



Congestion Revenue Rights (CRR) Auction Efficiency – Track 1A

Pre-Market Simulation Webinar
September 13, 2018

Radha Madrigal
External Training and Readiness

Agenda



- Purpose of CRR Auction Efficiency – Track 1A
- Timeline
- Review changes
- Market simulation activities

Purpose of Congestion Revenue Rights Auction Efficiency – Track 1A

- Part of a multi-phased approach to address observed inefficiencies with the ISO CRR auction
- **Track 1A** focuses on enhancements to:
 - Outage information received and used for CRR allocations and auctions
 - Limit the allowable source and sink pairs in the auction to correspond to supply delivery
 - CRR software to support a mechanism to allow market participants to sell previously acquired CRRs into subsequent auctions

To be addressed in the future

- **Track 1B** items:
 - Reduce the amount of system capacity that is released in the annual process
 - Settlements enhancements to allocate CRR revenue shortfall
- **Track 2** will consider additional changes for 2020

When will the changes take place?

Market
Simulation
(9/17/18 –
10/31/18)

CRR Annual
Auction
Opens
(11/13/18)

Production
Activation
(11/1/18)

Why are these changes needed?

- Since 2012, CRR auction revenues that are allocated to load serving entities were on average \$130 million less than the congestion payments received by entities purchasing these CRRs
- In early 2017, the ISO began its initiative to address CRR auction efficiency. The ISO is concerned about the large CRR payments made to the holders of auction CRRs in comparison to the auction revenues collected when releasing the CRRs through the auctions
- The intent behind this policy is to reduce the shortfall between the auction revenues and congestion payouts

What's changing with Track 1A?

The approach taken to achieve the desired reduction includes the following:

- Having the CRR model for the annual process more accurately reflect projected congestion due to planned outages
- Increased valuation of CRRs, by focusing bidding on a smaller set of source-sink pairs, which reflect true hedging of congestion costs associated with serving loads
- Ability of CRR holders to sell CRR capacity to enhance their respective positions

What's changing with Track 1A?

- Having the CRR model for the annual process more accurately reflect projected congestion due to planned outages
 - This will be accomplished by requiring a new planned outage report to be submitted to the ISO by July 1st each year
 - The report will include planned outages that could affect energy flows which should be reflected in the CRR model

What's changing with Track 1A?

- Increased valuation of CRRs, by focusing bidding on a smaller set of source-sink pairs, which reflect true hedging of congestion costs associated with serving loads
 - The allowable source-sink combinations in the CRR auction process will be changed to only allow pairs that more closely reflect how load is scheduled or served in the day-ahead market

Allowable CRR Auction Source & Sink Combinations

		SINK LOCATIONS			
		LAP	GEN	TH	SP
SOURCE LOCATIONS	GEN	X		X	X
	TH	X			X
	SP	X		X	

Legend:

LAP

Load Aggregation Point – which includes DLAPs, Sub-LAPs, MSS LAPs, CLAPs (for Participating Load)

GEN

Generator PNode and APNode locations

TH

The three trading hub locations

SP

Scheduling Points associated with interfaces/Ties

What's changing with Track 1A?

- Ability of CRR holders to sell CRR capacity to enhance their respective positions
 - CRR holders will have the opportunity to sell CRRs that they were previously awarded in both the annual and monthly CRR auctions
 - Sell offers will be separate from auction buy bid submissions
 - Only one sell offer for a given CRR ID can be submitted for each auction
 - CRRs offered for sale in the Secondary Registration System (SRS) that are still pending approval cannot be offered for sale in the CRR auction

MARKET SIMULATION/ READINESS ACTIVITIES

Market simulation activities

Market Simulation: 9/17/18 – 10/31/18

- Structured simulation begins 9/26/18
- The purpose of market simulation is to provide customers with the ability to preview and test the enhancements
- Market simulation scenarios list:
 - What the ISO will do
 - What ISO market participants will do
 - Expected outcomes
 - Anticipated settlement outcome



California ISO

Questions?

REFERENCE MATERIAL

Reference Material

- **Business Requirements Specification:**
 - <http://www.caiso.com/Documents/BusinessRequirementsSpecification-CongestionRevenueRightsAuctionEfficiency1A.pdf>
- **Market Simulation Structured Scenarios:**
 - <http://www.caiso.com/Documents/StructuredScenarios-CongestionRevenueRightsAuctionEfficiency-1A.pdf>
- **Stakeholder Initiative Page:**
 - <http://www.caiso.com/informed/Pages/StakeholderProcesses/CongestionRevenueRightsAuctionEfficiency.aspx>