

*DRAFT LANGUAGE: BPM for Congestion Revenue Rights*

**6.3.4.4 “Seller’s Choice” Contracts**

Certain CRR Entities hold contracts that provide the seller in such a contract with multiple delivery points that can be utilized at the seller’s discretion for scheduling Energy deliveries. For such a contract, the buyer will be exposed to congestion charges in the CAISO markets based on the seller’s choice of delivery point in any given hour, which may vary from one hour to the next.

Such LSEs may nominate and be awarded CRRs under the established CRR Allocation rules, and may verify sources associated with such “Seller’s Choice” contracts that qualify within the appropriate reference period for the verification of sources.

Under a “Seller’s Choice” contract, the supplier has the right to deliver energy to the buyer either at the particular source that will be used to produce the power delivered under the contract or one of the CAISO-defined aggregated pricing nodes (*i.e.*, the Default LAPs and EZGen Trading Hubs). For example, if the contract stipulates that it may be delivered at NP15, the seller may select any generation source in NP15 where the seller could submit a Physical Trade, or may deliver the energy to the buyer at the NP15 EZGen Trading Hub to fulfill the contractual requirements.

**6.3.4.4.1 Verification of CRR Sources Associated with “Seller’s Choice” Contracts**

With regard to CRR source verification, the “Seller’s Choice” arrangement means that, the LSE buyer could have verified source quantities that add up to more MW than the hourly MWh energy value of the contract because the seller could deliver up to the contractual maximum quantity at any of the multiple locations in any given hour. While the upper limit on any single delivery location (which would qualify as a verified CRR Source) may be less than the MWh value of the contract, the total across all allowable delivery locations could be greater than the MWh value of the contract. For example, suppose LSE1 has a “Seller’s Choice” contract for a total delivery of 500 MWh and has a provision for delivery of the energy at SP1 up to 250MWh, at Gen1 up to 200MWh and TH1 for up to 200MWh. Then the eligible CRR sources associated with this contract add up to 650 MW, whereas the maximum amount of source-verified CRRs this contract could support would be 500 MW.

As part of the submission of source verification information, the CAISO will require that the holders of such contracts identify for each “Seller’s Choice” contract they hold the set

*DRAFT LANGUAGE: BPM for Congestion Revenue Rights*

of eligible sources and associated maximum MWh quantities, as well as the total maximum hourly MWh energy quantity that may be delivered under the contract.

**6.3.4.4.2 Allocation of Source-Verified CRRs Associated with “Seller’s Choice” Contracts**

For CRR Allocation purposes, the verified CRR Source amounts for each contract will be listed for all eligible delivery locations. Then when the LSE submits source-verified CRR nominations based on this contract, it may utilize any of the eligible delivery locations up to their individual maximum amounts, but the total nomination for the contract cannot exceed the maximum hourly MWh energy delivery across all delivery points. Thus in the example above, LSE1 could not submit source-verified CRR nominations for this contract beyond the 500 MW total contract amount, although it may choose any distribution of the 500 MW across the three delivery points subject only to the individual maximum values at each location.

## **6.4 CRR Source Verification for CRR Year 2 Allocation**

This section related to the conduct of the annual CRR release process for Year 2 (i.e., calendar 2009) in light of the delay in MRTU start-up. This CRR Year 2 process will begin in summer 2008 so that the annual allocation and auction will be completed before these CRRs become effective starting on January 1, 2009.

### **6.4.1 Season 1 CRRs**

Seasonal CRRs that are allocated for Season 1 of CRR Year Two (2009) can be source verified. The verification process that was used throughout CRR Year 1, which is detailed in Section 6.3, will be largely replicated so that verified CRR Source locations can be nominated in the CRR Allocation process for verified tiers.

The reference period for verification of sources during Seasons 2, 3 and 4 of CRR Year One was the calendar year 2006. For Season 1 of the CRR Year Two (January, February, and March 2009), which is the first quarter of 2009, the applicable historical reference period is 2007. More specifically, LSEs may use contracts in existence or ownership rights for January through March 2007 for the source verification of seasonal CRRs effective in the first quarter of 2009.

*DRAFT LANGUAGE: BPM for Congestion Revenue Rights*

#### **6.4.2 Season 2 and 3 CRRs**

The CAISO will treat Seasons 2 and 3 as CRR Year 2 seasons, and on that basis to conduct Tier 1 of the CRR Allocation process for those seasons in accordance with the rules for the Priority Nomination Process (PNP). The Long Term Tier (Tier LT) for Seasons 2 and 3 will follow the rules for CRR Year 2 that pertain to the release of Long Term CRRs.

#### **6.4.3 Season 4 CRRs**

The Priority Nomination Process (PNP) also will be available in CRR Year 2 for the Q4 seasonal CRRs that were awarded in Year 1.

#### **6.4.4 Long-Term CRRs**

Long Term CRRs that were allocated for CRR Year One, will be in effect for nine years rather than ten years. LT-CRRs with full ten-year duration will be available in the Year 2 process.

The staggered increases in the amount of Seasonal CRRs that an LSE is allowed to nominate as Long Term CRRs will be different for the first quarter of CRR Year Two, compared to the last three quarters. For the first quarter of 2009, an LSE may nominate Long Term CRRs from any of the Seasonal CRRs it was allocated in the PNP up to a maximum of twenty (20) percent of the LSE's Adjusted Load Metric. The second, third, and fourth quarters of 2009 are treated as CRR Year Two; an LSE may nominate Long Term CRRs from any of the Seasonal CRRs it was allocated in the PNP up to a maximum of thirty (30) percent of the LSE's Adjusted Load Metric.

The same differential treatment will apply to calendar year 2010 and 2011, where the first quarter of 2010 is defined as CRR Year Two and the second, third and fourth quarters defined as CRR Year Three. In calendar year 2011, the first quarter is defined as CRR Year Three and the subsequent quarters (2, 3 and 4) defined as CRR Year Four (see MRTU Tariff sections 36.8.3.1.3.1 and 36.8.3.5.2.1)