



California ISO

Credit Management

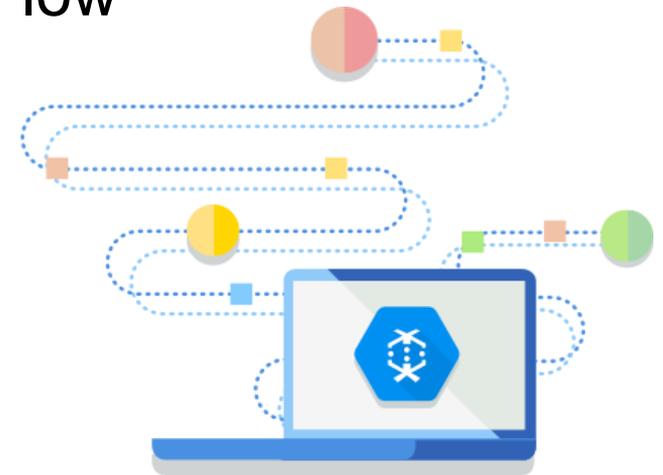
Congestion Revenue Rights EAL Components & Data Flow

December 2020

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Key Points of Discussion

- Congestion Revenue Rights Overview
- Congestion Revenue Rights EAL Components
- Congestion Revenue Rights Data Flow



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Congestion Revenue Rights Overview

- CRRs are financial instruments that enable holders of such instruments to manage variability in Congestion costs. CRRs are acquired by certified Market Participants for the purpose of offsetting costs associated with IFM Congestion costs that occur in the Day-Ahead Market. CRRs can also be used for other activities, many of which will increase the liquidity of the CRR market.
- All CRR bids submitted are subject to a credit check. If there is insufficient secured available credit at the time the bids are submitted, those bids are rejected. CRR bids must have enough secured collateral (Cash/Letter of Credit).



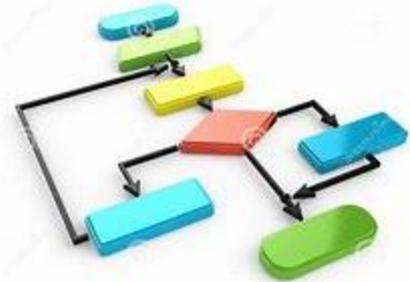
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Congestion Revenue Rights EAL Components

- **CRR Portfolio Value** - Prospective value of the CRR portfolio
- **CRR Bid Liability** - CRR Bids that are accepted based on the Available Credit at the time of CRR bids submittal
- **CRR Bidding Reservation** - CRR minimum participation requirement is \$100K of available secured credit for monthly auctions and \$500K of available secured credit for annual auctions:
 - Monthly CRR Bidding Reservation = $\text{Max}(0, \$100\text{K} - \text{Total CRR Bid Liability})$
 - Annual CRR Bidding Reservation = $\text{Max}(0, \$500\text{K} - \text{Total CRR Bid Liability})$
- **CRR Auction Awards** - A Market Participant's positively valued winning bids at the completion of the CRR auction, but prior to publishing on a settlements statement.

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Congestion Revenue Rights Data Flow



- CRR Bid Submittal
 - Bid is submitted by a Market Participant
 - Once the bid is submitted, it passes through a validation
 - After validation, the bid amount is sent to credit to validate sufficient secured available credit (credit check process)
 - If there are sufficient funds to cover the bid(s), the bid(s) are approved and liabilities are updated accordingly
 - If there are insufficient funds to cover the bid(s), the bid(s) are rejected and there are no changes to the liabilities.

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When a Bid is Rejected

- If a bid or bid portfolio exceeds the secured available credit limit, the bid amount will be disapproved based on a last in/first out basis
 - If a bid portfolio is rejected, the entire portfolio is rejected, not individual bids within the portfolio
- The CRR system informs the Market Participant via a pop-up window that there is insufficient available credit and the incremental amount needed to cover their bids
- Market Participants may post additional collateral or submit smaller bids based on their available credit
- For questions regarding posting additional collateral, please contact CAISOCredit@caiso.com



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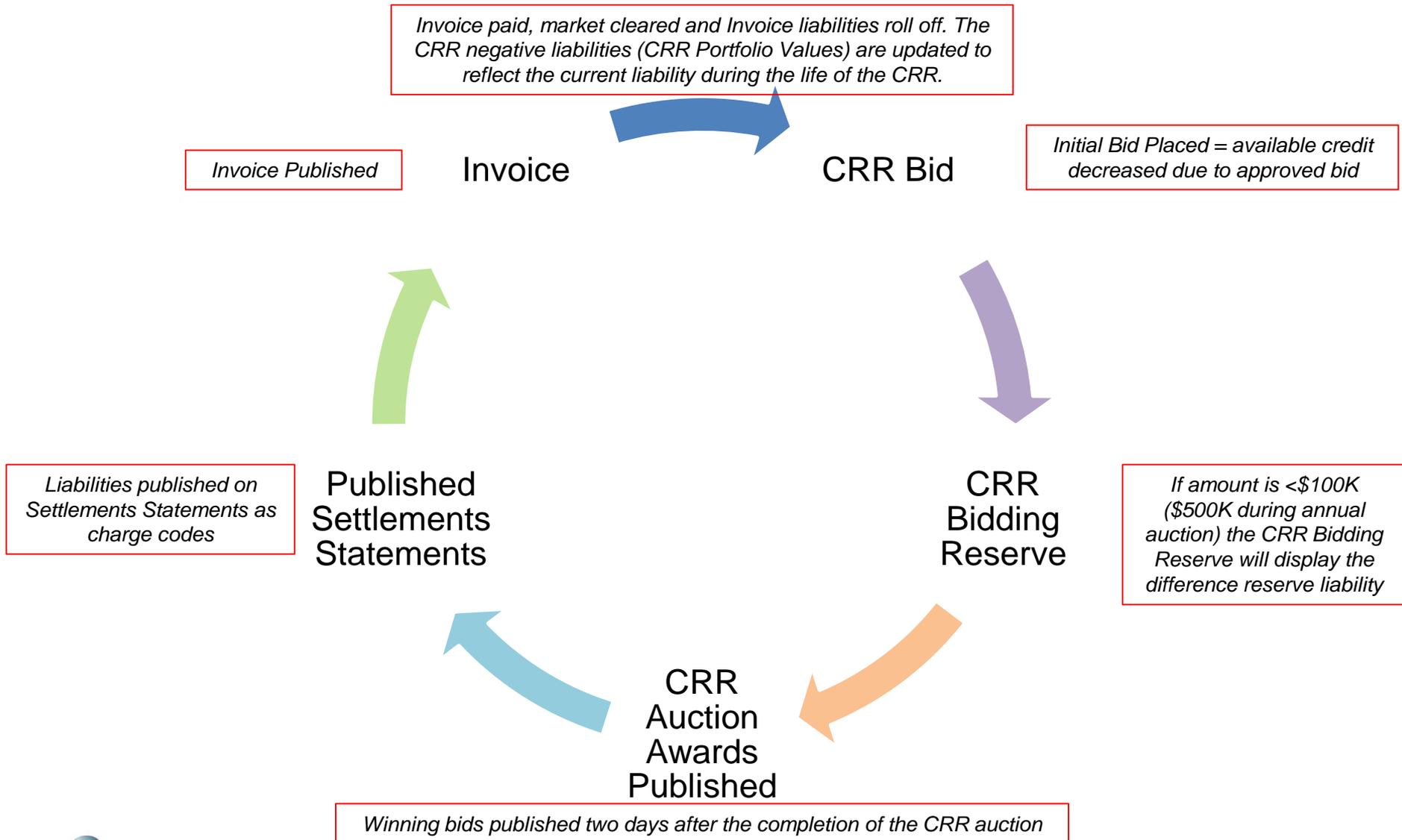
When a Bid is Canceled

- A bid can only be canceled by a Market Participant, not by the California ISO
- Canceled bids are not immediately reflected in the Market Participant's liabilities and the California ISO does not suggest canceling bids within an hour of the close of the CRR auction (5pm Pacific)
- If a Market Participant cancels previously approved bid(s), the liabilities are updated as the system refreshes
 - It may take up to an hour to release the credit that was being held for the approved bid(s) prior to cancelation



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The Life Cycle of Congestion Revenue Rights Liabilities



Example of the Life Cycle During Monthly CRR – With Reserve

CRR Bid and Reserve

SC places a bid for \$30K



Total liabilities increased by \$100K

CRR Auction Awards Published

SC has positively valued winning bids of \$20K



Total liabilities decreased by \$80K (10K from CRR Bid and \$70K from CRR Reserve)

CRR Liabilities flow through Settlements Statements and Invoicing

Liabilities flow through the regular invoicing process



Total liabilities paid

CRR Portfolio Value



Liabilities roll off during the life of the CRR. Not invoiced as this is a prospective CRR value



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Example of the Life Cycle During Monthly CRR – Without Reserve

CRR Bid and Reserve

SC places a bid for \$125K



Total liabilities increased by \$100K (No reserve as bid is greater than \$100K)

CRR Auction Awards Published

SC has positively valued winning bids of \$75K



Total liabilities decreased by \$50K

CRR Liabilities flow through Settlements Statements and Invoicing

Liabilities flow through the regular invoicing process



Total liabilities paid

CRR Portfolio Value



Liabilities roll off during the life of the CRR. Not invoiced as this is a prospective CRR value



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For additional information regarding Congestion Revenue Rights Liabilities and Credit Management, please contact:

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