

APX Comments on SC Credit Policy: Changes Under Consideration

Section 4.1 - Creditworthiness

Question 3: "Should a credit scoring method be developed for those participants that do not have credit ratings issued from S & P, Moody's, Fitch, etc.?"

We do not see a proposed solution to this in the recommendation as it relates to privately-held companies. How would privately-held companies be evaluated and assigned a credit rating? We would be opposed to financial statement-only assessments to determine credit worthiness or credit ratings. We believe our historical activity with the CAISO should be factored into the rating.

Section 4.2 - BAID / SCID specific security postings

The recommendation proposed by the CAISO will change our current relationship with our SCIDs and provides a barrier in the ease of entry into the California energy market. Specifically, we currently have an individual SCID who has credit posted directly with the CAISO, but we are not required by the CAISO to post any credit for any of our other SCIDs. In essence, this particular SCID takes responsibility directly with the CAISO for its own security. This protects the SCID that has their own credit posted directly with the CAISO in case any of our other SCIDs default on payment to the CAISO, and vice versa. If the proposed policy goes into effect, can we post multiple letters of credit as security under one scheduling coordinator?

Section 4.5 - Credit Insurance

Structure 1 - Would this be coverage for all SCIDs? It looks like cost recovery is still an issue. Has there been any further progress made on a resolution? How will this process be managed? In other words, is this a blanket cost for all participants in the CAISO or only for participants required to post credit?

General issues:

We have a general concern that if this proposed credit policy is implemented prior to the payment acceleration process (instead of the two being simultaneously implemented), APX, which is a small privately-held company, could be negatively impacted financially by having to post credit in the first place (based on the proposed credit policy), and then having to adjust the credit posting requirement again when the payment acceleration system is put into operation.