

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System            ) Docket No. ER18-2034-000  
Operator Corporation                    )**

**ANSWER AND MOTION FOR LEAVE TO ANSWER  
OF THE DEPARTMENT OF MARKET MONITORING  
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Department of Market Monitoring (DMM), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this answer, and motion for leave to answer, to portions of the Comments and Limited Protest submitted on August 7, 2018 by the Calpine Corporation (Calpine) in the above captioned proceeding.<sup>1</sup>

**I. ANSWER**

DMM submits this answer to help create a more accurate and complete record in the proceeding. In prior comments in this proceeding, Calpine stated:

In fact, the CAISO’s latest data suggests that Track 0 implementation may have had an effect. For the month of July, the CRR market was revenue adequate by over 17 million dollars. Adding the 7 million dollars in auction revenues to this total yields a net benefit to ratepayers of 24 million dollars.<sup>2</sup>

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<sup>1</sup> DMM files this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R., §§ 385.212, 385.213. The DMM requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the protests filed in the proceeding. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Servs., Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

<sup>2</sup> Calpine Corporation, *Comments and Limited Protest*, August 7, 2018 Docket No. ER18-2034, p.11.

The \$24 million Calpine cites is the July 2018 value for the CRR *balancing account*. The balancing account represents the net of (1) revenues from the CRRs auctioned by the ISO (2) payouts to all CRR holders, plus (3) all congestion rents collected from the day ahead market.<sup>3</sup> Any surpluses from this account are refunded to the load serving entities of transmission ratepayers — who pay for transmission through the Transmission Access Charge and also for congestion charges included in the day-ahead market prices charged to load.

The CRR balancing account is a settlement account which is distinct from the actual *auction revenue shortfalls*. As CAISO explained, CRR auction revenue shortfalls are “...the difference between CRR auction revenues and day-ahead market payouts to holders of auctioned CRRs.”<sup>4</sup> Thus, auction revenue shortfalls represent the direct loss to transmission ratepayers from sales of CRRs through the ISO’s auction.

Significant and persistent auction revenue shortfalls have been the motivating factor behind the CAISO’s efforts that have been underway for almost two years to reform the CRR auction. DMM estimates that for the month of July 2018 transmission ratepayers received about \$7.3 million in auction revenues but paid out about \$26.9 million to auctioned CRRs.<sup>5</sup> In other words, auction revenue shortfalls in July were actually about \$19.6 million.

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<sup>3</sup> Note also that CRR payments are adjusted by the CRR settlement rule and congestion rents exclude refunds to existing rights.

<sup>4</sup> California Independent System Operator Corporation, *Tariff Amendment to Increase Efficiency of Congestion Revenue Rights Auctions*, Docket No. ER18-2034, July 27, 2018, p. 3.

<sup>5</sup> The July auction revenues include revenues from the July monthly auctions and one-third of Q3 seasonal auction revenues.

In its comments, Calpine highlighted that in the month of July 2018 CRRs were revenue adequate – i.e. total congestion rents collected from the day ahead market exceeded payouts to all CRR holders by over \$17 million. July 2018 is therefore a good example of a month in which CAISO had a large CRR revenue adequacy surplus (\$17 million), while transmission ratepayers still lost over \$19 million from auctioned CRRs. If CAISO had not auctioned CRRs for this month, the CRR balancing account surplus refunded to transmission ratepayers would have been about \$19 million larger. Rather than indicating that Track 0 implementation has significantly benefited ratepayers, CRR results for July 2018 provide further evidence that the kind of minor steps aimed at reducing revenue inadequacy that the CAISO implemented in Track 0 should not be expected to resolve CRR auction revenue shortfalls.

Table 1 below shows DMM's preliminary estimates for 2018 quarterly auction revenue shortfalls including Q3 through August 22, 2018.<sup>6</sup> DMM estimates auction revenue shortfalls so far in 2018 have totaled about \$93 million. Transmission ratepayers have only received about 44 cents of auction revenues for each dollar paid out to CRRs purchased in the auction. These 2018 results do not indicate that Track 0 changes have had a significant impact on reducing auction revenue shortfalls.

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<sup>6</sup> Q3 estimated shortfalls include payments through August 22, the July and August monthly auction revenues, and all of the Q3 (July-September) seasonal auction revenues.

**Table 1. Preliminary 2018 CRR Auction Revenue Shortfall Estimates  
(Year to date though August 22, 2018)**

Year	Qtr	Auction Revenues	Payments to CRRs	Auction Revenue Shortfall	Auction Revenue per \$ of CRR Payments
2018	1	\$26.2	\$68.7	\$42.5	\$0.38
2018	2	\$24.7	\$42.8	\$18.1	\$0.58
2018	3*	\$23.4	\$56.4	\$33.0	\$0.41
<b>YTD* Total</b>		<b>\$74.3</b>	<b>\$167.9</b>	<b>\$93.6</b>	<b>\$0.44</b>

\*Thru August 22, 2018

## II. CONCLUSION

DMM respectfully requests the Commission accept this answer and motion for leave to answer.

Respectfully submitted,

**/s/ Eric Hildebrandt**

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Independent Market Monitor for the California  
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Dated: August 22, 2018

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 22<sup>nd</sup> day of August, 2018.

*/s/ Anna Pascuzzo*  
Anna Pascuzzo