

## 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](mailto:CreditPolicyComments@caiso.com) by February 25<sup>th</sup> 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?

No. The Six Cities support retention of the current fifteen day settlement period. Many charges still are settled on a monthly basis, and multiple settlement periods will increase processing costs and complexity of settlement operations for market participants without significantly reducing credit risk.

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?

No. The Six Cities do not support implementation of daily settlements for the CAISO markets. For the reasons identified in response to Question 1, daily settlements would impose substantial additional burdens on the Cities that would not be offset by any significant benefits. Further, even if, contrary to the Cities’ position, daily settlements are implemented, unsecured credit should continue to be available to credit-worthy market participants.

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

No, the Cities do not support elimination of unsecured credit. Unsecured credit should continue to be available to credit-worthy market participants in reasonable amounts. However, the Six Cities would support consideration of different standards or requirements for different types of market participants, distinguishing, for example, between load serving entities and entities that participate in the markets on a purely financial basis.

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?

No. The Six Cities do not support the CAISO becoming a central counterparty to each transaction.

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?

The Six Cities do not support reducing the number of days to post additional collateral from the current three business days to two business days. The internal review and authorization processes applicable to collateral commitments for the Cities would make it extremely difficult to arrange for posting of additional collateral within two business days. At least for governmental entities (which, as FERC noted, generally have good payment histories), the time allowed to satisfy additional collateral requirements should be no less than three business days.

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

Yes. The Six Cities agree that there should be reasonable minimum creditworthiness requirements to participate in the CAISO's markets.

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"?

No. The Six Cities believe that current tariff provisions appropriately address situations involving a “material adverse change” and that additional standards are not necessary.

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

The Six Cities are in favor of recognizing, for purposes of determining creditworthiness, demonstrated access to revenue streams to support transactions in the ISO’s markets. For example, if a load serving entity that is a governmental entity has a documented policy or requirement to establish rates to end users sufficient to pay all power supply expenses, the resulting consistent revenue stream available to that entity should be recognized in determining credit requirements for that entity.

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?

Yes. There should be aggregate credit limits applicable to all affiliated entities. The cap should cover all markets in which the corporate family participates, just as it does today, and all affiliated entities.