

**Stakeholder Comments on:
The CAISO's Revised White Paper Release of 2009
CRRs and the Start-Up of the MRTU Markets**

Submitted by (Name and phone number)	Company or Entity	Date Submitted
Edwin Tso (626) 302-9712	Southern California Edison	August 29, 2008

Southern California Edison Company ("SCE") hereby submits its initial comments on the California Independent System Operator's ("CAISO") Revised White Paper Release of 2009 CRRs and the start-up of the MRTU Markets, dated August 26, 2008.

I. Introduction:

SCE appreciates the opportunity to submit comments regarding the CAISO's Revised White Paper Release of 2009 CRRs and the start-up of the MRTU Markets ("CRR Revised White Paper"). SCE commends the CAISO on all its efforts in developing a workable solution to handle CRR issues in spite of the MRTU project delay. Based on the CAISO's CRR Revised White Paper, SCE will provide specific comments to the CAISO assuming a first quarter of calendar year 2009 MRTU start-up. In the event the MRTU start-up slips beyond the first quarter of 2009, SCE requests that the CAISO re-initiate the stakeholder process and modify its CRR White Paper to accommodate the new MRTU start-up date.

II. CRR Credit Margins:

The credit margins associated with a CRR is a critical component of the CAISO's overall CRR credit policy as well as a significant consideration for LSEs in the allocation nomination process. At present, the CAISO proposes to release new credit margins 30 days prior to the

auction (approximately October 11, 2008). Thus, the publication of credit margins for new sources and sinks will occur after the completion of both Tier 1 and 2 of the allocation process. Assuming that the changes to the credit margin are insignificant from those credit margins posted by the CAISO on 7/20/07, such a process should not be problematic. However, should there be significant changes in the credit margins from that already posted, it may create a significant credit burden for LSEs. In fact, it is possible that had an LSE known the credit implications of the nomination, prior to the nomination process, they may have made different choices. Given this possibility, SCE would urge the CAISO to conduct a stakeholder process once the new credit margins have been posted to discuss the changes and the impacts of such changes upon the LSEs including the implications on the amount of credit or collateral that must be posted.

III. CRR Release Schedule:

Even though the MRTU start date will be delayed for at least four months (original date of October 2008 to February 2009), the CAISO will only allow a one week delay in the CRR process, despite major outstanding issues that still need to be addressed before the start of the 2009 PNP process. These issues include the following: 1) The CAISO has not completely resolved all Full Network Model (“FNM”) issues to lock in the FNM for the CRR Process; 2) The CAISO has not published its updated version of the CRR credit margins to enable market participants to evaluate credit risks for their PNP selections; 3) Recently, the CAISO discovered a major production issue with its proposed load migration methodology. The CAISO plans to file with the FERC, a waiver to allow the load migration adjustments to be conducted after the Annual 2009 CRR Allocation Process, rather than before, as the current CAISO Tariff requirements stipulates. Therefore, the CAISO will not be able to finalize its CRR eligibility quantities with the stakeholders until the FERC makes its decision on the CAISO’s waiver request; and 4) The CAISO announced to the market participants that there is a need to “unwind” CRRs for quarter 4 of 2008.

In summary, SCE believes that the CAISO needs to resolve these outstanding issues listed above before the start of the 2009 PNP process. Moreover, SCE believes the CAISO's proposal of a one week delay in the Annual 2009 CRR process is insufficient and may result in a poor quality decision-makings by market participants, which may have profound financial implications.