

Stakeholder Comments CRR Auction Efficiency Track 1B Draft Final Proposal Addendum

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) offers the following comments on the California Independent System Operator's (CAISO) Congestion Revenue Right (CRR) Track 1B Draft Final Proposal Addendum (Addendum)¹.

The main proposal in the Addendum remains the same as in the straw proposal² except the change that the payment received from counter-flow CRRs would not be reduced in the event of an over-subscribed constraint. While SCE believes this specific change is reasonable in the context of the CAISO's proposal, the Addendum fails to address many underlying issues associated with the current auction.

The CAISO has not sufficiently addressed the concern from a significant number of both large and small load serving entities and the instructions of its board members to seriously consider the option of willing counterparties within the CRR Auction. The concept of willing counterparty has been explored and supported by a number of stakeholders, along with several proposals that were built upon this concept. However, the CAISO has not demonstrated a commitment to focus on how a willing counterparty proposal could work, as requested by stakeholders³.

¹ CAISO CRR Auction Efficiency Track 1B Draft Final Proposal Addendum, dated May 25, 2018:

<http://www.caiso.com/Documents/DraftFinalProposalAddendum-CongestionRevenueRightsAuctionEfficiencyTrack1B.pdf>.

² CAISO CRR Auction Efficiency Track 1B Straw Proposal <http://www.caiso.com/Documents/StrawProposal-CongestionRevenueRightsAuctionEfficiencyTrack1B.pdf>, dated April 19, 2018.

³ E.g., see comments from CPUC Energy Division, "the CAISO's response to the 'willing counterparties' proposal in the proceeding has largely focused on 'why it would not work' instead of considering 'how stakeholders could make it work'." (p. 2);

comments from City and County of San Francisco, "CCSF continues to believe that CAISO should address the underlying cause of the auction inefficiency, including evaluating in more detail the willing buyer/willing seller approach." (p.2);

comments from CPUC ORA, "Although the Straw Proposal rejects the bulletin board suggestion, the CAISO expressed interest in data supporting multi-stage auctions but appeared unwilling to conduct such research. Rather than removing the willing counterparty proposal from further consideration, the CAISO should include the development of solutions to match CRR auction counterparties within the scope of Track 2 of this initiative." (p. 6);

comments from the Six Cities, "Moreover, the Track 1B Straw Proposal still would not address the fundamental flaw with the CRR auction design, i.e., the forced sale of auctioned CRRs by ratepayers who have no ability to avoid obligations to holders of auctioned CRRs or to ensure that the revenues paid by purchasers of auctioned CRRs bear a reasonable relationship to payments ratepayers may be obligated to make to such purchasers. The primary focus for this stakeholder initiative should be correction of that fundamental flaw." (p. 2-3); and

comments from City of Silicon Valley Power, "the CAISO's assertions regarding the "willing-buyer, willing-seller" ("WB-WS") alternative incorrectly assume those mechanisms will create open access and/or CFTC regulatory problems." (p. 1)

Stakeholder comments on Track 1B Straw Proposal are available at:

<http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=DBA85AB9-1027-4482-B887-A5A69E338856>

Even if Track 1A and Track 1B proposals provide incremental improvements necessary to prevent further loss from load serving entities, the CAISO has not demonstrated the effectiveness of these proposals in addressing the existing issue of the large gap between the high payout to auctioned CRRs and relatively low revenue from auctions.