Congestion Revenue Rights Associated with IBAAAs

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Your Link to Power

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Topics for Today’s Discussion

- Guiding principles for CRR provisions
- Impact of IBAA changes on future release of CRRs
- Impact of IBAA changes on settlement of previously-released CRRs
- Impact of IBAA changes on revenue adequacy of previously-released CRRs
Guiding Principles

1. IBAA changes should be timed to minimize their potential impact on previously-released CRRs, and to provide sufficient and timely information to market participants who want to acquire new CRRs.

2. IBAA changes should not disrupt the consistency between IFM energy settlement and CRR settlement for parties who hold previously-released CRRs to manage their exposure to CAISO congestion charges.

3. IBAA changes should not compromise the principle of full funding of all CRRs.

4. If CRR revenue inadequacy results from maintaining the consistency between previously-released CRRs and the IBAA-related settlement location changes, the cost impact should be allocated in a just and reasonable manner.
Impact on Future CRR Release

CAISO will synchronize IBAA implementation with annual CRR release process, whenever possible:

- IBAA implementation in the energy markets would be on January 1 of upcoming year.
- IBAA changes would be incorporated into CRR FNM used in annual CRR release process for that year, with information provided to CRR participants in a timely manner (summer & fall preceding the IBAA change).

In the event an IBAA change is needed more quickly, it will be incorporated in the first applicable monthly CRR release process.
Impact on Settlement of Previously-Released CRRs

Context: IBAA change alters energy settlement locations (e.g., an inter-tie scheduling point is replaced by an IBAA Hub) – and – CRRs were already released based on the pre-IBAA FNM.

Approach 1: Holders of such CRRs may make a one-time election to either

- (a) modify affected CRR source or sink to match the new energy settlement locations, or
- (b) retain the original CRR source & sink.

Approach 2: All affected CRRs are modified to match new energy settlement locations; that is, option (a) would be applied to all affected CRRs with no choice.
CAISO proposes to adopt Approach 1

- One-time election would occur prior to the annual CRR release process in which the IBAA is first modeled
  - E.g., if IBAA is to be implemented in energy markets on 1/1/10, then holders of LT-CRRs that extend into 2010 and are affected by the IBAA would make their election in summer 2009.

- If the IBAA change does not coincide with annual CRR release process, then holders of affected LT-CRRs and one-year Seasonal CRRs would make their election prior to the relevant monthly CRR release process.
  - E.g., if IBAA is to be implemented in energy markets on 5/1/10, then holders of affected LT-CRRs and Seasonal CRRs would make their election some time prior to 4/1/10, to be reflected in CRR FNM for release of Monthly CRRs for May.
Impact on Settlement of Previously-Released CRRs

For the IBAAs to be implemented for MRTU start-up, the CRRs released to date used a CRR FNM that included these IBAAs.

- E.g., parties who nominated Tracy as a CRR sink had to specify a physical sink location at Captain Jack, Roseville or Western Hub, and the CRRs were actually modeled using these sink locations.

Therefore the sources and sinks of these outstanding CRRs already conform to the proposed IBAA-related energy settlement locations and do not require any modification.

The choice allowed under Approach 1 above does not apply in this case because there was no inconsistency between the CRR FNM and the IBAA modeling.
Impact on Revenue Adequacy of Previously-Released CRRs

An IBAA change raises no concern about CRR revenue adequacy provided:

- (1) the IBAA was included in the CRR FNM used for releasing the CRRs, and
- (2) the sources and sinks of the released CRRs conform to the IBAA-related settlement locations.

Concern arises when CRRs are released under pre-IBAA assumptions and are modified later to conform to the IBAA settlement locations.
Impact on Revenue Adequacy of Previously-Released CRRs

The potential for IBAA-related CRR revenue inadequacy will be estimated in advance by running the SFT, applying the previously-released CRRs to the updated CRR FNM:

- A violation of simultaneous feasibility does not guarantee revenue inadequacy, it only means increased risk of revenue inadequacy.

Potential CRR revenue impacts are expected to be small:

- Because IBAA changes affect local areas of the grid, any CRR revenue impacts will be small relative to the total volume of congestion charges and CRR payments
- Timing IBAA changes to coincide with annual CRR release process will limit any potential CRR revenue impacts to LT-CRRs.

Holders of all CRRs will be held harmless to any IBAA-related CRR revenue impacts through the CRR Balancing Account established to ensure full funding of all CRRs.