

Amber Power LLC Comments on CRR Auction Analysis Report of 21 November 2017

1. Amber Power LLC commends CAISO for its analysis presented in its CRR Auction Analysis Report of 21 November 2017 (“the Report”). The Report comprehensively examined potential issues surrounding Congestion Revenue Right (“CRR”) auctions. It identified revenue inadequacy or, equivalently, the shortfall of transmission congestion revenues collected to pay for Congestion Revenue Rights. It properly analyzed the significance of under-reporting and non-reporting of transmission outages by Transmission Organizations, in violation of the CAISO outage reporting rules. Enforcing outage reporting compliance is essential for addressing revenue inadequacy. We are looking forward to discussing both market and non-market mechanisms to ensure compliance, the contribution of auctioned vs. allocated CRRs to revenue inadequacy, and the best practices of other ISOs in dealing with revenue inadequacy in CRR auctions and allocations.
2. Amber Power LLC asks market participants to reject the proposal by the CAISO Department of Market Monitoring (“DMM”) to convert the current auction into a type of a bilateral market with bids individually cleared against offers. While such a market is in principle possible, it will not produce the benefits of price discovery at all biddable locations associated with running the full network model in a CRR auction. Neither will it offer nearly the same depth and breadth of hedging opportunities to market participants. The DMM proposal runs contrary to the trend in other ISO markets, such as PJM, MISO, and ERCOT which *expanded* the CRR auctions to long-term, multi-year, multi-round, and multi-period intra-year auctions. Such expansion aided the depth and breadth of hedging options as well as improved price discovery. For further background please review the video, testimonies, and exchanges taken at the hearing “Powering America: Examining the Role of Financial Trading in the Electricity Markets” in front of the U.S. House of Representatives Subcommittee on Energy on 29 November 2017, which included a DMM representation.¹

¹ Available at <https://energycommerce.house.gov/hearings/powering-america-examining-role-financial-trading-electricity-markets/>