

Citadel Investment Group, L.L.C and its affiliates (Citadel) are major CRR market participants, with significant resource and capital investments. In 2008, Citadel was the largest CAISO CRR position holder. Citadel is actively following the 2009 CRR Release Process by participating in stakeholder conference calls and updates.

In a whitepaper titled “Release of 2009 CRRs and start of the MRTU Markets” CAISO has outlined direction and policy options available, assuming a February 01, 2009 MRTU startup. Citadel encourages CAISO to re-set current 2009 CRR auction schedule closer to new MRTU go-live date should it get delayed.

Citadel has the following comments regarding the schedule outlined in the CAISO whitepaper:

- Citadel supports the November 7, 2009 annual auction contingent upon a February 01, 2009 MRTU go-live date. The Board of Governor’s meeting scheduled on October 28, 2008 will firm up the potential MRTU go-live date. If the Board decides to move the MRTU go-live date beyond February 01, 2009, Citadel strongly recommends rescheduling the November 07, 2008 annual auction to a date that is close to the revised MRTU go-live date.
- CRR auctions require substantial capital commitment both for collateral and auction payments. Immovable auction schedule for 2009 in wake of uncertain MRTU go-live date will again lock up participant’s capital until it is released over time should unwinding process has to be executed. This results in losses due to opportunity costs associated with the tied up capital which is not entirely redeemed through interest reimbursements after the schedule activation period. It is Citadel’s recommendation to keep the 2009 CRR auction schedule in tandem with MRTU go-live dates to avoid the undesirable process of returning CRR awards as observed during the 2008 CRR auction and unwinding process.
- It requires substantial resource to participate in CAISO CRR auctions. While unwinding of proprietary CRR positions is an acceptable post-auction solution, it is a counter-productive use of market participant resources. Citadel strongly recommends planning that is directed at avoiding a position unwinding outcome. Citadel is committed to working with the CAISO CRR team to define auction schedules that are better prepared for uncertain transition periods.

- Based on the recent (August 20, 2008) weekly CRR call, it is Citadel's understanding that the CRR allocation schedule may be delayed due to issues related to load migration data. Market participants on call questioned the CAISO's stand for adhering strictly to current timeline given the fact that other "markets" within MRTU have moved Program go-live dates in the past. Citadel recommends that CAISO treats the CRR product similar to other energy products and seeks to avoid any potential compromises arising from a tight time schedule. Citadel does not support compromising CRR business processes in order to adhere to the February 01, 2009 MRTU go-live deadline.

Citadel looks forward to continued participation in the MRTU CRR markets beyond the current transition period. Citadel fully supports the current MRTU go-live date and 2009 CRR auction schedule. In the event that the market go-live date changes beyond February 01, 2009, Citadel strongly encourages CAISO to similarly delay the 2009 CRR auctions so that they can remain close to the revised MRTU timeline.

Thank you.

Regards,

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