Comments of J.P. Morgan Ventures Energy Corporation on CAISO Payment Acceleration Implementation Proposal

Submitted by	Company	Date Submitted
Steve Greenleaf *(916) 802-5420*	*J.P. Morgan Ventures Energy Corporation*	*January 23, 2009*

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) appreciates this opportunity to provide comments on the CAISO's proposed Payment Acceleration (PA) Deployment Criteria and Implementation Plan. As consistently stated in J.P. Morgan's previous comments on Payment Acceleration, J.P. Morgan believes that the quick and timely implementation of the CAISO's Payment Acceleration proposal is critical to reducing market risk and is aligned with both the CAISO's long-term strategic objectives and the interests of all market participants. J.P. Morgan views the CAISO's Payment Acceleration proposal as a necessary next step towards weekly invoicing and settlement of the CAISO's markets.

1. **Deployment Criteria and Implementation Schedule**

    During the Payment Acceleration Implementation Workshop on January 14th, 2009, alternatives were discussed in regards to the Deployment Criteria and Implementation Schedule. CAISO has published a proposal with consideration to input received during the workshop. Please provide comments on the proposal.

Overall, J.P. Morgan supports the CAISO's proposal to segment the PA implementation schedule into three parts – system development, dry run, and implementation. J.P. Morgan believes that the CAISO's proposal that the CAISO and market participants complete all system development work by June 1, 2009, is reasonable. While J.P. Morgan believes a two-month dry period may be sufficient, it is not opposed to the CAISO's proposed three-month dry run period. Finally, J.P. Morgan believes a one month final implementation window is reasonable.

J.P. Morgan supports, with qualification and subject to further clarification, the CAISO's proposed Deployment Criteria.

I. Comments on Payment Acceleration Entrance Criteria

With respect to the proposed Entrance Criteria (p.2, item I.1), J.P. Morgan agrees that final business and technical documentation (e.g., Business Practice Manuals, updated Payment Calendar, updated technical specifications, etc.) need to be completed prior to implementation of PA. J.P. Morgan recommends that the CAISO target completion of technical specifications/requirements by the end of February, 2009.

With respect to the criteria for defining a "successful" PA Dry Run period (p.2, item I.2), J.P. Morgan agrees with the CAISO that the appropriate emphasis is on whether the PA "functionality" is performing as expected and not on the more amorphous concept of "accuracy." Specifically, the CAISO should be able to demonstrate that it can allow for the timely submission of estimated meter data, that it can publish daily and monthly statements, that it can publish bi-monthly invoices. J.P. Morgan also recommends that to the extent that the CAISO can demonstrate that the PA functionality performs acceptably over the course of two weeks of a month during the Dry Run period that the CAISO not be compelled to publish settlement statements for each day of the applicable month.

J.P. Morgan recommends that the CAISO expeditiously develop and enable the functionality or business processes necessary to support meter data submission for Generators. As understood by J.P. Morgan based on the discussion at the January 14, 2009, stakeholder meeting, the CAISO cannot currently accommodate this functionality. While the CAISO and generators should be able to generally rely on CAISO polled meter data, the functionality should be in place for generators to submit estimated meter data in instances where CAISO polled data is unavailable or is obviously in error. J.P. Morgan understands that this requirement could be provided by establishing a new business process and technical requirements (submission of data file/type to the CAISO) and does not necessarily have to be enabled through a system modification.

J.P. Morgan has concerns about the application of bulleted items 5 and 6, under item I.2 of the entrance criteria. With respect to bulleted item 5, "Issue Resolution", to the extent that this criterion requires that more typical questions/disputes regarding the application of certain charge types or billed quantities on a settlement statement must be resolved prior to implementation PA, J.P. Morgan does not support application of this criterion. J.P. Morgan requests that the CAISO clarify the intent of this element. With respect to bulleted item number 6, "Incorporate specific Market Participant test scenarios", J.P. Morgan recommends that the CAISO narrow the focus of this effort and limit the number of tested scenarios so that this activity does not necessarily delay implementation.

II. Production Stability

The CAISO proposes certain "exit criteria" from the post MRTU go-live environment before proceeding with PA implementation. Specifically, the CAISO proposes that it demonstrate on-time publication of two consecutive (T+38) and Recalc (T+51) invoices based on the initial MRTU payment calendar (p.2). J.P. Morgan agrees that system stability is an important issue and that the settlement system be performing as expected. J. P. Morgan notes that in the CAISO's January 16, 2009, MRTU Readiness Certification filing at FERC, the CAISO represents that all necessary MRTU charge codes have been validated and that the software is producing accurate prices on settlement statements (see pp. 11-14). Therefore, J.P. Morgan expects that the "exit criteria" described above should be easily met.

While J.P. Morgan agrees with the CAISO that system stability is essential and that "accuracy" not be considered as part of the deployment criteria, J.P. Morgan is concerned with the CAISO's qualification that "severe" accuracy issues may result in a reevaluation of the implementation timeline. Clearly, "accuracy" is in the eye of the beholder and J.P. Morgan cautions the CAISO to clearly define up front the issues that result in a further delay of PA. The occurrence of more typical "settlement statement" disputes should not result in a delay. J.P. Morgan recommends

that the CAISO focus on "on time" publication" of initial and recalculated statements and invoices.

2. **Estimation Flag**

Do you support a requirement to add a status flag to OMAR identifying Actual vs. Estimated values? This would require additional work on the MP's systems to pass the value to CAISO through a .CSV or MDEF file.

If the estimation flag functionality in OMAR was implemented, would you utilize it?

Do you support a mechanism for identifying CAISO estimated values on Settlements Statements? This would require file format changes and need potential MP system changes.

J.P. Morgan supports development of "estimation flag". J.P. Morgan believes that it is important to clearly distinguish between the use of actual and estimated meter data. However, J.P. Morgan does not want this issue to further delay implementation of PA. J.P. Morgan requests that the CAISO provide further information regarding the development requirements (time and cost) of this functionality and whether there are other, more simple to implement, alternatives for flagging use of estimated data that could be implemented on an interim basis.

3. **Noon Deadline for submission of SQMD at T+5B**

In order to complete processing for a T+7B settlement timeline, CAISO is requesting meter data be submitted by noon at T+5B. Do you a support a noon deadline for submission of SQMD at T+5B?

J.P. Morgan can support a noon deadline for submission of SQMD at T+5B.

4. **Business Use Cases**

During the Payment Acceleration Implementation Workshop on January 14th, 2009, a concept of business use cases was presented as a way to engage stakeholders early in the requirements phase and reduce potential issues during the implementation phase.

Would you support participating in this activity during our next Implementation Workshop?

J.P. Morgan supports application and use of the "use case" concept as a means to engage stakeholders early in the requirements phase and reduce potential issues during the implementation phase.