



Governing Board Members,

Valley Electric Association (VEA) appreciates the opportunity to provide these comments on the CAISO's CRR Auction Efficiency proposed policy changes.

VEA would like the board to be aware of several factors. First, VEA is very concerned about its members' costs of service; we do everything we can to reliably deliver to our customers at the lowest possible costs. VEA joined the CAISO in 2013 as a result of VEA's assessment that participating in the CAISO markets provided a greater potential for serving its customers efficiently and for best managing the growing demand of renewable developers to interconnect in VEA's footprint.

VEA's Board and its management have carefully studied the risks and rewards of the congestion revenue rights products, allocation process and auction, and VEA has in place a risk management policy that provides for participation in these processes. As a result, VEA's members do take on some level of risk with the expectation that overall there will be a benefit to the members from VEA's use of the CRR auction. VEA, just like the IOUs and other LSEs, pays its share of net auction revenue shortfalls.

VEA also critically relies on intermediaries to supplement VEA's allotment of federal hydro energy and VEA's small central station solar facility to supply VEA's customers and meet the growing resource adequacy ("RA") requirements. Given that VEA is primarily a load center, and it has no other generation in its service area, VEA knows that third parties must have ways to manage the risk of congestion in delivering to VEA. VEA's energy delivery costs far outweigh the uplift costs associated with CRR net auction shortfalls.

With all these factors in mind, Valley Electric continues to believe that a robust CRR process is critical to maintaining low cost supplies to our member-customers and to balancing our renewable energy supplies.

The CPUC has deemed that the California IOUs should not participate in the CRR auction in certain ways. While the IOUs have a strong voice in California, and while the DMM is very vocal about California ratepayer interests, the Board should not solely consider the IOUs' situation at the expense of other LSEs whose governing bodies may allow them different CRR auction participation.

Regarding the two CRR-related issues before you in March:

1. VEA supports changes to outage scheduling. The proposed change will burden VEA's transmission outage planning operations. However, given the CAISO's findings of the degree to which this element drove the net CRR auction shortfall, VEA is willing to adjust its operations to support this change.



## Valley Electric Association, Inc.

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2. VEA opposes the broad proposed reduction in biddable pairs that the CAISO staff has proposed because we are concerned that limits in the CRR auction will inhibit the practices of the intermediaries who bring us balancing power at very low margins. (VEA supports restrictions on electrically equivalent or zero-priced pairs.)

VEA is pleased to have the opportunity to highlight for the Board qualities of VEA that are distinct from those of large California IOUs and appreciates the Board's ongoing consideration of participants like VEA who bring to the CAISO the diversity that competitive market RTOs such as the ISO are intended to support.

Daniel J. Tillman  
Executive Chief Financial Officer