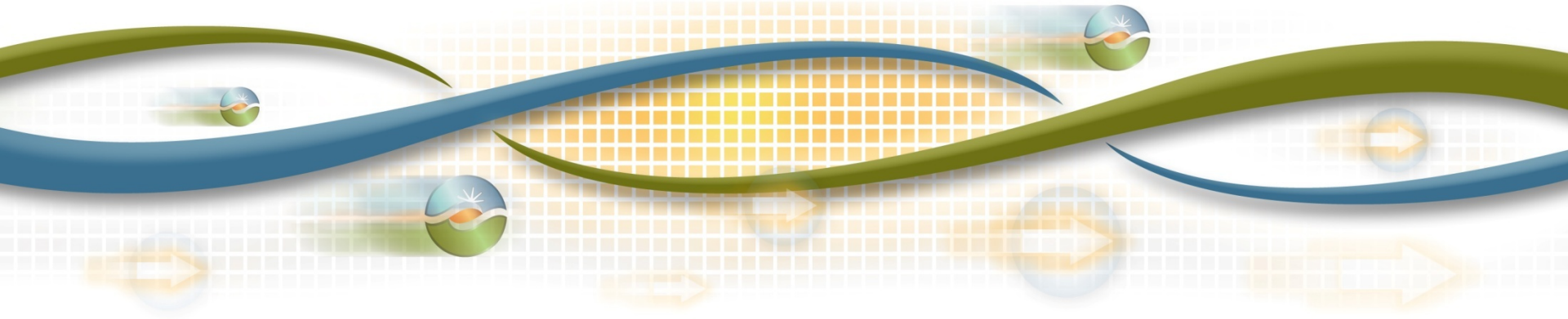


CRR Auction Efficiency Analysis Working Group

Introduction

04/18/2017



Today's Agenda

1. Introduction

2. Background

- a. DMM analysis
- b. Scott Harvey valuation concepts

3. Scoping/Methodology

- a. Potential topic categories
- b. Potential analysis questions

We're not here today to propose solutions.

Congestion Revenue Rights

Congestion revenue rights (CRR) are financial instruments, made available through the CRR allocation and CRR auction, that enable CRR holders to manage variability in congestion costs based on locational marginal pricing. CRRs are acquired primarily, although not solely, for the purpose of offsetting integrated forward market congestion costs that occur in the day-ahead market.

Allocation & Auction Processes

Allocation

- Load entities receives CRRs based on:
 - Nominated quantity
 - Available transmission
 - Load share

Auction

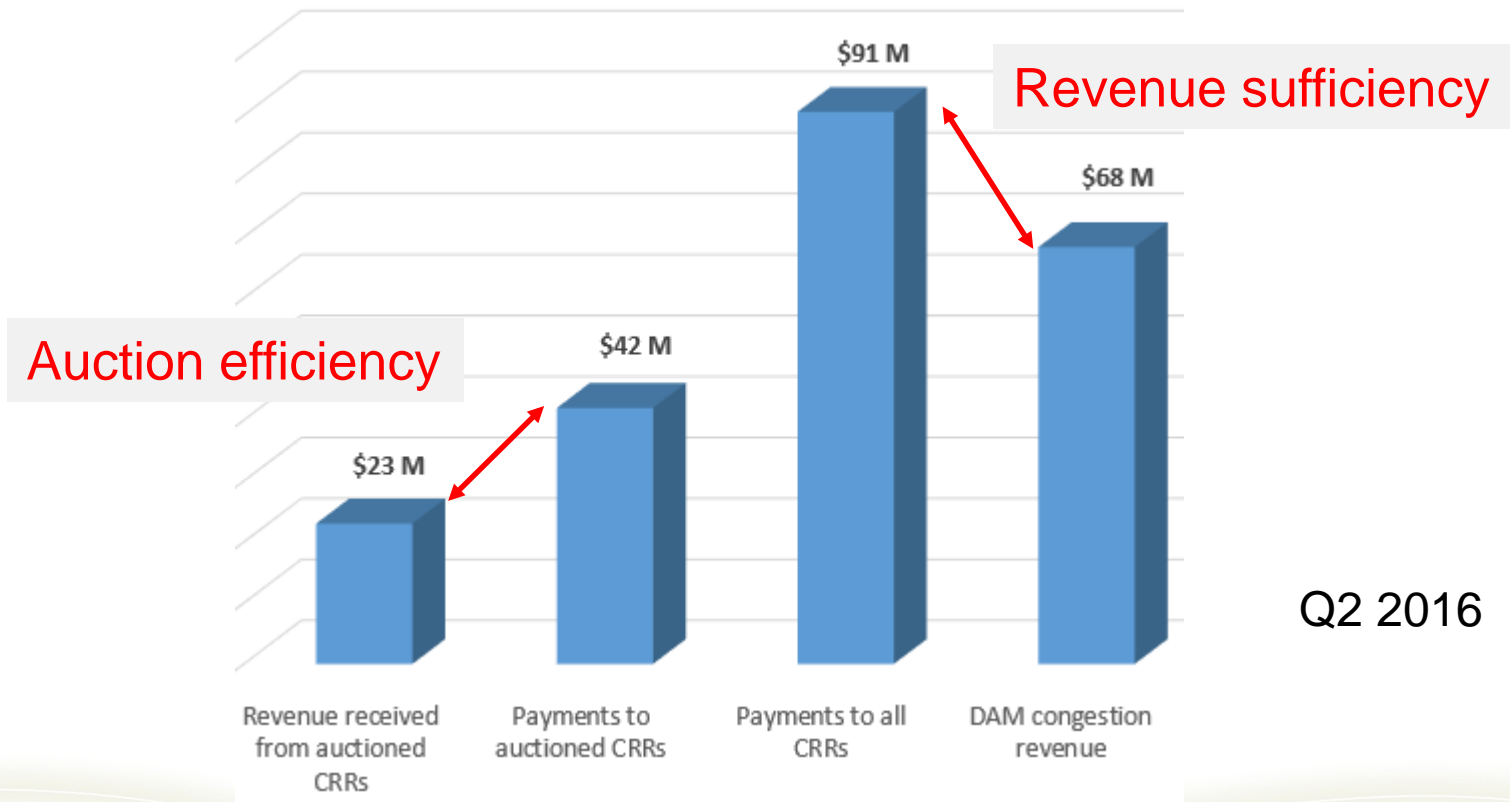
- Load, generation, marketers, and financial entities receive CRRs based on:
 - Bids & bid-in quantities
 - Available transmission

Settlement

- Market participants pay to purchase CRRs in auction generating auction revenues.
- These CRRs payout based on day-ahead market congestion
- Day-ahead market congestion revenues fund CRR payouts
- Auction revenues received are used to fund CRR payouts
- Where there is not enough congestion revenue and auction revenue to pay the awarded CRR quantities, load pays the difference

Auction efficiency vs. revenue sufficiency

- Revenue sufficiency
- Auction efficiency



Analysis Objectives

- There appears to be persistently low Congestion Revenue Rights auction valuations
- Evaluate potential causes of systematic differences between auction prices and payouts.
- Use results of the analysis to decide if modifications are appropriate and what those modifications should be.