

**COMMENTS OF THE CITY OF SANTA CLARA, CALIFORNIA, DOING
BUSINESS AS SILICON VALLEY POWER, ON THE
CAISO'S ETC/TOR TREATMENT PROPOSAL ON
UNECONOMIC ADJUSTMENTS/PARAMETER TUNING**

OCTOBER 03, 2008

The City of Santa Clara, California, doing business as Silicon Valley Power ("SVP"), in response to the California Independent System Operator's ("CAISO") September 19, 2008 CAISO Draft Final Proposal on Uneconomic Adjustments in the MRTU Market Optimizations ("September 19 Proposal") as part of the on-going stakeholder process consideration of the "Parameter Tuning" proposals, submits the following comments.

SVP appreciates the opportunity to respond to the September 19 Proposal. Although we found the September 19 Proposal helpful in that the CAISO is recognizing the potential exposure to, and has proposed the mitigation of, congestion costs borne by Existing Transmission Contracts ("ETC") and Transmission Ownership Rights (TOR) holders, the September 19 Proposal does not go nearly far enough as it does not address the wide range of potential new cost impacts and financial risks experienced by ETC/TOR holders. These potential cost impacts are particularly acute in light of the extreme prices experienced during the CAISO's MRTU market simulation. Therefore, SVP supports and concurs with the comments, and alternative settlement proposal, recently submitted by the City and County of San Francisco.

As SVP has stated in earlier comments provided to the CAISO on this subject, SVP is very interested in ensuring that ETCs and TORs continued to be honored, and which the MRTU Tariff (see MRTU Tariff Section 16.1) acknowledges. SVP is concerned that the September 19 Proposal fails to acknowledge the CAISO's obligation to properly honor these existing rights.

SVP is also concerned that stakeholder comments supporting inclusion of scheduling run parameters in the tariff have not been adopted or reflected in the September 19 Proposal. It appears that the CAISO determined in advance of the September 19 Proposal that it will not include scheduling run parameter values in the tariff. This problem is exacerbated by CAISO's intent to post the final parameter values in mid-December, more than one month after the proposed filing date. Without inclusion of the scheduling run parameters in the tariff, and without inclusion of any parameter values in the filing, ETCs cannot determine the full impact of the proposal. SVP has also seen the October 3, 2008 CAISO market notice informing market participants that the MSC will post a draft opinion by October 6, 2008, as well as adopt an opinion on October 8, 2008. SVP is somewhat concerned about such a short turn around time between the submission of stakeholder comments and the adoption of an MSC opinion.

Additionally, SVP respectfully disagrees with the CAISO's characterization of the planned tariff filing as a "policy change." It is not possible to separate the policy aspects of the proposal from the associated price impact. Thus, SVP suggests the CAISO not file the proposal with the Commission until final parameter values have been established.

Again, SVP is appreciative of the opportunity to provide comments on the CAISO's September 19 Proposal.

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