

Options for the Design and Release of Long Term Transmission Rights

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Implementation Alternatives

- **Focus effort on developing the preferred “end-state” design rather than the highly simplified Release 1 approach discussed on 11/9**

And either ...

- 1. Implement the end-state design for CRR Year 2 (effective 1/1/09), with no new specific LT-CRR provisions for MRTU Release 1, or**
- 2. Delay MRTU start-up somewhat to incorporate most of the end-state design into Release 1.**



Proposed Process

- **F 12/8 stakeholders submit written comments on preferred alternative**
- **Tu 12/19 conference call with stakeholders**
- **Tu 1/9/07 all-day meeting at CAISO**
- **Tu 1/16 conference call with stakeholders**
 - Final pre-filing round of stakeholder comments



Proposed LT-CRR Framework

- **Annual “Tier Zero” process for LT-CRR**
 - Allocation to LSEs followed by auction open to all creditworthy parties
 - Prior to annual release of seasonal CRR
- **LT-CRR is comprised of a series of 1-year CRR obligations**
 - Differentiated by TOU (on-peak, off-peak)
 - Requires 20 sets of nominations/bids and 20 SFTs for allocation; another 20 for auction
 - “Multi-period constraint” feature could be available for CRR Year 2.



Proposed Framework – 2

- **Limit amount of grid capacity available for LT-CRR to X% for allocation, +Y% for auction**
- **Limit LSE nominations in allocation to X% of annual eligible quantities**
 - Allocations of LT-CRR count towards eligibility for Seasonal CRR
- **Open issues:**
 - Should X and Y be constant over a 10-year horizon, or staggered?
 - What should be the maximum values of X and Y?



Proposed Framework – 3

- **Eligible sinks for LSE nomination must correspond to load settlement**
- **Open Issues: Eligible sources for LSE nomination**
 - Should LSEs be free to nominate any sources they choose?
 - Should source linkage to supply arrangements be a requirement for eligibility for allocation of LT-CRR?
 - Should source linkage to supply arrangements be optional and provide a priority in allocation?



Proposed Framework – 4

- **Open issue: How would linkage to supply arrangements work?**
 - Which supply arrangements qualify?
 - Ownership of supply resource?
 - Minimum contract term length?
 - Contract origination prior to a past date?
 - New contracts, or contracts starting in the future?

Proposed Framework - 5

- **Treat all CRR the same with respect to Full Funding**
 - Utilize CRR Balancing Account to accumulate surplus revenues to cover revenue shortfalls
 - Open issue: Should Balancing Account include auction revenues and rollover of annual surplus?
 - Open issue: Should full funding mean zero risk for CRR holders? If so, who pays this cost? Or should any end-of-year shortfall be borne by all CRR regardless of term length?

Proposed Framework – 6

- **Open issues: Allocation of LT-CRR to LSEs serving external load**
 - Should OCAL proposal for seasonal CRR be extended to LT-CRR?
 - Should OCAL be allowed to nominate imports as CRR sources to enable wheel-through to be allocated LT-CRR?

Proposed Framework – 7

- **Retain Priority Nomination Tier (PNT) in the allocation of seasonal CRR**
 - Allocation of LT-CRR would count towards LSE's eligibility to nominate in the PNT
 - Open issue: Should the PNT upper bound for CRR Year 2 be increased to 66% of seasonal eligible quantity?
- **Are other changes needed to the release of seasonal CRR once there are LT-CRR?**

Features Available Only in Year 2

- **Multi-period constraint, to allow parties to nominate or bid for equal MW quantities over multiple years**
- **Ability of holders of CRR to offer them for sale in auction (addressed in MRTU Tariff)**
- **Ability of CAISO to “fine tune” amount of grid capacity available in the auction by adding an increment above the capacity encumbered in the allocation process.**

Other Issues

- **Impact of withdrawal of a PTO from CAISO**
 - What to do about CRRs that source or sink at points no longer part of CAISO grid?
- **Bilateral trades of LT-CRR**
- **Reassignment of LT-CRR to reflect load migration between LSEs**
- **Moving to greater granularity of load settlement during the term of LT-CRR**
 - LSE's holdings of LT-CRR may not sink where the load is settled