

Stakeholder Process: Congestion Revenue Rights Auction Efficiency**Summary of Submitted Comments and Management Response**

Stakeholders provided three rounds of comments to the ISO under the Congestion Revenue Rights Auction Efficiency, Track 1B stakeholder initiative on the following dates:

- Round One (written comments on Track 1B Straw Proposal April 23, 2018), 05/07/18
- Round Two (written comments on Track 1B Draft Final Proposal May 18, 2018 and Addendum May 25, 2018), 06/7/18
- Round Three (verbal comments on Track 1B Second Addendum June 13, 2018), 06/13/18

Stakeholder comments received from:

Boston Energy, Calpine, California Public Utilities Commission (CPUC), CPUC Office of Ratepayer Advocates (ORA), California Department of Water Resources (CDWR), Calpine, DC Energy, Department of Market Monitoring (DMM), Northern California Power Agency (NCPA), NRG, , Pacific Gas and Electric (PG&E), Powerex, Southern California Edison (SCE), San Diego Gas and Electric (SDG&E), Six Cities, Western Power Trading Forum (WPTF)

Stakeholder comments are posted at:

Congestion Revenue Rights Auction Efficiency:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/CongestionRevenueRightsAuctionEfficiency.aspx>

Other stakeholder efforts include:

Congestion Revenue Rights Auction Efficiency:

- Working group discussion, 04/10/2018
- Conference call, 05/18/2018
- Conference call, 04/23/2018
- Conference call, 06/13/2018

	Charge CRR holders in proportion to their CRRs flow over each constraint in the day-ahead market associated with the revenue inadequacy	Reduce capacity released in annual CRR auction and allocation process to 65%	Management Response
Boston Energy	Opposes, states ISO should instead allocate revenue deficiencies to transmission owners and allocated CRR holders.	Supports	Allocating revenue deficiencies to transmission owners would be a more extensive change than there is time to consider in this track 1B. Management proposes to allocate revenue deficiencies on the same basis to allocated and auction CRR holders as all CRRS represent the same market product.
Calpine	Opposes, stating that CRRs should pool risk of outages and ISO should adopt a methodology that socializes revenue deficiencies to all CRR holders.		Other stakeholders stated they could better estimate the risk of transmission outages than they could estimate their potential share of overall CRR inadequacy. In addition, allocating to all CRR holders would not address incentives to exploit differences between constraints modeled in the congestion revenue rights market and the day-ahead market. Finally, allocating revenue inadequacy to all CRR holders would inequitably affect those with CRRs purchased at a higher price relative to their payments more than it would affect those with CRRs purchased at a lower price.

	Charge CRR holders in proportion to their CRRs flow over each constraint in the day-ahead market associated with the revenue inadequacy	Reduce capacity released in annual CRR auction and allocation process to 65%	Management Response
CDWR	No comment	Reduction may impede their ability to obtain needed CRRs	While reducing the capacity released in the auction may prevent some CRRs that would be revenue sufficient from being released, it will reduce the overall amount of revenue inadequacy.
CPUC	Supports approach as an improvement but ISO should pursue broader auction reforms under which only “willing counterparties” back auctioned CRRs.	No comment	The adverse impact to the overall wholesale energy market of discontinuing the congestion revenue right auction’s sales of ISO-market backed congestion revenue rights would likely exceed the perceived benefit of eliminating the auction revenue shortfall.
CPUC-ORA	Supports Management’s proposed methodology of allocating revenue deficiencies to CRR holders by market constraint except believes allocation should be based on the bid prices submitted to the auction. ISO should pursue broader auction reforms under which only “willing counterparties” back auctioned CRRs.	No comment	Allocating revenue deficiencies based on bid prices would be a more extensive change than there is time to consider in this track 1B. The adverse impact to the overall wholesale energy market of discontinuing the congestion revenue right auction’s sales of ISO-market backed congestion revenue rights would likely exceed the perceived benefit of eliminating the auction revenue shortfall.

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DC Energy	<p>Opposes, should instead allocate shortfalls to transmission owners.</p> <p>If ISO does implement Management's proposed methodology, should also reduce payments owed by counterflow CRR holders on constraints with revenue deficiencies and should net surpluses against revenue deficiency charges over the term of seasonal CRRs rather than monthly.</p>	Supports	Reducing payments owed by counterflow CRR holders would exacerbate revenue deficiencies and thereby increase risk to CRRs held to hedge supply deficiencies. Seasonal netting is not feasible under the track 1A change to allow the sale of seasonal CRRs in monthly increments.
DMM	Supports approach as an improvement but ISO should pursue broader auction reforms under which only "willing counterparties" back auctioned CRRs.	No comment	The adverse impact to the overall wholesale energy market of discontinuing the congestion revenue right auction's sales of ISO-market backed congestion revenue rights would likely exceed the perceived benefit of eliminating the auction revenue shortfall.
NCPA	Supports	No comment	Management appreciates the comments.

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NRG	<p>Should also reduce payments owed by counterflow CRR holders on constraints with revenue deficiencies and should net surpluses against revenue deficiency charges over the term of seasonal CRRs rather than monthly.</p> <p>ISO should allocate revenue deficiencies to transmission owners and allocated CRR holders.</p> <p>Supports not pursuing willing-counterparty approach.</p>	No comment	<p>Reducing payments owed by counterflow CRR holders would exacerbate revenue deficiencies, increasing risk to CRRs held to hedge supply deficiencies. Seasonal netting is not feasible under the track 1A change to allow the sale of seasonal CRRs in monthly increments.</p> <p>Allocating revenue deficiencies to transmission owners would be a more extensive change than there is time to consider in this track 1B. Management proposes to allocate revenue deficiencies on the same basis to allocated and auction CRR holders as all CRRS represent the same market product.</p>
PG&E	Supports	Reduction may prevent some CRRs that would be revenue sufficient from being released.	While reducing the capacity released in the auction may prevent some CRRs that would be revenue sufficient from being released, it will reduce the overall amount of revenue inadequacy.

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Powerex	Supports	Supports	Management appreciates the comments.
SCE	Supports approach as an improvement but ISO should pursue broader auction reforms under which only “willing counterparties” back auctioned CRRs.	No comment	The adverse impact to the overall wholesale energy market of discontinuing the congestion revenue right auction’s sales of ISO-market backed congestion revenue rights would likely exceed the perceived benefit of eliminating the auction revenue shortfall.
Six Cities	Supports Management’s proposed methodology to allocating revenue deficiencies to CRR holders by market constraint except believes allocation should be based on the bid prices submitted to the auction. ISO should pursue broader auction reforms under which only “willing counterparties” back auctioned CRRs.	No comment	Allocating revenue deficiencies would be a more extensive change than there is time to consider in this track 1B. The adverse impact to the overall wholesale energy market of discontinuing the congestion revenue right auction’s sales of ISO-market backed congestion revenue rights would likely exceed the perceived benefit of eliminating the auction revenue shortfall.

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WPTF	<p>Opposes. Should instead change CRR auction timing to address shortfalls and maintain fully funded CRRs. Should not be making multiple CRR market rule and procedure changes at the same time.</p> <p>Supports not pursuing willing-counterparty approach.</p> <p>If ISO does implement Management's proposed methodology, should also reduce payments owed by counterflow CRR holders on constraints with revenue deficiencies and should net surpluses against revenue deficiency charges over the term of seasonal CRRs rather than monthly.</p>	No comment	<p>Changing CRR auction timing to address shortfalls would be a more extensive change than there is time to consider in this track 1B. It is important to make immediate comprehensive changes to address the ongoing CRR auction efficiency issue.</p> <p>Reducing payments owed by counterflow CRR holders would exacerbate revenue deficiencies, increasing risk to CRRs held to hedge supply deficiencies. Seasonal netting will not be feasible under the Track 1A change to allow the sale of seasonal CRRs in monthly increments.</p>