

## **Stakeholder Comments on: The CAISO's Payment Acceleration Project**

<b>Submitted by (Name and phone number)</b>	<b>Company or Entity</b>	<b>Date Submitted</b>
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Southern California Edison Company ("SCE") hereby submits its initial comments on the California Independent System Operator's ("CAISO") Payment Acceleration presentation, dated November 17, 2008.

### **Introduction**

SCE appreciates the opportunity to comment on the CAISO's Payment Acceleration presentation ("Payment Acceleration"), and would like to provide initial comments on the following areas: 1) Settlement Timelines; 2) Meter Data Submittals; 3) Invoicing; 4) Interest Payments; and 5) Deployment Schedule.

### **I. Settlement Timelines:**

SCE supports all but one of the CAISO's proposed settlement timelines, which is the 2<sup>nd</sup> True-up settlement timeline. SCE believes that the timelines can be accelerated to settle at T+60B rather than the CAISO's proposed T+76B timeline. In the current Pre-MRTU environment, the stakeholders were given sufficient time to perform necessary disputes to enable the CAISO to settle any true-up statements at T+51B. Rather than accelerating its true-up process, the CAISO has prolonging its true-up timelines by additional T+25B (margins between T+76B and T+51B). SCE strongly believes the concept of speeding up the 2<sup>nd</sup> True-up settlements will mitigate credit risk exposure and provides advance awareness of financial

liabilities to stakeholders. As a solution, SCE recommends the CAISO to consider the 2<sup>nd</sup> True-up settlement timelines to be settled at T+60B rather than T+76B.

## **II. Meter Data Submittals:**

SCE strongly supports the CAISO's revised proposal to require SC's to submit estimated settlement quality meter data that reasonable represents the load and generation they serve by T+5B. Requiring SC's to submit reasonable estimated settlement quality meter data addresses SCE concerns with respect to certain SC's gaming the CAISO market by delaying payment for load consumption until the 1<sup>st</sup> true-up statement or initially manipulating its financial position to take advantage of the differential between day-ahead and real-time prices.

However, SCE does not support the CAISO's proposal for meter data estimation if an SC fails to submit estimated settlement quality data by T+5B. The CAISO's estimation methodology is based on an SC's day-Ahead schedule and also the relationship between actual load and "total estimated meter demand" (TEMED). With respect to using a SC's day-ahead schedule as a backstop for an SC's failure to submit estimated settlement quality meter data SCE continues to oppose this methodology because it fails to address instances where an SC schedules zero MW in the day-ahead market and decides to purchase all of its load in real-time. Under this scenario the CAISO's proposal will not charge an SC for its load consumption until it submits actual meter data at T+38 (1<sup>st</sup> true-up statement). The result of this scenario is that SC's who do submit reasonable estimated meter data at T+5B will be subsidizing the costs of load for SC's between the initial invoice and the 1<sup>st</sup> true-up invoice. In addition, the CAISO's proposal fails to recognize and address the potential credit risk that this scenario creates for stakeholders.

Furthermore, SCE does not see the rationale for triggering the estimation backstop mechanism only when actual load exceeds TEMED by greater than 15%. SCE recognizes that the 15% threshold is to be consistent with the under-scheduling rules but SCE does not agree

with the CAISO that the under-scheduling provisions should be used as the basis for deciding if a SC should be charged for its real-time load consumption on the initial invoice. The 15% threshold is directly related to how much load a SC must schedule in the day-ahead market each hour, it is not a threshold for how much load a SC is to be charged for by the CAISO on its initial invoice. Having such a threshold creates subsidization across all SC's in the form of Unaccounted for Energy (UFE) and creates additional create exposure for stakeholders. By using system wide or UDC (CAISO has not specified) level actual load and the corresponding TEMD value the estimation methodology will mask the persistent failure of SC's to submit estimated settlement quality meter data , which will lead to increased credit exposure for stakeholders. Moreover, SCE requests the CAISO to clarify whether the TEMD is applied to UDC or system wide. For example, in a given UDC area, if large SC's are submitting reasonable estimated settlement quality data the UDC level actual load may always be within the 15% bandwidth, even though smaller SC's can consistently submit unreasonable estimated meter data.

It is SCE's recommendation that the CAISO use historical actual settlement quality meter data as its backstop mechanism in instances where SC's fail to submit estimated settlement quality meter data at T+5B. SCE further recommends that the CAISO default to historical actual settlement quality meter data every hour in which actual load is greater than TEMD. By utilizing historical actual meter data the CAISO can create a load profile for each SC that is based on actual load consumption instead of a day-ahead scheduled MW quantity that can by tariff be zero. Under SCE's recommended backstop estimation methodology subsidization of load, resulting from failure to submit estimated meter data, at the initial invoice is almost non-existent and the potential for actually increasing credit exposure to stakeholders is greatly reduced.

### **III. Invoicing:**

SCE prefers the CAISO's bi-monthly invoicing cycle to include multiple invoices (one type of settlement per invoice) to distinguish the different types of settlements (e.g. Initial, 1<sup>st</sup> true-up, 2<sup>nd</sup> true-ups, etc.) for validating and auditing purposes. However, SCE believes that the CAISO's proposal of generating one invoice per bi-monthly cycle, with all types of settlements categorized onto one invoice, is acceptable.

### **IV. Interest Payments:**

SCE position from the start of payment acceleration has been that interest should be applied to the first and all subsequent true-ups for a given settlement month. SCE's position remains the same and requests that the CAISO calculate interest on all true-ups not just the 1<sup>st</sup> and 2<sup>nd</sup>. Throughout the CAISO's true-up process money will be changing hands from one market participant to another, as such SCE's position is that each market participant impacted by the shifting of funds should be paid or charged the fair time value of money. To put another way all market participants should be compensated and correspondingly charged for temporarily being paid money that does not belong to them.

However, if the CAISO continues to move forward with the proposal to only apply interest on the first and second true-up SCE requests that the CAISO leave open the possibility to address interest on the 3<sup>rd</sup> and subsequent true-up invoices at a later date if stakeholders experience significant monetary shifts between the 3<sup>rd</sup> and subsequent true-ups.

### **V. Deployment Schedule:**

SCE strongly believes that accuracy and quality settlement results are crucial to the success of the Payment Acceleration implementation. Therefore, SCE opposes the CAISO's deployment schedule of publishing 1 month of MRTU's invoice. SCE urges the CAISO to

demonstrate 3 months minimum of accurate and stable MRTU settlement invoices to stakeholders before they implement the project, which could be 6 months or beyond the MRTU go-live date. Evaluation for accuracy and stability can be determined by the volume and types of disputes submitted by the market participants.