

**EPIC Merchant Energy**  
**Comments on CAISO CRR Issues Paper**  
**April 5, 2007**

EPIC appreciates the opportunity to comment on the CAISO CRR Issues document.

**Frequency of CRR Auction**

EPIC supports the CAISO monthly auction. The monthly auction should be used as a starting point for the MRTU market. After MRTU implementation, CAISO should consider more and varied CRR auctions e.g., two and three month out auctions and quarterly auctions. These CRR products would be similar to what is currently offered in PJM and MISO.

CAISO should facilitate Market Participants' needs to adjust their risk using a variety of CRR products. EPIC will request the CAISO adopt new CRR products soon after the start of the MRTU.

**Registration**

The CAISO latest tariff filing revised the requirements for participation in the CAISO CRR market. There will be a period of time before FERC will issue its ruling on the proposed tariff revisions. In anticipation of FERC approval, and in light of the tight time frame for the start of the CRR market, EPIC submits that it should be able to register, train, and have access to all information and data, as current market participants.

EPIC appreciates the CAISO's effort to allow financial marketers to participate in the CRR market. That said, EPIC will use continued diligence to ensure that marketing entities are recognized as full market participants in the CRR market. The CAISO CRR market should be an 'open market' and EPIC expects to participate as a full market participant.

**Credit**

EPIC intends to comment on credit issues after the April 12 conference call.

**Granularity**

CAISO is planning on making available to CRR participants only the physical resources, the default LAPs and the sub LAPs. EPIC submits that the individual load buses and all other buses where a LMP price is calculated, should be valid Sources and Sinks for the CRR auction.

The CRRs were designed in part to encourage competitive energy trading. They will provide the adequate price signals for generation and transmission upgrades. Those upgrades are likely to be needed in places where there is no existing physical resource. By not allowing these points to be tradable CRR points, the market will not be sending the appropriate price signals.

The full benefits of a CRR market will not be realized until CRRs are auctioned on a nodal basis [Nodal being defined as the most granular points where LMPs are calculated]. Ensuring that all CRR participants may bid at the lowest level of granularity provides the highest level of market mitigation and allow for the most efficient price signals.