

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
<i>Tiff Nelson</i> <i>858 650-6182</i>	<i>SDG&E</i>	<i>11/23/2009</i>

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.

SDG&E supports this enhancement.

- 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.)

SDG&E supports this enhancement.

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

SDG&E supports this enhancement.

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

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.caiso.com/2461/2461bbf935ca0.pdf>, and presentation at <http://www.caiso.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?

SDG&E is in favor of simplifying the load migration data submittal process by having LSE's report migrating customer by customer class count rather than customer consumption. However, while the process may be simpler, time and effort are still required to change systems that are set-up for the current process. The ISO needs to build into its implementation plan time for MP to modify and test systems for the new process.

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?

The current CRR process for allocating trading hubs CRRs results in a large number of very small CRRs, which are cumbersome to manage. SDG&E is in favor of simplifying the award of trading hub CRR through a combination of trading hub and counterflow CRRs. SDG&E would like to see examples of how trading hub and counterflow CRRs would be awarded when binding constraints are present between trading hub resources and LAP sink. The ISO should also clarify the rules for renewal of trading hub and counterflow CRRs from this process.

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?

SDG&E is very much in favor of implementing as soon as possible the weighted least square objective function for resolving binding constraints in the SFT. It results in the equitable outcome for relieving constraints in the SFT by distributing the reductions across all MP nominations. Weighted least squares should also be implemented at the same time as the proposed changes in trading hub awards, since each process needs to be integrated with the overall SFT. Also, implementation of weighted least squares should

not held back as other major CRR enhancements, like ARRs, are considered, since it is beneficial in an ARR environment as well.

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?

SDG&E can support the elimination of multi-point CRRs.

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?

SDG&E does not support allowing an LSE to nominate 100% of the difference between the Monthly CRR Eligible Quantity (MEQ) and any previously allocated CRRs in tier 1 of the monthly allocation without the weighted least square objective function being implemented first.

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?

SDG&E is in favor of the concept to sell CRR acquired through the auction or allocation, but the Straw Proposal needs more information on the rules and structure for offering prior-awarded CRRs into the auction. It is unclear what is meant by "...but allocation CRRs would need to take on the "Financial CRRs" that would be required through the current SRS."

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?

SDG&E is concerned that reduction of the 75% capacity availability level in the annual process will result in binding constraints from previously awarded long term CRRs before the allocation process begins.

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?

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?

11. Other Comments?

In past comments rounds the ISO has asked for stakeholder opinion on Auction Revenues Rights (ARR), but they are absent from this Straw Proposal. Many of the issues in this Straw Proposal are simplified or resolved with an auction process rather than the current allocation process. PJM and MISO have already recognized the benefit of ARR and implemented them into their markets. The ISO should move forward with the stakeholder process for transitioning from CRRs to ARRs.