

Comments of Boston Energy Trading and Marketing on CAISO's CRR Auction Analysis Report

Boston Energy Trading and Marketing ("Boston Energy") appreciates the opportunity to provide initial comments on the CAISO's CRR Auction Analysis report issued on November 21st and looks forward to the discussion at the December 19th workshop. Boston Energy commends the ISO on the level of analysis and transparency included in the report. The report provides stakeholders with the necessary facts to have a fair and unbiased dialogue on the overall performance of the CRR auction and what, if any, improvements can be made to improve overall revenue sufficiency.

Based on comments made at a recent hearing by the House of Representative Energy Commerce Committee, CAISO's level of revenue sufficiency appears to be significantly below levels of other ISO/RTO's. The CAISO report will hopefully be used as the framework for identifying the drivers of the revenue sufficiency problems, and serve as the starting point for discussing procedural and/or design improvements. Boston Energy encourages the CAISO to reach out to the other ISO/RTO's to understand what process and design improvements they have made in the FTR auction space that have resulted in a revenue sufficiency level apparently 25-30% better than CAISO.

High-Level Comments

Boston Energy's initial comments focus on three areas discussed heavily in the report which in our eyes provide insight into potential drivers of the discrepancy between CRR auction revenues and CRR payments to auctioned CRR holders. These drivers are mainly the result of unsystematic congestion on various transmission elements that are not captured in the CRR model.

First, the report provides a transparent look on the impacts transmission outages have on overall revenue sufficiency. The report clearly indicates that the transmission outage reporting process needs to be a focus of the CAISO in the near term, and a primary discussion topic of the workshop. The fact that only 43% of transmission outages subject to the 30 day tariff reporting requirement were submitted to the CAISO on time is very concerning and highlights the lack of transparency into the outage reporting process. Given this newly released information it's not a surprise at all that the CRR auction is having revenue sufficiency problems. Requiring the transmission owners to comply with the 30 day transmission outage reporting requirements seems like a low hanging fruit improvement that can be made immediately. CAISO should consider providing stakeholders with monthly metrics on the number of outages subject to the 30 day reporting requirement that aren't reported in time.

Second, the report identifies many instances where revenue sufficiency problems were driven by new nomogram constraints added to the day-ahead market model that weren't included in the annual or many times monthly auctions. No better example of this is the Cross Trip constraint that was included in the day-ahead market the week of Christmas 2016. Ironically, the 2017 annual auction was delayed almost a month due to concerns over changes to the SLAPs. Such a delay could have given the ISO the opportunity to include this constraint in the annual auction for 2017. Improvements in nomogram constraint coordination between the day-ahead market group and the CRR team is clearly needed and revenue sufficiency of the CRR auction should be a criteria for when a new nomogram constraint is to be included in the day-ahead market. Also, CAISO needs to improve transparency around these new nomogram constraints. Discussions around nomogram constraint coordination and transparency should be another key discussion topic of the workshop.

Lastly, the ISO report provides a fairly lengthy analysis on zero-priced CRRs. It's important to reiterate that all CRRs acquired in the auction are obligations not options. Meaning, that the holder of the CRR is obligated to receive or pay the congestion associated with a particular CRR path. No CRR acquired in the auction provides the holder with the right to only receive positive congestion payments or guarantees the holder that congestion can't reverse. Charts 65-69 show a trend in CRR payments both positive and negative for these zero-priced auction CRRs moving closer to \$0. This trend could be related to the improvements made by the CAISO in modelling nodal constraints that bind in the day-ahead market. These various charts appear to show that zero-priced CRRs are not a main driver of revenue sufficiency issues.

Boston Energy is looking forward to the workshop and to continued robust discussions with the ISO and other stakeholders of this analysis and how it can be used to inform the upcoming stakeholder process. Thank you for your consideration of these comments.

Submitted by,

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