Stakeholder Process: Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids

Summary of Submitted Comments

Stakeholders submitted three rounds of written comments to the ISO on the following dates:

- Round One, 11/11/2009
- Round Two, 12/11/2009
- Round Three, 1/5/2010

Stakeholder comments are posted at: http://caiso.com/2453/2453ab8e10ff0.html

Other stakeholder efforts include:

- Conference Calls
    - 11/4/2009
    - 12/8/2009
    - 12/23/2009
    - 1/19/2010

Management Proposal	Load Serving Entities, CPUC, Curtailment Service Providers	Management Response (Completed by the ISO)
In case of upward price correction to cleared demand bids in day ahead and hour ahead, management proposes to calculate a make-whole payment determined by the area between the demand bid curve and the corrected price. This proposal applies to both load and export in day-ahead and applies to export only in hour-ahead.	CPUC – Support SCE – Support considering the area between the demand curve and the corrected price; Suggest using consumer surplus to offset the make-whole payment, but does not oppose the ISO proposal. PG&E – Conditional Support conditional on allocating the cost to supply. Six Cities – Support Portland General - Suggest making whole to final cleared bid price. JP Morgan – Suggest making whole to final cleared bid price. Citigroup Energy – Suggest making whole to final cleared bid price. WPTF – Suggest making whole to final cleared bid price. Dynegy – Suggest making whole to final cleared bid price.	To avoid creating incentives for demand to bid at extremely low prices, Management recommends using relevant bid segments in the demand curve to determine the make-whole payment, and proposes to calculate a make-whole payment based on the area between the demand bid curve and the corrected price.
Management proposes to calculate make-whole payment on hourly basis.	CPUC – Support; CDWR – Support; Portland General – Support; Powerex – Support; JP Morgan – Support; Citigroup Energy – Support; SMUD – Support; Six Cities – Support PG&E – Conditional; Support conditional on allocating the cost to supply. Dynegy – Suggest calculating make-whole payment on a daily basis. SCE – Suggest calculating make-whole payment on a daily basis.	Management proposes to calculate make-whole payment on hourly basis.

Management Proposal	Load Serving Entities, CPUC, Curtailment Service Providers	Management Response (Completed by the ISO)
Management proposes a simple settlement approach to calculate a final settlement price which incorporates the make-whole payment. The new final settlement prices are resource level locational marginal prices that apply to load and export.	CPUC – Support; Suggests revisiting the allocation concurring with the implementation of convergence bidding. SCE – Do not oppose; suggest revisiting if make-whole payment becomes significant over time. JP Morgan – Support allocating make-whole payment to measured demand; Powerex – Support allocating make-whole payment cost to load; WPTF – Support allocating make-whole payment cost to load; PG&E – Conditional; Support conditional on allocating the cost to supply. Bay Area Municipal Transmission – Suggest allocating make-whole payment cost to supply. SMUD – Suggest allocating make-whole payment cost to supply. Portland General - Suggest allocating make-whole payment cost to supply. Dynegy - Suggest allocating same way as bid cover recovery. Six Cities – Suggesting allocating make-whole payment cost to supply.	Given that potential make-whole payments are relatively small and are declining, management proposes a simple settlement approach to calculate a final settlement price which incorporates the make-whole payment. The new final settlement prices are resource level locational marginal prices that apply to load and export. Some stakeholders suggest allocating the cost of make-whole payment to supply through a separate uplift charge. Given the small magnitude and the declining trend of potential make-whole payment, it is difficult to justify the cost of implementing such a separate uplift allocation. Therefore, Management recommends the simple settlement approach described above. This simple settlement approach avoids a separate allocation of make-whole payment and is cost effective from implementation perspective.
Management proposes to apply the proposed make-whole payment approach to virtual bids in case of price correction in the day-ahead market. Management proposes to apply the approach described above directly to virtual demand bids, and treat virtual supply bids as negative virtual demand bids for the purpose of determining a make-whole payment due to price correction.	CPUC – Support but suggest revisiting once convergence bidding is implemented. SCE – Do not oppose.	Management proposes to apply the proposed make-whole payment approach to virtual bids in case of price correction in the day-ahead market. Management proposes to apply the approach described above directly to virtual demand bids, and treat virtual supply bids as negative virtual demand bids for the purpose of determining a make-whole payment due to price correction.