

California ISO (CAISO) Congestion Revenue Rights Auction Efficiency

Track 1B Straw Proposal

April 19, 2018 Meeting

Submitted by	Company	Date Submitted
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San Diego Gas & Electric (SDG&E) respectfully submits the following comments in response to the California Independent System Operator (CAISO) request for stakeholder input on Congestion Revenue Rights Auction Efficiency Track 1B Straw Proposal April 19, 2018. SDG&E is generally supportive of the direction the basic framework outlined in the Straw Proposal is taking as opposed to the “willing buyer” alternative. Each has both benefits and problems.

The “willing buyer” proposal is more complete at this time and most of its benefits and problems have been discussed. The straw proposal basic framework needs to evolve into a complete proposal to allow a proper comparison. SDG&E agrees with the CAISO that “reducing congestion revenue rights quantities each day prior to the day-ahead market is likely the best option” but SDG&E has not seen sufficient evidence that “it may take much more time to develop and implement appropriate policies than available in the Track 1B schedule.” More evidence is needed to rule out day-ahead CRR adjustment from current consideration.

The proposed after the fact adjustment has a major aspect unresolved. The treatment of congestion revenue surplus on constraints with more congestion revenues collected than CRR payout. This is important because how it is resolved will impact the level of auction proceeds and the effective cost of CRRs to load. More information is needed on auction proceeds would change with the allocation of this surplus. SDG&E’s starting position is that the surplus should be given to load that is paying for the transmission system. However, to optimize the benefit for load some may have to be allocated to CRR holders to increase auction clearing prices. Other allocation schemes could include PTOs to remove constraints. So additional work is needed on quantifying the impacts of various surplus allocation schemes.