

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
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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.

SMUD believes that a mechanism needs to be implemented that makes demand whole to the extent that the CAISO’s price corrections causes a demand bid to be dispatched at a price that is inconsistent with its bid. At this time, SMUD is still reviewing the CAISO’s proposals and reserves its right to supplement these comments after further consideration.

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

SMUD's initial thoughts are that the Make-Whole Compensation should be evaluated and performed on an hourly, resource-specific basis, and not netted across the day.

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

Not at this time.

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

It does not make sense to "Make-Whole" demand bids, then allocate those payments back out to demand. SMUD would prefer both the Make Whole Payment and its Allocation to be performed in new charge codes specific to this issue for better transparency and simplicity of validation.

5. Other comments:

By submitting a demand bid into the CAISO market, a Market Participant agrees, and should reasonably expect, to pay a price at or below its accepted bid. If, due to a ISO market system error, the market price is increased *after* the bid was already accepted by the ISO and the hour was executed, the ISO cannot require demand to pay more than its accepted bid. To the extent that the CAISO imposes charges on demand that is inconsistent with its bid, these charges must be reversed. Companies have been harmed by the lack of a mechanism to account for this shortcoming in CAISO functionality. As such, SMUD would like to see the ISO apply any Make-Whole payment methodology retroactively, or from 4/1/09.