

Stakeholder Comments on CRR Issues

Submitted by (name and phone number):	Company or entity:	Date Submitted:
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The CAISO is requesting initial written comments on the various CRR-related issues discussed at the April 1, 2008 stakeholder meeting. This template is offered as an easy guide for entities to submit comments; however, any participant should feel free to submit comments in any format. Submitted comments will be posted on the CAISO website unless participants expressly ask that their comments not be posted.

The Issues Papers and presentations discussed at the April 1 CRR Stakeholder meeting are posted at: <http://www.caiso.com/1b8c/1b8cdf25138a0.html>

Stakeholder comments should be submitted by close of business on Tuesday, April 8, 2008 to: CRRComments@caiso.com

The CAISO offers the following questions as a structure for stakeholder comments:

A. CRR Year 2 Release Process

1. Does your company or entity have comments or suggestions on the historical reference period for verifying Season 1 source nominations in the next annual CRR release process?

SDG&E recommends that 2006 remain as the historical reference period for the purpose of conducting the Season 1 allocation. While both 2006 and 2007 suffer deficiencies in providing a historical basis for representing the future makeup of SDG&E's portfolio, the 2006 reference year has the advantage that the source verification data already has been collected.

2. Does your company or entity have comments or suggestions on whether CRR Seasons 2 and 3 should be treated as "Year 1" or "Year 2" seasons?

SDG&E is still reviewing the impacts of a “Year 1” or “Year 2” approach to Season 2 and 3 and will express its preference in the next round of stakeholder comments.

3. Does your company or entity have any comments about the treatment of LT-CRRs?

The ISO proposal to retain 2017 as the expiration year (i.e. 9 year effective term) for LT-CRRs awarded for Seasons 2 and 3 is acceptable.

B. CRR MW Granularity

4. Please indicate the MW granularity that your company or entity prefers for 2009 CRRs:

- a. 0.1 MW granularity
- b. 0.01 MW granularity
- c. 0.001 MW granularity

The MW granularity for CRR should not be less than 0.01 MW. The higher value 0.1 MW is preferred.

If possible, please explain the business reasons for your preference.

This issue is an example of the complexity that could be avoided if the ISO would adopt of full auction and allocate Auction Revenue Rights as have other LMP markets.

C. 30-Day Rule on Outage Scheduling

5. Does your company or entity have comments or concerns about changing the 30-Day Rule to allow exemptions within a 24-hour period?
6. Does your company or entity have any further comments about exemptions to the 30-Day Rule?

D. Monthly CRR Eligibility for LSEs Without Verifiable Load Forecasts

7. Please indicate and explain any preference how the CAISO should determine monthly CRR eligibility for an LSE in the absence of load forecasts:

- a) Use load data from the last five relevant months

- b) Use load data from the immediate previous month
- c) Use load data from the same month of the previous year
- d) Other suggestions?

SDG&E has no preference as to the load forecast methodology used in this situation, but once a rule is adopted, it should not be changed.

E. CRR Credit Policy Enhancements

8. What is your entity's view on the proposed options to mitigate the credit risk of CRR transfers associated with load migration as discussed in the CRR Credit Issue Paper?

SDG&E prefers the status quo which will allow netting of an LSE's CRRs position to establish a credit requirement.

9. What is your entity's view regarding enhancing the credit requirement calculation for holding Short-Term CRRs?

The CAISO proposed enhancement to the credit requirement for holding short term CRRs is to include a historic expected based on the old LMP studies. SDG&E is concerned that these studies are dated and not necessarily an improvement over the Auction results for establishing CRR value.

10. Please comment on the CAISO's intent to re-file the full-term credit coverage for LT-CRRs with the proposed modified credit requirement calculation formula.

SDG&E is not opposed to using the full term of LT-CRRs in setting their credit requirement. For the reason stated in its response to Question 9, SDG&E would not include the use of the old LMP studies in conjunction with Auction prices for establishing CRR value.

11. What is your entity's view on whether to enhance the bidding requirement for auction participation? Should the full Credit Margin, or a portion of the Credit Margin be included in the bidding requirements? If a portion of the Credit Margin is preferred, what is your entity's suggestion on the appropriate percentage?

SDG&E favors the full Credit Margin for pre-auction credit requirement.

12. Please comment on the proposed Tariff clarification to increase credit requirements for CRRs due to extraordinary circumstances such as extended outage or other circumstances that could dramatically change the risk profile of a CRR.

SDG&E is in favor of the concept of increasing credit requirements in response to extraordinary circumstances, but the manner that would be employed to make these changes needs more development.

13. Does your company or entity have comments on the concept for requiring corporate parent credit backing of affiliated market participants' Estimated Aggregated Liability? Is there merit in this potential change? Should this concept apply to other forms of collateral or just guarantees? Would this concept present regulatory difficulties for affected entities?

SDG&E is in favor of the "blanket" parent guarantee concept expressed in the issue paper, but more work is required on how to execute it.

F. Other CRR Issues

14. Does your company or entity have further comments or suggestions on these various CRR issues?

A number of CRR issues that the ISO is facing in the 2009 CRR allocation and auction are symptomatic of an allocation approach for the hedging of LSE congestion costs in an LMP market. SDG&E has always advocated an auction approach with allocation of the auction revenues to LSEs. The auction approach has been successfully implemented in mature LMP markets and should remain on the CAISO radar screen as the eventual CRR design for the California LMP market. Once the CAISO has a year of operating experience following the launch of MRTU, it should initiate the process to migrate from an allocation market to an auction market.

SDG&E is not aware that the CAISO has ever published or submitted for stakeholder comment, the rules that it would employ to qualify delivery points for the source verification of Seller's Choice contracts, in particular the DWR Seller's Choice contracts that were allocated to the California IOUs by the CPUC. Since at least the Season 1 allocation will be conducted under Year 1 Verified Source rules, the CAISO should publish its criteria for source verification of Seller's Choice contracts.

The CRR issue paper contains a reference (footnote 4) to the July 6, 2007 FERC Order, which encourages the CAISO to consider implementing some form of source verification process in Year 2 and beyond. The current CRR rules assign a CRR priority based on a one year snapshot of an LSE's portfolio. This can result in a resource that falls within the snapshot period will receive a CRR priority that can be renewed forever,

regardless of its contractual term with the LSE. Conversely, resources, which are part of an LSE's long term portfolio that technically does not meet the initial snapshot criteria, can always be second in line to a resource, whose contract as expired. To correct these anomalies, the CAISO should consider a follow-on source verification process that prohibits renewal of a CRR acquired through a verified source priority once the original term of the commercial arrangement that fostered the CRR priority expires. To reestablish that CRR, an LSE would nominate it in Tier 2 or Tier 3. The DWR contracts that were allocated to the IOUs are one class of contracts that fall into this category.