

J.P. Morgan Ventures Energy Corporation
Comments on CAISO Draft CRR Business Practice Manual and CRR
Outage Meeting

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) submits the following comments on the California Independent System Operator Corporation's (CAISO's) revised draft Business Practice Manual (BPM) for Congestion Revenue Rights (CRRs) and on the CRR Outage Coordination Thirty Day Rule Workshop held on September 15, 2008.

J.P. Morgan appreciates the opportunity to provide these comments. While J.P. Morgan acknowledges the CAISO's representation that various CRR-related policy and tariff issues have already been decided and that the CAISO is at the "implementation" stage of its CRR process, J.P. Morgan requests that the CAISO consider the comments and recommendations made herein and modify important elements of the CAISO's CRR process.

The Need for Transparency and Non-Discriminatory Treatment – As a general matter, J.P. Morgan believes that all aspects of the CRR market must be transparent and that all participants have access to the same information and thus be treated in a non-discriminatory manner. Specifically, as detailed below, J.P. Morgan recommends that the CAISO timely release all information and data upon which the CRR market will function, including, but not limited to, transmission facility outages that will be modeled in the CRR Full Network Model (FNM).

CAISO Should Post All Submitted/Approved Outages – J.P. Morgan supports the general requirements of the CAISO's Thirty-Day Outage rule. Specifically, J.P. Morgan supports the requirement that facility owners submit outage requests for designated "significant" facilities no later than 30 days prior to the beginning of the month in which the outage is proposed to occur. However, J.P. Morgan recommends that the CAISO also post such outage requests and approvals so that incorporation of such outages into the CRR FNM can be made transparent and thus facilitate the CRR market. J.P. Morgan notes that under the PJM Interconnection tariff (see First Revised Sheet No. 352B), if PJM determines that a planned or forced transmission outage could result in congestion revenue inadequacy, PJM will post a notice of such outage on its internet site. PJM will also entertain market participant requests to either accelerate or reschedule such outage. J.P. Morgan understands that the CAISO currently provides notice to market participants with approved certificates of all transmission outages seven days prior to the outage. However, seven days notification does not provide sufficient time to consider and determine the impact of an outage on the CAISO's monthly CRR process. Therefore, J.P. Morgan requests that the CAISO post all submitted and approved outage requests made pursuant to the CAISO's thirty-day outage rule. J.P. Morgan believes that the CAISO's approved tariff language does not

prohibit the provision of this information and therefore suggests that such information can be provided without a tariff change. At a minimum, J.P. Morgan recommends that the above information be provided to those entities that have executed the appropriate CRR FNM Non-Disclosure Agreement.

List of Significant Facilities Should Be Made Public – The CAISO’s draft CRR BPM establishes certain criteria that, if satisfied, identifies those facilities that may have a significant effect upon CRR revenue adequacy. The draft CRR BPM states that the list of facilities that satisfy two of the criteria is provided in CAISO Operating Procedure T-113. Upon examination, CAISO Operating Procedure T-113 identifies Attachments Q, R, and S as containing the list of significant facilities for, respectively, Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company. CAISO Operating procedure T-113 also states that, among others, Attachments Q, R, and S are “privileged and/or confidential.”

J.P. Morgan understands that the privileged and/or confidential nature of Attachment Q, R, and S is under review by CAISO legal staff. J.P. Morgan recommends that the lists of significant facilities be made publicly available. J.P. Morgan does not believe that it is reasonable to restrict access to the lists of significant facilities based on either security or market power considerations. First, from a market power perspective, Attachments Q, R, and S do not identify facilities that are actually on outage, just those that if they were out of service may have a significant impact on CRR revenue adequacy. Second, from a security standpoint, the list identifies those facilities that if out-of-service that may have a significant impact on the CRR market, not an impact on system reliability.

All market participants should have access to information critical to a transparent and well functioning market. Indeed, the level of success of the CRR market will be dependent on market participants’ ability to obtain and analyze all relevant information related to their participation. The list of CAISO transmission facilities that, if out of service, may have a significant impact on CRR revenue adequacy is information that is critical to market participants in assessing both opportunities and risks in the CAISO’s CRR market. J.P. Morgan recommends that the CAISO make Attachments Q, R, and S to CAISO Operating Procedure T-113 generally available to all market participants. J.P. Morgan requests that the CAISO quickly undertake its legal review and provide the outcome and basis of its legal review and determination to market participants prior to the onset of the CAISO’s monthly MRTU CRR process, due to begin in early December 2008 (assuming a February 1, 2009, MRTU start date).

Unclear Whether Monthly CRR Process and Thirty-Day Outage Rule Timelines are Aligned – CAISO staff represented in the September 15th meeting that it was unclear or uncertain whether an outage submitted exactly thirty days prior to the month in which the outage is planned to occur would be included in the monthly CRR process and in the CRR FNM. J.P. Morgan urges the CAISO to examine this issue closely to ensure that its outage submittal and approval processes are aligned with the monthly CRR process to ensure that the monthly CRR process is performed using the most accurate and up to date information.

The Need For Performance Monitoring – The CAISO's Thirty-Day Outage rule provides that outages of significant facilities submitted after the thirty-day deadline may still be permitted and would be classified as "forced." J.P. Morgan recommends that the CAISO perform and release regular performance reports to determine the amount and frequency of "forced" outages that are the result of late (after the thirty days) outage submittals.

J.P. Morgan appreciates the opportunity to submit these comments and looks forward to continued collaboration with the CAISO and other interested stakeholders to further enhance the CAISO's MRTU design.