

Valley Electric Association Comments on the CRR Auction Efficiency Draft Final Proposal

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February 28, 2018

Valley Electric Association (VEA) appreciates the opportunity to provide these comments on the CAISO's CRR Auction Efficiency Draft Final Proposal dated February 8, 2018. VEA participates in both the annual and monthly CRR allocations and auctions and has a strong interest in the current CRR market and consideration of any potential upcoming changes. VEA, even as an LSE, finds the CRR auction to be a critical market function through which we are able to reconfigure our CRR holdings to the extent the allocation process provided CRRs other than the rights needed.

VEA has no objections to reducing the annual capacity quantities as the CAISO has proposed, in particular if this change is seen as an interim one while the CAISO considers in its Track 2 whether other changes regarding auction timing and release may be better. While VEA benefits from the ability to secure its hedges, VEA also sees benefits in reducing revenue inadequacy that may be driven by an over release of capacity in the annual process.

VEA does not object to the proposed changes in outage reporting, in particular recognizing the strong impact that the CAISO's CRR analysis identified between the outage reporting deficiencies and revenue inadequacy.

VEA objects to the CAISO's proposal to reduce the permissible source-sink pairs. While VEA generally does not bid on gen-to-gen pairs and some of the other pairs the CAISO has proposed to eliminate, VEA does rely on its ability to secure low-cost supplies of economy energy for its load service. Tying the hands of marketers and traders will only tend to increase our costs of load service. Further, in a market where flexible ramping and other duck-curve-driven costs are creating a significant cost burden for VEA's customers, VEA sees the market's ability to hedge between respective generation nodes and between hubs as critical to putting together the more complex energy and Resource Adequacy offerings that are needed by VEA to cover its CAISO obligations. The CAISO should remove this proposal element and pivot their proposal instead to the mechanism shown in their paper as being used by other ISOs/RTOs to eliminate electrically equivalent nodes from the auction.

VEA objects to removing transparency from the auction. The current information release process enables us to form expectations about auction-clearing prices in order to determine our auction

participation and prepare our auction bids. In the event that auction outcomes are not as expected, the information currently released provides us with the opportunity to track down the cause of the differences. Without information about which constraints are being enforced in the CRR model, such analysis will become mere guesswork. This will leave us in the dark as to the rationality of our auction participation, our bids, and the ultimate validity of the auction outcomes.

VEA is looking forward to the CAISO's revisions to ensure its proposal does promote CRR auction efficiency. Thank you for your consideration of these comments.