

Stakeholder Comments Template

Subject: CRR Enhancements – Draft Final Proposal on CRR Credit Issues, and Straw Proposal on Non-Credit Issues

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics in regards to CRR Enhancements. Upon completion of this template please submit (in MS Word) to jprice@caiso.com. Submissions are requested by close of business on November 23, 2009.

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

Draft Final Proposal on CRR Credit Issues

1. CRR Credit Policy Enhancements

During the stakeholder conference call on November 16, 2009, the ISO described its Draft Final Proposal. So that the ISO can provide a tabulation of stakeholder positions on each of the following aspects of the ISO's proposal, please provide a brief statement of your position, such as "support", "oppose", "neutral", or similar statement:

- Calculation of maximum credit exposure of a CRR bid using the same MW value for the total credit requirement.

SCE is supportive of the CAISO proposed change to the calculation of the total credit exposure. As described in the draft final proposal the change will use the same MW value for the both the credit margin and bid segment credit exposure components for each segment of the applicable CRR bid.

- Reduce pre-auction credit requirement for a negatively-valued CRR bid, by excluding negative bid (but not the credit margin) in the calculation. (As described by the ISO, this involves using the auction winning value to meet the holding credit requirement for the CRR.)

SCE is supportive of the CAISO holding the auction revenues from negatively values CRR's as collateral, while keeping in place the requirement for CRR holders to post sufficient collateral to cover the credit margin component of the negatively values CRR.

As stated previously in comments submitted on August 28th 2009, SCE requests the CAISO provide stakeholders with the associated BPM and settlement charge code updates as soon as they become available. In particular, it is unclear of the structure of the CAISO account that will contain the withheld CRR auction revenues, how the revenues will be released to CRR holders, and how that account will be linked to a CRR holders overall collateral position.

- Reduce the minimum credit requirement in the monthly CRR auction from \$500,000 to \$100,000.

SCE is supportive of this change as it strikes a good balance between maximizing participation in the monthly auction and maintaining sufficient minimum credit requirements for participation.

Do you have any further comments regarding the proposed CRR credit policy enhancement?

SCE has no further comments at this time.

Straw Proposal on Non-Credit Issues

During the stakeholder conference call on November 16, 2009, the ISO described its Straw Proposal concerning several non-credit CRR enhancements. Please refer to the ISO's Straw Proposal document at <http://www.aiso.com/2461/2461bbf935ca0.pdf>, and presentation at <http://www.aiso.com/2464/2464c5941a230.pdf>, to find details of the ISO's Straw Proposal.

2. Load Migration Process

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the process for adjusting CRR holdings to reflect load migration?

The straw proposal modifies the load migration data requirements for UDC's. The proposal will still require the UDC's to provide the CAISO with the average demand per

customer, by customer class but no longer require the UDC's to submit customer specific load migration data. In its place, the CAISO is requesting the UDC's submit the count of retail customers, by customer class, which transferred between LSE's.

SCE appreciates the additional information in the straw proposal but requires further detail before we can finalize our position on the proposed changes. In particular, we request the CAISO address the following questions in the draft final proposal:

- Will the propose change modify the existing load migration data templates? If so, can the ISO provide in the draft final proposal a sample design of the revised template(s) including the specific data elements to be included?
- Who is responsible for errors in the transfer of CRR's associated with load migration, the CAISO, UDC, or both? What type of dispute process does the CAISO envision if errors are discovered?

3. Modeling and Treatment of Trading Hubs

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the method for handling trading hubs in the CRR release?

SCE is supportive of the CAISO proposed changes to revise its approach for allocating and tracking CRR's having a trading hub source or sink.

4. Weighted Least Squares Objective Function

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the weighted least squares objective function?

SCE supports the CAISO proposal to further evaluate the costs/benefits of implementing a weighted least squares objective function. SCE suggests this issue be placed back into the market design issues catalogue for evaluation in next year's market initiative roadmap process.

5. Multi-point CRRs

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the elimination of multi-point CRRs?

SCE is supportive of eliminating the multi-point CRR feature from the CRR auction software as long as the CAISO maintains the 2 tiered monthly allocation structure.

6. Tiers in Monthly Allocation

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the refinement of tiers in monthly CRR allocation?

SCE supports the proposed changes by the CAISO to (1) allow sub-LAPS in both tiers of the monthly allocation process and (2) allow 100% of the monthly eligible quantity be available starting with tier 1.

7. Sale of CRRs in CRR Auctions

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the sale of CRRs in the CRR auction?

SCE thanks the CAISO for the additional detailed provided in the straw proposal on eligibility and collateral requirements associated with selling a CRR. SCE is supportive of the CAISO implementing a sell feature within the CRR auction software.

8. Modeling Approaches to Improve Revenue Adequacy

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the modeling to reinforce CRR revenue adequacy through transmission outage consideration?

SCE supports the CAISO's recommendation to hold off discussion on modeling approaches to improve CRR revenue adequacy until sufficient market data is available.

9. Tracking of Long Term CRRs

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the tracking of long-term CRRs in the CRR system?

SCE is supportive of this initiative and has no further comments at this time.

10. Signature Data in Priority Nomination Process

Do you have any comments, questions, concerns, or other ideas regarding the ISO's Straw Proposal concerning the process for "signature data" in PNP?

SCE is supportive of this initiative and has no further comments at this time.

11. Other Comments?

SCE has no further comments at this time.