

**Comments of Southern California Edison  
On the CAISO's CRR/FTR Contingency Plan Dated January 22, 2008**

Pursuant to the January 22, 2008 CAISO Market Notice, SCE submits the following comments on the CAISO's "CRR/FTR Contingency Plan" dated January 22, 2008.

**FTRs**

Any CRR/FTR Contingency Plan must address the duration of 2008. SCE believes that the only just and reasonable approach to meet the commercial needs of market participants in the pre-MRTU market structure is to have an FTR auction for balance of 2008. SCE urges the CAISO to revise its CRR/FTR Contingency Plan to provide for an FTR auction that is divided into the following blocks:

- April (one month)
- May (one month)
- June-September (four months)
- October (one month)
- November (one month)
- December (one month)

An auction not only allows market participants to appropriately value FTRs, it also would ensure that the appropriate quantities of FTRs are made available. The monthly auctions for April and May would accommodate a pre summer MRTU start-up. The June-September block would allow market participants to hedge for the summer time period and is consistent with the pre/post summer start-up options described in the CAISO's CRR/FTR Contingency Plan. The monthly auctions for October, November, and December would accommodate a post September 2008 MRTU start date, including the possibility of starting MRTU and having to revert back to the pre-MRTU market within 30 days.

The CRR/FTR Contingency Plan includes options for 2007-08 FTR holders to renew their FTRs on a month-by-month basis. Although the details of this renewal process are not provided, this renewal approach is extremely problematic for several reasons:

- The value placed on these renewed FTRs would not reflect commercial conditions at the time the FTRs are extended (i.e. prices would be based on outdated information).
- While the 2008 maximum FTR quantities would be determined, possibly reducing the amount of FTRs that an FTR holder could renew, the CRR/FTR Contingency Plan does not ensure that additional FTR capacity will be made available to market participants if the maximum 2008 FTR quantities are greater than 2007.
- Only allowing FTR holders to renew FTRs obtained in a prior year's auction would artificially and inappropriately restrict market participants from obtaining the FTRs on the paths that they desire for 2008.
- A renewal option would result in an overall inefficient distribution of FTRs. Market participants would not be able to obtain FTRs to match their needs and FTR capacity may be left on the table.

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Finally, it is unclear what section of the CAISO Tariff gives it the authority to provide FTR holders the opportunity to renew FTRs obtain in a prior year's auction. SCE requests the CAISO to provide additional clarity on the Tariff amendment process referenced in the CRR/FTR Contingency Plan.

**CRRs**

The CAISO's proposal to address CRRs already released through the annual CRR auction seems to be the only viable option given that the MRTU launch has been delayed and the CRR Auction for 2008 has already been completed and settled.