

Joint CCSF/SVP Comments on CAISO CRR Auction Efficiency

Submitted to initiativecomments@caiso.com

Track 1B Draft Final Proposal Addendum

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The City and County of San Francisco (CCSF) and Silicon Valley Power (SVP) thank the CAISO for considering the following comments on its May 25, 2018 Congestion Revenue Rights Auction Efficiency Track 1B Draft Final Proposal Addendum (“Draft Final Proposal”). CCSF owns and operates both a municipal electric utility and the CleanPowerSF community choice aggregation (CCA) program. SVP operates the municipal electric utility serving the City of Santa Clara.

CCSF/SVP support the CAISO’s Track 1B Final Proposal to reduce Congestion Revenue Right (CRR) payments, so as to not exceed the congestion revenue collected in each day-ahead market, based on each CRR’s settled flow on market constraints – only where, and when, such CRRs generate CRR payment shortfalls. We recognize that the Market Surveillance Committee (MSC) raised some concerns about CAISO’s proposed approach during its June 7 meeting, but we believe the MSC’s proposed solution itself has shortcomings. For example, the MSC’s proposed solution would allocate the revenue inadequacy to all CRR holders in proportion to their CRR revenues, without regard to their contribution to the underlying CRR auction efficiency shortfall. Allocating revenue inadequacy from each constraint in inverse proportion to the bid-in value of each CRR that contributes to the constraint would be a better approach.¹ In any case, it is critical that a solution be implemented in time for the 2019 annual CRR process. The current approach that allocates none of the revenue inadequacy to non-LSE CRR auction participants is inequitable and must be addressed as soon as possible.

Finally, while CCSF/SVP are hopeful that the combined Track 1A and 1B proposals will help address at least a portion of the CRR auction inefficiency and the residual revenue inadequacy allocation, it is important to continue to pursue all potential additional solutions in Track 2, including a “willing buyers, willing sellers” construct. The impact of this issue on market participants is significant and potential solutions should not be discarded prematurely.

¹ Allocation CRRs could be valued based on the implied value of the transmission access charge divided by the ratio of the CRR Holder’s allocated CRRs and its Monthly Eligible Quantity.