

## **CDWR-SWP Additional Comments to CAISO on Exceptional Dispatch Market Power Mitigation**

June 19, 2008

California Department of Water Resources-State Water Project (CDWR-SWP) appreciates the CAISO's response to its comments in the June 17, 2008 conference call regarding the CAISO's proposed tariff amendment to address compensation to resources for Exceptional Dispatch. CDWR-SWP believes, however, that the CAISO misapprehended CDWR-SWP's concerns. CDWR-SWP recognizes that a second, less stringent, form of mitigation will be applied after the initial mechanism but is concerned that (1) the second approach will not provide adequate safeguards, (2) the \$24 adder may raise questions about discriminatory treatment of generators insofar as certain Exceptional Dispatch generators do not need to meet tests applied to Frequently Mitigated Generating Units, and (3) the complex nature of this proposal, with various timelines and related ramifications, may create perverse bidding incentives by rewarding generators for extremely high energy bids at the outset of a rolling month period.

CDWR-SWP has fundamental concerns about a proliferation of CAISO reliability capacity and energy acquisition programs with differing rules for compensation and mitigation. Adding complexities as MRTU implementation approaches and potentially providing perverse incentives to generators should be undertaken with extreme care.

In this regard, CDWR-SWP believes that the Commission's May 30, 2008 order concerning TCPM offers an opportunity to develop a simpler approach to Exceptional Dispatch that would be consistent with the approach for Significant Event Dispatch. In that order (123 FERC ¶ 61,229), the Commission held among other things that to avoid undue discrimination in treatment of generators providing reliability services to the CAISO, all generators subject to Significant Event Dispatch should receive the Significant Event Dispatch capacity payment for a 30-day period, in addition to energy payments under the tariff.

CDWR-SWP submits that using the same mechanisms for Exceptional Dispatch and Significant Event Dispatch may be simpler, more likely to avoid concerns of discriminatory treatment, and less likely to create unintended consequences.