

122 FERC ¶ 61,296  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator Corporation      Docket No. ER08-519-000

ORDER ON TARIFF FILING

(Issued March 31, 2008)

1. On January 31, 2008, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> the California Independent System Operator Corporation (CAISO) filed a proposed amendment to its current CAISO Tariff to provide for the treatment of congestion revenue rights (CRRs) and firm transmission rights (FTRs) in light of the delayed implementation of the Market Redesign and Technology Upgrade (MRTU) Tariff. The proposed Congestion Revenue Rights Contingency Plan (CRR Contingency Plan) addresses the need to: (1) reduce the term of any CRRs already released through the first annual CRR allocation and auction process; (2) resettle those CRRs released through the CRR auction held in December 2007; and (3) make available FTRs as of April 1, 2008. The CAISO requested that the amendment to the current CAISO Tariff be effective on April 1, 2008.

2. In this order, we accept for filing, subject to modifications, the proposed tariff revisions effective April 1, 2008. We also direct the CAISO to submit two compliance filings as discussed herein.

**I. Background**

3. Over the last several years, the CAISO and interested stakeholders developed a structure under the MRTU for creating and releasing CRRs.<sup>2</sup> These CRRs will replace

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<sup>1</sup> 16 U.S.C. § 824d (2000).

<sup>2</sup> A CRR can be either a CRR obligation or a CRR option. A CRR obligation “entitles its holder to receive a CRR payment if the congestion in a given trading hour is in the same direction as the CRR obligation, and requires the CRR holder to pay a CRR obligation charge if the congestion in a given trading hour is in the opposite direction of the CRR.” CAISO Tariff, Appendix BB, Part H § 36.2.1. A CRR option “entitles its

(continued...)

the FTRs<sup>3</sup> that are used under the CAISO's current market design. Currently, the CAISO Tariff provides for releases of FTRs through an FTR auction,<sup>4</sup> however Appendix BB § 36 of the CAISO Tariff permits the CAISO to implement and release CRRs in preparation for operations under MRTU through both a CRR allocation and a CRR auction, prior to MRTU implementation.

4. On January 26, 2007, the CAISO completed its auction of the FTRs to be effective from April 1, 2007 through March 31, 2008.<sup>5</sup>

5. In December 2007, in preparation of MRTU implementation, the CAISO completed its first annual CRR allocation and CRR auction.<sup>6</sup> On January 4, 2008, the CAISO settled the outcome of the CRR auction. Further, because MRTU was scheduled for implementation on April 1, 2008, the CAISO did not conduct an annual FTR auction for the period April 1, 2008 through March 31, 2009.

6. On December 13, 2007, the CAISO posted the CRR Contingency Plan on its website outlining what actions would take place in the event that MRTU was delayed beyond the proposed April 1, 2008 start date.<sup>7</sup>

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CRR holder to a CRR payment if the congestion is in the same direction as the CRR option, but requires no CRR obligation charge if the congestion is in the opposite direction of the CRR." *Id.* § 36.2.2.

<sup>3</sup> An FTR is a contractual right that "entitles the FTR holder to receive, for each hour of the term of the FTR, a portion of the usage charges received by the Independent System Operator (ISO) for the transportation of energy from a specific originating zone to a specific receiving zone and, in the event of an uneconomic curtailment to manage day-ahead congestion, to a day-ahead scheduling priority higher than that of a schedule using converted rights capacity that does not have an FTR." CAISO Tariff, Appendix A.

<sup>4</sup> *See* CAISO Tariff § 36.

<sup>5</sup> Under the CAISO Tariff, FTRs are auctioned annually for the time period from April 1 of the year through March 31 of the following year. CAISO Tariff § 36.2.3.

<sup>6</sup> The allocation process is limited to qualified load serving entities (LSEs) at no cost to those LSEs. In contrast, the CRR auction is open to all market participants who have registered with the CAISO. The auction CRRs are available at a market clearing price that is determined by the bids submitted at auction.

<sup>7</sup> The CAISO posted the CRR Contingency Plan on its website but did not file it with the Commission until the instant filing was made on January 31, 2008.

7. In its monthly status report filed on January 14, 2008, the CAISO informed the Commission of the delay in schedule for MRTU implementation<sup>8</sup> and subsequently announced that April 1, 2008 was no longer a viable start date for MRTU. The CAISO further stated that a new MRTU implementation date would not be announced until market participants had an opportunity to test the final MRTU functionality and provide feedback to the CAISO.

8. On January 18, 2008, the CAISO issued a market notice indicating that, due to an anticipated delay to the scheduled start of MRTU, the CAISO planned to implement aspects of the CRR Contingency Plan.<sup>9</sup> On January 29, 2008, the CAISO Governing Board approved the CRR Contingency Plan as well as the quantities of FTRs for the annual FTR auction for 2008-2009.

9. On January 31, 2008, the CAISO filed its CRR Contingency Plan for Commission review. On February 6, 2008, the CAISO filed an amended certificate of service with the Commission acknowledging that, due to an administrative oversight, the CAISO did not serve the amendment on the parties on its service list on January 31, 2008. The CAISO explained that it served the parties on February 5, 2008. The CAISO requests waiver of the 60-day notice requirement<sup>10</sup> to permit the amendment to become effective no later than April 1, 2008.

## **II. The CRR Contingency Plan**

10. According to the CAISO, the proposed CRR Contingency Plan was developed to accommodate any start date for MRTU, and upon implementation of MRTU, allows the CAISO to seamlessly transition to the CRR congestion management system while terminating the effectiveness of any outstanding FTRs. The CAISO states that the CRR Contingency Plan enables it to: (1) adjust the term of the annual CRRs released through both the CRR allocation process and the CRR auction for the months in 2008 that MRTU is not in effect; (2) resettle the CRR auction payments and charges for parties who acquired CRRs in the first auction; and (3) make available FTRs for April 2008 and any additional months necessary, prior to the start of MRTU.

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<sup>8</sup> See CAISO Monthly Status Report re: MRTU, filed in Docket No. ER06-615-000 (January 14, 2008).

<sup>9</sup> The CAISO conducted a conference call on January 24, 2008 to solicit stakeholder comments.

<sup>10</sup> See 18 C.F.R. § 35.11.

11. The CAISO explains that until MRTU is implemented, released CRRs will not be effective.<sup>11</sup> Therefore, the CAISO proposes to reduce the term of the seasonal and long term CRRs that were allocated and auctioned for the hours in 2008 during which MRTU will not be in effect.<sup>12</sup> Additionally, the CAISO states that if the expected start date of MRTU has not been announced as of April 1, 2008, the CAISO will reduce the terms of the released CRRs on a month-to-month basis until such time as the expected start date of MRTU is announced. Once the new start date is announced, the CAISO will determine the number of months that MRTU will not be in effect for 2008 and will reduce the terms of the affected CRRs accordingly.<sup>13</sup>

12. Because seasonal and long-term CRRs allocated through the CRR allocation process were obtained at no cost to the CRR holders, the CAISO explains that the reduction in the term of these CRRs does not require the resettlement of any payments or charges.

13. For seasonal CRRs obtained through the auction process, the CAISO has collected payments from market participants for those seasonal CRRs that were positively valued based on the auction price for each seasonal CRR. Similarly, the CAISO has paid market participants for any seasonal CRRs that were negatively valued on the same basis.

14. The CAISO states that it will resettle CRRs obtained through the CRR auction consistent with the plan to reduce the term of CRRs, as discussed above. The CRR Contingency Plan provides that for any month that MRTU is not in effect in 2008, the CAISO will refund a proportional share of the payments made with the associated CRR auction process to the holders of positive-valued auctioned CRRs. Similarly, holders of negative-valued auctioned CRRs will be required to pay a proportional share of the associated auction prices that were paid to the market participants awarded these CRRs in the auction.

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<sup>11</sup> Under MRTU, the CAISO will conduct an integrated forward market (IFM) which will generate the Locational Marginal Prices (LMPs). MRTU Tariff § 27. The congestion components of LMPs form the basis of CRR settlements. Until MRTU is implemented, no CRR revenue will flow to or from the holders of CRRs. CAISO's January 31, 2008 filing at 5.

<sup>12</sup> CAISO Tariff, Appendix BB, Part L § 44.1.

<sup>13</sup> CAISO Tariff, Appendix BB, Part L § 44.2.1.2.

15. The CAISO explains that the resettlement of CRRs released through the CRR auction will be calculated separately for on-peak and off-peak CRRs by scaling the appropriate CRR auction settlement.<sup>14</sup>

16. Under the CRR Contingency Plan, the CAISO does not propose to pay or charge interest for any period, provided that the CRRs are resettled on or before the first of the month that such CRR would have been in effect, if not for the delay.<sup>15</sup> In the event that the CAISO cannot settle affected CRRs by the first of any given month in the delay period, the CAISO proposes to pay interest to holders of positive-valued CRRs and to charge holders of negative-valued CRRs interest from the first of the applicable month until the date the CRR settlements are invoiced for that month. In circumstances requiring any interest charge or payment, the CAISO states that it will apply the interest rate employed by the Commission.<sup>16</sup>

17. The CAISO states that until MRTU is implemented, it will continue using FTRs to manage congestion. Therefore, additional FTRs will be needed for any month that MRTU is delayed beyond April 1, 2008. Thus, the CAISO states that it has expedited the launch of a new FTR auction that will release FTRs for the period from April 1, 2008 through March 31, 2009. The FTR quantities used by the CAISO for LSEs were based on those quantities that were used in the previous 2007-2008 auction. The CAISO states that it may make adjustments to the FTR quantities based on the current transfer capability of each interface as required under the CAISO Tariff, but that the FTR quantities will not exceed the amounts approved by the CAISO Governing Board.

18. Because the implementation date for MRTU has been delayed beyond April 1, 2008, and another implementation date has not been established, the CAISO's proposal authorizes the CAISO to reduce the term of the FTRs that will be obtained in the 2008-2009 auction for any months during 2008 and 2009 that the CAISO operates under MRTU.<sup>17</sup> In addition, the CAISO will make FTRs available in the FTR auction in segments. These measures are designed to enable the CAISO to unwind FTRs for the months that MRTU is in effect, and at the same time, not affect the value of the FTRs prior to the effectiveness of MRTU. After the MRTU implementation date is established,

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<sup>14</sup> The ratio to be used is: [number of on-peak (or off-peak) hours in the delay period] divided by [number of on-peak (or off-peak) hours in the term of the CRR]. CAISO's January 31, 2008 filing at 5.

<sup>15</sup> CAISO Tariff, Appendix BB, Part L § 44.2.

<sup>16</sup> CAISO Tariff, Appendix BB, Part L § 44.2.2.

<sup>17</sup> CAISO Tariff, Appendix BB, Part L § 45.2.

the CAISO states that it will reduce the terms of the outstanding FTRs, refund market participants the amount they paid for FTRs purchased for the time period following the start of MRTU, and reduce the creditworthiness requirements applicable to market participants.

19. In the event that the expedited FTR auction discussed above cannot be completed prior to April 1, 2008, the CAISO states that it will provide parties that held FTRs in April 2007 an opportunity to renew those 2007 FTRs, subject to the limitations described in proposed CAISO Tariff, Appendix BB, Part L, section 45.1.

### **III. Notice and Responsive Pleadings**

20. Notice of the January 31, 2008 filing was published in the *Federal Register*, 73 Fed. Reg. 8305 (2008), with comments or protests due on February 15, 2008. Timely motions to intervene were filed by the Alliance for Retail Energy Markets (AREM), the California Department of Water Resources State Water Project, California Municipal Utilities Association, Citadel Energy Products, LLC, Citadel Energy Strategies LLC, and Citadel Energy Investments Ltd. (Citadel), Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc., Modesto Irrigation District, M-S-R Power Agency and the City of Santa Clara, California, Northern California Power Agency (NCPA), Pacific Gas and Electric Company, Powerex Corporation (Powerex), Sacramento Municipal Utility District, Southern California Edison Company (SoCal Edison), Transmission Agency of Northern California (TANC), the Western Area Power Administration, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (Six Cities). Timely comments or protests were filed by AREM, Citadel,<sup>18</sup> NCPA, Powerex, SoCal Edison, Six Cities and TANC.

21. On February 21, 2008, the California Public Utilities Commission (CPUC) filed a motion to intervene out of time. The CPUC contends that since its motion was filed only four business days after the intervention deadline and the motion does not contain substantive comments, approval of the motion will not cause any delay or prejudice any party. On March 3, 2008, the CAISO filed a motion for leave to answer and an answer. On March 12, 2008, Citadel filed a motion to answer and answer conditionally withdrawing its protest.

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<sup>18</sup> Citadel's comments included a limited protest.

#### **IV. Discussion**

##### **A. Procedural Matters**

22. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2007), we grant the CPUC's late-filed motion to intervene, given the agency's interest in this proceeding, the early stage of the proceeding, and the absence of any undue prejudice or delay. Finally, Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>19</sup> prohibits the filing of an answer or the filing of an answer unless otherwise ordered by the decisional authority. We will accept the CAISO's and Citadel's answers because they have provided information that assisted us in our decision-making process.

23. The CAISO requests waiver of the Commission's 60-day notice requirement<sup>20</sup> to allow the CRR Contingency Plan to become effective on April 1, 2008 so that the FTRs may be released in a timely manner. Because the date of MRTU implementation has been delayed and it affects the CAISO's treatment of CRRs and FTRs, the Commission grants waiver of the 60-day notice requirement for good cause shown.

##### **B. Interest on Refunds of CRR Auction Payments**

24. Under the proposed CRR Contingency Plan, the CAISO does not propose to pay or charge interest for any period up to April 1, 2008. According to the CAISO, since the CRR auction took place well in advance of the scheduled implementation date (April 1, 2008), the economic impact of that gap in time should have already been reflected in the parties' bids for CRRs. Further, under the proposal, the CAISO will not pay interest for any month that MRTU is delayed, so long as the CRRs are resettled on or before the first day of any such month. However, if the CAISO cannot resettle affected CRRs by the first of any given month, the CAISO proposes to pay interest to the holders of positive-valued CRRs and charge interest to holders of negative-valued CRRs from the first day of the applicable month until such time as the CRR resettlements are invoiced. Finally, if the CAISO announces a new date for MRTU implementation prior to March 31, 2009, the CAISO will resettle the CRRs for the months prior to the new implementation date without paying or charging interest unless the CAISO cannot resettle the CRRs until after the first day of the applicable month for any CRR.

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<sup>19</sup> 18 C.F.R. §385.213(a)(2) (2007).

<sup>20</sup> 18 C.F.R. § 35.11 (2007).

25. Citadel contends that the CAISO's failure to provide for interest on refunds of CRR auction payments for the period between the payment date for the CRRs and April 1, 2008 is not just and reasonable.<sup>21</sup> Additionally, Citadel argues that the CAISO's proposal not to pay interest on refunds for CRRs after April 1, 2008 if the CAISO tenders those refunds prior to the start of the month during which a CRR would have been effective, but for the delay in MRTU implementation, is also unjust and unreasonable.

26. More specifically, Citadel argues that holders of positive-valued CRRs that paid in full for such products will receive no return on the amounts they have tendered until the implementation of CRRs (*i.e.*, the start-up of MRTU).<sup>22</sup> Citadel notes that negative-valued CRR holders and the CAISO, in essence, have received interest-free loans in exchange for contractual obligations they will never be required to perform.<sup>23</sup> Citadel disagrees with the CAISO's claim that this lack of interest is appropriate because the economic impact of that gap in time should have been reflected in parties' bids for CRRs. Citadel contends that this argument is flawed because it fails to consider that parties may choose not to discount bid price amounts, but instead factor in the costs of funds against the anticipated return of placing a winning bid.<sup>24</sup>

27. In response, the CAISO states that further clarification to its proposal for assessing interest on CRR auction resettlements is necessary to ensure that surpluses and shortages are dispersed to CRR auction participants, rather than to other CAISO market participants. Therefore, the CAISO states that the amount of interest to be paid to each party awarded positive-valued CRRs in the CRR auction or to be charged to each party awarded negative-valued CRRs should be calculated so that: (1) the same effective interest rate and interest period are applied to holders of positive-valued CRRs and holders of negative-valued CRRs; and (2) for each month for which the CRR auction is resettled, the CAISO should realize neither a shortfall nor a surplus of funds.<sup>25</sup> The CAISO requests that the Commission accept its proposed resettlement of CRRs with this further refinement and states that it will reflect this further modification in a compliance filing.<sup>26</sup>

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<sup>21</sup> Citadel February 15, 2008 Comments and Limited Protest at 6.

<sup>22</sup> *Id.* at 8.

<sup>23</sup> *Id.* at 9.

<sup>24</sup> *Id.* at 10.

<sup>25</sup> CAISO March 3, 2008 Answer at 9.

<sup>26</sup> *Id.* at 13.

28. In Citadel's answer, it states that it supports the interest calculation methodology described in the CAISO's answer, and that the CAISO concurs with Citadel's further clarification. Citadel explains that CRR auction payments from CRR auction winners and payments to negative-valued CRR holders are paid into and from CRR monthly balancing accounts.<sup>27</sup> Citadel states that each CRR balancing account corresponds to a CRR auction month and the CAISO's proposal is to clear the monthly CRR balancing accounts by distributing the principal and interest earned from the date of the CRR auction settlement to the date of the refund on the principal for that month in proportion to the amount paid by CRR auction winners for the CRRs for that month.<sup>28</sup> Additionally, the CAISO will collect the principal and interest on payments the CAISO made to holders of negative-valued CRRs, based on the rate of interest earned for each month as determined by the CRR balancing accounts.<sup>29</sup>

29. We agree that for each month the CRR auction is resettled, the CAISO should realize neither a shortfall nor surplus of funds, and that the same interest rate and interest period should apply to holders of positively-valued and negatively-valued CRRs. We also find that the approach discussed by the CAISO and Citadel in their answers ensures that the CRR resettlement will only impact CRR purchasers and not other market participants. However, while Citadel represents that the CAISO has addressed its original concerns, we find some discrepancies between Citadel's understanding of the interest methodology and the CAISO's proposed refinement explained in its answer. We also note that the CAISO did not propose to modify proposed § 44.2.2 (addressing Interest on Payments and Charges for Reduced Terms of CRRs Released Through the CRR Auction). We therefore direct the CAISO to submit a compliance filing with proposed tariff language within 30 days of the date of this order to reflect its treatment of interest for resettled CRRs.

### **C. Credit Posting Obligations**

30. Powerex contends that in the proposed CRR Contingency Plan, the CAISO fails to make clear the exact credit posting and payment timelines for CRR reductions and resettlements and FTR releases. Moreover, Powerex argues that the CRR Contingency Plan fails to explain how the CAISO will address any overlap in credit or payment requirements. Powerex contends that market participants would have outstanding credit

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<sup>27</sup> Citadel March 12, 2008 Answer at 5.

<sup>28</sup> *Id.* at 6.

<sup>29</sup> *Id.*

obligations for CRRs that will eventually be resettled and would also have to post additional credit for the new FTR auction for given months, because the CAISO has not explained if or when it plans to reduce CRR holders' credit obligations.<sup>30</sup>

31. Powerex asserts that market participants need more certainty regarding how the sale of new FTRs and the reduction of the current CRRs will affect their credit obligations. Powerex argues that the CAISO should clarify that a market participant that holds CRRs and that plans to purchase new FTRs should have to maintain the appropriate amount of credit for the larger of the two obligations, but not for both.<sup>31</sup>

32. With regard to timelines for FTR credit posting and payment, the CAISO explains in its answer that such timelines are already reflected in Market Notices in advance of each auction.<sup>32</sup>

33. In its answer, the CAISO states that there is no overlap in credit requirements for simultaneous holdings of FTRs and CRRs. However, the CAISO also states that candidate FTR Holders will be subject to the CAISO's credit requirements in order to bid on FTRs in the FTR auction process while also continuing to be subject to the CAISO's credit requirements for the CRRs that they hold. The CAISO adds that any collateral posted for the FTR auctions will be released once the FTR auction is settled.<sup>33</sup>

34. With respect to negative-valued CRRs, the CAISO states that any offset in the credit requirements for FTR auctions should be given to CRR Holders, because negative-valued CRRs are a financial obligation.<sup>34</sup> Further, the CAISO states that although only one instrument will be in effect for any given month, holders of negative-valued CRRs may have payment obligations until the resettlement of the CRR auction is completed under the CRR Contingency Plan. The CAISO states that it is therefore appropriate that the collateral requirements simultaneously cover both CRR and FTR financial exposures. The CAISO notes however that each CRR Holder's estimated aggregate liability will be adjusted as those CRR terms are reduced by the delay in MRTU implementation.<sup>35</sup>

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<sup>30</sup> Powerex February 15, 2008 Comments at 5.

<sup>31</sup> *Id.* at 6.

<sup>32</sup> CAISO March 3, 2008 Answer at 4

<sup>33</sup> *Id.* at 5.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* at 6.

35. Although the CAISO argues there is no overlap in credit requirements for simultaneous holdings of FTRs and CRRs, we find an overlap does exist prior to the FTR auction because parties who have met credit requirements for holding CRRs must also meet separate credit requirements for the FTR auction prior to participating. Powerex may have a valid concern, however, at this juncture, because the CAISO has already conducted the 2008 FTR Auction and because the CAISO states that collateral posted for the FTR Auction will be released once the FTR auction is settled,<sup>36</sup> we conclude that the issue raised by Powerex is moot. However, should another FTR auction become necessary (*i.e.*, in the event that MRTU is delayed into 2009), we expect the CAISO to conduct the auction in a manner that ensures no credit requirement overlap will occur.

36. With regard to Powerex's contention that the exact credit posting and payment timelines for CRR reductions and resettlements and FTR releases are unclear, we find that the CAISO's answer clarifies the CAISO's credit process and therefore resolves this concern. Therefore, no further action on this issue is warranted.

#### **D. CRR Priority Nomination Process**

37. NCPA does not object to the CRR Contingency Plan. However, NCPA requests that the CAISO clarify that MRTU's CRR Priority Nomination Process will not be affected by the CRR Contingency Plan. NCPA explains that the CAISO Tariff CRR provisions allow entities to designate a certain percentage of the CRRs they have obtained for renewal after the first year under the Priority Nomination Process.<sup>37</sup> NCPA and Six Cities both note that the filing makes no mention of the Priority Nomination Process, or whether the termination of any CRRs pursuant to the CRR Contingency Plan would affect CRR designations under the Priority Nomination Process.<sup>38</sup> Six Cities contend that CRRs that were allocated for 2008 should continue to be recognized for purposes of the Priority Nomination Process for 2009 even if they are not effective in 2008 due to the delay in the implementation of MRTU.<sup>39</sup>

38. In its answer, the CAISO claims that further discussion with stakeholders is necessary before a determination regarding the 2009 Priority Nomination Process can be

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<sup>36</sup> *Id.* at 5.

<sup>37</sup> NCPA February 15, 2008 Comments at 3. The Priority Nomination Process is pursuant to MRTU Tariff § 36.8.3.5.

<sup>38</sup> *Id.* at 3-4; Six Cities February 15, 2008 Comments at 5.

<sup>39</sup> Six Cities February 15, 2008 Comments at 5-6.

made. The CAISO commits to filing a proposal to address this issue by the end of May 2008.<sup>40</sup>

39. We find that NCPA raises a valid concern, which should be addressed as part of the CRR Contingency Plan proposed in the instant filing. However, we note that the CAISO would like time to further discuss this issue with stakeholders. We, therefore, direct the CAISO to make a compliance filing to address if and how the CRR Contingency Plan will affect the Priority Nomination Process, within 60 days of the date of this order.

## **E. FTR Auction**

### **1. Clearing Prices**

40. With regard to the CAISO's proposed backstop measure for allocating FTRs (*i.e.*, if the 2008 FTR auction cannot be completed by April 1, 2008), SoCal Edison opposes the use of the proportional share of the 2007 FTR auction clearing prices for the renewal periods. Rather, SoCal Edison contends that the CAISO should apply the most recent FTR auction clearing prices, from March 2008, for the renewal periods because it reflects the most recent market condition needs.<sup>41</sup>

41. In its answer, the CAISO submits that its approach, determining new FTR renewals based on multiple months (*i.e.*, a proportional share of the 2007 FTR auction clearing prices), is preferable to SoCal Edison's suggestion of basing prices only on March 2008 clearing prices, because it covers a longer time period and thus has less potential to result in prices that are skewed by seasonal differences in parties' preferred quantities and bids and the resulting prices for FTRs.<sup>42</sup>

42. Because the CAISO completed the 2008 FTR auction prior to April 1, 2008,<sup>43</sup> the proposed backstop measure discussed above is unnecessary. Therefore, we direct the CAISO to make a compliance filing to remove Appendix BB, Part L, section 45.1 (Backstop Measures) within 30 days of the date of this order. Because the backstop measure is unnecessary and given our directive, we find that SoCal Edison's concern is moot.

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<sup>40</sup> CAISO March 3, 2008 Answer at 6-7.

<sup>41</sup> SoCal Edison February 15, 2008 Comments at 3.

<sup>42</sup> CAISO March 3, 2008 Answer at 13-14.

<sup>43</sup> The 2008 FTR Auction results are posted at:  
<http://www.caiso.com/1f64/1f647e2b6aaf0.html>.

## 2. Interest on FTR Refunds

43. SoCal Edison also argues that if MRTU is implemented prior to March 2009, the CAISO should refund to the FTR-holders the settlement amounts plus interest based on the reduced terms of the FTRs proportionately. SoCal Edison states that the interest on such adjustments should be from the FTR invoice due date to the FTR refund date and should be calculated at the rate specified in the Commission's regulations.<sup>44</sup>

44. With regard to SoCal Edison's concerns about FTR refunds, the CAISO notes in its answer that proposed section 45.2 states that the CAISO shall "refund to the FTR Holders the Settlement amounts associated with the reduced terms of the FTRs proportionately."<sup>45</sup> Further, the CAISO proposes in its answer to calculate and allocate interest on these FTR amounts using the same methodology as proposed for the resettlement of CRRs, as discussed above. Thus, the CAISO proposes to pay out the interest earned on all funds received from the FTR auction in proportion to the FTR holder's auction payments for its awarded FTRs.<sup>46</sup>

45. We find the CAISO's proposed methodology for resettling the terms of FTRs to be acceptable. However, with respect to the calculation and refund of interest, as also found above for CRRs, the CAISO has not proposed tariff language to support its explanation of how refunds of interest will be handled. Therefore, we direct the CAISO to make a compliance filing addressing such refunds of interest for FTRs, as proposed in its answer, within 30 days of the date of this order.

## 3. Available Capacity for FTR Auction

46. TANC wants to ensure that the CAISO does not include the City of Vernon California's (Vernon) California-Oregon Transmission Project (COTP) capacity as available capacity for the CAISO's FTR auction for 2008-2009, since that is a change in available capacity since the 2007-2008 FTR auction. However, TANC notes that the CAISO seems to have already made adjustments to its FTR quantities to reflect this change since the instant filing was submitted, per the CAISO's website as of February 7, 2008.<sup>47</sup>

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<sup>44</sup> SoCal Edison February 15, 2008 Comments at 3.

<sup>45</sup> CAISO March 3, 2008 Answer at 14.

<sup>46</sup> *Id.* at 14-15.

<sup>47</sup> TANC February 15, 2008 Comments at 7.

47. The CAISO states that the capacity noted by TANC is under contract for sale by the City of Vernon and thus, the CAISO has determined that such capacity will not be included in the 2008-2009 FTR auction.

48. We find the CAISO's response adequately addresses TANC's concerns. Therefore, we find that no other action is warranted.

**F. New Participating TO Cities**

49. Six Cities raise concerns regarding the lack of an explicit reference in the CRR Contingency Plan to the FTRs that the New Participating Transmission Owner (TO) Cities are entitled to until the end of the transition period (December 31, 2010) under section 36.4.3 of the CAISO Tariff. According to Six Cities, these FTRs were awarded to the New Participating TO Cities as an incentive to join the CAISO. Six Cities request that the Commission require the CAISO to make explicit that the FTRs provided to the New Participating TO Cities under section 36.4.3 will be extended until the earlier of the start-up date for MRTU or the end of 2010.<sup>48</sup>

50. In its answer, the CAISO confirms that the FTRs provided to new participating transmission owners under section 36.4.3 of the CAISO Tariff will be extended until the earlier of either the start-up date for MRTU or the end of 2010.<sup>49</sup>

51. We find that the clarification provided by the CAISO resolves the concern raised by Six Cities and hereby direct the CAISO to include such clarification in its CAISO Tariff by making a compliance filing within 30 days of the date of this order.

The Commission orders:

(A) The CAISO tariff filing is hereby accepted for filing with an effective date of April 1, 2008, subject to further modification, as discussed in the body of this order.

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<sup>48</sup> Six Cities February 15, 2008 Comments at 4-5.

<sup>49</sup> CAISO March 3, 2008 Answer at 16.

(B) The CAISO is hereby directed to make two compliance filings as specified in this order, within the timeframe provided in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.