

# Comments of J.P. Morgan Ventures Energy Corporation

## Subject: Payment Acceleration Proposal

Submitted by	Company	Date Submitted
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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 Word) to [paceeleration@caiso.com](mailto:paceeleration@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 16<sup>th</sup>, 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 <sup>st</sup> true-up	One of three proposed options (i.e. DA IFM schedules)

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

Please provide comments on these options:

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) supports Option 2. J.P. Morgan supports expedited settlement based on final Day-Ahead Market schedules, as appropriately updated with hourly forecast data. J.P. Morgan supports this option assuming that development and submission of the Load-Serving Entity hourly forecast data is feasible and would not otherwise delay implementation of Payment Acceleration. (Sections 4.5.3.7 and 19 of the CAISO Tariff already require Load-Serving Entities to submit monthly and annual peak demand forecasts. J.P. Morgan’s support for Option 2 presumes that submission of hourly forecast data would not be overly burdensome, is feasible, and would not delay implementation of Payment Acceleration).

At this juncture, it is not evident that use of either of the other estimation options (e.g., DAM schedules with adjustments or Credit Liability Meter Estimation Tool) is any more (or less arbitrary) than use of final Day-Ahead Market schedules adjusted with hourly forecast data. Assuming that to be the case, Option 2 appears to be the best means to expedite implementation of both Day-Ahead and Real Time Market Payment Acceleration.

As noted in its previous comments, J.P. Morgan supported the application of interest to true up payments to address certain incentive issues. In particular, J.P. Morgan supported the application of interest to payments in circumstances where final Day-Ahead Market schedules are used as the basis for initial settlement. J.P. Morgan believes that application of interest to such payments is consistent with the purpose of the CAISO’s load underscheduling penalty mechanism, i.e., to establish incentives for load to schedule their expected load in the Day-Ahead Market. However, as discussed at the October 16, 2008, meeting on Payment Acceleration, J.P. Morgan disagrees that application of interest is needed to address generator performance issues, e.g., generator forced outages. First, J.P. Morgan believes that this is a small issue (probability of a forced outage is generally around 3-4%). Moreover, J.P. Morgan suggests that generator performance obligations and penalties are already addressed in the terms of bilateral contracts and are being discussed in other forums (CAISO Standard Capacity Product initiative, CPUC Capacity Market proceeding). Finally, to the extent that the CAISO adopts a Payment Acceleration proposal that provides for settlement based on final Day-Ahead Market schedules as adjusted by hourly load forecast data, J.P. Morgan suggests that the need to apply any interest penalties may be obviated.

## 2. **Methodology for Estimating Meter Data**

SCE has suggested the CAISO to seek additional alternatives to the three estimation options presented on September 18<sup>th</sup>. 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?

As noted above, J.P. Morgan supports settlement of the CAISO's Day-Ahead and Real Time Markets based on final Day-Ahead Market schedules, as adjusted by hourly forecast data. (J.P. Morgan assumes that the use of hourly forecast data discussed here is the same as that referenced with respect to Option 2, above).

## 3. **Implementation Schedule**

Do you support the phased implementation approach discussed in the October 16<sup>th</sup> 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? .

J.P. Morgan supports an accelerated implementation schedule (1-3 months post MRTU go-live) for Payment Acceleration.

## 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.

As noted in J.P. Morgan's previously submitted comments, J.P. Morgan can support mixing initial and true-up statements across trade months. However, J.P. Morgan can also support an invoice solution that satisfies the above-identified criteria.

## 5. **Other Comments?**

(Submit Comments Here)