



505 Van Ness Avenue
San Francisco, California 94102
Tel: 415-703-2381
Fax: 415-703-2057
<http://publicadvocates.cpuc.ca.gov>
OV

Public Advocates Office
California Public Utilities Commission <http://publicadvocates.cpuc.ca.gov>

September 19, 2019

The California Independent System Operator
250 Outcropping Way
Folsom, CA 95630
initiativecomments@caiso.com

Subject: **Comments of the Public Advocates Office on the California Independent System Operator's 2020 Policy Initiatives Catalog**

INTRODUCTION

The Public Advocates Office hereby submits these comments on the California Independent System Operator's (CAISO) 2020 Policy Initiatives Catalog dated September 5, 2019. In particular, Initiative 6.1.31, Implement Point-to-Point Convergence Bids, in the Discretionary Initiatives Section proposes to "examine market rules to allow market participants to bid point-to-point – a source and a sink combined with [a] specified...congestion price."¹ These bids would "pay the difference of locational marginal price at the sink minus locational marginal price at the source in the day-ahead market and will be paid that difference in the real-time market."² The CAISO also notes that it was "suggested by DC Energy [a Virginia-based investment company] during a previous policy initiative catalog process that this initiative be added to the catalog."³

DISCUSSIONS AND RECOMMENDATIONS

1. Initiative 6.1.31 should be discarded if it in any way negates the adopted Track 1A changes to congestion revenue rights⁴

Part of the Track 1A changes to congestion revenue rights (CRRs), approved by the Federal Energy Regulatory Commission (FERC) in June of 2018 and upheld in a FERC

¹ 2020 Policy Initiatives Catalog. California Independent System Operator. September 5, 2019. P. 26.

² *Ibid.*

³ *Ibid.*

⁴ Congestion Revenue Rights: Summary of Auction Efficiency Initiatives. Available at <http://www.caiso.com/informed/Pages/StakeholderProcesses/CongestionRevenueRightsAuctionEfficiency.aspx>

Order on Rehearing⁵ in August of 2019, limits the allowable source and sink pairs to those that correspond with the actual delivery of electricity. The CAISO stated that these changes "reflect true hedging of congestion costs associated with serving loads."⁶ Early analysis of the effect of these changes by CAISO staff suggests that revisions to the CRR market limits the CRR auction shortfall that is allocated to ratepayers.⁷ It is not clear from the CAISO's 2020 Catalog whether Section 6.1.31 - Implement Point-to-Point Convergence Bids - would lift or modify this restriction. If the proposed initiative would allow market participants to nominate CRRs that are not restricted to the delivery of energy, the initiative should be removed from the 2020 Final Policy Initiative Catalog, as it would undo the progress that has been made toward lowering the auction shortfall that ratepayers are responsible for.

2. Initiative 6.1.31 should be eliminated unless the CAISO can explain how the initiative would address the concerns of the Utility Distribution Companies (UDCs), generators, and industrial participants who directly suffer from swings in congestion pricing.

Prior to the inclusion of this discretionary initiative in the CAISO's 2020 Policy Initiative Catalog, the CAISO should describe the proposed initiative's potential benefits to the entities charged with producing, transmitting, or consuming electricity, who have a legitimate interest in hedging their congestion risk. The "primary purpose" of CRRs, as described by the CAISO in FERC's August 2019 Order on Rehearing, is to "facilitate long-term contracting by load-serving entities and suppliers by permitting them to hedge congestion costs..."⁸ If this initiative does not address the concerns of such entities, it should not be included for consideration in the CAISO's Policy Initiatives Catalog.

Please contact Steven Shoemaker at Steven.Shoemaker@cpuc.ca.gov or (415) 696-7330 with any questions regarding these comments.

⁵ Order on Rehearing. Docket No. ER18-1344-002. Federal Energy Regulatory Commission. Issued August 22, 2019.

⁶ Congestion Revenue Rights Auction Efficiency – Track 1A. Pre-Market Simulation Webinar. September 13, 2018. Slide 7.

⁷ CRR Conference Call Meeting Minutes. California Independent System Operator. January 30, 2019.

⁸ Order on Rehearing. Docket No. ER18-1344-002. Federal Energy Regulatory Commission. Issued August 22, 2019. P. 1 – 2.

/s/ Chloe Lukins

Chloe Lukins

Program Manager

Cc: Steven Shoemaker, Public Advocates Office
Joseph Abhulimen, Public Advocates Office