

Mr. Chairman and Governors, Good Afternoon.

My name is Lisa Hopkins and I have been the full time MRTU Manager for Powerex for the last year. I would like to offer Powerex' assessment of MRTU readiness and also highlight our most significant issue.

First and foremost I would like to express our appreciation for the dedication and resolve of CAISO staff. This is an incredibly complicated project and the abilities, professionalism and work ethic demonstrated by the CAISO staff are truly excellent.

With regards to readiness, in Powerex's experience, there continues to be good progress made by both CAISO and participants. General system stability and connectivity continue to improve, however a significant number of issues remain unresolved. No single technical issue in isolation is an insurmountable problem however the number of issues which remain is cause for concern and the expectation that system changes will likely be required to address many of these issues. At the July Board meeting Powerex and other SC's indicated that "once key issues are resolved, an estimated 90 days are needed to finish implementing our systems and fully train all our trading and shift personnel on the new software, processes and systems." Our systems are developing in lock-step with the CAISO but significant changes are still being made to CAISO systems, interfaces and documentation making it difficult for us to be ready for a Feb 1<sup>st</sup> Go Live date. We need at least 90 days of stability to focus on our readiness initiatives, not just on CAISO's readiness. Powerex is also concerned about Realtime failures in the simulation. There has been significant improvement made in this area and again the CAISO staff should be congratulated for this improvement. It is a major accomplishment. However, as we near Go Live our expectations of performance should increase. We do not believe that readiness has been sufficiently demonstrated yet and would like to request that the Board of Governors consider convening another Board meeting in late November to determine if it is appropriate to make the 60 Day readiness filing with FERC on December 1<sup>st</sup>.

The Final and most important issue that we would like to hi-light once again for the Board, is Credit. We would like to thank the CAISO staff for being so responsive and initiating stakeholder processes to discuss our concerns. Unfortunately we are disappointed that these processes will not resolve the issues in time for a Feb 1 Go Live date. And in our opinion, an MRTU launch without resolution of the credit issues may lead to reliability concerns.

In Powerex opinion, it is vital that one of the following three things happen **SIMULTANEOUSLY** with MRTU go live:

1. The loss sharing mechanism be changed so that all participants share in losses in the event of a default; or
2. Some form of payment acceleration needs to be in place for go-live (this can be early settlement of Day Ahead markets as is advocated by Calpine); or

3. Absent one of these two changes above, then the Unsecured Credit Limit in CAISO markets needs to be reduced drastically. The \$150 million Unsecured limit that is currently recommended is still too large and places too much risk on suppliers. Powerex advocates that all trading be fully collateralized, until the loss sharing mechanism is changed.

We understand the strides that the CAISO is making in updating its credit policies. We also understand that management has great confidence that these policies will prevent default losses in the future. We just ask that all participants be asked to bear the burden equally; just as is done in every other ISO and clearing house.

Thank you for your time.