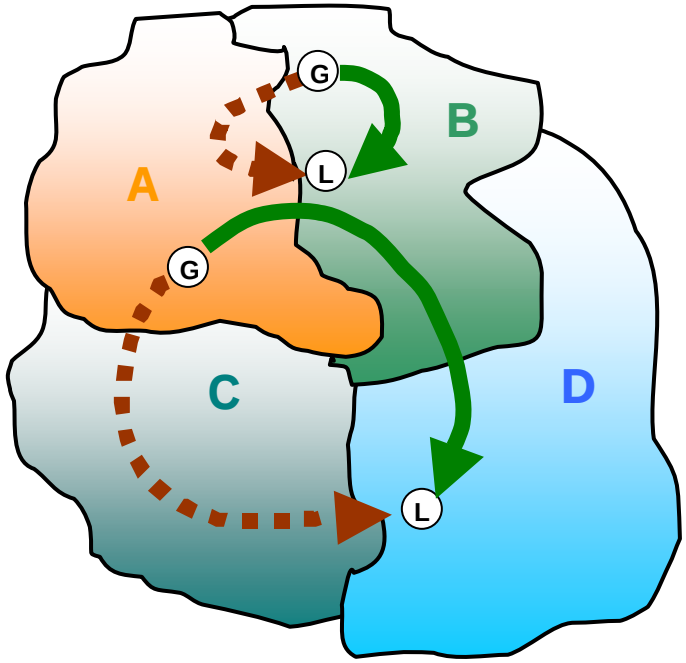
Transition Issues: Allocating CRRs

Loop Flow



Criteria: "Equivalent Service"

CRRs commensurate with existing rights to the transmission system

- **Network Service for Interior Transaction**
  - ✓ $G_B \rightarrow L_B$ with loop flow through A.
  - ✓ Restricts CRRs for NS within A
- **PTP Service for Contract Path Transaction**
  - ✓ $G_A \rightarrow T_B \rightarrow L_D$ with loop flow through C.
  - ✓ Restricts CRRs for NS within C

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A major transition issue related to allocating CRRs such that "all customers receive CRRs commensurate with their existing rights to the transmission system" is the effect of loop flow on the availability of CRRs that will be revenue adequate (i.e., feasible). While there may be sufficient CRRs to cover was sold or reserved for native load within each control area, there may be insufficient CRRs to cover both transmission sold and the loop flows from those sales.

One way to deal with this is to allocate CRRs within each control area to internal load and out and through transactions that are under contract, and where there is insufficient transmission capacity to cover these transactions along with the loop flows, prorate down the allocation of flowgate CRRs for the loop flows. Alternatively, the flowgate CRRs for the loop flows could be auctioned with the revenues from the auction going to lower the revenue requirements for the control areas in which these congested flowgates are located.

While both of the above solutions seem to be reasonable approaches to allocating scarce CRRs, there is an issue related to who will pay. If the loop flows were only from internal-load transmission customers of each control area, then the prorating of the CRRs would impact most heavily those transmission systems that are leaning on other systems. In this case, the alternative to prorating CRRs would be for the internal load customers of one control area to invest in the upgrades needed to expand the CRRs available in neighboring transmission systems.

A more serious allocation issue arises when sales of "through" transmission service is involved and parallel path flows impact flowgates in an adjoining transmission system. If the CRR allocation is prorated down, then who is at risk for the congestion costs: the transmission customer or the transmission provider? In these cases there may be several transmission providers involved along the contract path. If the transmission providers are at risk, for what share? If the transmission customer is at risk, is this an abrogation of an existing contract? Similarly, if there was an auction of these CRRs, who would bid: transmission customer or transmission providers? Finally, if the solution is additional investment (participant funding) to relieve the congestion, who would contribute: transmission customer or transmission providers? Moving from a contract-path to flow-based system of transmission rights poses a significant challenge for existing, point-to-point contracts.