

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
Brian Theaker 530-295-3305	Dynegy	11-11-09

As a follow-up to the discussion during the November 4 stakeholder conference call, the ISO is requesting written comments on the Issue Paper and Straw Proposal for Ex Post Price Correction Make-Whole Payments for Accepted Demand Bids (“Issue Paper/Straw Proposal”) dated October 28, 2009. This template is offered as a guide for formulating stakeholder comments and for any additional comments that participants may have based on the discussion during the call. Documents related to this meeting are posted at: <http://caiso.com/2453/2453ab8e10ff0.html>.

Written comments should be submitted by close of business on Wednesday, November 11, 2009 to: dliu@caiso.com.

Based on the discussion during the November 4 stakeholder conference call, the ISO will extend the stakeholder process to allow more time to incorporate stakeholder input to develop the proposal and present it to the ISO Board of Governors for approval in **February, 2010**. An updated straw proposal incorporating stakeholders’ written comments will be posted for additional stakeholder input and discussion.

Please comment on the following design issues and the proposed solutions discussed in the Issue Paper/Straw Proposal.

1. What is your entity’s view on the make-whole calculation methods discussed in Scenario 1 and Scenario 2 when 1) price is corrected upward to be outside of the bid curve, or 2) price is corrected upward but is still within the range of the bid curve. Please also submit any other calculation method your entity would like to propose.

The CAISO’s proposal to

(1) require the market participant to settle the quantity of demand that cleared at the price the market participant offered for that quantity of demand, and

(2) provide a make-whole payment for the amount the market participant is charged based on the corrected price in excess of what they were willing to pay

seems to be a practical response in this unreasonable and, hopefully infrequent situation.

Dynegy notes that in the absence of truly price-responsive demand – in which the amount of actual demand would differ based on the price - demand bids merely serve to allow demand to be shifted from, and priced in, one market as opposed to another. Shifting demand from one market to another affects prices in both markets. The CAISO's proposal addresses impacts in one market, but not others. Dynegy therefore urges the CAISO to ensure that its markets clear accurately and efficiently and to avoid price corrections wherever possible.

2. What is your entity's view on making participants whole on a per-interval basis versus a daily basis?

Make-whole payments are analogous to Bid Cost Recovery payments. Both provide compensation when market participants are required to participate in the CAISO's markets when participation in a market would not be economic based on the bids and offers the market participants provide to the CAISO. The CAISO uses infra-marginal rents suppliers earn in other hours within a 24-hour period to offset the BCR payments. It would be consistent and equitable for the CAISO to similarly use "infra-marginal rents" (i.e., the "rents earned" in other hours in a 24-hour period when demand clears at a price below its offer price) to offset the make-whole payments.

3. Does your entity have other proposals to make participants whole other than those discussed in the Issue Paper/Straw Proposal?

No.

4. What is your entity's view on the appropriate approach to allocate the revenue imbalance caused by make-whole payments?

The costs of make-whole payments should be allocated the same way as the costs of Bid Cost Recovery payments.

5. Other comments:

Thanks for the opportunity to submit these comments.