



**COMMENTS OF ARIZONA PUBLIC SERVICE  
MARKET SETTLEMENT TIMELINE  
ISSUE PAPER AND STRAW PROPOSAL  
DATED JUNE 11, 2019**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
Adam Wardell Adam.Wardell@aps.com 602-371-6429	Arizona Public Service	June 27, 2019

Arizona Public Service (APS) appreciates the opportunity to comment on the California Independent System Operator’s (CAISO) Market Settlement Timeline Issue Paper/Straw Proposal. APS submits the following comments for CAISO’s consideration.

**Changes to Settlement Timeline within 60 Business Days**

APS generally supports the proposal for a new settlement timeline. We believe that the proposed initial T+7B statement will potentially be of much better quality than the current initial T+3B statement. However, the quality of the T+7B statement will be dependent on whether “high quality” meter data can actually be consumed into this proposed initial settlement statement. APS’ main concern is that it will be challenging for Scheduling Coordinator Metered Entities (SCMEs) to submit high quality meter data in the compressed initial submittal timeline of 4 business days. The result is that meter data incorporated into the T+7B initial statement may not be as high quality as the existing T+12B statement.

The current timeline allows 8 business days for SCMEs to submit Settlement Quality Meter Data (SQMD) to the CAISO. Under the new proposal, it is likely that SCMEs will submit less actual meter data by T+4B than they are currently able to submit by T+8B. As such, it is likely that the proposed T+7B statement would use more estimated meter data than is used in the current T+12B statement.

On each business day, SCMEs like APS go through a rigorous process to review & submit meter data to the CAISO. For example, the APS process includes steps such as: downloading meter data points for all resources; performing a Validating, Editing, & Estimating process (VEE) to identify and correct meter issues; and investigating, resolving, and documenting any identified issues prior to completing the SQMD submission. APS is generally able to complete this entire process within 8 business days. It would be challenging to complete the same VEE and submittal process from beginning to end with such a tight deadline (T+4B). An entity like APS would have to submit more estimated data at T+4B and then would have to perform an

extensive amount of re-work<sup>1</sup> on historical operating dates in order to finalize the actual meter data before the T+52B deadline. We feel this is less efficient than completing a higher quality SQMD submission by the initial deadline.

**APS strongly recommends that the ISO change the initial SQMD submittal deadline from T+4B to T+5B or T+6B, to ensure that the initial T+7B settlement statement will utilize high quality meter data.** Since T+4B is already a compressed timeline, incidents such as CAISO system outages or Market Participants' system outages could greatly impact the ability of SCMEs to submit high quality actual meter data by the T+4B deadline. In addition, any SQMD submission after weekends and holidays requires SCMEs to review more operating dates within the same compressed T+4B deadline, which can be very difficult. Allowing one or two additional business days (i.e. using a T+5B or T+6B deadline instead of T+4B) for SCMEs to complete their initial meter data validation and submittal would be tremendously helpful.

### **Distribution of Penalties for Inaccurate or Late Actual SQMD**

APS would like to highlight what we believe is an unfair penalty distribution practice that should be changed. Currently, SCMEs that violate the "Inaccurate or Late Actual SQMD" section of the ISO Tariff Rules of Conduct (Tariff Section 37) are assessed penalties. These penalty funds and interest are then allocated to market participants that were not assessed a penalty under the Rules of Conduct. However, if a market participant encounters one violation during a year, that market participant is ineligible to receive any allocation of penalty funds and interest for the entire calendar year. Using an annual measurement period to determine "non-offending" market participants for this infraction is not appropriate. It is a disproportionate consequence compared to the infraction, especially for market participants that rarely incur these penalties.

This annual measurement period also conflicts with instructions issued by the Federal Energy Regulatory Commission (FERC) about distributions of similar penalty funds. In Order 890-A<sup>2</sup>, FERC indicated that that using a one-year period to determine eligibility for unreserved use penalty distributions is not appropriate. The same principle should apply to CAISO's determination of eligibility for "Inaccurate or Late Actual SQMD" penalty distributions. APS proposes that the CAISO change the measurement period from an annual measurement to a

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<sup>1</sup> This re-work may include steps such as: re-downloading all the resource meter data points; re-performing the VEE process for any changes; reviewing all known open issues; resolving and documenting any changes to the meter data from the initial VEE process and submission; and re-calculating load.

<sup>2</sup> FERC Order 890-A (paragraph 473), emphasis added: ... *Although we will continue to allow transmission providers to propose a mechanism through which they will identify who is a "non-offending" transmission customer for purposes of making unreserved use penalty distributions, **this should not be based on the entire calendar year**..... For instance, for purposes of calculating penalty revenue distributions, **it would not be appropriate for transmission providers to lump together all customers who caused any degree of unreserved use over the course of a year into one group and then distribute the penalty revenues to the remaining customers.***

**monthly** measurement, when determining which market participants get a distribution of the penalty funds collected for that month.

APS notes that the proposed compressed schedule for initial SQMD submission (changing from T+8B to T+4B) could result in more “Inaccurate or Late Actual SQMD” penalties assessed to SCMEs than has occurred historically. These entities would then be disqualified from receiving any penalty fund allocations for the entire year. This underlines the need for CAISO to correct this penalty distribution practice, in order to better align penalty assessments and associated distributions with the monthly period in which they occurred.

### **Changes to Settlement Timeline after 60 Business Days**

APS supports the change to shorten the final settlement timeline from 36 months to 24 months. We believe that a two-year timeframe provides market participants with a more efficient settlement process and is still sufficient to capture all necessary resettlements.

APS requests that CAISO add an example settlement payments calendar to the stakeholder process page so market participants can understand when statements and invoices would be published under the proposed timelines.

### **Limiting Settlement Disputes to over \$100 and Settlement Dispute Timeline**

APS supports the proposal to limit the dollar amount of disputes to at least \$100 per dispute as outlined in the Issue Paper/Straw Proposal. In addition, APS is glad to see that the CAISO did not shorten the timelines for market participants to submit disputes after each settlement statement is published. With the proposed settlement timeline, CAISO will have more time to perform a higher quality review of disputes submitted by market participants between the proposed initial T+7B settlement statement and T+60B resettlement statement.

### **Timing of Stakeholder Process and Implementation**

While APS is supportive of the overall timeline of the stakeholder process, some of the proposed changes may require significant software and system modifications and will likely require alteration to market participants’ internal business processes. Sufficient time must be included in the implementation schedule for accommodating the changes. For these reasons, we recommend that the implementation take place in Fall 2020 instead of Spring 2020.

### **EIM Governing Body Role**

For the reasons set forth in the Straw Proposal, APS agrees that the EIM Governing Body should have an advisory role and the Board of Governors should have primary authority over the entirety of this initiative.

### **Conclusion**

APS appreciates the CAISO's consideration of these comments and looks forward to working with the ISO on this effort.