

December 14, 2009

VIA E-MAIL AND HAND DELIVERY

The Hon. Collin C. Peterson, Chairman
Committee on Agriculture
U.S. House of Representatives
Room 1301, Longworth House Office Building
Washington, D.C. 20515-6001

RE: Response to the Committee on Agriculture's December 1, 2009 Request for Information Submitted to the California ISO

Dear Chairman Peterson:

Enclosed please find responsive information to your letter dated December 1, 2009, requesting information regarding financial transmission rights activity engaged in by the California Independent System Operator Corporation.

The California ISO is a nonprofit public benefit corporation, created in 1998 when the state of California restructured its electricity industry. The California ISO operates an intricate network of high-voltage power lines that stretch more than 25,000-circuit miles and directs the delivery of more than 200 billion kilowatt-hours of power annually. The California ISO also operates a series of integrated energy and ancillary services markets. The California ISO's wholesale energy market activity is subject to the Federal Power Act and is regulated by the Federal Energy Regulatory Commission.

We understand from your letter that you are seeking information regarding purely financial contracts used to hedge the cost of congestion. Congestion Revenue Rights (CRRs) are the instruments the California ISO releases and ISO market participants hold in order to manage their exposure to congestion charges for use of the ISO grid. All of the information provided in this response is publicly available or prepared from a publicly available source.

The California ISO hopes that the Committee finds the provided information useful. Please contact me or my colleague Anna McKenna at (916) 608-7182 if you have any further questions regarding this matter.

Sincerely,

Anthony Ivancovich
Assistant General Counsel – Regulatory
(916) 608-7135
aivancovich@caiso.com

Enclosure

Cc: The Hon. Frank D. Lucas, Ranking Member, Committee on Agriculture
Mr. Clark Ogilvie, Staff Director, Subcommittee on General Farm Commodities
and Risk Management

ATTACHMENT

Response to the Committee on Agriculture's December 1, 2009

Request for Information Submitted to the California ISO

Information Request No. 1.

Documentation outlining the terms, conditions, and obligations (generally) between your RTO/ISO and a holder of an FTR.

California ISO Response to Information Request No. 1.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 36. This document provides the ISO tariff terms, conditions, and obligations that apply to the release and holding of Congestion Revenue Rights. This document is available at the following internet address:
<http://www.caiso.com/2471/24719642b9f0.pdf>.
- CAISO Tariff, Section 12. This document provides the ISO tariff credit terms and conditions that apply to holding and acquiring Congestion Revenue Rights. This document is available at the following internet address:
<http://www.caiso.com/2471/2471941869950.pdf>.
- CAISO Business Practice Manual for Congestion Revenue Rights. This document is available at the following internet address:
<https://bpm.caiso.com/bpm/bpm/version/00000000000014>.
- CAISO Business Practice Manual for Candidate CRR Holder Registration. This document is available at the following internet address:
<https://bpm.caiso.com/bpm/bpm/version/00000000000016>.
- CAISO Business Practice Manual for Credit Management. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/00000000000001>.

Information Request No. 2.

The manner in which FTRs are sold or traded on or through your company, including any initial auction or secondary markets managed or overseen by your company.

California ISO Response to Information Request No. 2.

The following documents contain information responsive to this request.

- CAISO Tariff, Sections 36.7-36.11 & 36.13. This document is available at the following internet address: <http://www.caiso.com/2471/24719642b9f0.pdf>.
- CAISO Business Practice Manual for Congestion Revenue Rights, Sections 4 & 8-13. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/00000000000014>.

Information Request No. 3.

The qualifications and administrative obligations your RTO/ISO establishes as necessary for a person or entity to purchase, sell, transfer, or hold FTRs or otherwise collect revenues or pay obligations associated with holding an FTR.

California ISO Response to Information Request No. 3.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 36.5. This document is available at the following internet address:
<http://www.caiso.com/2471/24719642b9f0.pdf>.
- CAISO Business Practice Manual for Candidate CRR Holder Registration. This document is available at the following internet address:
<https://bpm.caiso.com/bpm/bpm/version/00000000000016>.

Information Request No. 4.

A list of names, addresses, and contact information for those persons and entities that have met such qualifications and administrative obligations.

California ISO Response to Information Request No. 4.

The following documents contain information responsive to this request.

- CAISO Registered CRR Holders. This document is available at the following internet address: <http://www.caiso.com/1f65/1f65995f1ef0.pdf>.
- Customer Service Contact/Certified Scheduling Coordinators (SC). This document is available at the following internet address: <http://www.caiso.com/docs/2005/10/28/200510281214421255.pdf>.

Information Request No. 5.

The manner in which your RTO/ISO tracks both the transfer/sale and general holding of FTRs.

California ISO Response to Information Request No. 5.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 36.7. This document is available at the following internet address:
<http://www.caiso.com/2471/24719642b9f0.pdf>.
- CAISO Business Practice Manual for Congestion Revenue Rights, Section 13. This document is available at the following internet address:
<https://bpm.caiso.com/bpm/bpm/version/00000000000014>.

Information Request No. 6.

A list, as of December 1, 2009, of all entities holding FTRs and the quantities held by each entity for each type of FTR.

California ISO Response to Information Request No. 6.

The following document contains information responsive to this request.

- "CRR Ownership As of 12_1_2009.xls." This spreadsheet is included as an attachment.

Information Request No. 7.

The manner in which your RTO/ISO limits the number of FTRs an entity may hold at any time.

California ISO Response to Information Request No. 7.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 12.6. This document is available at the following internet address: <http://www.caiso.com/2471/2471941869950.pdf>.
- CAISO Business Practice Manual for Credit Management, Section 7.4. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/00000000000001>.
- CAISO Business Practice Manual for Congestion Revenue Rights, Sections G and H. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/00000000000014>.
- CAISO Technical Bulletin 2007-07-01, Calculation and Use of Congestion Revenue Rights Credit Margin Data. This document is available at the following internet address: <http://www.caiso.com/1c20/1c20b66a6b010.pdf>.
- CAISO Process to Reevaluate CRR Credit Requirements under Extraordinary Circumstances dated March 9, 2009. This document is available at the following web address: <http://www.caiso.com/236f/236fe6a42ca10.pdf>.

Information Request No. 8.

The methodology generally in which collateral requirements, if any, for holders of FTRs are established, adjusted, collected, held, and returned as well as current levels of collateral required, and particularly: how does your methodology determine whether its collateral requirements are set at an appropriate level necessary to ameliorate the market risk and volatility associated with FTRs; how does your methodology set collateral positions for both flow and counterflow FTRs; how does your methodology determine whether the components of collateral offered by FTR market participants are suitable to cover the market risk associated with FTRs; how does your methodology differentiate between FTR market participants in establishing collateral requirements based on such participants' creditworthiness or credit risks.

California ISO Response to Information Request No. 8.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 12.6. This document is available at the following internet address: <http://www.caiso.com/2471/2471941869950.pdf>.
- CAISO Business Practice Manual for Credit Management, Section 7.4. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/000000000000001>.
- CAISO Business Practice Manual for Congestion Revenue Rights, Sections G and H. This document is available at the following internet address: <https://bpm.caiso.com/bpm/bpm/version/000000000000014>.
- CAISO Technical Bulletin 2007-07-01, Calculation and Use of Congestion Revenue Rights Credit Margin Data. This document is available at the following internet address: <http://www.caiso.com/1c20/1c20b66a6b010.pdf>.
- CAISO Process to Reevaluate CRR Credit Requirements under Extraordinary Circumstances dated March 9, 2009. This document is available at the following internet address: <http://www.caiso.com/236f/236fe6a42ca10.pdf>.

Information Request No. 9.

Policies, rules, or other procedures for handling the default of a FTR holder from meeting its obligations under the FTR.

California ISO Response to Information Request No. 9.

The following documents contain information responsive to this request.

- CAISO Tariff, Section 12.5. This document is available at the following internet address:
<http://www.caiso.com/2471/2471941869950.pdf>.
- CAISO Business Practice Manual for Credit Management, Section 8. This document is available at the following internet address:
<https://bpm.caiso.com/bpm/bpm/version/000000000000001>.

Information Request No. 10.

All information regarding past defaults by FTR holders from meeting obligations under an FTR including dollar value of losses, including secondary defaults, and how such losses were handled by your company.

California ISO Response to Information Request No. 10.

On May 1, 2009, the ISO published a Market Notice to notify market participants that a CRR Holder had defaulted on its obligations and to inform market participants of the actions the ISO took in response to that default. A copy of that Market Notice is attached. On the May 6, 2009, weekly CRR conference call, the defaulting party was publicly identified as Etracom, LLC.

(<http://www.caiso.com/23a7/23a7d92d583f0.pdf>). On May 20, 2009, Etracom cured its default, with the end result being that no losses were incurred by the ISO or its market participants.