Comments on Post-Five Day Price Corrections Issue Paper

| Submitted By | Company | Date Submitted |
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The CAISO has identified the tension inherent in this exercise – the tension between providing market participants with the certainty that the CAISO's prices have been calculated in accordance with the approved CAISO Tariff and providing market participants with the certainty that the published prices are not subject to further change.

It will be difficult, if not impossible, to develop a set of criteria that will properly decide which of these certainties should be satisfied when they cannot be simultaneously satisfied. Setting a magnitude of overall market impact, or a threshold number of affected market participants, might be reasonable approaches to consider, but such approaches will not cover the situation in which a single market participant, or small group of market participants, might be adversely and disproportionately affected while the overall market effect is relatively small.

While Dynegy understands the CAISO's desire to avoid full market re-runs, there may be situations in which the impact of modeling or bid errors can only be estimated through re-creating "what would have happened". If a market participant is harmed by modeling or bid handling errors, or by similar kinds of CAISO actions taken outside the authority expressly granted by its tariff, Dynegy expects that the market participant would be made whole for those actions or errors, if not through the price correction process, then at least through the dispute resolution process. While that process may make a market participant financially whole, and avoids the need for a market re-run (because the GFN settlement is implemented through a subsequent charge levied to the market instead of a full market re-run), the GFN process does not provide transparency as to the cause of the issue that gave rise to the re-settlement. If market participants have to live with a suboptimal result when they cannot get both price certainty and the certainty that the CAISO will abide by its tariff, then they should at least be provided with transparency into why they have to live with a suboptimal result.

Rather than trying to develop hard criteria as to when the CAISO should make a post-five-day correction, the CAISO could (1) publish details for all instances in which it discovers that prices have not been calculated in accordance with its tariff outside of the five-day correction window, and (2) present these situations to its Board of Governors to allow its Board to determine if the CAISO should re-run its markets. The CAISO could mask the identities of the affected parties in its reports; in this way, the market would be made aware of the correction error, but the confidentiality of the affected market participants would not be compromised.

The look-back period should not be arbitrarily limited to 30 days. This, too, should be determined on a case-by-case basis based on the effects of the calculation error.

At this time, Dynegy does not object to retaining the current five-day correction window, based on the perception that moving to a three-day window would result in more price corrections outside of the price correction window. The CAISO should work towards a goal of a three-day price correction window, but Dynegy does not oppose keeping the five-day window at this time, particularly if it reduces the number of post-five-day corrections at issue.