

CDWR's Comments to CAISO's on 2011 CRR Enhancements Draft Final Proposal

The California Department of Water Resources (CDWR) appreciates the California Independent System Operator's (CAISO) initiative to look for opportunities to improve the current Congestion Revenue Rights (CRR) process for both market participants and CAISO. CDWR also appreciates CAISO's decision to allow market participants to post questions and comments regarding the CAISO's 2011 CRR Enhancements Draft Final Proposal.

5.2. Revenue Adequacy Issues

CDWR supports CAISO's initiative to improve the CRR Revenue Adequacy. In CDWR's previous March 17, 2011 comments to CAISO's 2011 CRR Enhancements Issue Paper and April 30, 2011 comments to CAISO's 2011 CRR Enhancements Straw Proposal, CDWR suggested that prior to making any recommendations for improving the modeling of transmission capacity available for CRRs, CAISO perform studies and reports to determine and provide details regarding how adopting median Operating Transmission Capacity (OTC) would improve CRR Revenue Adequacy. CDWR strongly believes that such studies are necessary.

Although CDWR understands that CAISO's only explanation for not achieving CRR Revenue Adequacy is based on inaccurate modeling of outages because it is impossible to predict forced outages, CDWR strongly believes that not achieving CRR Revenue Adequacy may be caused by other factors. For example, in February 2011, despite setting the Global De-rate Factor (GDF) at 15%, CRR Revenue Adequacy fell short by \$6.6 million, the highest shortage observed since Market Redesign and Technology Upgrade (MRTU) start-up. Moreover, CRR Revenue Adequacy was not achieved in March or April 2011 when GDF was set at an even higher level (22.5%). The immediate conclusion from the above examples is that CRR Revenue Adequacy cannot be met if CAISO uses the reduction of the Available Transmission Capacity for the CRR allocation process as the only method to achieve CRR Revenue Adequacy. CDWR believes that the introduction of Convergence Bidding on February 1, 2011 could be the main reason for not achieving CRR Revenue Adequacy during the period from February to April 2011. Consequently, CDWR strongly suggests that CAISO investigate Convergence Bidding's impact on CRR Revenue Adequacy and identify other MRTU features that could impact CRR Revenue Adequacy.

5.4. Issues Requiring Tariff Clarification

CDWR supports the following issues requiring Tariff clarification:

- 5.4.1 Clarification of PNP Upper Bound;
- 5.4.2 Reconfiguration of Previously Released Annual CRRs;
- 5.4.3 Maintain Mandatory CRR Training requirement from tariff;
- 5.4.4 Allow manual SRS vs. existing software process;
- 5.4.5 Auction Clearing Price Calculation;
- 5.4.6 Credit Requirements for Load Migration and Bilateral Transfers;
- 5.4.7 Portfolio of bids submitted vs. individual bids;
- 5.4.8 Retirement Process for Disconnected Nodes; and
- 5.4.9 Implementation of Sell Feature;

If you have any questions please contact Daniel Cretu at (916) 574-0658.