



California ISO
Shaping a Renewed Future

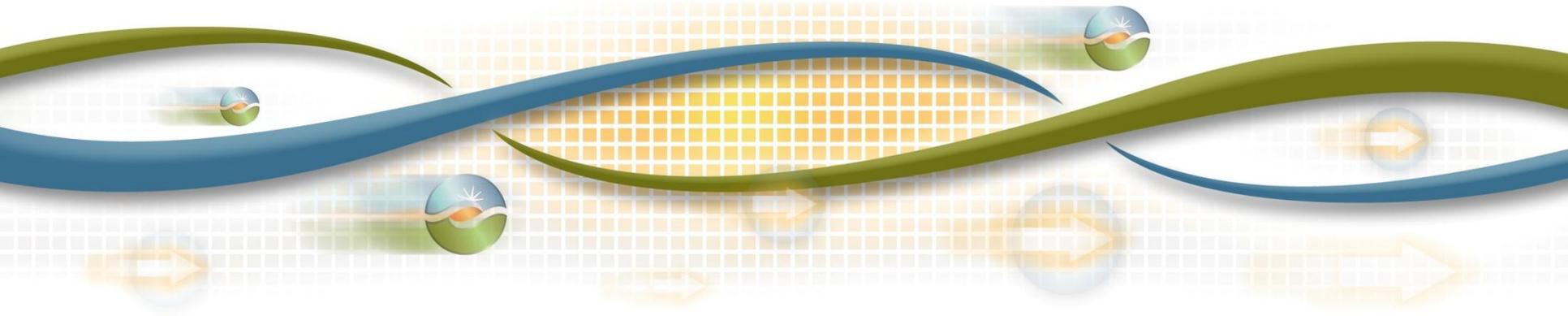
Exempting Inter-SC Trades from CFTC Jurisdiction

Donald Tretheway

Senior Market Design and Policy Specialist

Stakeholder Conference Call

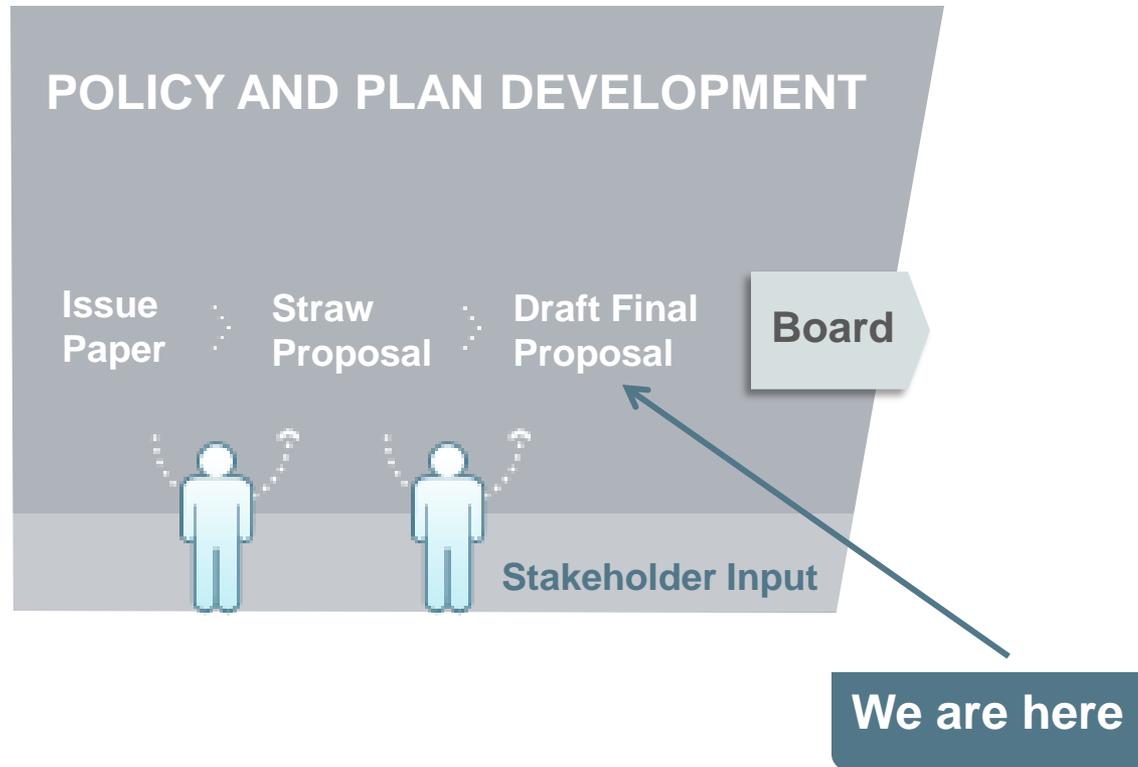
May 18, 2012



Agenda

| Time | Topic | Presenter |
|-------------|------------------------------|---------------------|
| 1:00 – 1:15 | Introduction | Mercy Parker Helget |
| 1:15 – 2:50 | Discuss Draft Final Proposal | Don Tretheway |
| 2:50 – 3:00 | Next Steps | Mercy Parker Helget |

ISO Policy Initiative Stakeholder Process



Background

- On February 7, 2012, ISOs filed a joint application with the CFTC seeking an exemption from CFTC oversight.
 - If granted, exempt nearly all of the ISO's products and services from CFTC oversight
 - But, it does not cover inter-SC trades
- Inter-SC trades could be considered “swaps” under the Commodity Exchange Act, as amended by the Dodd-Frank Wall Street Reform Act
 - Would require the ISO to comply with the full range of requirements imposed by the Commodity Exchange Act
- Expand the requested exemption to include inter-SC trades if certain additional conditions are imposed on the transactions

Proposal to allow exemption of Inter-SC trades from CFTC jurisdiction

- By entering an inter-SC trade, the scheduling coordinator would represent that:
 - There is a related transaction – a spot, forward, or derivatives contract – that involves a transfer of electricity or a MW obligation physically to or from the seller to the buyer, with performance taking place within a reasonable time,
 - The related transaction is not cleared with the ISO,
 - The related transaction is between separate parties,
 - The related transaction is bona fide – i.e., it is not a sham entered as a pretext for the inter-SC trade in the ISO market.
- SCs would be required to retain records demonstrating compliance
 - Must separately identify the inter-SC trade and the related transaction
 - The CFTC standard is that these records must be retained for five years and readily accessible for two years

Next Steps

| Item | Date |
|------------------------------|-------------------------|
| Stakeholder Comments Due | May 25, 2012 |
| Draft Tariff Language Posted | June 1, 2012 |
| Stakeholder Comments Due | June 11, 2012 |
| Stakeholder Conference Call | June 18, 2012 (1 – 3pm) |
| Board Meeting | July 12-13, 2012 |

Please submit comments to exemptintersctrades@caiso.com