

CAISO MINIMUM PARTICIPATION CRITERIA

OFFICER CERTIFICATION FORM

Market Participant Name: _____ (“Market Participant”)

I, _____, a duly authorized officer of a prospective or existing market participant (“Market Participant”), understanding that California Independent System Operator Corporation (“CAISO”) is relying on this certification as evidence that Participant meets the minimum participation requirements set forth in the CAISO Tariff and the Business Practice Manual (“BPM”) for Credit Management, hereby certify that I have full authority to certify and represent on behalf of Market Participant and further certify and represent as follows, as evidenced by my initialing each representation in the space provided below:

- 1) All employees or agents transacting in markets or services provided pursuant to the CAISO Tariff on behalf of the Market Participant have received appropriate¹ training and are authorized to transact on behalf of Market Participant. Furthermore, these same employees or agents have satisfied all applicable CAISO training requirements as specified in CAISO Tariff Sections 4.5.1.1.10.1 and 36.5.2. _____
- 2) Participant has written policies, procedures, and controls, approved by Market Participant’s independent risk management function² and applicable to the CAISO markets in which it participates and for which employees or agents transacting in markets or services provided pursuant to the CAISO Tariff have been trained, that provide an appropriate, comprehensive risk management framework that, at a minimum, clearly identifies and documents the range of risks to which Market Participant is exposed through its participation in an organized wholesale electric market. These risks may include but are not limited to legal risk, credit risk, liquidity risk, market risk, concentration risk, default risk, operation risk, business risk and risk of loss of financial security amounts held and invested by the CAISO. _____

The CAISO at any time may request information and documents from Market Participants regarding their risk management policies, procedures, and controls, including, but not limited to, information and documents relating to the liquidity of their financial resources and their settlement procedures. If requested, Participant shall make information and documents available to the CAISO within five (5) Business Days.

- 3) A Market Participant that is also a Congestion Revenue Rights (“CRR”) Entity must additionally attest and answer the relevant sections below. Narrative responses should be submitted in a separate document citing the appropriate references in the written risk management policies, procedures, and controls.
 - a. Please attest and answer the following:
 - i) Market Participant, or the company Market Participant may outsource certain risk management functions to, has the ability to periodically value its Congestion Revenue Rights

¹ As used in this representation, the term “appropriate” as used with respect to training means training that is commensurate and proportional in sophistication, scope and frequency to the volume of transactions and the nature and extent of the risk taken by the participant.

² As used in this representation, a Participant’s “independent risk management function” can include appropriate corporate persons or bodies that are independent of the Participant’s trading functions, such as a risk management committee, a risk officer, a Participant’s board or board committee, or a board or committee of the Participant’s parent company.

positions using analytically based methodologies, predicated on the use of industry recognized valuation methodologies which is consistent with the level of risk the market participant engages in within the ISO Markets._____

- (a) Describe the valuation and risk assessment methodologies used.
 - (b) Provide the valuation range and valuation average of your CRR positions during the past 12 months.
 - (c) Discuss the highest risks to your CRR trading strategy and the methods used to assess your CRR holdings and activities relevant to such risks.
- ii) Such valuation and risk assessment functions are validated either by persons within Market Participant's organization independent from those trading in the CAISO's CRR markets or by an outside firm qualified and with expertise in this area of risk management._____
- (a) Describe your processes ensuring the independence of your valuation and risk assessment functions.
- iii) Having valued its CRR positions and analyzed the potential risks, Market Participant applies procedures and controls, in accordance with written policies, to limit its risks using industry recognized practices, such as value-at-risk limitations, concentration limits, or other controls designed to prevent Market Participant from purposefully or unintentionally taking on risk that is not commensurate or proportional to Market Participant's financial capability to manage such risk._____
- (a) Discuss the relevant methods used to limit exposure in the CRR markets:
 - (b) Describe the sources of liquidity your firm has access to in order to minimize the risk of default at various levels of risk events (sections of publically available SEC filings may be referenced):
- iv) Exceptions to Market Participant's written risk policies, procedures and controls applicable to Participant's CRR positions are documented and explain a reasoned basis for the granting of any exception._____
- (a) Describe the process and requisite approvals for granting an exception to Market Participant's written risk policies and procedures:
- b. Market Participant understands that if the Market Participant's net portfolio value (net of allocated and auctioned CRRs) in the CRR markets at any time during the past 12 months was negatively valued or close to zero (positive values less than \$200,000) and the ratio of the absolute value of the positively valued CRRs to the absolute value of the negatively valued CRRs is less than 2, then the Market Participant is required to provide to the CAISO, in accordance with the CAISO Tariff, a copy of its current governing risk management policies, procedures and controls applicable to its CRR trading activities._____
- c. Provided, however, a Market Participant meeting the net portfolio value criterion of Section (b) that answers "Yes" to both of the following questions in Section (i) or to the question in Section (ii) need only submit a copy of its current governing risk management policies if so requested by the CAISO. The CAISO retains the right to request these documents at any time and for any reason under Section 2 of this certification form.
- i. Market Participant transacts in the CRR markets solely to hedge the congestion risk related to the Market Participant's physical transactions as a load serving entity or a supplier and monitors all of the Market Participant's CRR market activity to ensure its CRR positions, considering both the level and pathways, are proportionate to and appropriate for hedging Market Participant's physical transactions as a load serving entity or supplier.
Yes:_____ No:_____

If yes, Market Participant has attached copies of the most recent hedge documentation evidencing that all of their CRR position exposure has qualified for hedge accounting under the Financial Accounting Standards (FASB) Board Accounting Standards Codification Topic 815, *Derivatives and Hedging*, or if applicable, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Yes: _____ N/A: _____

- ii. Market Participant only receives CRRs from the CAISO's allocation process and does not participate, nor foresees participating in the coming year, in the CRR auctions or purchasing CRRs through any other means. Yes: _____ No: _____
- 4) In addition to the financial security posted with the CAISO and compliance with the CAISO Credit Policy as set forth in the CAISO Tariff, Market Participant will maintain sufficient liquidity, to pay its CAISO invoices and will use such liquidity to pay its CAISO invoices in a timely manner according to the provisions of the CAISO Tariff. _____
- 5) Market Participant has appropriate personnel resources, operating procedures and technical abilities to promptly and effectively respond to all CAISO communications and directions, including, but not limited to, the CAISO's issuance of invoices and collateral requests to the Participant. _____
- 6) Market participant has demonstrated compliance with the minimum capitalization requirements as specified in Tariff Section 12.1. _____

I understand that any posting requirement must be fulfilled using a secured form of collateral that is reasonably acceptable to the CAISO (see CAISO Tariff Section 12.1.2) and such posting requirement is not available to Market Participant to satisfy any financial security or minimum credit requirements of CAISO but is fully available to the CAISO to satisfy any financial obligation of the Market Participant. _____

I also certify that, to my knowledge, no event has occurred since the date of Market Participant's, or its guarantor's, most recent audited financial statements, nor is any event known or suspected to be imminent, that could adversely affect Market Participant's compliance with the capitalization criteria. _____

- 7) I acknowledge that I have read and understood the provisions of the CAISO Tariff applicable to Market Participant's business in the CAISO markets, including those provisions describing CAISO's minimum participation requirements and the enforcement actions available to CAISO of a Market Participant not satisfying those requirements. In addition, by signing this certification, I acknowledge the potential consequences of making incomplete or false statements in this certification.

Date: _____

(Signature)

Print Name: _____

Title: _____

Subscribed and sworn before me _____ a notary public of the State of _____ in and for the County of _____ this _____ day of _____, 20____.

(Notary Public Signature)

My commission expires: ____/____/____