

Western Power Trading Forum comments on Third Revised Contingency Modeling Enhancements

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WPTF appreciates the opportunity to provide these comments on the ISO's Contingency Modeling Enhancements (CME) CRR Alternatives Discussion Paper dated February 3, 2016 and sincerely thanks the ISO for their efforts in meticulously describing and being willing to discuss different alternatives. WPTF also appreciates the analysis done on option 1(b) and believe this clearly demonstrates this option would overly constrain the ISO's ability to award CRRs and so it is worth everyone's time to explore alternative models.

WPTF supports a single push to develop the full "ideal" CRR solution rather than a staged approach. It is WPTF's understanding that even without changes to the CRR model, the CME constraint will not be implemented until Fall, 2017. Therefore there is ample time for policy development to continue on the CRR design. The ISO could continue with the proposals or begin a series of working groups that provide a deeper dive into the top CRR alternative(s) prior to the draft final proposal. The ISO has noted that the Fall 2017 implementation does not align with the annual CRR timing. WPTF believes that this should not be an impediment to moving forward with a single CRR construct and that depending on the alternative CRR model used, there would be ways to adjust the annual CRR process to accommodate the new CRR model.

WPTF strongly supports the development of Option 3- the CRR^k/CRR^{kc} paradigm. Specifically, WPTF strongly supports option 3a. Option 3a fundamentally separates the ability to hedge energy constraint congestion from the ability to hedge the CME constraint shadow value. This is easier to understand conceptually than option 2 and allows for more hedging opportunities than option 1. Additionally, option 3 provides superior transparency into the value of each product, which will lead to more efficient valuation within the CRR allocation and auction processes, and therefore ultimately will increase market efficiency.

If the ISO commits to this option, WPTF notes there are two general options on how to structure the CRR^{kc} product settlement. The ISO could settle a single CRR^{kc} product based on the total of each CME constraint impact on the source-sink path (similar to how CRRs are settled today) or settle multiple CRR^{kc} products on the source-sink bath based on each individual CME constraint's impact on that path. It appears the ISO may have in mind the latter - so in order to fully hedge an entity would need the CRR^k product and potentially multiple CRR^{kc} products. If so, WPTF supports the ISO exploring the former settlement methodology as well. This way an entity would only need a single CRR^k product and the single CRR^{kc} product to cover all "congestion." At this time WPTF supports exploring both options in more depth.