

**Comments of J. Aron & Company Regarding
CRR Credit and Release 2 Draft Tariff Language**

May 20, 2008

J. Aron & Company supports the expansion of the requirement of CRR Holders and Candidate CRR Holders to disclose affiliates that are CRR Holders, Candidate CRR Holders, or Market Participants. However, the language set forth in Section 39.9 of the CRR Credit and Release 2 Amendment Filing dated May 13, 2008 requiring the disclosure of “of all entities that are Affiliates or become Affiliates” is too broad as it captures affiliates who do not participate in the CAISO markets. For CRR Holders and Candidate CRR Holders who have numerous affiliates that are not CRR Holders, Candidate CRR Holders, or Market Participants, the ongoing disclosure of such affiliates represents an undue burden with little, if any, resulting reduction in credit risk for CAISO and other Market Participants.

Given the potential for affiliated Market Participants and CRR Holders to affect CRR auction results or settlements deriving from CRRs, we agree that it is reasonable and prudent to require CRR Holders and Candidate CRR Holders to disclose any affiliates which are Market Participants, CRR Holders, or Candidate CRR Holders. Recent credit losses in PJM illustrate the importance of disclosure and monitoring of such affiliates. No meaningful reduction in credit risk results, however, from requiring CRR Holders and Candidate CRR Holders to disclose affiliates which are neither part of the CRR market nor Market Participants in general. Section 12.1.1 of the existing or MRTU tariff does not even require disclosure of affiliates which are not Market Participants. The current affiliate disclosure requirement as set out in the Application for Unsecured Credit is appropriately limited to affiliates of existing CAISO participants or guarantors of existing CAISO participants.

Compliance with the required disclosure of affiliates set forth in the proposed language of Section 39.9 will be incredibly difficult for large, public companies which may have hundreds or even thousands of affiliates all over the world. Assembling a list of all affiliates when only one or a few have any relation to the CAISO market represents an undue burden, particularly when the list may need to be updated and resubmitted to CAISO on a daily basis as new affiliates are acquired or formed. In addition, we do not believe that CAISO will have the resources to evaluate and monitor all affiliates that would be reported, potentially obscuring the real credit risk which would have been more evident if the required disclosure were limited to affiliates which are CRR Holders, Candidate CRR Holders, or Market Participants.

Accordingly, we believe that expanding the scope of the disclosure rules to include affiliates that are CRR Holders, Candidate CRR Holders, or Market Participants will benefit the market and help CAISO manage its credit risk. As currently drafted, however, the expansion will place an undue burden on participants in the CRR market by requiring disclosure of affiliates which have no connection with CAISO markets. We believe that requiring disclosure of all affiliates which are CRR Holders, Candidate CRR Holders, or Market Participants allows the CAISO to meet its objectives without unduly burdening CRR Holders or Candidate CRR Holders.