

## Portland General Electric Comments on 4/18/17 CRR Auction Efficiency Working Group Meeting

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PGE appreciates the opportunity to provide comments on the Congestion Revenue Rights Auction Efficiency Working Group Meeting held 4/18/17 at the ISO. While PGE was not able to attend the meeting in person, we were able to participate remotely and have engaged with other market participants on this initiative.

PGE found the format and content of the working group meeting to be conducive to stakeholder participation and believe it set the foundation for this important initiative well. Specifically, we appreciated the input of Dr. Scott Harvey from the ISO Market Surveillance Committee, and the presentations by market participants who have experience working with CRR auction instruments in the eastern organized markets. PGE is encouraged by the ISO's use of these working group meetings on the front-end of stakeholder initiatives, and specifically its solicitation of market participant expertise, as we believe this ultimately delivers an efficient policy-development process and reduces the amount of back and forth commenting mid-initiative.<sup>1</sup> PGE wishes to express support for the ISO's framing of this working group as being directed at an agnostic "market analysis". PGE believes at this point it is premature to conclude the existing auction is inefficient or resulting in unfavorable outcomes for market participants or end-use customers.

PGE is an active participant in the ISO's integrated forward market and real-time market, primarily at the ISO's California-Oregon Border (COB) intertie, and expects to continue its participation even while operating within the Western EIM beginning October 1, 2017. PGE has acquired physical transmission rights to and from the ISO's COB intertie, and PGE generally purchases and sells physical energy at the intertie scheduling points. PGE's participation in these markets provides depth, liquidity, flexibility, and efficiency to the ISO and its customers. It also provides optionality for PGE to meet its own load-service, asset-optimization, renewable resource integration, and imbalance management needs at least cost.

As part of PGE's commitment to serve its customers' energy supply requirements at least cost, PGE at times enters into forward contracts with counterparties inside the ISO. When doing so, PGE is exposed to delivery-related price risk for congestion charges that may arise in the Day-Ahead physical market between the point where PGE has committed to physically deliver to the ISO's intertie, and the point where the forward contract delivery is settled. PGE participates in the ISO's CRR auction in order to hedge this price risk, and has found it to be a valuable, transparent, and efficient way of managing that risk.

The efficiency of the CRR auction allows PGE to participate to the greatest extent possible in the ISO's markets, and to contribute to the flexible, price-responsive bid-stack the ISO is working to increase as a way to better manage its ramping and other variable energy resource related system needs. If the CRR auction were to be eliminated or fundamentally altered, as has been proposed by the DMM, PGE would

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<sup>1</sup> The Commitment Cost and Default Energy Bid Enhancement initiative is another example of where this process is being used and is working well.

have two options: PGE could restrict its voluntary participation in the ISO's markets; or alternatively, PGE could price into its bids and offers the basis risk it would be exposed to in the forward market. Electing either of these two options would ultimately have detrimental impacts on end-use consumers: pulling liquidity from the market reduces the pool of resources entities and operators have to meet demand across the board; and pricing risk individually or bilaterally in the absence of a centrally-cleared market naturally results in higher risk premiums being paid. Both of these two outcomes reduce market efficiency and ultimately put upward pressure on the cost of serving end-use customer demand.

PGE recommends that the ISO continue its research into the root-cause of any disconnects or inefficiencies in the lifecycle of the CRR auction process, look to the eastern organized markets for best-practices, and create a plan for incremental improvements to the existing market.<sup>2</sup> While doing so, PGE requests that the ISO continue to engage with stakeholders at the "working group" level rather than moving into a formal stakeholder initiative process or developing a straw proposal aimed at changing the current market.

PGE looks forward to continuing to participate in this initiative and assist the ISO in its analysis as needed.

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<sup>2</sup> PGE supports DC Energy's recommendations in its "List of Items to Review" on slide 4 of their presentation made at the meeting: <http://www.caiso.com/Documents/Presentation-SethCochranDCEnergy.pdf>