

CAISO's revised Track 1B proposal.¹ The CAISO's proposed Track 1B changes, combined with the Commission approved Track 1A changes, will create some protections for transmission ratepayers while continuing to provide a forum for market participants to purchase CRRs between "delivery pair" locations. DMM supports the Track 1A and Track 1B tariff changes as significant incremental improvements to the current CRR auction design. However, as DMM explained in its June memorandum to the CAISO Board, DMM recommends that the CAISO continue considering markets based on willing buyers and sellers during Track 2 of this initiative.²

Table 1 shows DMM's estimates for 2018 auction revenue shortfalls by quarter through Q3 2018. DMM estimates auction revenue shortfalls so far in 2018 have totaled about \$102 million. Transmission ratepayers have only received about 45 cents of auction revenues for each dollar paid out to CRRs purchased in the auction. These 2018 results indicate that the losses being imposed on transmission ratepayers from CRRs sold in the auction are not declining and that auction revenue shortfalls have not been reduced by measures taken under Track 0 of the CAISO's recent CRR initiative.

¹ *Allocating CRR Revenue Inadequacy by Constraint to CRR Holders*, Department of Market Monitoring, October 6, 2014: <http://www.caiso.com/Documents/AllocatingCRRRevenueInadequacybyConstrainttoCRRHolders-DMMWhitePaper.pdf>

² See Attachment H to the CAISO's filing in this proceeding: CAISO ER19-26 *Tariff Amendment to Increase Efficiency of Congestion Revenue Rights Auctions*, Attachment H – Department of Market Monitoring Comments, July 18, 2018.

Table 1. Quarterly 2018 auction revenue shortfalls

	Auction revenues (A)	Payments to auctioned CRRs (B)	Auction revenue shortfall (B – A)	Auction revenue / CRR payment (A ÷ B)
Q1 2018	\$26.2	\$68.7	\$42.5	\$0.38
Q2 2018	\$24.7	\$42.8	\$18.1	\$0.58
Q3 2018	\$31.2	\$72.6	\$41.4	\$0.43
Total	\$82.1	\$184.1	\$102.0	\$0.45

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to this motion to intervene and comment, and afford DMM full rights as a party to this proceeding. The mission of DMM – like that of all Independent Market Monitors – is as follows:

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.³

The CAISO tariff states that “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested

³ CAISO Tariff Appendix P, Section 1.2.

http://www.caiso.com/Documents/AppendixP_CAISODepartmentOfMarketMonitoring_asof_Apr1_2017.pdf.

See also FERC Order 719, at p. 188, where the functions of a Market Monitor include: “evaluating existing and proposed market rules, tariff provisions and market design elements, and recommending proposed rule and tariff changes not only to the RTO or ISO, but also to the Commission’s Office of Energy Market Regulation staff and to other interested entities [...]” <https://www.ferc.gov/whats-new/comm-meet/2008/101608/E-1.pdf>

entities.”⁴ As this proceeding involves tariff provisions which affect the efficiency and the just and reasonableness of the CAISO’s markets, it implicates matters within DMM’s purview.

III. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

/s/ Eric Hildebrandt

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⁴ CAISO Tariff Appendix P, Section 5.1.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 12th day of October, 2018.

1st Grace Clark
Grace Clark