

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

Boston Energy Trading and Marketing ("Boston Energy") appreciates the opportunity to provide comments on the CAISO's CRR Auction Efficiency Analysis working group meeting held on December 19th. Boston Energy commends the ISO on the level of analysis and transparency included in the report and thanks the parties that gave presentations sharing their perspectives. 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 shortfalls.

Boston Energy does not support comments made by parties seeking to eliminate the CRR auction and move to a bilateral/swap type of market design. Such proposals are inconsistent with the FERC Standard Market Design (SMD) and do not support open and competitive markets principles which the ISO markets were founded upon. Conducting a durable, open, and price transparent CRR auction is fundamental for generators and load serving entities to hedge delivery risk. CAISO should be looking for ways that move forward the existing CRR auction design, not eliminating it or reducing its importance in the overall electricity market.

Boston Energy offers short comments on process improvements and potential market design solutions CAISO should consider in scope for the upcoming stakeholder process. Many of these comments are leveraged from best practices used in other ISO's to help address revenue shortfall issues. Revenue shortfall issues are not unique to CAISO, as many of the eastern ISO's have dealt with these issues through process and market design improvements.

Process Improvements

- **Outage Reporting & Transparency** – First and foremost CAISO needs to enforce its tariff and ensure that transmission owners are reporting outages consistent with the 30-day transmission outage rules. Transparency around compliance with the 30-day rule should be reported on a monthly basis. Second, CAISO should look for ways to improve coordination of outage information between the day-ahead market and CRR groups. Lastly, CAISO should improve the transmission outage information it provides to stakeholders. Specifically, CAISO should provide a short description of the reason for a given outage in the transmission outage file.
- **Nomogram Modeling** – Better coordination and consideration of the CRR market when new nomograms are incorporated into the day-ahead market model should be implemented immediately. Greater transparency around why a new nomogram is required is also something the CAISO should undertake ASAP. This can be accomplished by providing the market a short whitepaper or market notice describing the nomogram and why it is needed prior to market implementation.
- **Impacts Allocation Process on Revenue Shortfalls** – CAISO should perform a further deep-dive into the CRR allocation process and provide transparency into the contribution factor allocated CRRs are having to the overall revenue shortfall issues.

Market Design Considerations

- **Multi-Round or Balance of Period Auctions** – All of the eastern ISO's offer some form of multi-round and balance of period auction structure. Such a structure allows for improved price transparency and greater opportunities to purchase and sell CRRs.

- Auction System Capacity Mix – CAISO might want to consider changing the amount of system capacity they release in the annual and month auctions. Moving more system capacity to the month auctions might provide incremental revenue shortfall improvements as a result of better transmission outage information.
- Day-Ahead Market State Estimator Snapshots – CAISO should follow the lead of the Mid Continent ISO and provide daily state estimator snapshot models. Such models provide transparency into how the system is operated and congestion patterns. Publishing such models would help all market participants, not just CRR holders, better understand market pricing and conditions.

Boston Energy is looking forward to the upcoming stakeholder process and hopes for a robust and open discussions on ways to improve upon the existing CRR auction design. Discussions around eliminating the auction structure would be counterproductive and send the wrong message in regards to open, fair, and competitive markets. Thank you for your consideration of these comments.

Submitted by,

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