

Stakeholder Process: Credit Policy Enhancements

Summary of Submitted Comments

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

- Round One, 7/23/2012 – five sets of comments received
- Round Two, 8/7/2012 – two sets of comments received
- Round Three, 8/21/2012 – three sets of comments received

Stakeholder comments are posted at: <http://www.aiso.com/Documents/Credit%20policy%20enhancements%202012%20-%20stakeholder%20comments%7CComments%20on%20straw%20proposal>

Other stakeholder efforts include:

- Credit Working Group call 12/19/2011
- Credit Working Group call 3/21/2012
- Credit Working Group call 6/19/2012
- Stakeholder call re: straw proposal 7/31/2012
- Stakeholder call re: draft final proposal 8/22/2012

Management Proposal	Support	No Comment	Conditional	Oppose	ISO Response
Implementing less stringent provisions for late invoice payments, including increasing from two to four the number of times within a rolling 12-month period that a market participant can be late without incurring a financial penalty.	Six Cities* Pacific Gas & Electric Southern California Edison Western Power Trading Forum	San Diego Gas & Electric Western Area Power Administration	Powerex Assuming the change will not result in a significant increase in late payments	None	Implementing less stringent late payment penalties is not expected to change payment behavior or have an adverse effect on the market. Management will monitor payment behavior after implementing this change to ensure the change doesn't cause a reversion to old payment habits.
Eliminating surety bonds, escrow accounts, certificates of deposit, payment bond certificates, and guarantees as acceptable forms of financial security.	Powerex Pacific Gas & Electric Southern California Edison Western Power Trading Forum	San Diego Gas & Electric Six Cities* Western Area Power Administration	None	None	This policy enhancement is consistent with other ISOs and RTOs and will substantially improve the ability to timely draw on funds in the event of a payment default.
Modifying the ISO's unsecured credit calculation to prevent unsecured credit from being granted to a market participant with a speculative Moody's KMV Equivalent Rating or credit agency issuer rating.	Pacific Gas & Electric Powerex Six Cities* Southern California Edison	San Diego Gas & Electric Western Area Power Administration Western Power Trading Forum	None	None	Preventing companies with speculative grade credit ratings from receiving unsecured credit will substantially reduce the risk of a market default.

* Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, CA