

Stakeholder Comments Template

Subject: Setting Parameter Values for Uneconomic Adjustments

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics covered in the July 31 Market Notice regarding Setting Parameter Values for Uneconomic Adjustments. Upon completion of this template please submit (in MS Word) to chinman@caiso.com. Submissions are requested by close of business on August 6, 2008.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. Please propose or comment on the appropriate principles or rules for setting prices in the Real Time Dispatch when supply is insufficient to meet the CAISO demand forecast.

Powerex believes that the CAISO has taken a reasonable approach to both the principles and rules for setting parameter values for uneconomic adjustments and appreciates the opportunity to provide these additional comments..

Powerex has two concerns it would like the CAISO to address further:

- *Optimization of each sequential market may not lead to an overall optimization of the market without a floor on the effectiveness factor; and*
- *Difference between penalty prices in scheduling and pricing run do not provide the market with the correct price signals.*

As an example of the first concern, the CAISO has proposed a 10% effectiveness factor for determining if remote economic bids can be used to relieve a constraint. The CAISO has also stated that a \$500 bid with a 10% effectiveness factor is equivalent to a \$250 bid with a 5% effectiveness factor. Therefore, if there is no floor to the effectiveness factor and it is purely an economic tradeoff then a \$50 bid with a 1% effectiveness factor would also be equivalent. Therefore, a 10 MW constraint could equally be resolved by a 100 MW, 200 MW or 1000 MW curtailment of economic bids at \$500, \$250, and \$50, respectively.

While these curtailments of these economic bids may be financially equivalent in the IFM optimization, the costs in subsequent markets would differ significantly if the shortfall is 100 MW versus 1000 MW. So while Powerex is not opposed to a 5% or 10% effectiveness factor,

Powerex suggests the CAISO consider an absolute floor for the effectiveness factor to mitigate any excessive curtailment of economic bids.

As for the second concern, Powerex agrees with the MSC that, over time, the penalty prices for the scheduling and pricing runs should converge to provide the market with the right incentives to submit economic bids for both supply and demand and to appropriately site new generation and transmission.

2. Multiple priority levels for ETCs. The CAISO believes that MRTU Tariff Section 16.4.5 (8) adequately covers possible priority differences for ETCs, i.e., that the service types identified in this section are the only relevant basis for establishing different priority levels in the MRTU software for ETCs. Parties are asked to comment on whether they agree with this assessment, or if not, to specify any further needs that must be addressed.

Powerex has no comments at this time.

3. Parties are asked to describe any specific types of test cases they would like the CAISO to run and analyze in relation to the parameter tuning effort. Please explain the proposed case in enough detail to make it clear what question or issue is being addressed. In addition, please identify any particular Market Simulation cases you have encountered in the Market Simulation process and believe are important to examine for parameter tuning issues, and explain the relevance of such cases.

Powerex has no comments at this time.

4. Other

Powerex has no comments at this time.