

March 16, 2009

Board of Governors
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Dear Governors:

SUBJECT: Board Decision on Standard Resource Adequacy Capacity
Product

The Alliance for Retail Energy Markets¹ ("AReM") respectfully submits this letter in support of the CAISO's final proposal on the Standard Resource Adequacy Capacity Product ("SCP"). AReM is a regulatory alliance, which includes electric service providers ("ESPs") that are active in the California retail direct access market as load-serving entities ("LSEs"). AReM's members are also active participants in the CAISO's markets, including the buying, selling or scheduling of power on a wholesale basis.

AReM supports the CAISO's final SCP proposal and believes it will provide immediate benefits by clarifying the obligations of Resource Adequacy ("RA") resources to the CAISO, reducing the transaction costs of LSEs to meet their RA requirements, and leading to the development of a more liquid RA capacity market.

Further, AReM urges the CAISO to file the SCP tariff modifications at the Federal Energy Regulatory Commission ("FERC") as scheduled, by no later than early April, to ensure implementation of this important market improvement by Summer, 2009 for 2010 RA compliance. This filing is crucial to ensure that FERC approval remains on a timeline that is consistent with the CPUC's Final Decision in Phase 2 of R.08-01-025, which is scheduled to approve the use of the SCP for its LSEs in RA compliance. The CPUC Final Decision is scheduled for June 18, 2009.

The long road to an SCP began in 2004. With the adoption of the CAISO's SCP proposal and filing of associated tariff modifications, the development of a more liquid and tradable RA capacity market should be quick to develop. AReM commends the CAISO's staff for its diligence and flexibility in crafting the final proposal and responding to stakeholder concerns. AReM urges the Board to approve this proposal.

Sincerely,

Sue Mara

Sue Mara
RTO Advisors, L.L.C.

ON BEHALF OF THE ALLIANCE FOR RETAIL
ENERGY MARKETS

cc: Yakout Mansour, CEO, CAISO

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.