

Richard Maullin, CAISO Board of Governors
Ashutosh Bhagwat, CAISO Board of Governors
Mark Ferron, CAISO Board of Governors
Angelina Galiteva, CAISO Board of Governors
David Olsen, CAISO Board of Governors - Chair

California Independent System Operator
P.O. Box 639014 Folsom, CA 95630

Dear Members of the Board,

Sonoma Clean Power and Peninsula Clean Energy (“SCP and PCE”) appreciate the opportunity to submit the following comments on the California ISO’s CRR Auction Efficiency - Track 1B Straw Proposal.

SCP and PCE share stakeholders’ concerns regarding ongoing revenue shortfalls associated with the California ISO’s congestion revenue rights (CRRs) auction, resulting in financial losses borne by California’s ratepayers (\$680 million from 2009 through 2017). Accordingly, SCP and PCE greatly appreciate the efforts made by ISO staff to characterize and understand the reasons why this shortfall is occurring and launch a stakeholder initiative to address it. SCP and PCE value the CRR auction as a critical CAISO-facilitated mechanism to hedge basis risk associated with physical supply through a robust and transparent process. While we are supportive of efforts to improve the CRR auction and are supportive of efforts to more generally address CRR revenue inadequacy, we do not support proposals to exclude market participants from the auction. Nor do we support proposals to replace the auction with a bilateral market. We believe a transparent, open auction is a critical means of ensuring that risks with physical supply can be efficiently hedged.

For these reasons, SCP and PCE support the Track 1A changes that were submitted to FERC on April 11, 2018. We believe that the two changes embedded in Track 1A (restricting source-sink pairs offered in the auction and requiring better-timed transmission outage reporting) are practical solutions to reduce CRR uplift while preserving the auction as an important ISO market process. It will take time for these changes to bear fruit.

With respect to Track 1B, more time is needed to assess the impacts of Track 1A changes. At a high level, we recommend that ISO staff take an appropriate amount of time to design and implement its *preferred* solution and not feel restricted to only those solutions that can be implemented in the near-term. Furthermore, we recommend the ISO should scrutinize any further reform carefully to ensure anti-competitive dynamics between Load-Serving Entities are not created. If ISO staff believes that an ex-ante adjustment to CRR quantities is preferable to ex-post options,¹ then the ISO staff should take the time that is necessary to implement the better solution. In the meantime, ISO staff can move forward to implement Track 1A upon FERC approval and see the impacts of such changes.

We appreciate the opportunity to submit these comments, and we thank the ISO staff for all of its work on this important topic.

¹ CAISO CRR Auction Efficiency Track 1b Straw Proposal issued on April 19, 2018 states: “Of the revenue sufficient funding approaches considered, the CAISO believes **reducing congestion revenue rights quantities each day prior to the day-ahead market** is likely the best option, at least in the long-term” at 24.

Congestion Revenue Rights Auction Efficiency

Track 1B Straw Proposal

Comments of SCP and PCE

May 4, 2018

Sincerely,

C.B. Hall
Compliance Analyst
Sonoma Clean Power
CBHall@sonomacleanpower.org

Jeremy Waen
Sr. Regulatory Analyst
Peninsula Clean Energy
jwaen@peninsulacleanenergy.com