

# Stakeholder Comments Template

## Subject: Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids

Submitted by (name and phone number)	Company or Entity	Date Submitted
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BAMX appreciates the opportunity to comment on the CAISO’s new proposal for the make-whole payment described in CAISO’s December 8 presentation and conference call. CAISO is now proposing that the make-whole payment be equal to the area between the bid curve and the corrected price, and that the payment be calculated on an hourly basis. CAISO also appears to be proposing that the costs of the make-whole payment be allocated to load.

BAMx believes that the make-whole calculation for demand and export bids should be consistent with the bid cost recovery approach applied to generators. It is BAMx’ understanding that generator bid cost recovery considers the producer surplus of intermediate cleared bid segments, considers markets other than just the applicable market (e.g., IFM, RUC, RTM), and considers all hours within a day. To be completely consistent with generator bid cost recovery, demand and export bid cost recovery would consider the consumer surplus of intermediate cleared bid segments, would apply across markets (IFM, HASP and RTM) and would apply across hours within a day.

BAMx does not believe that CAISO’s new proposed approach is completely consistent with the generator bid cost recovery approach. SCE’s November 11 comments illustrate in example 3 how the consumer surplus of intermediate cleared bids above the corrected price should offset the lost value below the corrected price. BAMx believes that this approach should be applied to the bids in the market for which the price is being corrected and that stakeholders should discuss whether the approach should be extended to consider the consumer surplus from other markets and other hours for which the affected party has participated within the same day, to be completely consistent with the approach used for generator bid cost recovery.

BAMx recognizes that some might argue that the party should be allowed to keep the consumer surplus, since if the corrected price were the original price the party would have been able to do so. But in this situation, the fact is that the corrected price is not

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<sup>1</sup> BAMx comprises the City of Palo Alto Utilities, the City of Santa Clara/Silicon Valley Power, and Alameda Municipal Power

the original price. If it were, there would not be a need to make any keep whole payment. The fact that a keep whole payment is being made makes the situation different, and the consumer surplus should be considered in the calculation of the payment.

BAMx believes that to be consistent with generator bid cost recovery, the demand and export bid cost recovery would be applied on a daily basis (and across markets). BAMx believes stakeholders should discuss the pros and cons of maintaining consistency with the generator bid cost recovery approach in this regard.

BAMx believes that the costs should be allocated to supply and imports, since those parties will tend to be the beneficiaries of the upwardly corrected prices. BAMx believes that this is consistent with the approach used for generator bid cost recovery in which load and exports are allocated the costs resulting from the downwardly corrected prices.