CRR Auction Efficiency
Comments of Energy Users Forum on Track 1 Draft Final Proposal
February 28, 2018

Summary:
EUF raised similar concerns to those raised recently by DMM during the initial CRR allocation and auction stakeholder process over a decade ago. EUF generally agrees with the concerns expressed by DMM and appreciates DMM's and the CAISO's attention to this issue. Unfortunately, the entire CRR process cannot be unwound, but improvements can be made and EUF supports those changes to the extent that they do not exacerbate the equity issue created during the initial allocation process. EUF urges the CAISO to consider DMM's recommendation that auctions have both a buyer and a seller, and that ratepayers not be forced to sell CRRs an entity wishes to purchase.

General Allocation Concern:
In addition to the issue of auction proceeds being significantly lower than payouts, EUF has always been concerned about the equity of the initial allocations and the bias of the allocation toward utility LSEs. These inequities were further exacerbated by (i) the rule that allows a LSE to retain CRRs previously granted during future CRR allocations ("Held CRRs") and (ii) the rules initially used to determine which LSEs could be allocated long-term CRRs.[1]

CAISO Proposal:
EUF supports the first two proposals aimed at auction competitiveness consistent with use of congestion revenue rights as a hedge for supply delivery. However, EUF has concerns about other proposals.

<u>Disclosure of Modeling Information</u>
EUF's concern about the proposal to eliminate disclosure of certain modeling information stems from the possible impact on non-utility LSEs that participate in the allocation process. To the extent that the change would reduce the information available to LSEs that they use in determining their allocation request, EUF is opposed to the change. EUF would support the change if the modeling information was still made available to LSEs requesting allocations, but not entities that only participate in the auction.

<u>Percentage of System Capacity Released</u>
EUF supports the reduction in long-term allocation from 60 to 40% of system capacity and the 45% cap on release of capacity for the auction, but does not support a reduction of 75% to 45% for the annual allocation process. Reducing the annual allocation capacity would have an inequitable impact on LSEs. The results stems from the facts that (i) LSEs can hold on to previously awarded CRRs and (ii) utility LSEs were allowed to request valuable allocations for a greater portion of their load during the initial long-term allocation process and the first round of annual allocations. We do not know what percent of the CRRs are held over from one year to the next, but it could be a significant portion of the proposed 45% given the existing allocation of 75% and the new limit of 40% on the long-term allocation. The proposed 45% limit could significantly impair the ability of legacy non-utility LSEs to obtain a meaningful and equitable allocation of CRRs.

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[1] The load migration rule fix the latter issue going forward for new LSEs (primarily CCAs), but leave legacy non-utility LSEs at a disadvantage. The result of the load migration rules for new LSEs is very similar to EUF's original CRR proposal: slice of the pie.