



**COMMENTS OF ARIZONA PUBLIC SERVICE
MARKET SETTLEMENT TIMELINE
ISSUE PAPER AND STRAW PROPOSAL
DATED SEPTEMBER 6, 2019**

Submitted by	Company	Date Submitted
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Arizona Public Service (APS) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) Market Settlement Timeline Revised Straw Proposal. APS submits the following comments for the CAISO's consideration.

4.1 Energy Imbalance Market Governing Body

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.

4.2 Schedule

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.

6.3.1 Proposal to re-align, consolidate & extend the required settlement timeline within 70 business days after a trade date

APS supports the CAISO's revised straw proposal to re-align, consolidate and extend the required settlement timeline to publish two settlements within 70 business days after a trade date (T+9B and T+70B). The revised proposed timeline allows Scheduling Coordinator Meter Entities (SCMEs) to maintain a rigorous process to review and submit high quality meter data up to 7 business days after a trade date (T+7B) and again 52 business days after a trade date (T+52B). We believe that the proposed initial T+9B statement will potentially be of much better quality than the current initial T+3B statement. The T+70B re-settlement statement that replaced the existing T+12B and T+55B re-settlement statements will give CAISO sufficient time to resolve complex disputes submitted after the initial T+9B settlement statement and will improve the accuracy of the next required statement.

6.3.2 Proposal to re-align and shorten the optional settlement timeline beyond 70 business days after a trade Date

APS believes that the CAISO's revised proposal for the optional re-settlement timeline after the T+70B statement provides too much time between the T+70B and T+12M and the following T+12M to T+21M (Figure 1 below). If an entity disputes a T+70B settlement, and their dispute is accepted by the CAISO, waiting an

additional 9+ months to receive the correct financial benefit places an excessive financial burden on the market participants.

Required Statements

Optional Statements

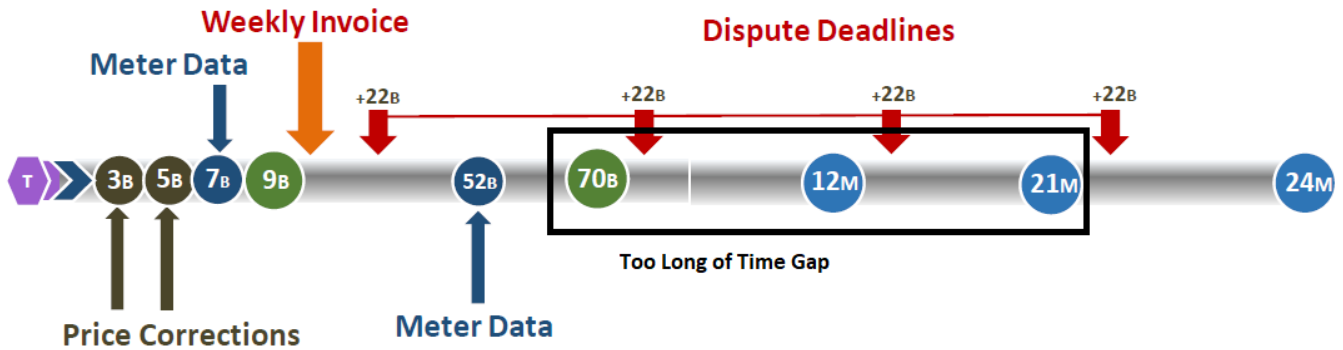


Figure 1: CAISO proposed settlement statement publishing timeline

APS instead suggests that the first two optional settlements be shifted closer to T+70B. We suggest moving the T+12M statement to within a time range of T+8M to T+10M. Consequently, the T+21M optional statement could be shifted to within a time range of T+15M to T+18M (see Figure 2 below).

Required Statements

Optional Statements

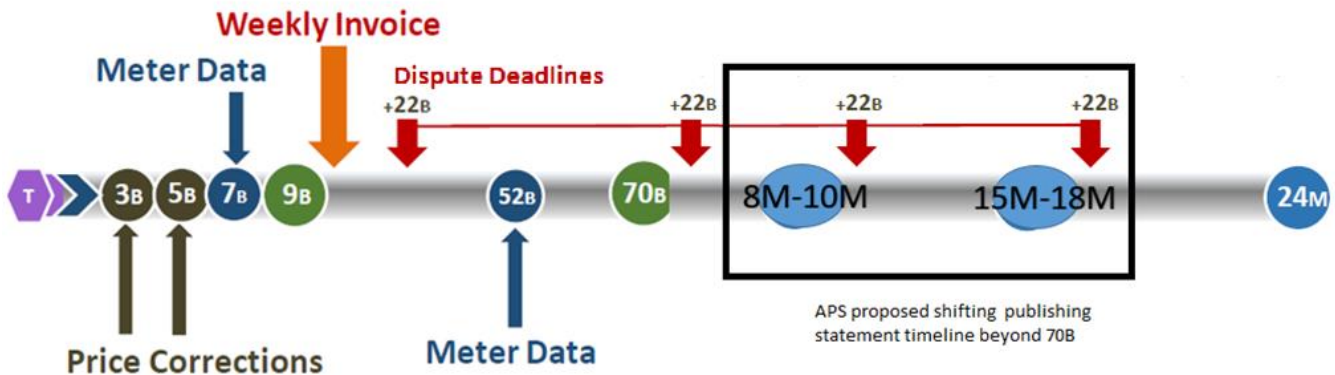


Figure 2: APS suggested settlement statement timeline

Shifting the proposed optional re-settlement for T+12M to within the time range of T+8M to T+10, and the T+21M optional re-settlement to within the time range of T+15 to T+18M will allow any disputes submitted and then resolved after T+70B to be settled in a more timely manner. Re-settlements due to a dispute on a specific

resource and/or a charge code (CC) potentially impact other CCs¹. The resulting re-settlement amounts can be significant. In these cases, it is important that market participants receive their appropriate distributions as quickly as possible. Timely correction of settlement errors and re-settlements not only reduce the financial burden imposed on market participants, but are also required to maintain accurate financial statements. As an added benefit, APS' alternative timeline would reduce interest charges all market participants, including CAISO, will benefit from the reduction in CAISO's interest expenses.

In the *Revised Straw Proposal* section 6.3.2, the CAISO states that the T+12M settlement is meant "to accommodate dispute resolution for a T+70B recalculation statement via a quarterly charge code change." CAISO charge codes are infrequently changed, and, in the event a charge code change does occur, APS believes those changes should be implemented at the soonest opportunity, not delayed until the T+12M settlement. For the aforementioned reasons, the delayed re-settlement timeline imposes a financial burden on market participants that outweighs the CAISO's desire to create a time buffer for a quarterly release schedule. CAISO goes on to state that "lead time for a charge code configuration release is 145 days to include changes for business practice manual configuration design and testing." APS does not understand the CAISO's logic and would request clarification on this issue. Our current opinion is that the charge code configuration release should not impact the optional settlement timeline.

Finally, APS would like the CAISO to clarify the difference between "required settlement statements" and "optional settlement statements", and if there is any dollar threshold to trigger optional re-calculation. The Revised Straw Proposal does not provide adequate details on the "trigger" (or triggers) other than stating:

The CAISO will trigger re-calculations using the same criteria it uses today: settlement adjustments based on complex software defect resolutions, participant dispute resolutions identified on prior recalculation statements, good faith negotiations, and FERC mandated adjustments.

6.3.3 Proposal to limit settlement disputes that the CAISO will consider

APS' initial comments were in support of proposal 6.3.3 as APS recognizes the considerable efforts the CAISO devotes to resolving low dollar disputes. Reducing the time and resources devoted to low-dollar disputes could allow the CAISO to focus their efforts in areas with higher value outcomes. However, after listening to comments from other market participants on the August 22, 2019 stakeholder call, APS has revised our stance on this proposal and we no longer agree with the proposal for a \$100 per dispute threshold. As the billing agent, the CAISO is responsible for ensuring accuracy of all statements. Additionally, the complex interrelationship of charge codes results in net settlement impacts that are often difficult to determine. For instance, charge code relationship can be non-linear. That is to say, a disputed a charge code settlement under the \$100 threshold could result in an impact greater than \$100 to a different charge code. Additionally, multiple charge codes can be impacted in any given dispute. Even though the disputed charge code settlement may fall under the \$100 threshold, the dispute could impact multiple charge codes that combine to be greater than \$100.

APS believes that CAISO could reduce the number of low-dollar disputes by implementing process improvements to the dispute and inquiry process. First, the CAISO could provide market participants better guidance on when questionable settlement values should be an "Inquiry" and when they are a "Dispute" requiring the CAISO's review. Second, market participants should be provided clear guidance on the types of disputes that qualify as "placeholder" dispute for re-occurring settlement errors and should allow date ranges for placeholders instead of specifying a single day. Third, we believe CAISO could provide more timely and

¹ ex: a dispute associated with an imbalance charge may also impact the re-settlement of Bid Cost Recovery CC and/or Real Time Imbalance Energy Offset (RTIEO) CC

insightful information when inquiries are made of them. Often, responses to inquiries can be vague and take extended time to receive. For the aforementioned reasons, APS does not support a \$100 threshold for disputes.

Conclusion

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