



Dynegy Marketing and Trade, LLC Comments on CAISO Local Market Power Mitigation Phase 2 Proposal

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Dynegy appreciates the opportunity to provide comments on the CAISO's October 30, 2012 Local Market Power Mitigation Phase 2 Revised Draft Final Proposal.

Dynegy understands that the CAISO is proposing to implement a dynamic assessment of local market power and end the static approach that has historically been utilized to determine non-competitive constraints. CAISO is concerned that the change to dynamic assessment introduces a gap for determining non-competitive constraints in connection with Exceptional Dispatches and proposes to address that gap by creating a separate set of path designations that are based on the dynamic designations that will be used to determine when an Exceptional Dispatch should be mitigated. Default path designations will be used as "back-up" in the event that the dynamic competitive path assessment within the market software fails to produce a valid set of path designations.

The CAISO represented stakeholder comments in the following general categories:

- The existence and mitigation of exceptional dispatch itself
- Alternative method to deem competitiveness for Exceptional Dispatch related transmission facilities
- The reason for thresholds (10 hours and 75%) in the proposed test

Comments on Exceptional Dispatch itself were deemed "beyond the scope" and disregarded.

Dynegy offers the following comments:

Dynegy supports the concept of a dynamic assessment to determine competitiveness of transmission paths in real-time but believes that the CAISO proposal is overly restrictive and will result in excessive mitigation. The thresholds seem arbitrarily chosen and are unsupported. Overuse of mitigation mutes market signals that are needed to incent new investments or improvements in existing units. Why should an unconstrained path be deemed uncompetitive? The MISO, for example, doesn't even utilize mitigation on unconstrained regions, only constrained regions (BCA or Broadly Constrained Area).¹ Frequently constrained regions (called NCA or Narrowly Constrained Area) have lower thresholds. Generators that bids above the threshold values aren't immediately deemed uncompetitive and mitigated; it is then put through an impact test to determine if its bid did affect the market outcome. If not, no mitigation occurs. It appears that the CAISO proposal will mitigate Exceptional Dispatch bids on competitive paths on a regular basis simply due to restrictive thresholds.



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[Midwest ISO Tariff, Module D, Section 64.3.2](#)

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Dynegy is concerned that the CAISO is being myopic to simply disregard concerns that Exceptional Dispatch is itself part of the bigger problem with the market. To simply ignore that the current market structure is flawed and use of Exceptional Dispatch is a necessary “band-aid” to make the market function is being short-sighted. How many more “band-aids” will be necessary? Why not design a market where generators have an incentive to be more flexible and follow the dispatch and price signals?