

Dynegy

Phase 2 - Convergence Bidding Information Release Comments on Issue Paper

Submitted By	Company or Entity	Date Submitted
Brian Theaker	Dynegy	December 17, 2009

This template is offered as an easy guide for entities to submit comments; however, any participant should feel free to submit comments in any format. Submitted comments will remain posted and part of the record for this stakeholder process, unless participants expressly ask that their comments not be posted.

Phase 2 Stakeholder comments should be submitted to: Phase2CB@caiso.com

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Questions for Stakeholders

Phase 2 - Convergence Bidding Information Release

1. What information should the ISO post on convergence bids and why?

The CAISO's white paper notes that parties have requested nodal net cleared virtual position information, but in no case does the white paper justify why this information is required in California when no other ISO that has implemented nodal convergence bidding provides this kind of information. The convergence bidding structure proposed by the CAISO is not different enough from any other implemented design to warrant posting information that no other ISO posts. The need for this additional information is not apparent given these other ISOs have not even implemented the additional safeguards – such as position limits – that the CAISO has proposed for its design. Dynegy recommends that the CAISO retain its current proposed approach.

2. The MSC supports the “release at the close of the day-ahead market of the net virtual position (total virtual supply bids accepted minus the total virtual demand bids accepted) at each location,” also referred to in these questions as ‘net cleared quantities (NCQs).
 - a) Specifically, how will the release of this information benefit the market? How will market participants use this information and how will this information in addition to DA and RT historical prices at the node help bidders?

Dynegy does not know how this information would be helpful or why it has been requested.

- b) Could this information be harmful to the market? Could it encourage poor bidding strategies? Might the posting of NCQs discourage some MPs from submitting bids or offers to the market resulting in a loss of liquidity?

Dynegy is concerned that posting net cleared virtual bids at each node at the close of the Day-Ahead market could disclose commercially sensitive information. For example, posting net cleared virtual positions at generator nodes will effectively disclose how Dynegy – or any other physical supplier – is using convergence bidding to hedge its units' production against real-time price risk. Dynegy cannot anticipate where and how other parties will be submitting convergence bids, but does not expect that other parties will be bidding at Dynegy's generator nodes in ways and volumes similar to how Dynegy may use convergence bids at those nodes to hedge its physical units against real-time price risk. Consequently, Dynegy expects that disclosing net cleared virtual demand positions at all nodes – including Dynegy's generator nodes – would effectively disclose Dynegy's hedging strategy.

3. Should the California ISO adopt the MISO approach? Explain. Of the other approaches described in Section 4 of the issue paper, what are advantages and disadvantages of each ISO's approach?

Yes - if convergence bidding information must be posted with no lag – a premise not yet sufficiently justified - Dynegy supports the MISO approach presented in Table 1, namely, posting aggregated information, and not just on virtual transactions but on all transactions.

4. In the event stakeholders recommend an alternative summary of virtual trading activity, stakeholders should provide a sample table or illustration of their recommended approach.

Dynegy recommends the CAISO retain the current approach – releasing virtual and physical data together on a 90-day lag.

5. Additional Comments?

At the December 16, 2009 CAISO Board of Governors meeting, CAISO Vice President Steve Berberich told the Board that the CAISO was intending to bring changes to its convergence bidding data release policy to its Board of Governors in February. These comments suggest that the CAISO has already made up its mind about changing the convergence bidding data release policy already approved by its Board as part of the convergence bidding design, despite the fact that it is just now seeking stakeholder input on this topic. Dynegy hopes that the CAISO has not made up its mind on this issue and will not even contemplate changing its currently-approved data release policy without the benefit of a full stakeholder process. In sum, given that (1) that no other ISO provides the convergence bidding information requested of the CAISO; (2) this information may disclose commercially sensitive strategies, and (3) the parties requesting this information have not provided sufficient justification as to why such information is required, Dynegy urges the CAISO to retain its current policy.

Dynegy appreciates the opportunity to submit these comments on the CAISO's white paper on Data Release and Accessibility, Phase 2: Convergence Bidding.