

Stakeholder Process - Contingency Modeling Enhancements – Congestion Revenue Rights Alternative Discussion Paper

Comments Submitted by Vitol Inc.

Meeting: December 10th 2015

Comments Submitted: February 19th 2016

Summary

Vitol appreciates the opportunity to submit comments and questions pertaining to the Contingency Modeling Enhancements Congestion Revenue Rights Alternative Discussion Paper. Vitol supports the CAISO and its progress in relation to the development and implementation of CME and its effort to address impacts CME might have on CRR revenue. Vitol does agree with the CAISO that the implementation of CME is pivotal in an effort to have legitimate market price transparency. We applaud the CAISO's efforts in pursuit of this goal.

Previous Comments

As stated in our comments submitted on December 22nd 2015, Vitol believes that it's important to analyze and understand the impacts CME will play on CRR revenue coupled with the cost/benefit of any viable solution suggested by the CAISO. Vitol will comment on the proposed solutions as presented in the CRR Alternative Discussion Paper without the understanding of the overall magnitude of any problem and potential cost of any solution. We would like to reserve the ability to change our opinion based on any and all impact/cost studies, if available in the future.

CRR Revenue

Vitol would like the CAISO to address any revenue surplus/insufficiencies for CRRs. We believe that a single stakeholder process that evaluates the different contributing factors to revenue surplus and/or insufficiency would be more effective than addressing one-off scenarios. With the fact that CME is slated for implementation in Fall 2017, we do believe there is sufficient time to hold these discussions. If the CAISO is unable to hold a simultaneous stakeholder process that evaluates and address all aspects of CRR revenue, then we do feel it's important to move forward with an interim solution to be implemented by the Fall of 2017.

Option 3(a): Separate bids for allocation/auction of CRRk and CRRkc

Vitol currently supports Option 3(a) as presented in the CRR Alternative Discussion Paper. It is our opinion that the CRR product was founded on the principles of hedging congestion and/or effectively buying or selling congestion to best fit a market participant's overall portfolio and risk profile. Option 3(a) allows market participants the ability to own or be short a combination of products (CRRk and CRRkc) in an effort to manage risk accordingly. At this point we do believe this is the most thorough solution that would provide what was intended with the original CRR product. Vitol does like the proposed decoupling of CRRk and CRRkc so that market participants have the ability to value each product individually and therefore what options, or combination of options, would best fit their risk

profile. Vitol believes that any implementation, of this or any option, the CAISO should provide market participants with enough information to properly evaluate congestion risk. This information should include a list of N-1 contingencies and N-2 contingencies. Secondly, monitored transmission elements should be available before each auction and should not be modified without due notice in DA/RT markets.