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CRR Enhancements for 2009-2010

The Federal Energy Regulatory Commission's (FERC) approval of the February 2006 tariff filing in support of the ISO's new market design and several subsequent filings and associated orders established the policy for Congestion Revenue Rights (CRRs) in the ISO's current market. The ISO has released short-term and long-term CRRs for the start of its new market design through the allocation and auction processes that have been in effect since April 1, 2009. The ISO is now conducting both annual and monthly CRR allocation and auction processes for the release of prospective CRRs. This experience provides an opportunity to consider refinements in some details of CRR and related processes.

Through the weekly CRR conference calls with market participants and its own evaluation the ISO has identified the issues listed below as candidates for further refinements. The ISO intends to commence a stakeholder process to address the issues and intends to release an Issue Paper in August 2009.

CRR Related Credit Issues

- CRR credit policy changes: The ISO will review and refine current credit requirements for participation in CRR auctions to improve the ISO's credit coverage. The ISO will seek to implement these enhancements prior to the November 2009 annual auction.
- Clarify rules for declaring a CRR holder in default and for curing the default: Experience during 2009 revealed that in the event of a credit default, there is a need to clarify the processes for declaring the CRR holder in default and curing the default. The current ISO tariff has defined the events that will trigger declaration and cure of a default by a CRR holder in various sections.
- Process for re-selling CRRs of a defaulting CRR holder: Experience during 2009 revealed that in the event of a credit default, there is a need to better define the process for re-selling the CRRs of the defaulting CRR holder.
- Re-evaluation of holding credit requirements for extraordinary circumstances: Circumstances such as extended outages can result in changes in holding credit requirements. A business process has been defined, and will be reviewed.

Non-Credit Policy Issues

- Revise load migration process: The current process for transferring CRRs due to load migration between LSEs requires the ISO to handle data on retail end-use customers. This data is not otherwise the type of data for which the ISO is responsible for handling and processing. Alternatives will be considered that do not require the ISO to receive such data.
- Revise modeling and treatment of trading hubs in CRR allocation: The current CRR allocation process disaggregates a nominated trading hub CRR into separate CRRs for each constituent PNode of the trading hub, resulting in holdings of many small CRRs. A revised approach for allocating and tracking CRRs having a trading hub source or sink could streamline this process.

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- Eliminate multi-point CRRs from CRR design: Market participants strongly desire the ability to sell CRRs in the auction, but multi-point CRRs make it difficult to implement the sale of CRRs. Eliminating multi-point CRRs facilitates the sell function. Having the multi-point function in the CRR system complicates the implementation of almost every new feature that might be desired while offering very little offsetting benefit.
- Weighted least squares objective function: The current CRR allocation software maximizes the release of CRRs by utilizing the most effective nominated CRR, from among the CRR requests, to mitigate congestion in the simultaneous feasibility test. As a result the software does not equitably distribute the reduction from CRR allocation requests among participants. The use of a weighted least squares CRR optimization algorithm would balance equity with maximum CRR release.
- Move to single tier in monthly allocation: The current monthly CRR allocation uses two tiers even though the incremental amount of CRRs released after the annual CRR process is limited. A single allocation tier would make the monthly allocation process more streamlined.

Non-Credit Business Process Issues

- Sale of CRRs in the CRR auctions: CRRs cannot be directly sold in the auction. If market participants intend to dispose of CRRs through the auction, participants may purchase CRRs in the auction that are in the opposite direction of the originally released CRR. Alternatively, a market participant may transact a trade through the Secondary Registration System. Implementation of the sell function in the auction software is in process, and will be reviewed with market participants.
- Modeling approaches to reinforce CRR revenue adequacy: In the initial months of operation of the new ISO markets, the ISO has lacked data regarding the impact of transmission outages on CRR revenue adequacy to accurately determine the optimal amount of monthly CRRs for release. As a result there were significant CRR revenue shortfalls in the CRR balancing account for the first three months. Based on the post go-live experience, the ISO will consider ways to improve its modeling of anticipated outages for the monthly CRR release, to better balance the objectives of revenue adequacy and optimum CRR release.
- Tracking of Long Term CRRs in CRR system: The ISO's current process involves manual work-arounds, which will be automated. These processes are internal to the ISO and do not impact either the CRR holdings or the business processes of market participants, but the ISO will explain the issues and the proposed process improvements through this stakeholder process.