Stakeholder Comments on

CRR Issues

Submitted by (name and phone number):	Company or entity:	Date Submitted:
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The CAISO is requesting initial written comments on the various CRR-related issues discussed at the April 1, 2008 stakeholder meeting. This template is offered as an easy guide for entities to submit comments; however, any participant should feel free to submit comments in any format. Submitted comments will be posted on the CAISO website unless participants expressly ask that their comments not be posted.

The Issues Papers and presentations discussed at the April 1 CRR Stakeholder meeting are posted at: http://www.caiso.com/1b8c/1b8cdf25138a0.html

Stakeholder comments should be submitted by close of business on Tuesday, April 8, 2008 to: CRRComments@caiso.com

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The CAISO offers the following questions as a structure for stakeholder comments:

A. CRR Year 2 Release Process

1. Does your company or entity have comments or suggestions on the historical reference period for verifying Season 1 source nominations in the next annual CRR release process?

   For simplicity, SVP believes that the **CY 2006** historical reference period would be sufficient, but is not opposed to the use of the CY 2007 historical reference period.

2. Does your company or entity have comments or suggestions on whether CRR Seasons 2 and 3 should be treated as "Year 1" or "Year 2" seasons?

   Market Participants already have made "Year 1" nominations and received allocations for Seasons 2 and 3 (and 4), with the expectation that those allocations would make them eligible for Priority Tier nominations in subsequent years. Some also have nominated and been allocated long term CRRs based on their allocations in Tier 1 and 2 of the already-completed "Year 1" process for CRR Seasons 2 and 3. Although Market Participants did not "use" their "Year 1" allocated CRRs in Seasons 2 and 3, 2009 is none-the-less the second year in the CAISO's CRR allocation process and should be treated as such. Re-doing source verification also would likely conflict with Market Participants' current LT CRR holdings that were the result of the "Year 1" process. For these reasons, SVP prefers the CRR Seasons 2 and 3 to be treated as "**Year 2**" seasons.

3. Does your company or entity have any comments about the treatment of LT-CRRs?

SVP supports that the LT-CRRs allocated in 2007 with the duration of nine (9) years should be honored.

B. CRR MW Granularity

4. Please indicate the MW granularity that your company or entity prefers for 2009 CRRs:

   a. 0.1 MW granularity
   b. 0.01 MW granularity
   c. 0.001 MW granularity

If possible, please explain the business reasons for your preference.

Moving to a level of <u>0.001 MW</u> granularity (option c) would significantly improve the ability of a smaller Load Serving Entity to utilize an Existing Zone Trading Hub to manage congestion. SVP had relatively small amounts of nominations for EZ Gen Hub and was directly impacted by the limitation resulting from the use of 0.1 MW granularity during the Year 1 allocation process. SVP elected not to source smaller increments of rights, that could have been used to hedge exposure to congestion associated with deliveries sourced at a Hub, due to the fact that it was known that its nominations would be arbitrarily reduced, not due to feasibility, but due to the 0.1 MW granularity tracking limitation.

As demonstrated in the CAISO whitepaper, for a 15 MW CRR moving from a 0.1 MW granularity to a 0.001 MW granularity results an increase of 52% efficiency leading to almost 100% allocation. Some have suggested that moving to further granularity may increase the complexity associated with tracking of allocated rights, however, database storage is relatively inexpensive and the entire processing efforts would be automated. Furthermore, currently the ISO is managing similar numbers of entries with larger LSEs. The current 0.1 MW threshold advantages larger LSEs at the expense of smaller LSEs, since the smaller LSEs do not have the magnitude of load needed to exceed the current threshold. In summary, SVP believes that the equity and efficiency gains associated with the change in MW granularity for year 2009 and onwards, would outweigh the incremental data processing costs.

C. 30-Day Rule on Outage Scheduling

5. Does your company or entity have comments or concerns about changing the 30-Day Rule to allow exemptions within a 24-hour period?

   No Comment.

6. Does your company or entity have any further comments about exemptions to the 30-Day Rule?

   No Comment.

D. Monthly CRR Eligibility for LSEs Without Verifiable Load Forecasts

7. Please indicate and explain any preference how the CAISO should determine monthly CRR eligibility for an LSE in the absence of load forecasts:

   a) Use load data from the last five relevant months
   b) Use load data from the immediate previous month
   c) Use load data from the same month of the previous year
   d) Other suggestions?

   No Comment.

E. CRR Credit Policy Enhancements

8. What is your entity's view on the proposed options to mitigate the credit risk of CRR transfers associated with load migration as discussed in the CRR Credit Issue Paper?

   SVP would support staying with the status quo. SVP is concerned that the changes to the credit requirements that are being proposed to address what might be a relatively small amount of load may cause unintended consequences for the majority of the LSE load that won't be subject to migration. Credit netting should not be disallowed nor should LSEs be prohibited from selling allocated CRRs. These are both important features that enable LSEs to manage their risk. If credit risks associated with migrating load is of serious concern, the CAISO should estimate the amount of migrating load for each LSE and apply any new rules only to the proportion of potential migrating load. For some LSEs without direct access programs, such as SVP, the migrating load would be zero, while for others it might be 10%. Any restrictions on CRRs associated with migrating load should not apply to an LSE that will not have migrating load.

9. What is your entity's view regarding enhancing the credit requirement calculation for holding Short-Term CRRs?

   No Comment.

10. Please comment on the CAISO's intent to re-file the full-term credit coverage for LT-CRRs with the proposed modified credit requirement calculation formula.

    For Tier LT, only Load Serving Entities with verified sources and sinks can nominate CRRs from the specific source/sink pairs that are cleared in Tier 1 and 2 of the seasonal allocation process. The CRRs allocated in Tier 1 and 2 are therefore expected to be hedging those entities' exposure to congestion risk. These offsetting positions should mitigate the financial exposure of any allocated Tier 1 and 2 CRRs that are negatively valued by the subsequent auction process. In addition, the auction price of a one-year CRR can't be expected to accurately forecast the expected value of a LT-CRR for the duration of its term. For these reasons, SVP does not believe the full-term credit requirements for LT-CRRs should be re-filed.

11. What is your entity's view on whether to enhance the bidding requirement for auction participation? Should the full Credit Margin, or a portion of the Credit Margin by included in the bidding requirements? If a portion of the Credit Margin is preferred, what is your entity's suggestion on the appropriate percentage?

    No Comment.

12. Please comment on the proposed Tariff clarification to increase credit requirements for CRRs due to extraordinary circumstances such as extended outage or other circumstances that could dramatically change the risk profile of a CRR.

    SVP is unable to fully support such a concept at this time because the proposed language in the CAISO Credit Issues Paper lacks specificity. The current description included within the CAISO Credit Issue Paper should be expanded to include a predefined process for calculating such exposure. A lack of clarity of the proposal could lead to onerous credit requirements based on unforeseeable/force majeure events.

13. Does your company or entity have comments on the concept for requiring corporate parent credit backing of affiliated market participants' Estimated Aggregated Liability? Is there merit in this potential change? Should this concept apply to other forms of collateral, or just guarantees? Would this concept present regulatory difficulties for affected entities?

    SVP generally supports the concept of strengthening the guarantor/affiliate relationship. SVP may support a requirement of blanket guarantees for all non-regulated affiliates of one parent company and a separate guarantee for each subsidiary regulated by a state public utility commission or other rate-making authority. However, in order to provide more specific comments, SVP will need to evaluate the actual contracts that define such relationships.

F. Other CRR Issues

14. Does your company or entity have further comments or suggestions on these various CRR issues?

No additional comments at this time.