

APX concerns and questions regarding the latest revision to the CAISO credit policy from the Conference Call with the CAISO 4/26/05

ISSUE #1:

From the April 2005 Proposed Credit Policy, section 4.2 BAID/SCID specific security postings Issue:

The CAISO's proposed credit policy specifies APX would have to post credit for all APX participants (one credit instrument) and not for individual participants. When the CAISO began permitting SCs to establish multiple SC IDs to cover various business relationships, it did accept SC ID specific security instruments in a few instances. Upon further consideration and in light of the relevant Tariff sections, the CAISO believes that it must require SCs to post sufficient security to cover its entire net obligations and may not accept security instruments exclusively for SC IDs.....

APX's issue: This will affect APX which has multiple SCID's, which are both generator and load customers, currently we (excluding one of our participants who has a separate credit agreement posted with the CAISO) are in a net creditor position with the CAISO. However, with the proposed policy, All APX ID's will be included in the calculation and we will need to post credit for APX as a whole. CAISO's legal department is reviewing this particular customer's credit vehicle to determine how it will fit into the revised CAISO credit policy.

ISSUE #2

The CAISO has proposed that the newest rerun (June 2001 – June 2004) estimated liabilities be included in the credit calculation. They were very unclear in the conference call which numbers / dates they would use. After further discussion with the CAISO finance dept and our account manager it is still very unclear how this rerun will affect the proposed credit calculations.

APX's issue:

The new rerun period is June 20, 2001 through June 30, 2004; APX 1 – APX 7 will be affected. APX has some potentially huge liabilities that will be affected by this rerun, which could at any time; put us at a large margin call position with the CAISO. APX strongly opposes the rerun liabilities be included in the current credit posting calculation. The CAISO has not determined when they would start rolling estimated liabilities into credit calculations or how much time they would give a SCID to react.

ISSUE #3

Credit Insurance – STILL OUTSTANDING ISSUE from Nov 2004 proposal

