

# Comments on Congestion Revenue Rights Enhancements Working Group Meeting #6 – May 12, 2025

Department of Market Monitoring

May 27, 2025

## Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Congestion Revenue Rights Enhancements Working Group Meeting Session #6 – May 12, 2025*.<sup>1</sup>

## Comments

DMM agrees with the ISO's goal statements:

1. Fair allocation of transmission revenues to customers paying the embedded costs of the transmission system
2. Allow hedging costs of congestion in the context of a day-ahead energy market

The willing seller design is a market based solution meant to accomplish these goals. As an initial part of policy development, the ISO needs to assess the willing seller design—including other potential elements or details that might be added to the design—as a means to achieving these goals.

## Minor suggested edit

We suggest one minor change to sub-goal statement #1 on slide 14 from referencing expected payouts to referencing expected costs. This would allow for recognizing that the cost to sell a CRR is the expected payouts, and potentially an additional risk premium less a net present value discount. DMM proposes edits as follows:

CRRs in the auction should be priced at a reasonable approximation of the ~~cost payout~~ *of taking on obligations to make payments at congestion rent in the day-ahead market* ~~prices~~

Transmission customers receive ~~approximately~~ commensurate value for *the costs of taking on obligations to make* ~~payouts made~~ to CRR rights purchased in the auction

Financial entities have pointed out that a buyer might discount the value of CRR payouts they receive because of the risk of the uncertain payouts (as opposed to a buyer who is using the CRR to hedge a risk and being willing to pay a premium). This does not mean that the ISO's persistent selling of CRRs well below their payouts is somehow "efficient",<sup>2</sup> because that would completely ignore the cost of supplying the CRRs and ignores the intent that CRRs be purchased to be used as hedges. If a buyer values a CRR less than the cost of the CRR, then an auction result where that buyer receives that CRR is inefficient. This suggested clarification might help stop such confusion in the future.

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<sup>1</sup> *Congestion Revenue Rights Enhancements: Working Group Meeting #6 Goals and Problem Statements*, May 12, 2025. <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Congestion-Revenue%20Rights-Enhancements-May-12-2025.pdf>

<sup>2</sup> And that the measures of auction losses somehow needs to be adjusted for this.