

From: Jack Ellis [mailto:jellis@resero.com]
Sent: Sat 12/12/2009 4:15 PM
To: Hildebrandt, Eric

Subject: PDR Call on December 15

Eric,

I wasn't able to participate in the last ten minutes of last week's call but I do expect to participate in the first hour of Tuesday's call on Proxy Demand Resources and the discussion on LMPM. I've set out EnergyConnect's concerns in comments that were posted several days ago and I'm a little disappointed that the agenda for Tuesday's call doesn't appear to address them.

It seems to me that efforts to curb potential market power abuses should focus on increasing competition first, and using mitigation as a last resort. DMM's proposal not only puts mitigation first, it threatens to undermine a competitive alternative. Moreover, the CAISO's current framework for LMPM effectively assumes local market power exists unless proven otherwise. This is because the CAISO assesses only a few key constraints for competitiveness and deems all of the others uncompetitive. If DMM's LMPM proposal is adopted before we have some sense of the magnitude of the problem it purports to solve, the significant amounts of time, effort and money invested by the CAISO and market participants in the PDR initiative could be for naught.

I think it's very important at the beginning of Tuesday's call that you help the rest of us understand how pervasive the potential for exercise of local market power really is and that you be prepared to explain why the LMPM mitigation proposal won't completely undermine PDR. If I can help clarify EnergyConnect's comments or any of the points in this note, please feel free to call me at the phone number shown below.

Best Regards,

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