Stakeholder Comments Template

Subject: Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids

Submitted by (name and phone number)	Company or Entity	Date Submitted
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As a follow-up to the discussion during the November 4 stakeholder conference call, the ISO is requesting written comments on the Issue Paper and Straw Proposal for Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids ("Issue Paper/Straw Proposal") dated October 28, 2009. This template is offered as a guide for formulating stakeholder comments and for any additional comments that participants may have based on the discussion during the call. Documents related to this meeting are posted at: http://caiso.com/2453/2453ab8e10ff0.html.

Written comments should be submitted by close of business on Wednesday, November 11, 2009 to: dliu@caiso.com.

Based on the discussion during the November 4 stakeholder conference call, the ISO will extend the stakeholder process to allow more time to incorporate stakeholder input to develop the proposal and present it to the ISO Board of Governors for approval in February, 2010. An updated straw proposal incorporating stakeholders' written comments will be posted for additional stakeholder input and discussion.

Please comment on the following design issues and the proposed solutions discussed in the Issue Paper/Straw Proposal.

1. What is your entity's view on the make-whole calculation methods discussed in Scenario 1 and Scenario 2 when 1) price is corrected upward to be outside of the bid curve, or 2) price is corrected upward but is still within the range of the bid curve. Please also submit any other calculation method your entity would like to propose.

   First, CEI wants to thank the CAISO for addressing this issues expeditiously in a stakeholder process. As for the make-whole calculation methods discussed, CEI believes that the non-tiered approach wherein the price is corrected upward to be outside of the bid curve makes more sense.

2. What is your entity's view on making participants whole on a per-interval basis versus a daily basis?

   CEI believes that make whole payments should be made on a per-interval or hourly basis rather than a daily basis. First, the data shows that price corrections are typically isolated to particular hours or intervals. Second, there is no real relevance between those hours and the entire day. The financial harm to an entity of any ex-post price correction is more appropriately calculated on an hourly basis, based upon the bid curves submitted for the hour and the final LMP price. Finally, there is no real policy reason that supports decreasing a market participant's make whole payment based upon its accepted bids.

3. Does your entity have other proposals to make participants whole other than those discussed in the Issue Paper/Straw Proposal?

   CEI would like to see the CAISO more broadly define the category of circumstances for which make-whole payments will be available. Simply stated, make-whole payments should not be limited to circumstances of ex post price correction. Make-whole payments should also be available to load and exports when the final clearing price is greater than the bid to purchase power. Glitches with the CAISO's technical systems and other factors could cause the dispatch of uneconomic bids. In such a scenario, make-whole payments will be allocated to load and exports if, and when, a bid is accepted and the final LMP clearing price is greater than their bid. The make-whole payment will be the difference between the final LMP clearing price and the final bid accepted, multiplied by the amount of megawatts accepted. In the case of a bid curve that is tiered based on price, the make-whole payment will be based on the final bid of the MWs that are accepted.

4. What is your entity's view on the appropriate approach to allocate the revenue imbalance caused by make-whole payments?

   As CEI has demonstrated in the past, currently there is a disconnect with Bid Cost Recovery for exceptional dispatch at the interties. When an export is exceptionally dispatched below the final LMP price, the export is required to pay the uplift associated with its own exceptional dispatch. CEI believes that this result- an exceptionally dispatched export paying for its own uplift is perverse. This situation can lead to a number of detrimental results- increased risk premiums, decreased liquidity, and increased burden on market participants assisting the CAISO. In short, CEI supports a more fair and equitable method of distributing the cost of make-whole payments and will work closely with the CAISO on a solution.

5. Other comments:

   During the stakeholder call, there was a discussion concerning joining this issue with the issue of convergence bidding and dealing with them together. CEI is opposed to such a process. CEI believes that the issues are separate and should be dealt with in separate processes. Joining the issues together raises the real potential that both issues could get needlessly bogged down in the stakeholder process.