

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:

California Department of Water Resources - State Water Project (SWP) does not support Option #1 because the bifurcation of DA/RT under this option has several problems resulting from cutting the link between the DAM and RTM. First, it will impact the effectiveness of the Convergence Bidding mechanism, which must see the DAM and RTM as a whole market. Second, it could invite under-scheduling for some load and over-scheduling for some generation, which will result in real time imbalance and reliability problems. Third, the bifurcation will most likely force CAISO to have two neutrality accounts: one for the DAM and one for the RTM. Finally, it will introduce complexity for accounting staff who will have two verifications for any given day: the first time when the DAM statements are available and a second time when the RTM statements are available at a later date.

With regard to Option #2, SWP believes it is acceptable if CAISO publish the first Settlement Statement on T+9B because T+5B might be too early for CAISO to publish the first Settlement Statement. CAISO needs to have longer time allowance to make sure that the Locational Marginal Prices for products such as energy, ancillary services, and residual unit commitment are correct. Only after the prices and quantities are confirmed should CAISO calculate the Settlement Statement because the first Settlement Statements are important for Market Participants. An accurate first Settlement Statement will guide Market Participants to participate effectively in the markets whereas a bad feedback could potentially create market and reliability problems. In conclusion, DAM and RTM transactions should be settled simultaneously, and CAISO should publish the first Settlement Statement on T+9B.

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?

SWP believes that with the improvement of CAISO load forecast tool, hourly load forecast can be used for the calculation of the first Settlement Statement. Also, SWP encourages CAISO to consider using any available real time metered data, such as substation level metered load data or Energy Management System data for load forecast purposes.

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? .

SWP believes that accelerated implementation schedule for Payment Acceleration needs to be balanced with stable MRTU performance. At the beginning for MRTU go live, there may be some calculation problems. CAISO should not implement the Payment Acceleration at the same time when the MRTU goes live. SWP suggests a six month waiting period for both CAISO and Market Participants to feel comfortable moving into the Payment Acceleration regime.

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.

Please provide detailed examples of your preferred invoicing solution.

Yes.

5. Other Comments?

SWP appreciates the opportunity to submit comments to CAISO. Although Payment Acceleration is desired by some Market Participants, it must be designed to avoid potential problems. For example, when the Settlement Statements are published prematurely, the accuracy of those Settlement Statements could not be guaranteed. Inaccurate Settlement Statements could mislead market participants when they participate in CAISO markets. Invoicing too frequently will increase burdens on accounting staff, could result in delayed money transactions, and would increase the number of disputes. If CAISO invoices Load Serving Entities more frequently than they can invoice their customers, the Load Serving Entities must increase cash reserves to run their business; which will increase cost to rate payers.