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Attorneys at Law

November 21, 2008

Mr. Yakout Mansour
Chief Executive Officer
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

RE: MRTU Readiness

Dear Mr. Mansour:

It is our understanding, based on discussions with market participants, that the CAISO is backing away from a February 1, 2009 "Go-Live" date for the Market Redesign and Technology Upgrade ("MRTU"). Nevertheless, to ensure that communication on this vital issue is clear, members of the California Municipal Utilities Association ("CMUA") have asked that their views on MRTU readiness be conveyed directly to you.

At your meetings on October 28th and 29th, you heard concerns expressed by all Market Participants who spoke making clear (1) that the MRTU systems have not been demonstrated to be operating stably and producing accurate results, (2) that the settlements processes in particular had produced only limited results that were wildly inaccurate, and (3) that Market Participants cannot complete necessary revisions to their own systems and provide adequate personnel training until the ISO's systems have been demonstrated to be operating properly. Although nearly a month has passed since the last Board of Governors meeting, unfortunately there has not been any substantial gain in readiness for MRTU implementation.

During the four weeks that have elapsed since your last meeting, the MRTU systems were unavailable to Market Participants either for simulation or training purposes for approximately two and one-half weeks due to a series of release failures, failure to transition properly to Standard Time, and most recently, a loss of two days worth of data due to an accidental overwrite. Further, the settlements processes still are largely untested. As of the date of this letter, only four days of settlements data have been released, and preliminary review indicates that there are significant errors. It is still the case, therefore, that Market Participants can have no confidence that the MRTU systems will produce accurate bid to bill results.

Moreover, as all Market Participants have made clear, readiness to implement the MRTU markets is not simply a matter of the ISO's systems functioning properly. After the ISO's systems have been shown to be operating reliably and accurately, Market Participants need

sufficient time to conform their own systems and complete necessary training for personnel. Previously ISO Executive Management and Staff agreed that a three month “pre-production” period, to begin after all of the agreed-upon exit criteria for completing the market simulations were satisfied, was appropriate to allow Market Participants to complete their own tasks to achieve readiness.

Ultimately, the decision to go-live with MRTU will depend upon satisfaction of exit criteria to determine system readiness, followed by an adequate testing period. CMUA members have long argued that this approach, rather than a date-driven process, holds the promise of a sound MRTU start-up. However, we wish to be clear in our communications regarding dates being considered during the ISO Board process. Based on CMUA members’ best assessment of system readiness at this time, it appears that a date earlier than April 1, 2009, is unlikely to be achieved.

CMUA and its members appreciate the opportunity to provide input to you on this issue of critical concern to all Californians. CMUA requests that this communication be shared with the ISO Board of Governors. Let me know if I can answer any questions or provide further feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Anthony Braun". The signature is fluid and cursive, with a large initial "C" and "B".

C. Anthony Braun
Counsel to the California Municipal Utilities Association