

Vitol Inc. - Comments on CAISO Stakeholder Catalog Process
Submitted by: Kolby Kettler
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“Congestion Revenue Rights Auction Efficiency – The ISO highly ranked this initiative due to the concerns raised by the ISO’s Department of Market Monitoring. The ISO plans to conduct further analysis on the potential drivers of the potential CRR auction inefficiencies prior to formally launching the stakeholder initiative. The analysis will help the ISO to identify the scope of issues to be addressed in the initiative.”

Vitol is interested in the CAISO’s approach and decision to address the CRR market efficiency. Currently we are in agreement that there are potential improvements to be made and we do believe that through a thorough stakeholder initiative and complete analysis of the direct and indirect benefits and costs of the CRR product, the CAISO can sufficiently address the concerns related to the DMM. The DMM has raised a concern with the perceived “undervalue” of CRRs to both CAISO and market participants. This concern is based on information presented by the DMM surrounding only the historical negative values related to CRRs and without complete information surrounding the value related to the product and how it is used within both physical and financial market participant’s portfolios. The view of Vitol is that there could be significant solutions in enhancing the CRR product and model(s) without undermining the purpose of the CAISO’s centralized market. The DMM’s proposal for a solution potentially introduces market power issues, liquidity issues, transparency (pricing) issues, while adding risk, uncertainty, risk premiums and consequently incremental costs to load.

We encourage the CAISO to be transparent in their research/analysis and thorough in both the direct and indirect values related to the CRR product. We also encourage the CAISO to learn how market participants use CRRs and CRR prices for the purposes of pricing, liquidity, analysis of risk premiums and much more.

We find the analysis to be a significant task and ask that the CAISO consider an unbiased outside consulting firm in valuing all aspects of the product and the transparency into pricing. We look forward to working with the CAISO in the future stakeholder process as we also believe there are enhancements that could significantly improve the existing market, but without significant unintended consequences.

Vitol also supports the comments filed by WPTF.