

Stakeholder Comments Template

FERC Notice of Proposed Rulemaking (NOPR) – Credit Reforms in Organized Wholesale Electric Markets

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the credit reform topics covered by FERC's NOPR. Upon completion of this template, please email your comments (as an attachment in MS Word format) to CreditPolicyComments@caiso.com by February 25th at 12:00 p.m.. All comments will be posted to CAISO's Credit Policy Stakeholder Process webpage at <http://www.caiso.com/docs/2003/04/21/2003042117001924814.html>.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. Do you support the proposal to have a seven (7) day settlement period versus California ISO's current fifteen (15) day settlement period?

Yes.

2. Do you support organized wholesale electric markets implementing daily settlement periods? Do you support implementation of daily settlements within one year of the proposed seven day settlement period?

Dynegy takes no position on implementing daily settlements.

3. Do you support elimination of the use of unsecured credit to collateralize participation in a Congestion Revenue Rights auction?

No. Dynegy supports the use of unsecured credit in a Congestion Revenue Rights auction along with the other products and services offered in Wholesale Electric Markets. This is contingent upon a prudent and proactive internal credit policy in which, 1) FTR exposures are actively and accurately managed, 2) unsecured credit limits are capped at maximum of \$50 million and qualification of a limit is based upon "best practice" credit standards used widely across the industry.

4. Do you believe there is a need for California ISO to become a party to each transaction so as to eliminate any ambiguity or question as to its ability to manage defaults and offset market participants' obligations?

Dynegy wants the CAISO to have the ability to offset market participants' positions to protect other market participants from default, e.g., by perfecting a security interest, but not by becoming a Market Participant or counterparty to all transactions.

5. Do you support reducing the number of days to post additional collateral resulting from a collateral call from the current three (3) business days to two (2) business days?

Yes, additionally, we would support 1 business day for cash and 2 business days for Letters of Credit as long as the margin call is received by the prescribed notification time. Usually this is 1:00 PM local time.

6. Do you agree that the ISO should establish minimum creditworthiness requirements to participate in the market?

Yes, and Dynegy believes the CAISO has already done so. To be clear, by "minimum creditworthiness requirements", Dynegy means a minimum credit rating for unsecured credit or the ability to provide collateral. Dynegy would not support imposing minimum credit requirements without the ability to collateralize a market participant's obligation.

7. Do you agree that the ISO must establish standards over and above its existing standards for requiring additional collateral as the result of a "material adverse change"?

From Dynegy's perspective, there is not sufficient clarity on what would trigger such an event. Nor is there sufficient clarity about how much collateral is required if such an event is declared. Dynegy cannot take a position on this question absent further clarity.

8. Are you in favor of the ISO applying different credit standards to different types of market participants?

No.

9. Do you agree that there should be a further aggregate unsecured credit cap to cover an entire corporate family? Should the cap be different for markets of different sizes?

No, an aggregate cap should not be applied for unsecured credit limits for a corporate family. Credit should be applied to the company or entity which is taking the contractual obligations to the ISO. To the extent a corporate guaranty is provided the credit requirements and associated unsecured credit limits should be applied to the credit support provider not to exceed the individual entity maximum of \$50 million. A further corporate family cap may be a prudent policy to avoid a contagion causing a catastrophic default associated with a single corporate family. A corporate family cap is used as an internal control and isn't used for the calculation of unsecured credit.