



# Congestion revenue rights auction efficiency – Track 1B

**Draft final proposal second addendum**

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Stakeholder Web Conference

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9 a.m. – 11 a.m. (PDT)

# Recent events

- May 18: Stakeholder conference call on draft final proposal
- May 25: Published draft final proposal first addendum
- June 7: MSC meeting and received stakeholder comments
- June 11: Published draft final proposal second addendum

# Draft final proposal second addendum

- The CAISO maintains proposal for constraint-specific congestion revenue right payment adjustments as described in the first addendum.
- In addition, the ISO proposes to reduce the amount of system capacity released in the annual process to 65%.

# Concerns

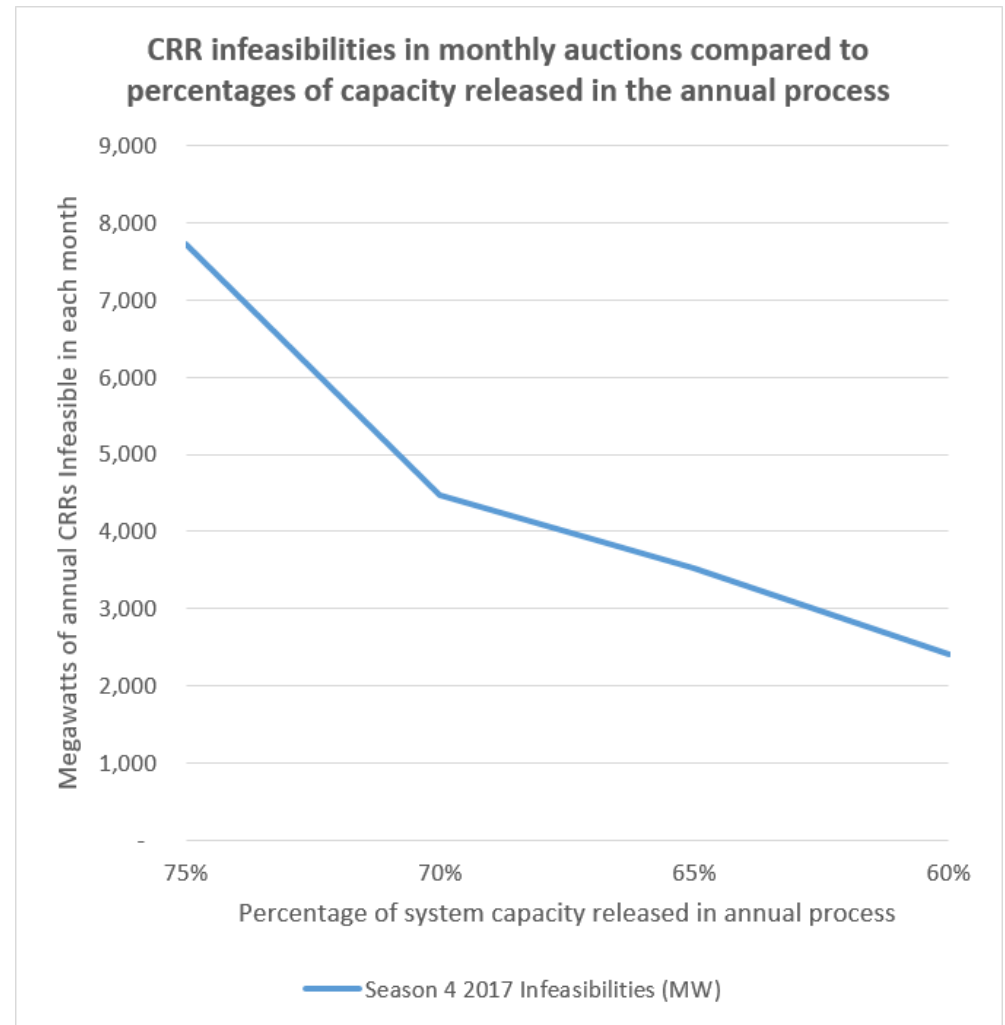
- Day-ahead market revenue insufficiency averages 31%
- This is very high relative to other ISO/RTOs
- Concerns that constraint-specific adjustments of this magnitude would de-value specific congestion revenue rights held by entities needing hedges.
- Constraint-specific adjustment alone may diminish these entities' ability to hedge

# Annual rights become infeasible in the monthly process

- The ISO currently releases 75% of system capacity in the annual process
- Transmission becomes unavailable between the annual process and the monthly process
- The first step of the monthly process is to find congestion revenue rights that are no longer completely feasible and expand system limits to make them feasible
- The ISO expands limits by thousands of megawatts each month to accommodate annual rights even though the transmission capacity is no longer available

# Lower annual capacity release translates to lower monthly infeasibilities

- The ISO evaluated season four 2017 congestion revenue rights market with different percentages released
- The ISO finds it can conservatively eliminate a majority of infeasibilities by reducing system capacity released to 65%



# Reducing system capacity released in the annual process to 65% will increase assurance that CAISO can fully fund annual congestion revenue rights

- Proposal should decrease the likelihood of large devaluations to congestion revenue rights
- Consequently, proposal will likely result in higher auction prices as each auction participant's confidence that the rights it bids for will be fully funded



# Comments and Questions?