

Dynergy Power Marketing (“Dynergy”) comments on
“Parameter Tuning for Uneconomic Adjustments in the MRTU Market Optimizations”
May 23, 2008

Dynergy thanks the CAISO for the opportunity to submit these comments.

Dynergy agrees with the general premise that it is unreasonable that the CAISO’s market optimization would create extraordinarily high prices because of *operational* inefficiencies (e.g., a situation in which only a single unit, which is very ineffective, is available to address a network constraint).

Given that the CAISO is projected to spend at least \$190 million dollars on its MRTU market, however, it would be ironic if market participants’ reaction to MRTU would be to bid and schedule in such a way that there was no market (i.e., self-schedule). MRTU will not change the physics of electricity flow, or resources’ effectiveness to resolve constraints, or the location of load on the network. To be of maximum benefit to the CAISO’s market participants, and to accomplish the goals set for it (e.g., efficient congestion management), MRTU must encourage, rather than discourage, market participants to bid in their resources economically so that the optimization will produce a true least cost solution. To that end, if self-scheduling reduces the available pool of economic resources to the point where “uneconomic” adjustments must be made, it is perfectly appropriate that prices that discourage self-scheduling result. Relaxing constraints or otherwise tuning MRTU optimization parameters to avoid this outcome undermines the market foundation of MRTU.

Because these optimization parameters affect market prices, and consequently the rates that market participants earn through the CAISO’s markets, the process by which these parameters are adjusted, as well as the parameters themselves, should be specified in the CAISO tariff. The fact that these parameters currently may not be contained in other ISO/RTOs’ tariffs does not constitute a sufficient basis to exclude them from the CAISO tariff, because the CAISO has acknowledged that the current CAISO stakeholder process on this topic may be the most detailed and transparent process yet held on this topic by any ISO/RTO. Dynergy understands the CAISO’s desire to have the authority to change these parameters as needed, particularly through the shakedown period of MRTU. In return, Dynergy hopes that the CAISO understands market participants’ desire to ensure that these parameters are stable and accessible and that the process for changing these parameters is transparent and rigorous.

Moreover, prior to changing any market optimization parameters, the CAISO must inform market participants of the reason for any change and the effect of that change on market participants.

Finally, market participants should have input into the parameter change process and not simply be well-informed bystanders.

In sum, the CAISO should (1) set the MRTU market optimization parameters to discourage self-scheduling; (2) ensure that the optimization parameters are published in a fully accessible location, preferably the CAISO tariff, and (3) ensure that the market

Dynegy Power Marketing (“Dynegy”) comments on
“Parameter Tuning for Uneconomic Adjustments in the MRTU Market Optimizations”
May 23, 2008

optimization parameter change process is open, transparent, and rigorous enough to justify any changes.

Again, Dynegy thanks the CAISO for the opportunity to submit these comments.