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Comments of Northern California Power Agency

Congestion Revenue Rights Auction Efficiency Draft Final Proposal

February 28, 2018

Northern California Power Agency (“NCPA”) appreciates the opportunity to provide the following comments on CAISO’s Congestion Revenue Rights Auction Efficiency initiative Draft Final Proposal, published February 8, 2018.

NCPA participates in the annual and monthly CRR processes on behalf of a subset of its load serving entity members. Through participation in the allocation *and* auction processes, NCPA is able to provide those members with an effective hedge against the congestion to which they are exposed in the day-ahead market. The ability to mitigate the risk of day-ahead congestion costs is an integral part of containing costs to NCPA members’ ratepayers. Consequently, NCPA is appreciative the CAISO’s efforts to make measured and incremental changes to the current auction process, and to keep this dialog ongoing in Track 2 of the initiative.

Create annual outage reporting deadline for annual CRR process

NCPA supports the CAISO’s efforts to align the annual transmission outage reporting timeline and the CRR annual process. This effort is necessary to ensure that the annual CRR model benefits from the most complete set of transmission outage available.

It is important to note that the late reporting of outages is not a problem only in the annual CRR processes. The analysis provided in the CAISO’s CRR Auction Analysis Report shows that for the period from March 2015 through June 2017, 57% of outages that were subject to the 30-day window for submission were not submitted according to that requirement.¹ As a result, that outage information was not included in the CRR model, and the resulting inconsistencies between the CRR model and the day-ahead market contributed to revenue inadequacy.

¹ See page 83 of the CAISO’s [CRR Auction Analysis Report](#)

Because late reporting of transmission outages impacts both the annual and monthly CRR processes, NCPA recommends that the CAISO provide a proposal for the imposition of penalties for such in Track 2 of this initiative.

Eliminate certain information from the CRR model disclosure

NCPA is supportive of appropriate information disclosure in order to facilitate efficient markets. During the February 13 meeting, stakeholders expressed opposition to this change and asserted that not disclosing the information the CAISO proposes to discontinue releasing will be detrimental to efficient market outcomes. To the contrary, NCPA finds that the CAISO provides sufficient explanation that the set of information it plans to continue releasing will enable CRR auction participants to bid based on expectations of how the CRR model will align with expected day-ahead market outcomes. While NCPA is supportive of market transparency, we find this is a reasonable change toward the goal of revenue adequacy.

Lower the percentage of system capacity available in the annual CRR processes

NCPA is supportive of this element of the proposal given that the CAISO has committed to releasing the same total capacity between the annual and monthly processes, as is the current practice.

Limit allowable source-sink pairs in the auction

NCPA finds that this is an appropriate middle ground to meet the concerns of load serving entities as well as the needs of marketers. Allowing only those pairs that are useful for hedging congestion risk for physical delivery of energy goes a long way toward establishing a market with only willing counterparties. It does so, however, without hobbling the CRR auction by eliminating nearly all liquidity which allowing only strictly matching counterparty transactions would do.

NCPA is concerned about the impact on revenue adequacy of allowing auction bids to sink at the tie points. Because there is so little liquidity in the export market and thus virtually no congestion exhibited on gen-to-tie and trading hub-to-tie CRR pairs, NCPA suggests that allowing such pairs may run counter to the logic and goal of the CAISO's proposal of allowing source-sink pairs that hedge congestion associated with physical delivery and minimizing revenue inadequacy. If the CAISO goes forward with this

element of the proposal, it should carefully analyze the impact of the inclusion of these pairs on overall revenue adequacy outcomes in Track 2 of this initiative.

Thank you for your consideration of these comments.