

## Dynergy Comments on Straw Proposal Addendum to Post Five Day Price Correction

Name	Company	Date Submitted
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In general, Dynergy supports the straw proposal addendum. Dynergy agrees that it is impractical, if not impossible, to develop hard criteria that would, in every situation, balance the tradeoffs between price stability and price accuracy (“accuracy” meaning the prices were calculated consistent with the approved CAISO tariff).

The CAISO’s straw proposal addendum indicates that the CAISO will follow the bulleted steps listed on page 3 (1) in the event the CAISO becomes aware outside the 5-day price correction time horizon that prices were calculated in a manner inconsistent with the CAISO tariff **and (2) there is good cause to consider correcting such prices**. The condition “and there is good cause to consider correcting such prices” is troubling, if it means that the CAISO will not follow the steps it outlined unless the CAISO believes there is good cause to do so. Dynergy hopes this is not the CAISO’s intent. If it was, it would give the CAISO complete discretion as to which post-five-day price calculation errors should be disclosed, let alone which such errors should be corrected. Rather, Dynergy hopes that the CAISO will follow the bulleted steps (i.e., perform an assessment, prepare and post a Technical Bulletin, etc.) whenever it becomes aware that it did not calculate prices in accordance with its tariff outside of the five-day window. As Dynergy asserted in its prior comments – to the extent the CAISO cannot provide market participants with both price stability and price accuracy, it must at least provide market participants with a transparent understanding as to why it could not provide both those things.

Further, as Dynergy reads the CAISO’s proposal, the CAISO is solely responsible for developing a recommendation as to whether it will seek from FERC a waiver of its proposed rule to make no price corrections outside the five-day period. This, too, raises concerns. Again, as noted in the comments above, it’s not clear whether market participants would even be aware of the possibility of a price correction error outside of the five-day window unless the CAISO was pursuing a recommendation to seek a waiver of the five-day window to make that price correction. The underlying systems that ultimately derive the clearing prices are extremely complicated and understood by few. Few market participants are in a position to challenge a subjective CAISO price correction decision, especially if the decision is to not submit a waiver request to FERC.

Further, it is unclear what recourse market participants would have if they did not agree with the CAISO’s recommendation. The CAISO’s proposal to discuss its recommendation on a Market Issues call or similar forum, while welcome, provides no formal opportunity for market participants to appeal a CAISO recommendation regarding a price correction.

To address these concerns, Dynergy recommends that the CAISO:

- (1) Provide market participants with a transparent analysis of every instance in which the CAISO becomes aware, outside of the five-day window, of prices that were not calculated in accordance with the approved CAISO tariff;

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- (2) Submit all such instances to FERC, so that FERC may decide which post-five-day corrections should be made and market participants have due opportunity to weigh in on those decisions;
- (3) Continue to post, on a monthly basis, key metrics (e.g. State Estimator failures, solution failures, the level and effects of various “tuned” market parameters, volumes of and reasons for exceptional dispatch, price corrections, etc.) that provide insight into the performance of the market;
- (4) Subject its market systems to regular, detailed third-party audits to verify that its systems are producing prices in accordance with its approved tariff and all business practice manuals, and publicly provide those detailed audit results.

Dynegy appreciates the CAISO’s work on this issue, and urges the CAISO to take this opportunity to provide market participants with greater certainty, more transparency and proper due process regarding market prices, to the benefit of market participants and the CAISO.