

Mirant Comments  
Market Power Mitigation Proposal  
October 15, 2004

Mirant appreciates the opportunity to provide feedback on the CAISO Market Power Mitigation proposal. We have reviewed the ISO White Paper and the October 7 presentation, and have comments and suggestions.

The California market is "back to normal" and CAISO should remove the extraordinary emergency measures imposed in 2001 for "stabilization" purposes (\$250 price cap, must-offer, etc.) There is no indication the existing measures are not working. Therefore, layering a PJM-like mitigation on top of existing measures is oppressive. CAISO should place California back on the same footing as other ISO's nationwide. At the very least, CAISO should raise the existing \$250 damage control bid caps to \$1000 to be consistent with other markets. Regardless, mitigation should not impede the free workings of capacity markets soon to be implemented by the CPUC.

Mirant is opposed to CAISO's use of incremental plus 10% cost capping for local market power mitigation. The ISO had previously requested and FERC has pervasively rejected this same approach for the CAISO's market. There are no differentiating facts from FERC's prior ruling to today's marketplace.

Should the CAISO feel compelled to deviate from its existing conduct and impact methodology, the CAISO should look to MISO's conduct and impact methodology, which specifically incorporates a local market mitigation mechanism for narrowly constrained areas. That methodology continues to rely upon market mechanisms to provide price signals while mitigating for local market power. That method has been accepted by the commission and is workable in the CAISO's future structure.