

Amber Power LLC

21 March 2018

CAISO Board of Governors
California ISO
250 Outcropping Way
Folsom, CA 95630

Dear members of the Board:

Amber Power LLC is writing to you regarding the decision you will be making on the congestion revenue rights auction efficiency proposal by CAISO (“Proposal”).

We ask you to vote against the first portion of Proposal that limits the allowable source and sink pairs in the auction. We also ask you to support the second portion of Proposal to create an additional annual transmission outage reporting deadline. If such a “split” vote is not possible, we ask you to reject Proposal in its entirety for the following reasons:

1. A drastic reduction of potential source-sink permissible combinations has not been proven in theory, nor been shown in practice, by any other ISO market which dealt with similar problems, to be a solution to the problems CAISO outlined, and may in fact exacerbate the problems.
2. The transmission-congestion revenue inadequacy due to changes in topology and capacity between the auction model and the Day Ahead Market (“DAM”) model is the real problem. It is quite uncertain whether the proposed reduction in source-sink pairs will lead to an improvement in the transmission-congestion revenue inadequacy as the volume of CRRs currently awarded between all possible sources and sinks will shift to a much smaller subset of the present source-sink combinations.
3. Other ISOs have successfully dealt with auction inefficiencies in the past without the need to drastically reduce bidding opportunities and price discovery. As CAISO is a relatively younger ISO, it is not clear to us why it needs to attempt drastic changes without first trying industry best practices, such as a better capacity release balance between the annual and monthly auctions, the use of

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right-sized balancing accounts, and the direct allocation of CRR revenue shortfall to those who cause it.

4. The reduction in the number of source-sink permissible combinations may result in further discrepancies between the auction results and DAM results due to the targeting of auction constraints with very blunt instruments – source-sink pairs with too restrictive set of sinks in Proposal. This may lead to further divergence, rather than the convergence which Proposal purports to achieve.

Thank you,

Michael Rosenberg
Manager