

## Comments to CRR Auction Efficiency Analysis Working Group Discussion

January 12, 2018

On December 19, 2017 California Independent System Operator (CAISO) hosted the Congestion Revenue Rights (CRR) Auction Analysis Stakeholder Workshop. California Department of Water Resources (CDWR) appreciates the opportunity to provide comments on the CAISO's CRR Auction Analysis Working Group discussion.

Among the solutions presented by CAISO on slide 17 of the CRR Auction Efficiency Policy Discussion presentation at the Stakeholder Workshop, CDWR prefers and supports separating the balancing accounts for allocated CRR and auctioned CRR. Additionally, CDWR prefers that the Auction process be limited to transactions between willing counterparties.

CDWR believes that Load Serving Entities (LSEs) should not be required to pay the costs of shortfalls from the CRR Auction when they do not receive commensurate benefit from the Auction process. The CAISO's CRR Auction Efficiency Analysis Report shows that the Allocation process currently subsidizes the Auction process. According to the CRR Auction Efficiency Analysis Report graphs presented by CAISO at the stakeholder workshop, during the period from January 2014 to May 2017, the CRR Allocation resulted in a surplus of roughly \$233 million which could have been returned to LSE's which would have helped offset their Day Ahead Market (DAM) congestion costs.

While CDWR acknowledges the potential for there to be intangible and unquantifiable benefits from the CRR Auction, at this point these benefits appear much too vague to justify the \$233 million subsidy from the LSE's through the Allocation process.

Separation of the balancing accounts appears to be the best and most direct approach for resolving the issue of subsidization of the Auction process by the Allocation process. The other approaches proposed by CAISO generally appear to be variations of approaches that have been implemented previously, and which have not adequately addressed the subsidization issue.

If you have any questions, please contact Mike Ramsey, Transmission Planning Branch Chief, at 574-0313 or [mike.ramsey@water.ca.gov](mailto:mike.ramsey@water.ca.gov).