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To: Initiative Comments <InitiativeComments@caiso.com>
Subject: Comments on Initiatives Catalog

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Hi,

Item # 6.6.1

Sirius Power Trading LLC is against putting Initiative item #6.6.1 “Congestion Revenue Rights Auction Efficiency” on the 2017 Road Map. We think the argument that “An efficient CRR auction should lead to auction revenues that approach the auction payments” is not valid. First, the discount of time value of money need to be considered when we are talking about any financial instrument like CRRs which involves possible future payments. For example, if a market participant are guaranteed to be paid \$10 per month for the year 2017, how much should he/she pay right now to attain that right? The answer should be less than \$120 since the rational market participant should discount the value of money in the future. Secondly, since there are risks/uncertainties involved about the future payment due to various factors in the market, the \$10 per month may not be guaranteed. So when considering these risks, even without the discount of time value of the money, a rational market participant would pay less than \$120 to reflect the risk premium in the market. Thirdly, the auction provides a long-term price discovery for the value of transmission service at the current time with the incomplete/imperfect information the market participants have. If the auction capacity is removed, it would be very likely that the liquidity of the auction would be much reduced since LSEs are risk averse and would rather hold the CRRs to maturity than offer them into the auction market. And the price discovery function of the market, no matter how inaccurate it might be, would be lost. And it would go against the purpose of market deregulation at the first place. Also, these auctions are very valuable to various stake holders in the market who want to hedge their congestion risks. Last but not least, we could not see that the CRR market would be any more efficient, specifically that the CRR auction revenues would approach the auction payments, by removing the auction capacity and reduce the market liquidity.

Item # 6.6.2

We recommend CAISO explore the possible Long-term CRR auction products since they are the only market based risk-management tool that the participants may have to hedge against their long-term congestion risks.

Item # 6.6.3

After introducing the global derate factors and better aligning the market conditions between the CRR auctions and IFM such as outage modellings, CAISO has done a much better job recently in term of CRR revenue sufficiency comparing to the beginning of the market. We applause the hard work that has been done by CAISO to achieve this. We agree with the additional measures mentioned in this section that may improve the CRR revenue sufficiency even more.

Item # 6.7.2

We hope that CAISO place higher priority on the implementation of the Point-To-Point virtual production since they provide a risk management tool for the market participants to hedge against the point-to-point congestion risk on a daily basis without the impacts of higher or lower IFM energy components of the LMPS.

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