

Comments on CRR Clawback Modification Straw Proposal

Department of Market Monitoring

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The Department of Market Monitoring (DMM) appreciates the opportunity to provide comments on the Congestion Revenue Rights (CRR) Clawback modification Straw Proposal. DMM supports the ISO's proposed changes as detailed below.

The ISO proposes to use real-time bids to assess which import/export schedules changes will be included in the flow impact threshold test. This appears to be a reasonable mitigation of clawback charges for schedules changes that are likely not implicit virtual bids.

The ISO also proposes to remove the exemption from the flow impact test of convergence bids placed at default load aggregation points (DLAP) and Trading Hubs. This will treat all constraint flows equally no matter their source. There is no need to choose which node types have a "large" or "small" impacts. The calculation will automatically incorporate the impact size based on the shift factors.

Some stakeholders have raised concerns that removing the DLAP/Trading Hub exemptions could lead to additional clawback charges for bidding behavior that the rule is not intended to target. They have also asked if the current DLAP/Trading Hub exemption is of enough concern to merit increasing the exposure of market participants to the clawback rule. These are valid concerns and questions.

Figure 1 below shows the estimated change in clawback from removing the DLAP/Trading Hub exemption for 2015. Most months saw small increases in clawback, about a few thousand dollars. DMM believes clawback in the months with significantly larger increases (March, April and May 2015) represent situations in which the clawback rule was intended to apply. DMM believes removing the DLAP/Trading Hub exemption strikes the correct balance between potentially exposing more schedules to clawback charges and applying the rule as intended.

Some stakeholders also suggested a potential change to the clawback rule that only the portion of CRR revenues from a constraint not offset by congestion charges to the portfolio's day-ahead market schedules from the constraint be subject to clawback. DMM would support such a change. DMM understands that this would require significant changes to the clawback software. In contrast, the ISO's proposed changes require changing the inputs to the clawback software and are easier to implement. Changing the clawback software to account for the day-ahead congestion charges likely cannot be implemented on the ISO timeline for the current initiative. However, DMM suggests the ISO consider making this change when practical.

Figure 1. Estimated clawback changes from removing DLAP/Trading Hub exemption

