

## Stakeholder Comments Template

### Subject: Exceptional Dispatch – Straw Proposal

| Submitted by  | Company                                                                                                                     | Date Submitted |
|---------------|-----------------------------------------------------------------------------------------------------------------------------|----------------|
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This template has been created for submission of stakeholder comments on the topic of Exceptional Dispatch and specifically the straw proposal paper related to this topic as posted on April 14, 2008 (at: <http://www.aiso.com/1f91/1f91cdbc12f0.pdf>) and discussed at the stakeholder meeting on April 15, 2008. Upon completion of this template please submit (in MS Word) to <mailto:jmccclain@caiso.com>. Submissions are requested by close of business on April 24, 2008.

Please provide your comments to the areas below related to the two straw proposals and aspects of the proposals that you do or do not support in the space below. There is also a general comments section for any other comments you would like to provide.

#### 1. Option 1 – Bid Adder Option

*When the CAISO commits a generating unit under Exceptional Dispatch, it is taking capacity service from that unit. As Dynegy noted in its comments on the CAISO’s TCPM proposal, such capacity service is a longer-term service and should be paid for over a longer term, not on a daily or hourly basis. Paying a bid adder for capacity service taken through mitigated Exceptional Dispatch provides some additional revenue that would otherwise be confiscated through mitigation, but is a far inferior solution to treating capacity service as capacity service and providing that capacity with suitable longer-term compensation.*

#### 2. Option 2 – Relaxed Mitigation Option

*Proposing to relax the proposed Exceptional Dispatch mitigation but then capping the monthly payments at the ICPM rate begs the question as to why the CAISO wouldn’t or didn’t designate the Exceptionally Dispatched unit as ICPM to begin with. Moreover, Dynegy still fundamentally opposes the level of the proposed cap – the monthly ICPM rate.*

#### 3. Effect of the Exceptional Dispatch options on incentive to accept or decline ICPM designation

*The premise of this question presumes a fact not yet in evidence – that the CAISO will even offer ICPM designation. If Exceptional Dispatch is truly infrequent, unpredictable and “exceptional”, the premise that a generating unit owner would reject the certainty associated with ICPM designation – if offered - to try to profit from the uncertainty associated with Exceptional Dispatch is suspect.*

*On the other hand, the idea that Exceptional Dispatch may not be infrequent or unpredictable is troubling. What incentive does the CAISO have to timely address recurring Exceptional Dispatch which may result from deficiencies in its network model or market software? How will the CAISO do so?*

4. Types of Exceptional Dispatch that should or should not be eligible for supplemental payments or subject to relaxed mitigation

*As noted in response (1) above, Dynegy strongly prefers that Exceptional Dispatch mandate capacity backstop designation, not daily or hourly supplemental payment. That principle notwithstanding, it may be reasonable that some types of Exceptional Dispatch which would not necessarily constitute providing capacity service – e.g., decremental Exceptional Dispatch (with the possible exception of decremental Exceptional Dispatch needed because of a shortage in Regulation Down, in which case supplemental payments could effectively serve as scarcity pricing payments) or Exceptional Dispatch needed to facilitate testing conducted at the owner’s request – and would not be eligible for supplemental compensation.*

5. Requirement to bid into the CAISO markets in order to be eligible to receive the Bid Adder option

*Under MRTU, there are several ways to compel a generating unit to offer into the CAISO’s markets – (1) provide it with an RA contract; (2) provide it with an RMR contract, or (3) designate it as ICPM. Proposing to require that a unit must bid into the IFM to be eligible to receive the proposed Bid Adder effectively creates a fourth must-offer obligation without a corresponding capacity contract or designation and the revenue certainty associated with that contract or designation. A longer-term capacity contract should be the basis for an obligation to offer into the CAISO’s markets, not the uncertain possibility of being Exceptionally Dispatched. Dynegy opposes this proposed requirement.*

6. General comments

*None.*