

J.P. Morgan Comments on the CAISO's Post-Five Day Price Correction Proposal

Submitted by	Company	Date Submitted
<i>Steve Greenleaf</i> <i>(916) 802-5420</i>	<i>J.P. Morgan</i>	<i>April 16, 2010</i>

J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, "J.P. Morgan") appreciates this opportunity to provide comments on the California ISO's (CAISO's) April 2, 2010, Draft Final Proposal entitled Post-Five Day Price Corrections ("Draft Final Proposal ") and the discussion on the April 12, 2010, conference call on the Draft Final Proposal.

As expressed previously, J.P. Morgan supports the CAISO's effort to promote price certainty and finality in the CAISO's markets. Price corrections made outside the CAISO's five day price corrections window can significantly impact not only market participants directly participating in the CAISO's markets, but also those that entered into bilateral trades that are based on posted CAISO prices. J.P. Morgan therefore supports the CAISO's post-five day price correction policy proposal outlined in the April 2, 2010, Draft Final Proposal.

As discussed on the April 12, 2010, conference call, J.P. Morgan requests that the CAISO provide certain clarifications and consider two potential refinements to its proposal. First, in our previous comments J.P. Morgan noted that the PJM Interconnection recently adopted revisions to PJM's price correction timeframes and process that require PJM or any other party to make a section 206 filing at FERC in order to retroactively change any market prices outside of the established price correction windows. J.P. Morgan renews its previous request that the CAISO clarify the form (e.g., submitted pursuant to section 205 or 206 of the Federal Power Act) and nature of the tariff waiver request proposed by the CAISO and how that filing compares to that proposed by PJM. As we stated on the April 12th conference call, J.P. Morgan supports establishing a high threshold and regulatory burden on those that propose to change prices outside of established price correction window and J.P. Morgan recommends that the CAISO consider adopting a standard similar to that adopted by PJM.

Second, J.P. Morgan recommends that the CAISO provide more transparency regarding its proposed process for considering whether to make price corrections outside the five-day price correction window. As discussed in the CAISO's previous Issue Paper and Straw Proposal on this matter, J.P. Morgan appreciates the challenges in developing transparent and objective measures for determining whether to make a price correction outside the price correction

window. J.P. Morgan therefore supports the CAISO's proposal to only make price corrections outside the established window after it has openly discussed the matter with stakeholders and submitted the matter to FERC for FERC review. However, in instances where the CAISO does not recommend a price correction, it appears that the CAISO does not intend to inform stakeholders of the price correction issue. J.P. Morgan recommends that the CAISO consider a means, be it a market notice or discussion of the CAISO's price correction reports on the weekly Market Issues conference call, for notifying participants of the CAISO's examination of, and determination on, the price correction issue.

J.P. Morgan appreciates this opportunity to provide comments on the CAISO's Post-Five Day Price Correction proposal.