

California Department of Water Resources State water Project's Comments on California Independent System Operator's Whitepaper "Mitigation of Potential Market Power under MRTU Exceptional Dispatch"

December 12, 2007

The California Independent System Operator (CAISO), on November 30, 2007, published on its website a whitepaper titled "Mitigation of Potential Market Power under MRTU Exceptional Dispatch." The CAISO is seeking comments on its proposal. The California Department of Water Resources State Water Project (SWP) appreciates the opportunity to provide comments and respectfully submits the following comments:

SWP appreciates CAISO's initiative on the mitigation of potential market power under Market Redesign and Technology Upgrade (MRTU) exceptional dispatch. SWP believes that the proposal to mitigate potential market power of exceptional dispatches by mitigating energy bids to the greater of default energy bid or locational marginal price at the location is an appropriate approach to fairly compensate exceptional dispatch resources while maintaining reliability. However, while the proposal indicates that the mitigation applies to exceptional dispatches for local reliability needs; it is silent on mitigation of market power for exceptional dispatches that may be required for system reliability. Therefore, the proposal should clarify if CAISO intends to consider market power mitigation of exceptional dispatches to address the system reliability.