



Willing seller market design for congestion revenue rights

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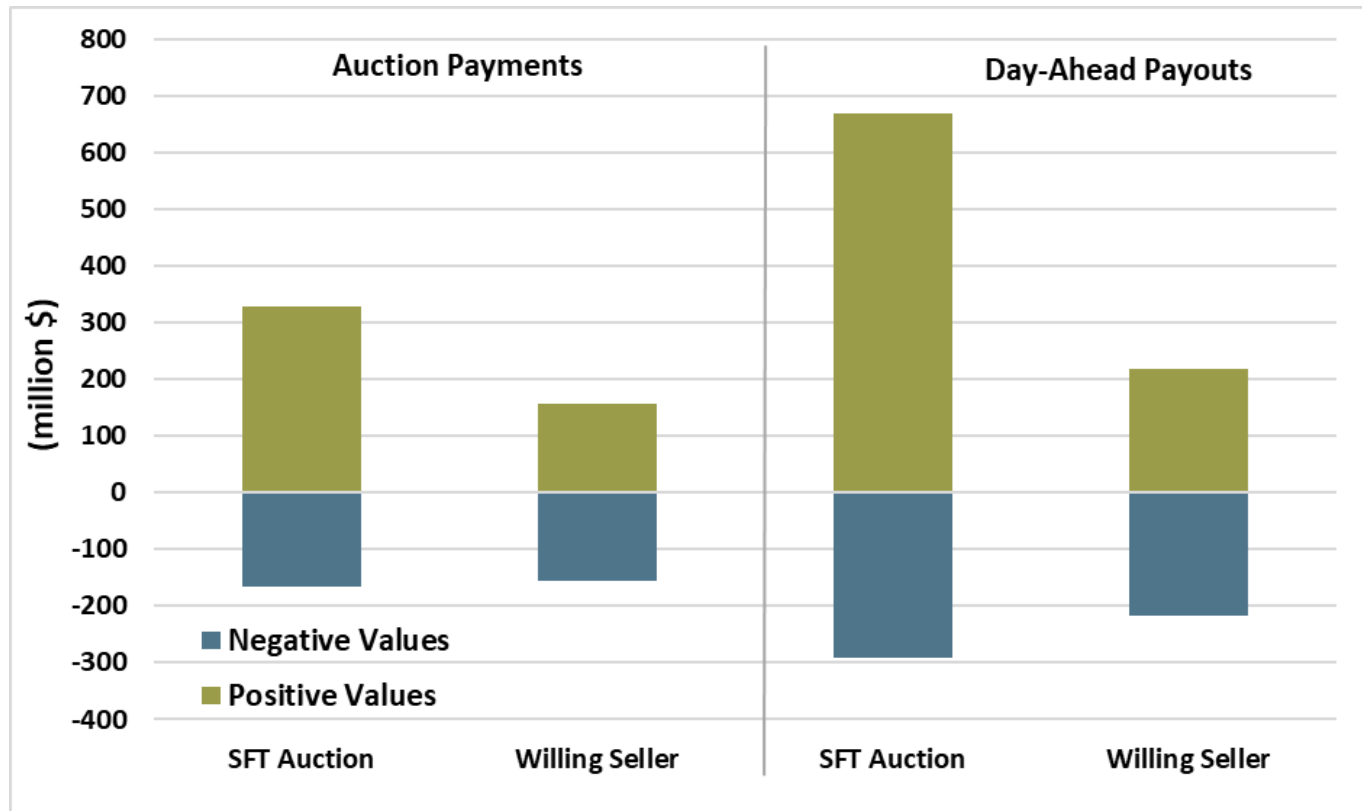
DMM has long recommended replacing the currently flawed CRR auction design with a willing seller auction design

- Removes the core auction design flaws
- ISO does not intervene to sell CRRs backed by transmission ratepayers with \$0 offer prices
- All transactions are price swaps between willing counterparties
- Contracts are firm and fully funded
 - no need for deficit offset charges
 - or subsidizing payments from rights not purchased (pre-offset paradigm)
- CAISO, MSC and many stakeholders assumed a market of willing counterparties would not clear many, if any, contracts without the ISO also intervening to sell CRRs through a transmission model

Proposed new CRR financial network market design

- Treat CRRs like standard financial derivatives
 - Transactions between willing counterparties with full financial exposure to contract outcomes
- Transmission model replaced with financial model
 - Supply and demand balanced at each node
- CRR allocation to LSEs can remain unchanged
 - LSEs can continue to offer allocated CRRs for sale in voluntary CRR market
- ISO serves as standard central counterparty clearing house
 - Manages counterparty credit risk
 - No direct financial exposure to the spot market

Running the willing seller design with the actual bids from 2017-2018 shows a significant amount of CRRs could clear



LSEs and non-LSEs offered bids for significant volume of negatively priced (or counterflow) CRRs that could clear under willing seller design

DMM continues to recommend replacing the current flawed auction with a willing seller auction design

- A detailed description and analysis of the willing seller design is available on the ISO website:

<https://www.caiso.com/documents/willing-counterparty-whitepaper-oct-23-2024.pdf>

- DMM looks forward to more detailed presentation of willing seller design and analysis at future stakeholder meeting.
- For questions please contact: Roger Avalos (ravalos@caiso.com)