

**COMMENTS OF THE CITY OF SANTA CLARA, CALIFORNIA, DOING
BUSINESS AS SILICON VALLEY POWER, AND THE M-S-R PUBLIC POWER
AGENCY, IN RESPONSE TO THE MARKET SURVEILLANCE
COMMITTEE'S JUNE 24, 2008 OPINION**

June 30, 2008

Please accept the following comments of the City of Santa Clara, California, doing business as Silicon Valley Power ("SVP") and the M-S-R Public Power Agency ("M-S-R"), in response to the Market Surveillance Committee's ("MSC") June 24, 2008 "Uneconomic Adjustment Policy for Market Redesign and Technology Upgrade (MRTU) for Locational Marginal Pricing Scheduling and Pricing Runs" ("Opinion"). We thank the MSC for its attention to this matter and the detail provided in the Opinion. We found the Opinion helpful in providing further explanation of the CAISO's proposal. However, SVP and M-S-R continue to be concerned with the apparent attempt to limit the CAISO's obligation to honor Existing Transmission Contracts ("ETC").

Our primary concern with the MSC's Opinion is that it appears to affirm the CAISO's decision to discontinue meeting the obligation to honor Existing Rights. By couching its proposal as a mere "relaxation" of Existing Rights, the CAISO downplays the harsh effect of Uneconomic Adjustments. Succinctly stated, Uneconomic Adjustments abrogate bargained-for rights that the Federal Energy Regulatory Commission ("Commission") has consistently determined must be honored, and which the MRTU Tariff (see MRTU Tariff Section 16.1) acknowledges.

Because SVP, M-S-R, and numerous other parties have previously raised this issue, we are discouraged that the MSC's Opinion fails to acknowledge the CAISO's obligation to honor these rights. Since the startup of the CAISO's operations on April 1, 1998, the Commission has held, and the CAISO's Tariff has stated, that Existing Contracts are to be honored. "Relaxing" ETC rights does not comport with the Commission's rulings on the CAISO Tariff.

Despite our dissatisfaction with the Opinion, SVP and M-S-R look forward to continuing the dialogue on this matter. Accordingly, we appreciate the MSC's acknowledgement that this process must be conducted through open and transparent means to balance the competing goals of involved Market Participants. These comments are submitted pursuant to this process and it is our hope that the consistent identification of this important issue will not be summarily disregarded.

Sincerely,

Ken Kohtz
Silicon Valley Power

And

Martin Hopper
M-S-R Public Power Agency