Dynegy* Comments on Update to CAISO Draft Final Proposal on Uneconomic Adjustment Policy and Parameter Values
October 23, 2008

Dynegy appreciates the opportunity to submit these comments on the October 16, 2008 Update to CAISO Draft Final Proposal on Uneconomic Adjustment Policy and Parameter Values.

Dynegy supports the proposed change to set the pricing run penalty price at the higher of the Ancillary Service (AS) offer cap of $250/MW or the sum of the AS bid and the opportunity cost of not providing energy when the AS supply is insufficient to meet the CAISO's AS needs. This change will produce pricing outcomes that are consistent with the way energy will be priced under shortage conditions.

In regards to the CAISO's discussion of the proposed solution for ETC, TOR and CVR self-schedule curtailments, Dynegy reiterates its opposition to setting the penalty price for relaxing transmission constraints to the energy offer cap As the CAISO has noted, reducing the penalty price from three times the energy offer cap to the offer cap will inevitably yield results in which nodal prices are less following relaxation of transmission constraints than what they would be if the transmission constraints were not relaxed. The CAISO's proposal to set the penalty price for relaxing transmission constraints to the energy offer cap undermines a major "selling" point for MRTU, namely, that it would produce nodal prices that reflect the cost of managing transmission constraints.

Submitted by Brian Theaker

* - "Dynegy" refers to, collectively, Dynegy Morro Bay, LLC; Dynegy Moss Landing, LLC; Dynegy Oakland, LLC, and Dynegy South Bay, LLC.