Dynegy Comments on Modifications to 2012 Grid Management Charge Proposal

| Submitted by | Company | Date Submitted |
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Dynegy offers these comments on the modifications to the CAISO's January 13, 2011 Modifications to the November 11, 2010 Grid Management Charge Proposal.

First, as with other market participants, Dynegy's perspective on the CAISO's GMC is influenced by the bottom- line reality of how much it will have to pay. The initial bill impact data provided by the CAISO suggests that Dynegy is not as disadvantaged by the CAISO's proposal to fundamentally restructure its GMC as are other suppliers. Moreover, the CAISO's proposal to phase in assessing the System Operations charge to supply MWh over a three year basis greatly mitigates the impacts on Dynegy over that three-year phase-in period. On those bases, Dynegy does not object to the CAISO's proposed modifications.

Further, Dynegy supports the CAISO's efforts to make GMC charges more predictable. Market participants may not be able to perfectly forecast energy volumes, but tying GMC to market volume is a more reasonable approach than tying it to quantities or behaviors that cannot be predicted. Intuitively, tying GMC charges to market volumes seems a reasonably simple approach. Given that much of the CAISO's processes and systems are automated, and its staffing requirements are not volatile (i.e., the CAISO's employment and the cost of operating its systems are not proportional to daily or hourly demand) tying GMC to a market participant's maximum instantaneous supply/demand over the course of a year might better reflect true cost causation principles.

Dynegy understands that the holders of long-term contracts executed under the current GMC structure may be disadvantaged by being exposed to new GMC charges without a means to pass such charges along, and looks forward to further discussions about mitigating the impacts of the proposed new GMC structure on such market participants.

Dynegy supports the proposal to eliminate the separate station power charges. It has always been unreasonable to single out certain CAISO services with a limited number of beneficiaries for certain separately-billed charges (e.g., station power portfolio participants) but not assess separate charges for other services with a limited number of beneficiaries (e.g., CRR holders). Given that the CAISO has finally separated CRR services into its own separately billed category, it would be reasonable to continue to bill station power portfolio charges separately (assuming, of course, that all such CAISO programs with limited subsets of beneficiaries are so treated), but, given the CAISO's representation that these charges are *de minimus*, Dynegy supports eliminating the separate billing for them.

While Dynegy understands the CAISO's rationale for proposing to exclude Transmission Ownership Rights from the Market Services Charge, Dynegy questions why the CAISO is proposing to allocate the System Operations charge on the *minimum* of the supply or demand MWh. If Dynegy understands the

CAISO's initial proposal, both supply and demand will be assessed the System operations charge. As noted in the CAISO's initial proposal at page 7:

> The system operations category includes all flow quantities for generation, load, imports and exports (additional detail below). The fundamental purpose of system operations is to reliably balance supply and demand. Since both components (load and generation) are necessary to achieve balance, the ISO believes gross MWh is also appropriate for system operations.

TORs would be provided a discount by excluding them from the Market Services Charge. They would be provided a second discount by assessing the System Operations charge on the basis of either supply, or demand, but not both. These two discounts seem reasonable in light of the reduced level of services that TORs require from the CAISO. However, it seems unnecessary to offer a third discount by assessing the System Operations charge on the *minimum* of supply or demand TOR MWh. Assessing the System Operation Charge on the maximum of supply or demand seems a more reasonable approach.

Dynegy supports resolving the issues regarding the PIRP forecasting fee in the RIMPR stakeholder process rather than in the GMC process.

As Dynegy understands, the $1,000/month SCID fee is intended to ensure that market participants have some "skin in the game" in terms of covering the CAISO's overhead to provide client services. It does not seem inevitable that the CAISO would incur *no* support cost for a market participant who may have no market volume in that month. That market participant could still be using services from their account representative even if they had no market volume. The CAISO's proposal to waive the SCID fee if the market participant has no market volume may bear further refinement to account for all of the costs the CAISO may incur to provide services to that market participant.

Dynegy supports a revenue requirement cap but notes that the CAISO's proposal to allow for 1% increases would allow the revenue requirement to increase $8 million by 2016. Said another way, a 1% annual cap sounds very attractive – until one realizes that it could result in an $8 million increase over the proposed effective period. Dynegy looks forward to further discussion on this topic.