



January 23, 2008

Mason Willrich, Chair
California ISO Board of Governors
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VIA EMAIL

The Western Power Trading Forum (WPTF) is concerned about the CAISO's change to its market design absent any meaningful stakeholder processes. Of particular concern are the proposed payments for "backstop" capacity, and the proposal to eliminate payments of bid amounts for Exceptional Dispatch. Both are detrimental to competitive markets. WPTF respectfully requests that the Board take notice of the items herein, and reject outright the CAISO's Exceptional Dispatch proposal. Without such action by the Board, a generating-asset owner in the CAISO grid possessing a unit without a Resource Adequacy (RA) or Reliability Must Run (RMR) contract will have to choose between exiting the market via closure, or accepting backstop-capacity prices that are clearly non-compensatory.

WPTF is a strong supporter of competitive wholesale markets and supports the major components of CAISO's Market Redesign and Technology Update (MRTU). WPTF has been a constructive participant in CAISO's MRTU design process, both at stakeholder meetings and before the California Public Utilities Commission ("CPUC") and the Federal Energy Regulatory Commission ("FERC"). The particular topics highlighted below describe our concerns.

Procurement of backstop capacity resources: Backstop capacity compensation during 2006 and 2007 was governed by a Reliability Capacity Services Tariff ("RCST") settlement, which was, in turn, the result of a negotiated settlement process that began in the summer of 2005. While the CAISO became aware in December 2006 that it would not implement MRTU prior to the expiration of RCST, the CAISO did not begin a stakeholder processes to replace RCST until April 2007 with an intention of making a FERC filing in September 2007. The CAISO's stakeholder process to develop a

