

Stakeholder Comments on CRR Issues

Submitted by (name and phone number):	Company or entity:	Date Submitted:
Sue Mara, RTO Advisors (415) 902-4108	On Behalf of the Alliance for Retail Energy Markets (AReM)	April 8, 2008

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 Does your company or entity have comments or suggestions on the historical reference period for verifying Season 1 source nominations in the next annual CRR release process?

AReM would prefer using the 1st Quarter of 2008 as the verification period for Season 1 source nominations.

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?

At the 4/1/08 meeting, we discussed whether source validation should be re-done for Seasons 2 and 3. In addition, one stakeholder suggested that we should consider rolling

over the 2008 allocated CRRs to 2009. AReM notes that these two issues must be handled consistently. If the source validations for Seasons 2 and 3 are re-done, then it seems that new CRRs would have to be allocated and those CRRs would be “Year 1” CRRs. If, on the other hand, the source validations that were completed for Seasons 2 and 3 of the 2008 CRR process are retained, then the CRRs that were allocated in the 2008 process should be considered “Year 2 CRRs”. These “Year 2 CRRs” would then be eligible for the Priority Nomination Process.

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

No. The CAISO’s approach seems reasonable.

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. 0.001 MW granularity
 - c. 0.001 MW granularity

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

AReM supports 0.01 MW granularity. Clearly, the current level of 0.1 MW is unfair to the LSE gaining load, who has the potential to have a CRR transfer that is significantly reduced from what it should be entitled to. Although 0.01 MW is not perfectly accurate, it strikes an acceptable balance between accuracy and the desire to limit excessive data tracking.

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?

AReM has no position at this time.

6. Does your company or entity have any further comments about exemptions to the 30-Day Rule?

AReM has no position at this time.

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?

AReM has no position on this issue.

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?

This issue is extremely complex and the CAISO's proposed solutions seem onerous and may affect liquidity in the CRR market. In particular, AReM opposes any prohibition on sales of allocated CRRs. AReM requests additional stakeholder discussions to develop more reasonable proposals.

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

AReM requires more details on how the CAISO would calculate the "historical expected value" before it can evaluate this proposed change.

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.

AReM opposes re-filing the CAISO's original proposal for "full-term credit coverage" for LT-CRRs. Such full-term coverage may have anti-competitive effects by making it too costly for non-IOU LSEs to hold LT-CRRs.

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?

If the CAISO intends to make this modification, a partial Credit Margin should be sufficient. AReM would like more discussion on the appropriate level for the partial Credit Margin.

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.

The CAISO proposal to change the current tariff to cover “prospective liabilities” due to an extended outage or similar circumstance seems overly broad. Further, the CAISO provided no details on how it would calculate these “prospective liabilities” for purposes of determining the credit requirement. AReM requires more details before it can evaluate this proposal.

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?

This is another complex issue, which requires extensive analysis by individual companies. AReM has no other comment at this time.

F. Other CRR Issues

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

No.