

Stakeholder Comments CRR Auction Efficiency Draft Final Proposal

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) appreciates the opportunity to provide comments on the California Independent System Operator's (CAISO) Congestion Revenue Right (CRR) Draft Final Proposal (the CAISO Proposal) and Meeting Discussion¹.

As reported by the DMM, total ratepayer losses since 2009 in the CRR auction has surpassed \$730 million as of December 2017. On average, electric ratepayers, who ultimately pay for the cost of transmission managed by the ISO, received about \$82 million less per year in revenues from the CRR auction compared to the congestion payments made to entities purchasing these rights². The most fundamental issue hindering the CRR auction efficiency is that the auction is not conducted between willing counterparties, i.e., ratepayers are forced sellers and yet bear all the risk of the underfunding. Under the current design, the CAISO auctions CRRs for the benefit of load but load has no right to ensure that the price is reflective of the value to load. As a result, Load Serving Entities (LSEs) have been routinely short-changed in this process. Any solution that does not address this fundamental problem is insufficient. SCE continues to support the implementation of its proposal to alter the auction and allocation process to include an allocation of all CRRs inherently available from the grid infrastructure followed by an auction that clears CRRs between willing buyers and sellers. SCE will not support proposals that fall short of this and as such, SCE does not support the CAISO Proposal or any of the four interim elements in the Proposal.

¹ CAISO CRR Auction Efficiency Track 1 Draft Final Proposal <http://www.caiso.com/Documents/DraftFinalProposal-CongestionRevenueRightsAuctionEfficiency-Track1.pdf>, dated February 8, 2018. Meeting Discussion Presentation: <http://www.caiso.com/Documents/Presentation-CongestionRevenueRightsAuctionEfficiency-DraftFinalProposalTrack1.pdf>

² DMM Q4, 2017 Market Report, at 28. SCE notes that these numbers do not include the period from the start of this year to today, during which the grid has undergone significant congestion due to tight gas supply conditions.