

 <b>CALIFORNIA ISO</b> <small>California Independent System Operator</small>	<b>Settlements / Rerun</b>	Version No.	1.3
		<b>AMENDMENT 51</b>	
<b>Dynegy Bilateral Contract (GFN) – Issue No 8</b>		Effective Date	01/16/04

## PURPOSE

Pursuant to an 11-day bilateral contract entered into in December of 2000 the CAISO will reclassify Dynegy’s unscheduled positive generation output to Out Of Market (OOM) Energy, and re-price the volumes based on the terms of the bilateral contract. The reclassification applies to generation units for all hours from December 5 to December 15, 2000.

## BACKGROUND

For an 11-day period, December 5 to December 15, 2000, the CAISO entered into a bilateral contract with Dynegy for Out Of Market (OOM) energy, with the price to be determined based on the costs incurred by Dynegy to produce this energy. The contract is currently the subject of Good Faith Negotiations between the CAISO and Dynegy. The CAISO has been unable to satisfactorily verify Dynegy’s gas procurement costs. Additionally there were instances where Uninstructed Energy (UE) resulted from inaccurate dispatch logging. The transactions currently appear as Uninstructed Energy (UE) in the CAISO’s Settlement system. During the preparatory rerun positive energy provided by Dynegy during the 11-day period will be re-classified as Instructed Energy. Prices for the Dynegy contract will also be adjusted based on the terms of the contract. The inputs to this calculation will be, emissions charges, average heat rates of the applicable Dynegy units, and a gas price calculated using the methodology established by FERC in the California refund proceeding.

The impact of this adjustment will be to lower prices paid to Dynegy and to lower revenues payable to Dynegy vs. amounts credited to Dynegy thus far. This reduction will be approximately \$50 million.

Subsequent to the preparatory rerun the Dynegy contract will be subject to a gas price adjustment. This may increase revenues to Dynegy over and above the outcome of the preparatory rerun. This adjustment will be made at the same time as the other gas price adjustments ordered by FERC as part of the California Refund proceeding.

## OUTLINE OF PROCESS

- 1 Recalculate
- 2 Adjustments
- 3 Reclassify

## PROCESS DESCRIPTION

All processes are to be completed by the CAISO unless otherwise stated.

- 1 Recalculate
  - 1.1 Recalculate the Billable Quantity and Price

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1)  $BQ = \text{MAX}(0, \text{Meter}_{i,h,o} \times \text{GMMa}_h - \text{Final HA Schedule} / 6 - \text{Ramping Energy}_{i,h,o})$

B The contract price will be calculated for each Dynegy Generator resource using the following formula:

1)  $CP = (\text{AHR}_{i,h,o} / 1,000 \times \text{FERC Rerun Gas Cost}) + \text{Emissions Charge } i + \text{MIN}(10\% \text{ production cost}, \$25)$

where;

- $\text{AHR}_{i,h,o}$  is the average heat rate of resource  $i$  associated with its operating range during subinterval  $o$  of hour  $h$ .
- The FERC Rerun Gas Cost is the production basin plus transportation adder gas cost for delivery at Topock, as prescribed by FERC.
- The production cost is defined as the sum of the gas and emissions cost for each unit for each day.

2) The Settlement Amount =  $CP \times BQ$

C These recalculated quantities and prices are considered source data used for settlement calculation.

## 2 Adjustments

### 2.1 Zero-out all ECH1 Ancillary Service capacity

A All originally awarded AS capacity schedules will be zeroed-out and recalculated to reverse the previous AS capacity payments.

### 2.2 Zero-out BEEP dispatched Energy in Residual Energy Template

A All originally dispatched BEEP Energy will be zeroed-out and calculated to reverse the previously dispatched Instructed Energy quantities and payments.

### 2.3 Reverse all manual adjustments related to No Pay, Charge Type 485, and Instructed Energy

A All originally dispatched BEEP Energy will be zeroed-out and calculated to reverse previously rescinded energy or capacity payments, including any penalty charges.

## 3 Reclassify

3.1 Approximately 188,000 of Dynegy's generation, currently reflected in the CAISO's records as BEEP energy and UnInstructed Energy, will be reclassified as OOM Instructed Imbalance Energy.

## REFERENCES

1 CAISO's Amendment No. 51 filing in Docket No. ER03-746, and other pleadings filed by the CAISO in that Docket.

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## ASSUMPTIONS

- 1 New Billable Quantities and associated prices for 10 minute BEEP intervals are input into the shared Market Quality template
- 2 The records will utilize existing sequence instruction numbers to ensure the new records act to reverse existing OOS data
- 3 Dynegy GFN billable quantities and prices take priority over all existing records or adjustments
- 4 Dynegy units that were dispatched pursuant to the 11-day contract can neither set the MCP or be subject to FERC price mitigation. However, the price calculations for these transactions will utilize the FERC refund gas price mythology

## AFFECTED CHARGE TYPES

The following is a list of potentially affected Charge Types

- 1            • 2            • 4            • 5            • 6
- 51          • 52          • 54          • 55          • 56
- 111        • 112        • 114        • 115        • 116
- 401        • 407        • 481        • 485        • 487
- 1010      • 1011

## EXPECTED IMPACT

- 1 Reduced Neutrality Costs (Charge Type 1010) for the month of December 2000
- 2 Reduced cost for Instructed Energy purchased over the price cap during December 2000
- 3 Credit for Ancillary Services Allocations
- 4 Credit for Rational Buyer Settlement