

Western Power Trading Forum (WPTF) comments on CAISO 02/05/10 Post 5-Day Correction Issue Paper
February 19, 2010

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WPTF appreciates the CAISO's effort to revisit its price correction policy, and we appreciate the opportunity to submit these comments.

WPTF believes that the CAISO has identified the correct set of trade-offs in its white paper. While WPTF generally encourages the CAISO to have practices that provide a high-degree of price certainty, WPTF also is supportive of policies that provide price correction when correction is warranted, including considering when the CAISO settlement results are inconsistent with those anticipated based on published information about the market design.

WPTF offers several comments for the CAISO's consideration in the development of its straw proposal.

- There is virtually no information about the process the CAISO will follow when it finds that prices have been calculated in error. The process would likely include confirmation of an error, and investigation of the market impacts and the burden of correcting the error. WPTF would like the correction decision process to be explicit and include factors such as the extent to which stakeholder input will be taken and assimilated in the CAISO's decision. The process should be clearly delineated, salient features captured in the tariff, and the details documented in the BPMs.
- WPTF also would like the CAISO to address time frames for the decision process given that any possibility of a correction has significant downstream effects to the settlement of bilateral contracts and the settlement of other exchanges. WPTF asks that the CAISO include in its straw proposal time frames that provide for prompt action when an issue is identified.
- The issue paper focuses on "price" corrections. However, it seems allocation errors and other settlement manipulation errors could also be possible and potentially significant. We suggest the CAISO address these in its next paper either including them in the policy or clarifying why you believe non- "price" correction settlement issues should be outside of the scope of the policy.
- While the CAISO is focused on price corrections when prices are inconsistent with tariff-described formulations, we expect that many of the price formulations are below the level of detail captured in the tariff. We encourage the CAISO to consider a broader set of criteria such as settlement outcomes that are inconsistent with published methods or BPM provisions.
- Additional transparency is needed with respect to the decision to correct or not correct errors. While some specific impact level might seem to offer more transparency, WPTF is doubtful that such an objective criteria can be developed. Certainly any consideration of impacts should also consider downstream bilateral and third-party exchange impacts, many of which are not specifically knowable by the CAISO. WPTF encourages consideration of other transparent means with which the CAISO can determine the appropriateness of retroactive changes. Considering, for example, that there have been only two significant errors identified since MRTU start up (the trading hub issue which the CAISO decided to correct, and the disconnected node issue that the CAISO decided not to correct retroactively) WPTF would like the CAISO to propose for consideration an option where errors are brought to the attention of the board for board determination of the appropriate resolution. While this

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approach may warrant further consideration as part of this process, it would provide a transparent and open process and may avoid the pitfall of having to identify some specific threshold level of impact.

- WPTF also raises for consideration whether there is a time frame after which corrections would become even less likely. After some period of time (e.g., 30 days) other markets and third party exchanges settle and correction of those settlements becomes much more encumbered if not impossible. WPTF would like the CAISO to address the question of whether there should be a point in time after which the “bar is raised” even further in the decision about whether to correct prices.

Lastly, WPTF understands that the CAISO has proposed not to move to a 3-day price correction window. While WPTF may be supportive of maintaining the current 5-day price correction window, WPTF does not support doing so indefinitely, nor is WPTF supportive of being required to successfully propose a change to a 3-day window through the PRR process. Rather, WPTF encourages the CAISO to propose an extension to the date in which the 5-day price correction window is to move to a 3-day price correction window.