and accurate and that this communication with the CAISO is subject to Section 37.5 of the CAISO Tariff. In addition, I acknowledge and recognize that this Waiver may be subject to the General Penalty provisions set forth in the Federal Power Act.
13. By signing below, I warrant that I am duly authorized by the Entity and have the authority to bind the Entity to the statements, terms and conditions herein.

I declare under penalty of perjury pursuant to 28 USCA 1746 and the laws of California that the foregoing is true and correct. Executed on _____, 2008 (“Execution Date”).

Name of Entity:

By: _____

Name: _____

Title: _

Schedule A

Column A	Column B	Column C
Name of ETC or CVR as listed on the TCA	Maximum Contract Capacity	Reduced Contract Capacity Subject to Waiver