

November 21, 2008

Board Chairman Mason Willrich, California Independent System Operator (CAISO)
Board Member Linda Capuano
Board Member Laura Doll
Board Member Tim Gage
Board Member Thomas A. Page
Mr. Yakout Mansour, President and Chief Executive Officer

Sent via email only

Dear Mr. Mansour and CAISO Board of Governors:

Subject: Implementation of Market Redesign and Technology Upgrade (MRTU)

Thank you for taking the time to consider our observations and opinions regarding the MRTU Market readiness and the feasibility of a February 1, 2009 go-live date. We appreciate the efforts of CAISO staff however; we remain concerned by the readiness of the overall MRTU. Due to our concerns with credit and the simulation issues we have experienced since November 1st we urge you to only go live once these concerns have been addressed.

Credit remains the most significant concern for us under MRTU. Powerex raised the credit concerns (default sharing mechanism and high unsecured credit limits) arising from the new market design over a year ago. It is disappointing that the CAISO has not aligned its policies with other ISOs that have Day Ahead markets. Current CAISO credit practises and the recommended changes are not strong enough to support the objectives of MRTU. We believe strong credit practices are critical to ensuring market liquidity, reliability and the overall success of MRTU.

The other critical concern with MRTU Go Live is the performance of the Market systems in the simulation. The consistent flow of data from Bid to Dispatch to Bill is not sufficient to reliably run the market or to allow us to prepare our systems for readiness. Powerex requires accurate documentation and reasonably consistent and stable system performance for 3 months in order to be able to finish building our systems, test them, train our staff and prepare for the cutover. During the month of November no day functioned completely enough for us to complete an End to End test. Issues regularly prevented us from testing and preparing our systems and required significant time and effort to determine if the cause of a problem is with our systems or due to CAISO systems.

Thank you very much for considering our perspective on this issue. In closing we ask you to set a go live date once the tariff reflects best practices for credit and the CAISO Market systems are reasonably consistent and stable.

Sincerely,

Teresa M. Conway
Chief Executive Officer & President

