

Barclays Capital (“Barclays”) appreciates the opportunity to provide comments to the CAISO regarding its proposed CRR/FTR contingency plan. Barclays recognizes that implementing a full FTR auction would be administratively difficult because the currently scheduled delay in MRTU startup is expected to be short, and the CAISO’s resources are already limited.

First, Barclays believes the CAISO’s top priority should be to decide on an alternative that is fair and transparent to all market participants, and then implement that solution as soon as possible. As the CAISO should be well aware, California’s and surrounding markets are very active and the lack of knowing how congestion management risks can be managed likely reduces market efficiency, possibly reducing liquidity as well.

Second, Barclays believes a pro-rata allocation mechanism would be acceptable as a very near term solution if the MRTU go-live date is prior to June 2008. However, it is not clear whether the allocations would be based on FTR allowances held by participants in a similar month (e.g. April 2008 allocations based on April 2007 holdings), or whether they will be offered pro-rata based based on FTRs held for the current “FTR Year”. If it is a pro-rata allocation based upon current FTR Year holdings, Barclays does not support the proposal of limiting the term to FTRs held for April 2007 –January 2008 as proposed in the conference call on January 24, 2008, and requests that the CAISO not omit FTR holdings from February and March 2008. The CAISO would need to further clarify how FTR allocations would be calculated as some Branch Groups had allocations auctioned as a sub-set of the April 2007 – January 2008 period (e.g. April 2007 – June 2007).

Third, Barclays strongly urges the CAISO to implement a formal FTR auction if it believes that MRTU implementation extends beyond June 2008. If this is the case, market participants must be provided the opportunity to purchase FTRs to hedge their congestion risk through the extended delay.

In closing, Barclays can support a less than ideal solution if MRTU implementation occurs no later than June 2008, however, to the extent further delays are likely, Barclays believes the CAISO should recognize this fact and its negative market impact and undertake a formal FTR auction. Most importantly, the CAISO needs to resolve this issue immediately to minimize current market uncertainties.