

Comments of Boston Energy Trading and Marketing on CAISO's CRR Auction Efficiency Track 1 Final Proposal

Boston Energy Trading and Marketing ("Boston Energy") appreciates the opportunity to provide comments on the CAISO's CRR Auction Efficiency Track 1 Final Proposal discussed on February 13th. Boston Energy's comments focus solely on the track 1 items proposed by the ISO.

Outage Reporting and Available System Capacity

Boston Energy is supportive of the proposed changes to improve outage reporting and lower the percentage of system capacity available in the annual auction and allocations. We believe that these two changes, in conjunction with the process enhancements identified at Track 0 items, should improve the alignment between auction and day-ahead market clearing prices.

One area where we feel the ISO's proposal could use improvement is related to outage reporting transparency and non-compliance implications. The ISO's report clearly showed a strong correlation between outage reporting deficiencies and net CRR payments. The Track 1 proposal includes no information on the implications and consequences if the Transmission Owners continue to report outages inconsistent with the tariff. Improvements/clarifications to the 30-day outage rule are obviously needed given the data provided by the ISO that shows a lack of compliance with the outage reporting rules in the tariff.

Further, we urge the ISO to enhance the existing outage report to include reasons for outages. It's often the case where lengthy outages are reported and the ISO will not provide stakeholders with the reason for the outage. This lack of transparency creates uncertainty for CRR holders when valuing CRRs for both the annual and monthly auctions. As a result the CRR holder includes additional risk premiums into their auction bids, which doesn't help with the net CRR payment issues. Such transparency will allow all stakeholders to better understand outage impacts on day-ahead pricing and act as a deterrent for Transmission Owners to schedule outages outside of the 30-day outage window that persist for extended period of times.

Limit Allowable Source and Sink Pairs in the Auction

Boston Energy can't support the broad proposal to restrict source/sink pairs in the CRR auctions. Boston Energy is supportive of the ISO restricting source/sink pairs at electrically equivalent nodes from the allocations/auctions and feels that should be the focus of Track 1. The broader proposal put forth by the CAISO is not consistent with nodal market design and the auction designs of its peer ISO/RTO's.

The ISO's proposal to limit nodal features of its market will hinder a participant's ability to manage its congestion exposure granularly, as can be done today. The move to a "hub only" hedging mechanism will result in participants taking on additional congestion risk, both in price and quantity, by now being exposed to a larger set of transmission constraints. In order for a participant to hedge the desired congestion exposure they will have to purchase a larger quantity of less effective CRRs. Participants won't be willing to pay more for larger, less effective hedges, but rather will be forced to add higher risk premiums into their offers, which run counter to the ISOs goal of improving net CRR payments.

Boston Energy believes a better approach to Track 1 is to restrict the electrically equivalent nodes in the allocation/auction and focus on outage and constraint management improvements.

Eliminate Certain Information from the Congestion Revenue Rights Model Disclosure

Boston Energy reiterates its comments made at the February 13th stakeholder meeting that taking away transparency and information from market participants will not result in those participants willing to pay more for CRRs. If the ISO is worried about participants identifying issues with its CRR model, the CAISO should focus its efforts on identifying any modelling issues and correcting them.

Implementation of a Sell Feature

Boston Energy supports the ISO proposal to add a sell feature in the auction, but feels the proposal requires additional information. In particular, the proposal lacks any details on the credit requirements to support a sell feature. The ISO proposal must ensure that if a CRR holder sells all or a portion of a CRR that it previously purchased in the auction it will not be required to post holding collateral for a position it no longer owns. Meaning, the holding collateral associated with previously purchased, now sold CRR, should be removed from the overall holding collateral requirement and no new holding collateral associated with the sale should be added.

Submitted by,

Michael Kramek
Director, Market Policy & Regulatory Affairs
Boston Energy Trading and Marketing LLC
Cell: 617-279-3364
Email: michael.kramek@betm.com