

## Western Power Trading Forum Comments on ISO CRR Auction Efficiency

### Track 1B Straw Proposal

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Ellen Wolfe, Resero Consulting for WPTF, 916 791-4533, [ewolfe@resero.com](mailto:ewolfe@resero.com)

WPTF appreciates the opportunity to submit comments on the CAISO's CRR [Track 1B straw proposal](#) of April 19, 2018.

Before commenting on the specific Track 1B proposal, there are two threshold concerns about the interplay of the various tracks in this proceeding that WPTF must raise.

First, as WPTF has noted in its comments to FERC on the Track 1A filing, the CAISO's Track 1A proposal to restrict biddable pairs "put the cart ahead of the horse" so to speak in that implementing those restrictions at the same time the modeling improvements are being made will entirely mask the beneficial impact of the modeling improvements in resolving CRR auction revenue insufficiency. The CAISO's Track 1B proposal to re-allocate revenue shortfalls suffers from the same flaw in that implementing such changes before the results of the Track 0 and Track 1A modeling changes are known is premature. In short, efforts to address the root causes of the CRR pricing discrepancies should take priority over proposals that remove functionality from the CAISO's CRR markets.

Second, FERC is expected to issue an order soon (by June 11) with respect to the CAISO's CRR Filing in Track 1A. If FERC approves the CAISO's proposed restrictions on biddable pairs, WPTF believes that further discussion of changes to allocations of revenue shortfalls in Track 1B will not be warranted or necessary, and CRRs should remain fully funded.

With respect to fundamental changes to CRR protocols, and consistent with WPTF's prior comments in Track 1 and 1A, WPTF supports further consideration of the timing of release of capacity through the adoption of a balancing auction design framework, such as ERCOT, PJM, MISO, and NYISO markets have implemented. This ensures significant hedging capacity is available to the market as soon as possible yet in a manner that better balances with the risks of unknow information when CRR process are well in advance of the operating month, for example. If the CAISO cannot accommodate this change in Track 1B then committing at this time to address this in Track 2 would be productive.

Regarding alternate revenue shortfall allocation regimes, WPTF's strong preference is that CRRs remain as fully-funded products. For participants this would maintain the expected level of certainty, reduce unknowns, and thereby reduce the cost of managing the risk of partial payment. And as noted above, the CAISO should wait to see the results of the modeling improvements before changing select elements of biddable pairs or changes to the revenue shortfall allocation.

Nevertheless, with respect to the CAISO's Track 1B proposal, to the extent it moves forward, several modifications are necessary. First, some of the shortfall should be allocated to Transmission Owners (TOs), in particular when TOs failed to schedule the outage in accordance with policies.

Second, the allocation must be symmetrical; that is, net shortages and excesses must be allocated.

Third, revenue shortfalls and excesses should be allocated by constraint to avoid socializing risks across all CRRs. Further, allocations by constraint should be derived based on participant's full portfolio impact of its CRRs on any given constraint. In this way, CRR derates would be based on the actual flow impacts of each participant's CRR portfolio.

WPTF appreciates the CAISO's consideration of these comments.