

**Stakeholder Process: FERC Order 741 – Credit Reforms
in Organized Wholesale Electric Markets**

Summary of Submitted Comments

Stakeholders submitted three rounds of written comments to the ISO on the following dates:

- Round one, 2/25/2011
- Round two, 4/4/2011
- Round three, 5/2/2011

Stakeholder comments are posted at: <http://www.caiso.com/docs/2003/04/21/2003042117001924814.html>

Other stakeholder efforts include:

- In person meeting with discussion papers for round one
- Conference calls with discussion papers for rounds two and three

Management Proposal	Southern California Edison	PG&E	SDG&E	Six Cities	Powerex	WAPA	NCPA	CDWR	Management Response
Weekly invoicing	Supports	Supports	Prefers requesting an extension to implement; the ISO is ignoring the potential for higher interest charges due to lower quality statements	Current proposal results in additional processing and staffing costs that must be borne by the market participant	Supports	Adds further complexity to internal settlements and customer billing systems; concerns raised about the initial statement being based on ISO estimates and are not disputable	Supports	Supports	FERC mandate; only solicited comments on compliance implementation options; other payment calendar improvements may be considered in a separate stakeholder process
Unsecured credit cap	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	FERC mandate; did not solicit stakeholder comment
Eliminate unsecured credit in CRR market	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	FERC mandate; did not solicit stakeholder comment
Ability to net	Unable to give security interest; prefer the ISO assess the feasibility of the central counterparty approach; favors excluding certain transactions from netting	Would not oppose granting security interest if the costs of central counterparty approach are prohibitive	Unable to give security interest; prefer the ISO assessing the feasibility of the central counterparty approach	Not opposed to providing security interest or the central counterparty approach pending final analysis	No objection to providing security interest but strongly prefers the central counterparty approach	Unable to give security interest	Supports providing security interest assuming the ISO adopts tariff language to exclude municipalities and joint power agencies	Assess the feasibility of the central counterparty approach and national clearing	Deferred to a separate stakeholder process; will be presented to the Board separately
Minimum criteria for market participation	Opposes lower posting requirement for smaller market participants	May pose a barrier to entry for smaller participants such as proxy demand	Supports pending a review of final officer attestation document	Supports	Supports	Supports sufficient creditworthy standards for all market participants;	Supports	Supports	Established risk management, business practice, training and capitalization requirements; the

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		resource, wind and/or solar; could prevent smaller generators from participating in the 33% renewable portfolio requirements; preventing entry or forcing out market participants could create a larger share of GMC and default allocation for the remaining market participants				recommends the ISO continue to recognize federal agencies as creditworthy			capitalization requirements are designed to reduce the risk of a thinly capitalized entity posing a default risk to the market; the posting requirement provides a level of assurance that a market participant has sufficient financial resources to participate in the market and provides an additional safety net beyond collateral requirements that can be used to mitigate the risk of a socialized default.
Invoking a material adverse change	Supports	Supports	Supports	Supports	Supports	Supports assuming they do not violate federal law or regulations governing their business	No comment	Supports	Enhanced existing BPM language.
Two days to respond to collateral requests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	FERC mandate; did not solicit stakeholder comment
Uniform applicability	Supports	Supports	Supports	Believes an exemption to posting collateral for	Supports	Unlawful to post collateral; believes an exemption to	Believes an exemption to posting collateral for	Believes an exemption to posting collateral for	No exemptions based on FERC denying a exemption motion

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				congestion revenue rights is appropriate based on ratemaking authority and binding commitments such as bond covenants, ordinances or charter provisions allowing it to set rates sufficient to pay all operating expenses		posting collateral for congestion revenue rights is appropriate based on being backed by the full faith and credit of the United States	congestion revenue rights is appropriate due to the creditworthiness of municipal entities	congestion revenue rights is appropriate due to its rate making authority	for certain entities by NYISO and other ISO existing practices.