

Stakeholder Process: Decision on Modifications to Credit Reform

Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the ISO on the following dates:

- Round One, 07/01/11 – comments related to straw proposal
- Round Two, 07/08/11 – comments following 07/05/11 stakeholder call

Stakeholder comments are posted at: <http://www.caiso.com/docs/2003/04/21/2003042117001924814.html>

Other stakeholder efforts include:

- 07/05/11 – stakeholder call to discuss straw proposal
- Targeted individual stakeholder calls and email responses to specific stakeholder questions

Management Proposal	PG&E	Powerex	CDWR	CMUA	SDG&E	Six Cities	Silicon Valley Power	Management Response
Add verification process to minimum participation requirements	Stakeholders have had limited time to conduct a comprehensive analysis of the proposal; concern over lack of transparency in ISO, CFTC & FERC discussions		Requirements are onerous and create an unnecessary administrative burden and additional cost with no clear benefit					The ISO will re-engage stakeholders to work out specific requirements upon Board approval of the verification process framework.

Management Proposal	Brookfield Energy	Macquarie Energy	NCPA	Olivine	SCE	WAPA	Management Response
On no less than a weekly basis, Market Participant values its CRR positions and engages in a probabilistic assessment of the hypothetical risk of such positions using analytically based methodologies, predicated on the use of industry accepted valuation methodologies	Conditional Weekly valuation is too frequent; consider monthly valuation; align certification requirements to PJM's	Conditional Requirements too prescriptive without showing a corresponding benefit; other recommended changes to certification form				Conditional Valuation requirements should be based on how a market participant participates in the market	Modified language that "Market Participant or the company Market Participant may outsource certain risk management functions to, has the ability to periodically value its Congestion Revenue Rights positions using analytically based methodologies, predicated on the use of industry-accepted valuation methodologies which is consistent with the level of risk the market participant engages in within the ISO Markets".
Methodology for identifying a risky CRR portfolio and requiring risk management documentation to be submitted to the ISO			Conditional Definition of CRR portfolio values "close to zero" need to be scaled to size of market participant	Support Suggests seven days to provide risk management documentation to the ISO	Conditional Miscellaneous recommended enhancements to the certification form		The ISO has made some modifications to this section of the certification form. Additional modifications will be considered as part of the stakeholder process.