

2014 Stakeholder Initiatives Catalog

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Every year the California Independent System Operator (CAISO) solicits stakeholder input on what they think the CAISO should take up in the coming year. This is the first of two phases, and the purpose is to simply say what, if any, changes we recommend on the list. Phase two involves ranking the items on the list. Accordingly, CPUC Staff recommends the following alterations to the CAISO initiatives catalog.

Delete

- 7.2 Convergence Bidding Clawback (aka Congestion Revenue Rights Clawback)
 - The Congestion Revenue Rights (CRR) clawback rule is sufficient for the near future. The clawback has been an effective tool to date. In 2013 alone it saved ratepayers \$2.9 million in charges that likely resulted from manipulative behavior. Without this check on manipulative behavior, the impact on ratepayers would likely even greater than \$2.9 million. The CPUC prefers that the CAISO focus on other initiatives such as convergence bidding uplift allocation, the Energy Imbalance Market, Full Network Model, etc.

Combine items:

- 6.1 Congestion Revenue Rights Enhancements to address Revenue Inadequacy +
 6.2 Economic Methodology to Determine if Transmission Outage Needs to be Scheduled 30 Days Prior to Outage Month +
 6.4 Insufficient Congestion Revenue Right Hedging +
 6.7 Outage Notification Requirements
 - Each of these initiatives concerns revenue sufficiency and the effectiveness of the CRR model in predicting Day-Ahead transmission utilization. The scheduling of transmission outages is a key issue in determining the value of a CRR. The timing and

duration of line outages has a significant impact on congestion and congestion costs. The ability to hedge CRRs is impacted by the design of the market, the cost allocation paradigm as well as the causation of congestion. Solving one of these initiatives appears to directly impact the others. Therefore, the CAISO should create a new initiative that combines these four into one initiative with a broad scope that will address all of these issues with one holistic, balanced solution.

- 6.3 Flexible Term Lengths of Long Term Congestion Revenue Rights +
6.5 Long Term Congestion Revenue Right Auction +
6.6 Multi-Period Optimization Algorithm for Long-Term Congestion Revenue Rights
 - All of these initiatives appear to revolve around the same issue of CRR term lengths and optimal CRR allocation. As such, the CAISO should create a new initiative with broad scope that would address all facets of the issue at once.