

Comments on e-Tag Timing Proposal

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Dynegy appreciates the opportunity to submit these comments on the CAISO's December 7, 2009 e-Tag Timing Proposal (<http://www.aiso.com/247d/247d984f30a60.pdf>).

Dynegy commends the CAISO for its creative approach to this alleged problem. Dynegy supports the CAISO's proposal to make "implicit" convergence bids (using physical IFM awards and HASP reversals) at the interties less profitable, or no more profitable, than "explicit" convergence bids. This is a far more reasoned approach than mandating a post-day-ahead tagging timing requirement.

However, some aspects of the CAISO's proposal warrant further explanation. Is the CAISO currently experiencing a problem with market participants using day-ahead awards, HASP reversals and real-time failures to deliver to lever their existing CRR positions? If so, has the CAISO sought to take other actions to address this problem? Moreover, does the CAISO intend to implement these modifications at the same time convergence bidding is implemented, or does the CAISO intend to implement these aspects of its proposal prior to implementing convergence bidding?

In regards to the thresholds for exemption and the level of the intertie award decline charges, the CAISO's proposal is unclear whether the CAISO is proposing to change these parameters or merely seeking input on the current level of these parameters. At this time, and without a compelling case that the existing parameters are unsatisfactory, Dynegy sees no reason to eliminate the exemption threshold and increase the charges applied.