

Western Power Trading Forum Comments on CRR Clawback 4/13/16 Modification Proposal

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WPTF appreciates the CAISO's willing to consider relaxation of the CRR Clawback rule at the interties and believes that a relaxation will support some SC's abilities to submit 15-minute bids into the Fifteen Minute Market (FMM). We offer the following comments.

- WPTF encourages the CAISO to continue considering relaxation of such "rules" in order to ensure that the false positives that suggest some intent to maximize CRR profits when an SC submits bids into the CAISO markets are minimized.
- We also point out that while the CAISO views its market clearing prices as particularly relevant to an SC's "rational behavior" there are many other forces at play, in particular at the interties, that would cause SCs to bid other than the ISO's market prices (e.g., the Day-Ahead clearing price) as a rational bid. For example, market conditions in the west may change sufficiently from the DA to the RT to drive indifference prices higher or lower than the ISO's DA clearing price. Such prices that differ from the ISO's DA price may still be entirely rational and efficient.
- WPTF also asks the ISO to clarify that its Clawback rule is just a rule and it does not demonstrate the presence of any manipulative behavior.
- The CAISO's proposal does not substantiate the need for the Clawback rule being implemented at the hubs and DLAPs. During its 4/20 web meeting the CAISO offered to provide additional information about the nature of the issues it has seen at the DLAPs or Hubs. The CAISO also mentioned that they believe the issues associated with hubs and DLAPs have been for the smaller aggregated pricing areas.
- During the design of MRTU the CAISO (DMM in particular) offered a summary of alternative market designs which led to the observation that markets that allowed nodal bidding had automated CRR rules and that the market that only had zonal convergence bidding (NYISO) did not. DMM further argued that since DLAPs would be distributed across many nodes using LDFs that a participant could not target a specific node for which it owns CRRs. DMM presented its CRR Clawback design to FERC and FERC found the CRR Clawback design to be reasonable.
- WPTF urges the CAISO to think very carefully and demonstrate that application to any aggregated pricing areas is warranted if it continues to believe such. Hubs and DLAPs are important commercial transaction areas. There are lots of buyers and sellers at those locations. Yet virtual transactions are important hedge instruments for parties at these areas, yet most parties also hold CRRs to these locations. Applying the CRR Clawback could significantly impede normal market transactions and the natural benefits of convergence bidding. If actual instances of concern are limited WPTF encourages the CAISO to apply other means of monitoring and enforcement rather than simply invoke the CRR Clawback rule at those locations.

WPTF appreciates the CAISO's consideration of these comments.