



# Congestion revenue rights auction efficiency

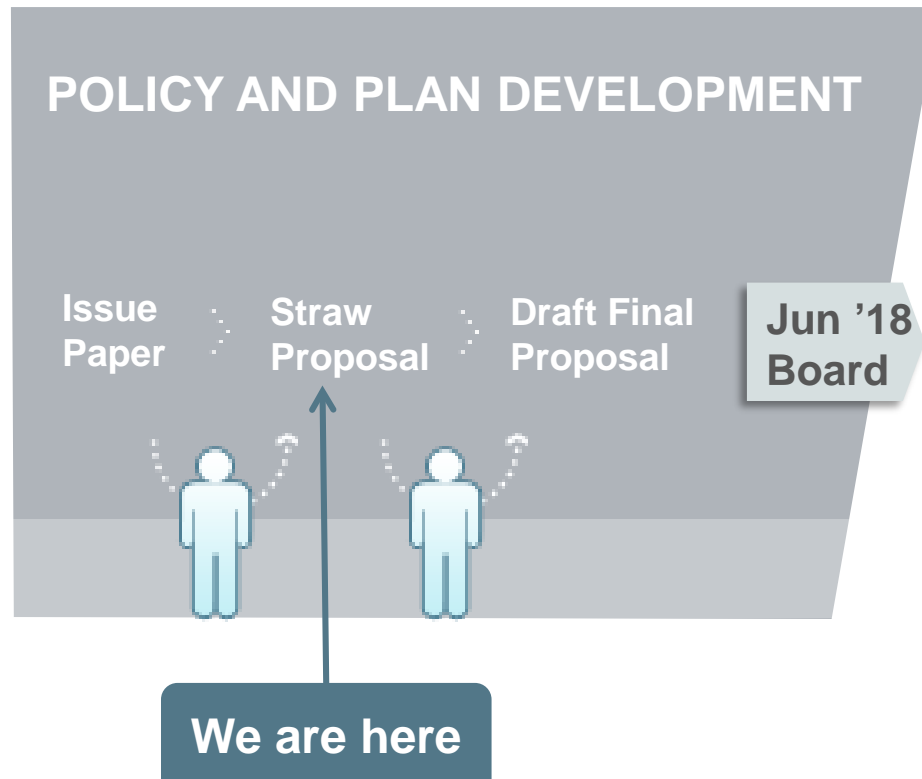
Track 1B straw proposal stakeholder meeting

April 23, 2018

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# CAISO policy initiative stakeholder process



# Roadmap for addressing congestion revenue rights auction efficiency

- **Track 0:** Process changes under current authority
  - Ongoing
- **Track 1A:** Implement measures in time for annual 2019 congestion revenue rights process
  - FERC filing on April 11, 2018
- **Track 1B:** Implement measures in time for 2019 congestion revenue rights settlement
  - Target June BOG
- **Track 2:** Potential comprehensive changes

# Scope

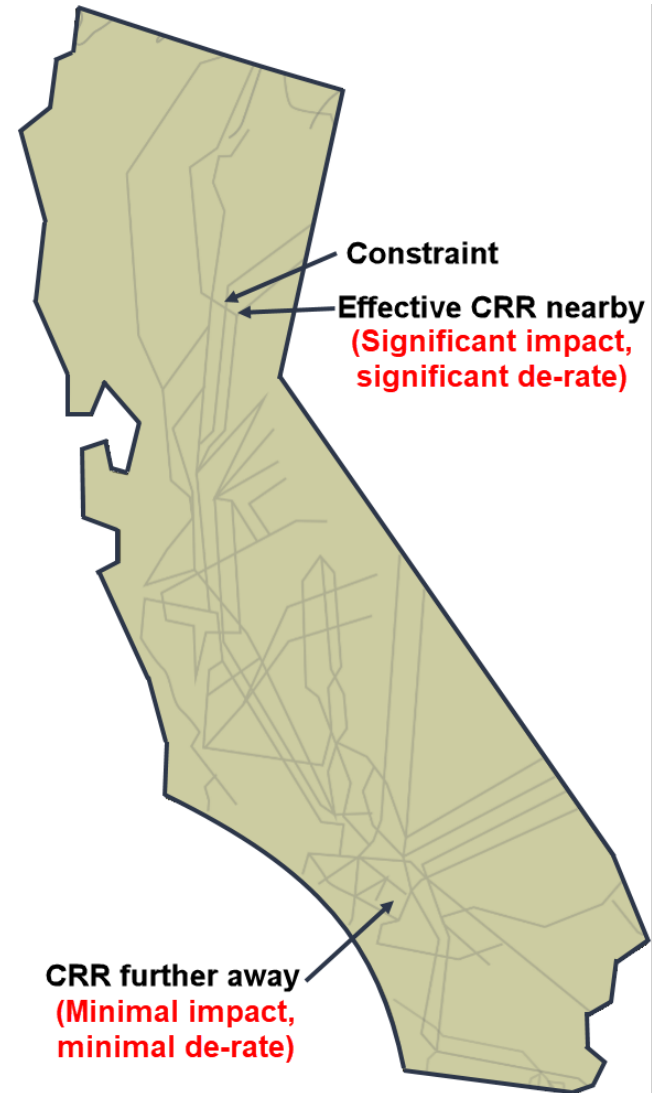
- Track 1A addresses low auction clearing prices
  - Concentrating bidding activity to increase competition
  - Accurately reflect available transmission in the annual process
- Track 1B addresses certain high payouts
  - Address high payouts due to unforeseen outages and short duration outages
  - Reduce low-priced high payout congestion revenue rights due to model differences because they would no longer be profitable
  - Equitable allocation of shortfalls due to ultimately unavailable transmission

# Proposal

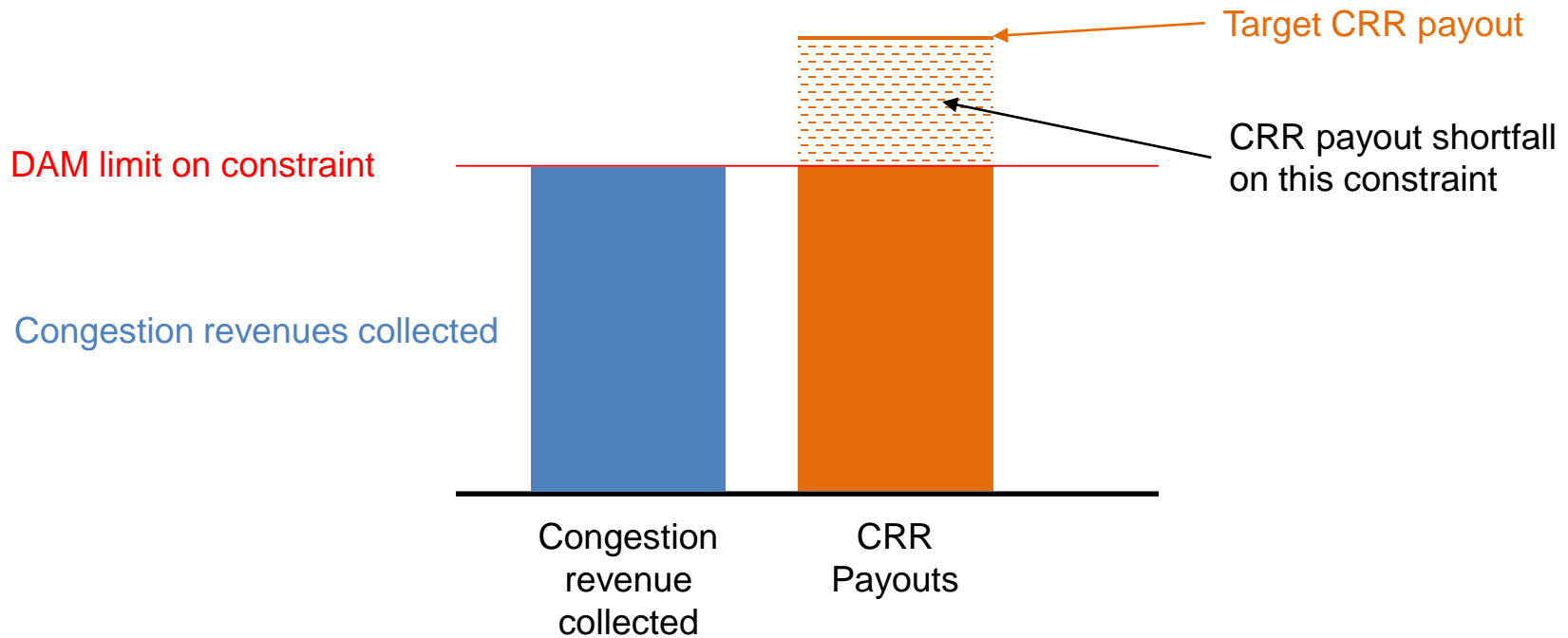
- Ensure that the CAISO does not pay more to congestion revenue rights than it collects in day-ahead congestion revenue
- Reduce congestion revenue rights payments based on each congestion revenue right's settled flow on constraints generating congestion revenue rights payment shortfalls
- Congestion revenue rights contributing to shortfalls on constraints share in those shortfalls

# Congestion revenue rights contributing to shortfalls on constraints share in those shortfalls

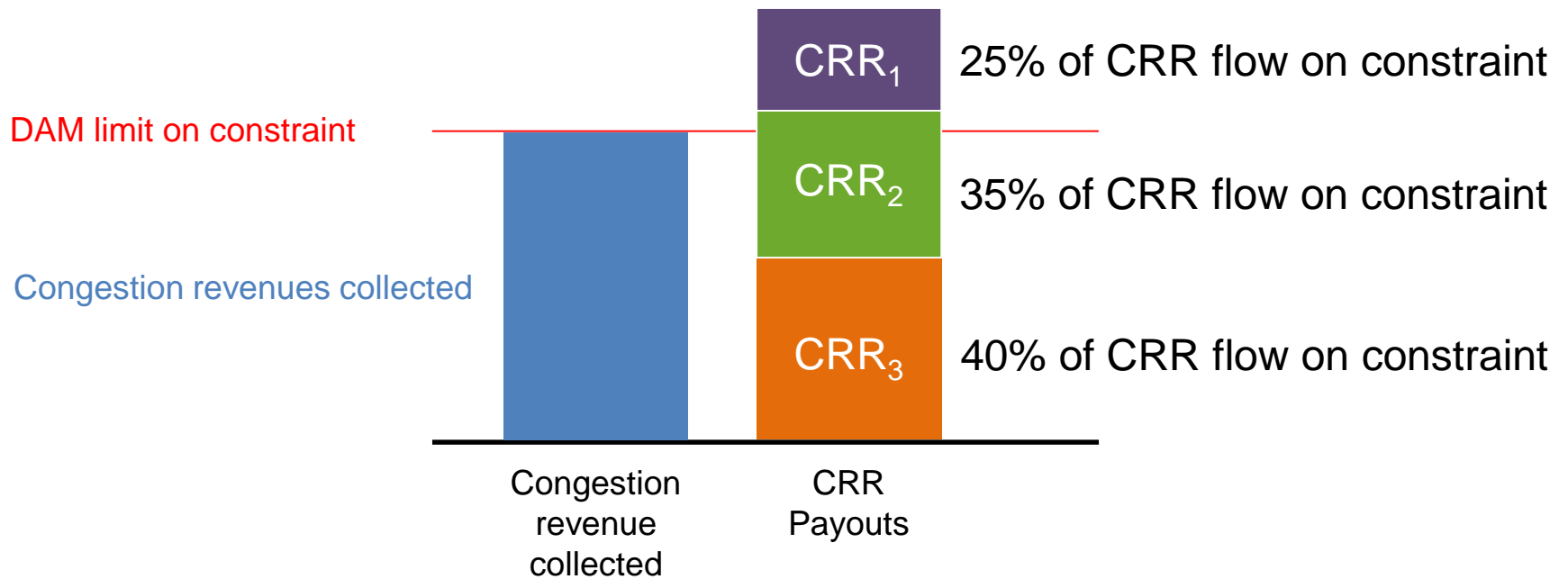
- After the day-ahead market, calculate the revenue shortfall per constraint
- Reduce payments to only those congestion revenue rights effective on specific constraints that generated the revenue shortfall



# Proposal

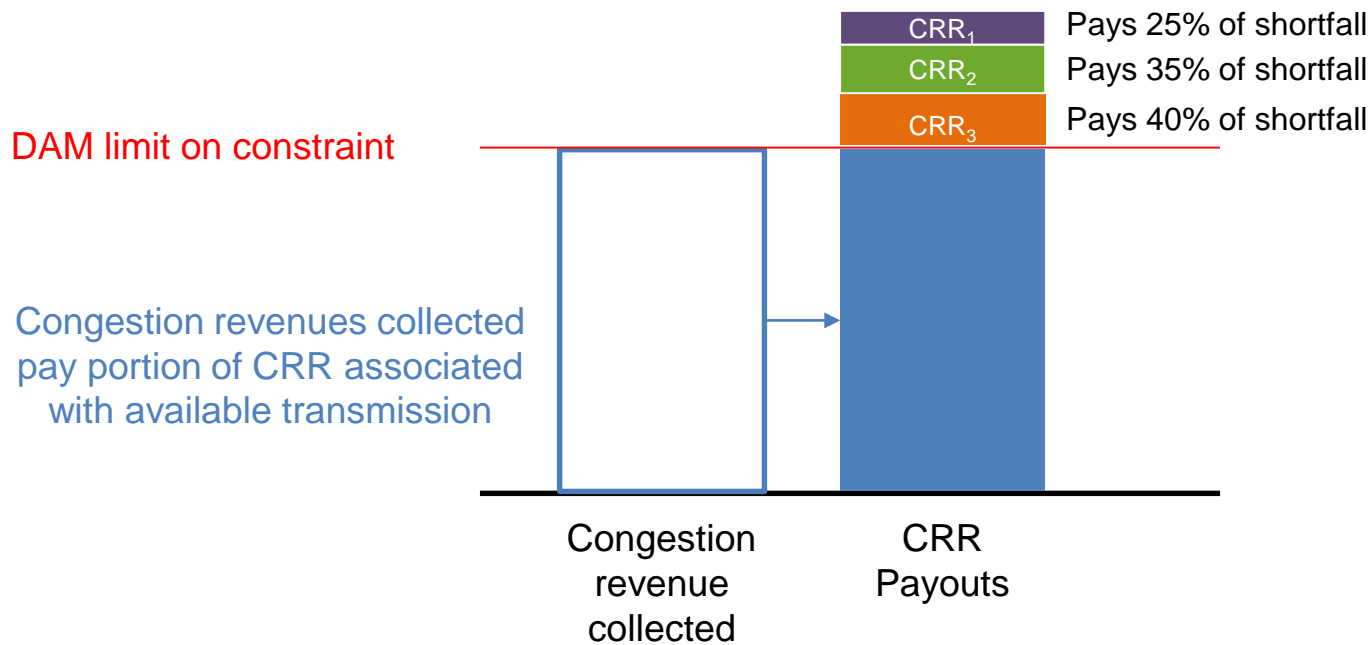


# Proposal



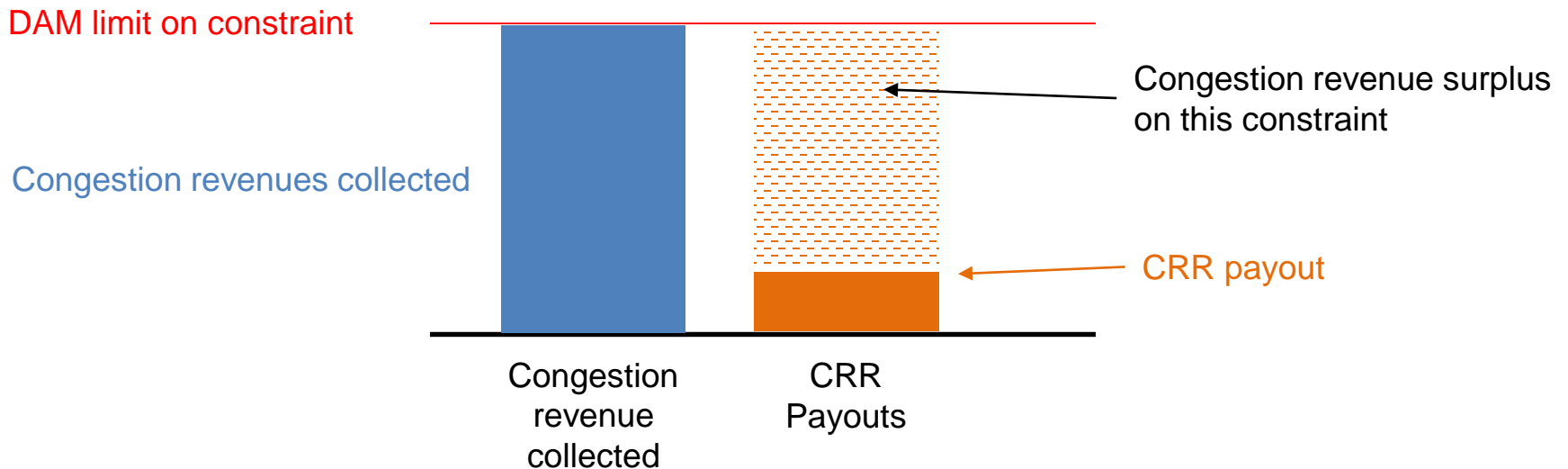


# Proposal



# Proposal

- Day-ahead market will collect a surplus when day-ahead market settled flow is greater than congestion revenue rights settled flow on a constraint
- Seeking stakeholder input on allocation methodologies for surplus revenues



# Alternatives considered

- Reduce system capacity released in annual process to 65%
  - Avoids selling congestion revenue rights in excess of available transmission
  - Likely little impact on bid-values in auction
  - Does not protect against major events
- Daily congestion revenue rights quantity reductions prior to day-ahead market
  - Reduce congestion revenue rights awards prior to each day-ahead market to reflect outages based on auction clearing prices
  - Use simultaneous feasibility test to maximize remaining congestion revenue rights value (adjustment would minimize value lost)
  - Likely reduces incentives for participants to reduce CRR auction bids

# Alternatives considered

- Eliminate available transmission in the auction
  - Stranded counterparties
  - Competitive concerns among load-serving entities
  - Legal/regulatory concerns

# Next Steps

<b>Date</b>	<b>Event</b>
April 23, 2018	Stakeholder web conference on Track 1B Straw Proposal
May 4	Stakeholder comments due
May 10	Publish Track 1B Draft Final Proposal
May 18	Stakeholder meeting on Track 1B Draft Final Proposal
May 31	Stakeholder comments due
June 21	Board of Governors – Track 1B policy