

## Stakeholder Comments Template

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

Submitted by	Company	Date Submitted
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As a follow-up to the discussion during the December 23 stakeholder conference call, the ISO welcomes written comments on the Straw Proposal for Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids ("Straw Proposal") dated December 16, 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 Tuesday, January 5, 2010 to: [dliu@caiso.com](mailto:dliu@caiso.com).

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

1. What is your entity's view on the make-whole payment calculation method?

The CPUC staff believes the method provides a reasonable approach as long as the CAISO ensures that they will continually monitor these costs and will reactivate the issue through the stakeholder process if costs get out of line. The CPUC staff anticipates that other active initiatives at the CAISO will have a positive effect on market stability and help eliminate aberrant prices that need to be corrected. Therefore, we are hopeful that revenue imbalances for all reasons become less of an issue in the future.

2. What is your entity's view on the proposed make-whole payment approach for virtual bids?

CPUC staff believes the CAISO should anticipate the potential for increased price corrections and resultant imbalance revenues from virtual bidding. Though the revenue imbalances created by the physical markets are relatively small, there is a greater chance that price correction caused revenue imbalances will go up rather than down under virtual bidding. Therefore, coincident with the implementation of the virtual bidding market, the CAISO should design, develop and implement an allocation method for revenue imbalances based on appropriate cost causation principles.

3. What is your entity's view on the proposed make-whole payment settlement?

The CPUC staff concurs with the CAISO proposal to utilize a practical allocation mechanism in the current physical energy market, based on the analysis showing a relatively small amount of make-whole payments. However, as noted above, the CPUC staff believes the CAISO in the virtual bidding market should utilize a settlement mechanism to handle market imbalances based on cost causation principles. As such the revenue imbalances caused by make-whole payment may not necessarily be settled through real-time and day-ahead offset charges (i.e., revenue neutrality charges) by default.

4. Other comments: