

Stakeholder Comments Template

Subject: Payment Acceleration Proposal

This template has been created for submission of stakeholder comments on the following topics in regards to Payment Acceleration. Upon completion of this template please submit (in MS

Submitted by	Company	Date Submitted
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Word) to pacceleration@caiso.com. Submissions are requested by close of business on October 24th, 2008.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. Bifurcation of DA/RT, Estimation & Settlement Timeline Options

During the Payment Acceleration Stakeholder meeting on October 16th, 2008, alternatives were discussed in regards to the Settlements timeline, estimation, and bifurcation of DA/RT settlements. The following options were discussed:

- Option #1 - Add a Settlement calculation at T+9B (in addition to the proposed 'DA only' calculation at T+2B). This would provide a settlement run for RT charges prior to the proposed T+50B timeline, as well as allow for a DA/RT bifurcation at T+2B. The T+9B calculation would use one of the following estimation options absent polled or SC submitted data availability:
 - DA IFM Schedules Only
 - DA IFM + adjustment based on CAISO Actual Load
 - Current Credit Liability Meter Data estimation (uses the IFM DA schedule and adder of +/- 10% factor (or other % Factor).

In addition, T+9B would replace the T+7B credit run.

- Option #2 - Replace the proposed T+2B DA Only Settlement calculation with a T+5B calculation that includes both DA and RT charge codes. The T+5B calculation would use an estimation methodology based upon hourly load forecast data, which is used for all real-time load settlement calculations prior to receiving actual meter data. In addition, T+5B would replace the T+7B credit run.

	Timeline	Estimation
Option #1	T+2B – DA Only T+9B – DA &RT T+50B – 1 st true-up T+100B – 2 nd true-up	One of three proposed options (i.e. DA IFM schedules)

	T+18M - 3 rd true-up T+35M - 4 th true-up	
Option #2	T+5B – DA &RT T+50B – 1 st true-up T+100B – 2 nd true-up T+18M - 3 rd true-up T+35M - 4 th true-up	DA schedules + hourly load forecast data

Please provide comments on these options:

APX appreciates the opportunity from the CAISO for allowing stakeholders to submit further comments regarding the payment acceleration project.

Option #1:

APX supports the methodology of a Day-Ahead only calculation to take place at T+2B and a settlement calculation at T+9B which includes the DA and RT charge codes. The first true up will occur on T+50B. APX agrees with using the DA IFM Schedules Only as it aligns with the support of the Calpine Proposal. Using DA IFM Schedules Only will eliminate the need to estimate meter data and the methodology is consistent with other ISOs.

The three options presented by the CAISO use Day-Ahead Schedules as a basis for the estimation process. Using the Day-Ahead Schedules with or without a 10 percent adder imposes additional costs and risks to large Load Serving Entities (LSEs) who are required to purchase a minimum of 95% of their load in the Day-Ahead market.

Under the CAISO's proposals, incremental load that shows up in real-time will be classified as Uninstructed Imbalance Energy (UIE) and allocated to LSEs using a load ratio share methodology based solely on Day-Ahead Schedules. Additionally, because small LSEs (less than 500 MWs) are exempt from underscheduling charges, the potential for these LSEs to not schedule any of their load in the Day-Ahead market and purchase all of their load in real-time will exist.

Therefore, under the CAISO proposal, LSEs who do not schedule load in the Day-Ahead market will not get charged for their real-time purchases until the T+9B. This will be an incentive for the small LSEs to schedule their load in the Day-Ahead market and will prevent the large LSEs from subsidizing the purchases of the small LSEs until the T+50B true-up.

2. Methodology for Estimating Meter Data

SCE has suggested the CAISO to seek additional alternatives to the three estimation options presented on September 18th. In particular, SCE recommends the CAISO to investigate the meter estimation methodology used by the New York ISO. It is their

understanding that the NYISO methodology is based upon hourly load forecast data which is used for all real-time load settlement calculations prior to receiving actual meter data. NYISO has been using this methodology since its market inception in 1999 and may provide the CAISO with a fair and viable alternative to the estimation approaches currently being proposed.

CAISO is exploring this option. Would you support an estimation methodology based on hourly load forecasts?

APX supports the bifurcation of DA/RT Estimation Settlements using schedules only and would urge the CAISO to further explore this option. However, if the majority of the stakeholders agree to estimate meter data and bifurcation of DA/RT Settlements is no longer a choice, then APX would support SCE's proposed methodology to investigate the meter estimation process used by the NYISO. APX also understands the methodology is based upon hourly load forecast data which is used for all real-time load settlement calculations prior to receiving actual meter data. There may be other alternatives in use by other markets. For example, ERCOT relies on load profiles based on historical loads for a 10-day period in its settlement.

3. Implementation Schedule

Do you support the phased implementation approach discussed in the October 16th Stakeholder Meeting? Assuming invoicing remains the same as the MRTU implementation (monthly at month-end), could you support an accelerated timeline within 1-3 months post MRTU Go-live?

APX supports the CAISO's Payment Acceleration plan under MRTU but recommends the CAISO to continue conducting a stakeholder process to identify an alternative approach that incorporates all stakeholders' issues and concerns as well as the time required to implements a payment acceleration program that addresses all stakeholders' needs. APX supports the initial payment acceleration implementation date proposed by the CAISO six months after MRTU Go-Live.

4. Invoicing

Would you support an invoice solution that meets the following criteria?

- Does not mix initial and true-up statements from previous accounting months
- Includes trade dates from a specific month only, but not necessarily includes trade dates that encompass a full month (i.e. could include a partial month).
- Monthly charges are on invoice that included the month end date.

APX supports an invoice solution that encompasses monthly charges on an invoice that include month end date and does not mix initial and true-up statements from previous accounting months.

5. Other Comments?

APX appreciates the opportunity to submit comments on the Payment Acceleration Proposal. APX supports the CAISO's efforts to accelerate the current payment cycle and urges the CAISO to conduct a thorough stakeholder process and address all issues and concerns prior to implementing Payment Acceleration.