

Stakeholder Comments – Payment Acceleration

Table below includes all comments received post CAISO's 8/19 Payment Acceleration Stakeholder meeting.

Client	Comments
Powerex	<ol style="list-style-type: none"> 1. Calpine Proposal: Powerex strongly supports Calpine's proposal as presented by Mark Smith. Weekly settlements should be the end goal of payment acceleration and if possible should be implemented at MRTU GoLive. The CAISO appeared to support bi-weekly settlements as an end goal but best practices is now weekly settlements. 2. Financial Analysis: Powerex is willing to participate and support the CAISO on any financial analysis of Payment Acceleration options. The Powerex contact person for this is Lisa Hopkins. 3. Credit Review: In today's call, it came to Powerex's attention that the credit review/run is only performed on a weekly basis, seven business days after the trade day. Powerex strongly suggests that the CAISO perform credit reviews under MRTU on a daily basis to minimize credit exposure (Please see Powerex's previous comments on other credit issues, default allocation and unsecured credit). Powerex recommends that the CAISO improve their credit practices to emulate the best practices of other ISO/RTO's.
CDWR	<p>Day Ahead Market (DAM) Settlement Process</p> <p>Certain Market Participants (MP) proposed to invoice DAM and RTM settlements separately. Separating the DAM and the RTM settlements looks attractive; however, it would have some problems. First, it would make invoicing more complex. Sending two invoices for one trading day would make it harder for MPs to analyze their power operation and market participation. Separating DAM and RTM invoicing will cut the connections between the DAM and RTM, the connections are very important to both CAISO and MPs on system reliability and market efficiency. When two invoices are developed on different dates; it will also be harder for the CAISO to maintain revenue neutrality and to re-run the market. The same is true for Market Participants to perform shadow settlements and for disputes. For the reasons noted above, CDWR-SWP can not support the DAM Settlement Process.</p> <p>Invoice Frequency</p> <p>CAISO proposes to invoice MPs once a month. CDWR-SWP, in general, agrees with CAISO that monthly invoicing is a reasonable approach. Monthly invoicing synchronizes CAISO billing with the monthly billing practices that most Market Participants exercise. Monthly invoicing agrees with many billing periods such as that of Congestion Revenue Right and WSPP power contracts. At the same time, monthly invoicing does not increase work load for settlement staff of the MPs that handle the invoices. SWP shares concern that weekly or bi-weekly invoicing would mismatch CAISO billing practice with many MPs billing practice, which would create cash flow holes or credit volatilities for some MPs. Too frequent billing will also increase work load for MPs settlement staff, which could result in more misunderstandings or disputes. Therefore, CDWR-SWP supports the monthly invoice approach.</p> <p>Deployment Schedule</p> <p>CAISO proposes to implement the Payment Acceleration six months after the MRTU Start. CDWR-SWP understands that a 6 month delay of Payment Acceleration is a reasonable approach. At the beginning of the MRTU Start, there may be some errors or surprises that need to be fixed or customized. A six month period is necessary for Market Participants to be prepared for the implementation of the expedited billing. It may be dangerous for CAISO to implement the Payment Acceleration simultaneously with MRTU. In conclusion, CDWR-SWP agrees with CAISO to have a six month period before implementing the Payment Acceleration design.</p>
SMUD	<p>Settlement Timeline</p> <p>Agree with proposed timeline; does not mind seeing the DA separated out on a weekly basis eventually.</p> <p>Estimation of Meter Data using polled, meters, and schedules - Not affected</p>

Invoicing

Agrees with proposed 3rd Tuesday of each month, but would prefer that the invoicing stay for a whole trade month, instead of by calendar date. Monthly frequency is fine; if DA is separated out, more frequent invoicing works for that piece, would prefer RT market continue to be invoiced on monthly basis.

Sunset Proposal- Agrees

Deployment Schedule

Agree with 6 month proposal and does not think this should coincide with MRTU. If the DA is separated out, that should not occur before the 6 month period to give SCs time to adjust to the new design. The idea of a market simulation is good, doesn't need to be extensive, just once cycle is fine. Summer implementation isn't a concern.

SCE

Requested information on Dispute Process. Provided the following table to illustrate the dispute process and timeline.

STATEMENT	Timeline	Dispute Topics	Dispute Deadline	SC Days	CAISO Days	CAISO Dispute Response	GFN Deadline
Initial	T+9B	Anything, but Gen, Load, Intertie meter data related	T+28B	19B	19B		Dispute Response + 3M
Reissue/Recalc	T+50B	Anything	T+74B	24B	23B		Dispute Response + 3M
Recalc	T+100B	Incremental Changes to T+100B	T+12M				Dispute Response + 3M
Optional Recalc	T+18M	Incremental Changes to T+18M	T+19M			T+20M	Dispute Response + 1M
Optional Recalc/Sunset	T+36M	N/A					

EPIC Merchant Energy

EPIC views payment acceleration as vitally important to both the initial and the future success of CAISO's MRTU market. The credit and capital implications involved in this matter are clear and profound. While EPIC appreciates the CAISO's effort to accelerate payments, CAISO must understand that their proposed acceleration falls far short of other ISO/RTO settlement schedules. The CAISO should view payment acceleration as a priority project and the CAISO must address the inordinately length of the proposed settlement period.

1. The CAISO's proposed market clearing periods are much longer than those of other ISO/RTOs. While the proposed schedules are an improvement over the extended period of settlement that is currently in place, it will still be far off the standard set by the other ISO/RTOs.
 - a. CAISO has the opportunity to set a new industry standard for settling markets. The proposed schedule is not acceptable and CAISO should aggressively work to shorten the settlement period further.
 - b. Existing ISO's/RTO's have market clearing periods ranging from weekly to 5-7 days after the end of the previous month. The CAISO's new proposal of a 38 business day clearing period is well out of alignment with the industry and would result in serious cash flow and credit difficulties for many market participants.
 - c. The MRTU implementation should see a large increase in the number of market participants in the CAISO market. Many of these entities participate in all the ISO/RTO

markets. If collateral is tied up in the CAISO market for an extended period of time, then this collateral is not available for use in other markets. Opportunity costs will be impacted, along with a decrease in market participation in CAISO.

- d. The CAISO should initially seek to shorten the proposed market clearing period to 7 days or less and eventually move toward a 5-day settlement period.
2. The CAISO should ensure that the Payment Acceleration Project is implemented with the MRTU rollout.
 - a. The MRTU has been delayed a number of times. Some systems are ready and some or not. These delays should have allowed CAISO time to ensure that the settlement software is ready with the implementation of MRTU.
 - b. Settlements are not new process. CAISO executes settlements at the current time and other ISO/RTO complete settlement for their financial markets. There is no reason that the CAISO should delay implementing the acceleration project for six months after the start of MRTU. There is too much industry experience for the CAISO to draw upon to not have their settlement systems ready for MRTU.
 - c. CAISO may want to consider evaluating collateral on a more frequent basis, which would essentially allow for shorter settlement periods.
 3. The CAISO should ensure that their Credit Policy is aligned with the new accelerated payment schedule. All related collateral should be released at the end of the market clearing period.
 - a. An accelerated schedule for posting collateral, clearing the market and settling the market would be vital to the MRTU's market participants. If CAISO wants full market participation, CAISO should strive keep this schedule as short as possible and ensure that monies returned to the participants expeditiously.
 4. The CAISO should use every effort to ensure that the initial invoice issued to market participants has a high degree of accuracy. Material changes to this invoice will adversely impact market confidence and participation.
 5. Dependency on real-time metered data should not delay the settlement of day-ahead products, such as CRRs. The CAISO should settle these products against the Day Ahead information at their disposal without waiting for real time data.

To consider the MRTU as a well functioning market the CAISO must ensure the Payments Acceleration Project is on schedule, is accurate and provides the shortest settlement possible. The CAISO should view the Payments Acceleration Project as a priority.