



Decision on Congestion Revenue Rights Credit Enhancements

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Experience has identified enhancements to provide for better CRR auction participation.

- Congestion revenue rights (CRRs) in new market design provide payments to CRR holders for point-to-point differences in locational marginal price for congestion.
- Experience since April 2009 allows ISO to identify process refinements for credit and non-credit issues.
- CRR-related credit policy proposal: Revise CRR credit requirements for participation in CRR auctions.

Proposed enhancements reduce pre-auction credit requirements and reduce the cost of participating in CRR auctions.

- Proposed pre-auction credit requirement modifications reduce security required for participating in the CRR auction.
 - Ensures sufficient collateral is available to cover payments for CRR awarded and credit margins for holding CRRs.
- New credit tracking system allows enhancements to reduce cost of participating in CRR auctions.
 - Use new credit tracking system to determine collateral requirements
 - Remove limits on collateral available for an auction

Management is proposing three pre-auction credit requirement enhancements.

Pre-auction credit requirement = bid segment credit exposure + credit margin

1. Reduce minimum credit requirement in monthly auction from \$500,000 to \$100,000.
 - Lower requirement justified by monthly auction volumes
2. Limit the credit requirement for negative valued CRRs to just the credit margin
 - Avoids unnecessary exchange of funds
3. Reduce credit margin portion of the credit requirement
 - Determine credit margin based on greatest credit exposure rather than total quantity bid

2. Limit the pre-auction credit requirement for a negative valued CRR to just the credit margin.

Bid Curve		Existing Method			Proposed Method		
Bid Segment (MW)	Bid Price (\$/MW)	Bid Segment Credit Exposure (\$)	Credit Margin Credit Exposure (\$)	Total Credit Exposure (\$)	Bid Segment Credit Exposure (\$)	Credit Margin Credit Exposure (\$)	Total Credit Exposure (\$)
0~5	-3	15	200	215	0	20	20
5~20	-7	140	200	340	0	80	80
20~35	-13	455	200	655	0	140	140
35~50	-15	750	200	950	0	200	200

Credit margin assumed to be \$4/MW

3. Reduce credit margin portion of the pre-auction credit requirement.

Bid Curve		Existing Method			Proposed Method		
Bid Segment (MW)	Bid Price (\$/MW)	Bid Segment Credit Exposure (\$)	Credit Margin Credit Exposure (\$)	Total Credit Exposure (\$)	Bid Segment Credit Exposure (\$)	Credit Margin Credit Exposure (\$)	Total Credit Exposure (\$)
0~5	15	75	200	275	75	20	95
5~20	13	260	200	460	260	80	340
20~35	7	245	200	445	245	140	385
35~50	3	150	200	350	150	200	350

Credit margin assumed to be \$4/MW

Management requests Board approval for the proposed enhancements.

- Enhancements supported by stakeholders
- Improved efficiency of collateral usage
- Reduced pre-auction credit requirement for some bids
- Reduced cost of participating in CRR auctions
- No additional financial risk