

Stakeholder Comments: Process to Reevaluate CRR Credit Requirements under Extraordinary Circumstances

Submitted by	Company	Date Submitted
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In accordance with the California Independent System Operator’s (“CAISO’s”) request at its Process to Reevaluate Congestion Revenue Rights (“CRRs”) Credit Requirements stakeholder conference call held March 20, 2009, Southern California Edison Company (“SCE”) hereby submits its comments on the draft Process to Reevaluate CRR Credit Requirements Under Extraordinary Circumstances (“CRR Credit Requirement Process Under Extraordinary Circumstances”) issued by the CAISO, dated March 12, 2009.

SCE appreciates the opportunity to comment on the draft CRR Credit Requirement Process Under Extraordinary Circumstances. SCE also appreciates the efforts of the CAISO to improve the CRR Credit Requirements process for events such as extended transmission outage or other abnormal grid conditions, which could cause dramatic increase (or decrease) with the payment obligations for CRRs. Pursuant to the section, Holding Credit Requirements under Normal Conditions¹, the CAISO proposes to calculate CRR credit requirements using the monthly auction value for CRRs that were obtained in the monthly allocation or auction process and for all other CRRs (seasonal), to use the non-monthly auction price. SCE believes that this proposal conflicts with the CAISO Tariffs sections 12.6.3.1 (c) and 12.6.3.2. Section 12.6.3.1 (c) gives the CAISO the authority for CRR's with terms of one year or less to account for changes in

¹ CAISO’s Process to Reevaluate CRR Credit Requirements under Extraordinary Circumstances, Page 5

the monthly auction prices for such CRRs when re-evaluating the credit requirement to hold the CRR until maturity. Tariff section 12.6.3.2 more directly states that CRRs with terms of one year or less shall be subject to a credit holding requirement equal to the most recent CRR auction price. Pursuant to the CAISO Tariffs, SCE believes that the CAISO should update its seasonal CRR credit holding requirements to correspond with the monthly auction prices. Therefore, SCE requests the CAISO to clarify in the above referenced white paper and the CRR BPM, that the CRR credit holding requirements will be updated utilizing its monthly auction value. Moreover, SCE requests the CAISO to provide additional details on how the credit holding requirements are updated for seasonal CRRs with its monthly auction prices. Understanding the CAISO process for recalculating seasonal CRRs credit holding requirements using monthly auction prices is critical for SCE to manage its collateral position with the CAISO.