

**Methodology and Calculations for FTR Quantities and Seed Prices**  
**FTR Term January 1, 2005 through March 31, 2005**

**Blythe            SP15 to LC2**

Release Quantity

72 MW was released in the initial 2004 FTR Auction. Upon receiving a letter from SCE the ISO will confirm that the new rating for Blythe outbound will be calculated as 168 MW minus the load at Blythe. Based on PI data for the period January 1, 2003 through October 31, the load that occurs at 99.5% is 53.4 MW which will be rounded to 53 MW since FTRs are sold in whole MW units. Based on historical data this would provide the released FTRs with a “firmness” of 99.5% availability, similar to how all other FTRs are released. To determine the release amount for the short term FTR auction we take the 168 MW line rating, subtract the 53 MW for Blythe load to come up with an adjusted release amount of 115 MW. Since 72 MW was released in the initial auction the difference, of 43 MW will be released for the short term FTR Auction.

Projected Value / Seed Price

The projected value used for the initial release in the 2004 FTR Auction was \$0 / MW-year. The seed price (calculated as the greater of \$100 or 20% of the projected value) used was \$100 for the initial 2004 FTR Auction so for the short term FTR Auction (a three month term) we will use  $\$100 / 4 = \$25/\text{MW}$ .

**COI            NP15 to NW1**

Release Quantity

The OTC for the COI Branch Group in the outbound direction used for the initial 2004 FTR Auction was at 2450. The two ETCs expiring on COI have maximum values of 300 and 200 respectively. With an OTC of 2450 the two ETCs would have adjusted values of 245 and 163 respectively. With the OTC of 2450 these two ETCs would have reduced the OTC by 408 to come up with the derived ATC value for FTR release. The sum of these two adjusted values is the incremental FTR release we will make available for the short term 2004 FTR Auction. The total release amount for COI (NP15-NW1) will be the 573 (sold for nine months) released in the initial FTR Auction plus the incremental amount of 408 (245 + 163) for a total of 981 MW.

Projected Value / Seed Price

The projected value used for the initial release in the 2004 FTR Auction was \$0 / MW-year. The seed price (calculated as the greater of \$100 or 20% of the projected value) used was \$100 for the initial 2004 FTR Auction so for the short term FTR Auction (a three month term) we will use  $\$100 / 4 = \$25/\text{MW}$ .

## COI            NW1 to NP15

### Release Quantity

The OTC for the COI Branch Group in the inbound direction used for the initial 2004 FTR Auction was at 2000. The two ETCs expiring on COI have maximum values of 300 and 200 respectively. With an OTC of 2000 the two ETCs would have adjusted values of 200 and 133. With the OTC of 2000 these two ETCs would have reduced the OTC by 333 to come up with the derived ATC value for FTR release. The sum of these two adjusted values is the incremental FTR release we will make available for the short term 2004 FTR Auction. The total release amount for COI (NP15-NW1) will be the 617 (sold for nine months) released in the initial FTR Auction plus the incremental amount of 333 (200 + 133) for a total of 950 MW.

### Projected Value / Seed Price

The projected value used for the initial release in the 2004 FTR Auction was \$2062 / MW-year (I have converted this numbers to MW/year for ease, the projected value used for the nine-month release was \$1547, or 75% of 2062). The seed price (calculated as the greater of \$100 or 20% of the projected value) used was \$309 for nine months for the initial 2004 FTR Auction so for the short term FTR Auction (a three month term) we will use  $\$309 / 3 = \$103/\text{MW}$ .

## Path15            ZP26 to NP15

### Release Quantity

There are two components to the release on Path 15, one is for the increased ATC due to the expiration of ETCs and the second is the increased capacity due to the new third line becoming operational. In addition, there will be a change in how the ETC usage will be determined. Starting 1/1/05 the ISO will be handling ETCs on Path 15 the same as all other Branch Groups with ETCs. To come up with the new FTR release amount for the short term FTR Auction the following steps will be taken;

- 1) To determine the appropriate release amount due to the new third line on Path 15 a percentage is determined by taking the OTC of Path 15 for the initial 2004 FTR Auction, which was 2830, divided by the TTC of 3950, which produces a percentage of 71.65%. The maximum capacity added by the third line would be 1500 MW. Using the derived percentage we get  $1500 * 71.65\%$ , or **1075 MW** as the capacity to be released for the FTR auction.
- 2) The next step is to determine what the release in the initial 2004 FTR Auction would have been using the maximum values of ETCs on Path 15, excluding any ETCs that are set to expire, instead of the ETC values at the 99.5% level OTC. The maximum ETC value on Path 15, starting on January 1, 2005, will be 1462. Using this data the adjusted release amount would be calculated as 2830, initial OTC, less 1462 for an adjusted release amount of **1368 MW**. This methodology brings all Branch Groups into the same process for calculating FTR release amounts.

3) The final step for calculating the short term 2004 FTR Auction release is done by taking the 1075, derived in step 1, adding the adjusted release amount of 1368 and subtracting the actual release of 1535 to come to the derived short term 2004 FTR Auction release amount of 908 ( $1075 + 1368 - 1535$ ).

Projected Value / Seed Price

The projected value used for the initial release in the 2004 FTR Auction was \$236 / MW-year. The seed price used (calculated as the greater of \$100 or 20% of the projected value) was \$100 for the initial 2004 FTR Auction so for the short term FTR Auction (a three month term) we will use  $\$100 / 4 = \$25/\text{MW}$ .

**Path 26 ZP26 to SP15**

Release Quantity

The OTC, for the Path 26 Branch Group in the North to South (ZP26 to SP15) direction, used for the initial 2004 FTR Auction was at 2500. The one ETC terminating on Path 26 has a maximum value of 235. With an OTC of 2500 the ETC would have an adjusted value of 173. With the OTC of 2500 this ETC would have reduced the OTC by 173 to come up with the derived ATC value for FTR release. The adjusted value of 173 is the incremental FTR release we will make available for the short term 2004 FTR Auction. The total release amount for Path 26 (ZP26 to SP15) will be for 173 MW.

Projected Value / Seed Price

The projected value used for the initial release in the 2004 FTR Auction was \$6153 / MW-year. The seed price (calculated as the greater of \$100 or 20% of the projected value) used was \$1231 for the initial 2004 FTR Auction so for the short term FTR Auction (a three month term) we will use  $\$1231 / 4 = \$308/\text{MW}$ .