

Comments of J.P. Morgan Ventures Energy Corporation

Subject: CAISO 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 pacceleration@caiso.com. Submissions are requested by close of business on October 2nd, 2008.

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

1. Bifurcation of DA/RT Settlements

During the Payment Acceleration Stakeholder meeting on August 19th, 2008, Calpine presented a proposal to bifurcate the DA/RT settlements (proposal was posted for MP review on 8/20/08). CAISO is conducting an impact analysis on this proposal and to date has concluded the following:

- No legal or policy issues exist that would prevent a DA/RT market settlement bifurcation.
- System and process impacts exist, however; CAISO feels they are manageable.
- Due to system/process impacts, implementation would occur post MRTU go-live.
- Complexity of Meter Estimation is eliminated.

Please provide comments on any impacts this proposal would have on your systems and/or processes.

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) supports the expeditious implementation of the CAISO's Payment Acceleration proposal. J.P. Morgan believes that the Payment Acceleration proposal is a critical feature that, along with other needed enhancements to the CAISO's credit policies, will reduce market risk and conform the CAISO's policies to other best practices both within the electric industry and across industries.

J.P. Morgan generally supports the Calpine proposal to bifurcate treatment of the day-ahead and real-time market settlements so long as the proposal would not impact the MRTU go live date. Specifically, J.P. Morgan can support initial settlement of the MRTU day-ahead energy market based on final day-ahead schedules. J.P. Morgan also understands that accelerated settlement of the CAISO's real-time energy market would occur at a later time. However, J.P. Morgan notes

that the CAISO has indicated that accelerated settlement of the day-ahead market would occur post MRTU go live. A key consideration in J.P. Morgan's support for bifurcation would be that the bifurcated approach not further delay accelerated payment of the real-time market. J.P. Morgan understands that the current target date for implementation of Payment Acceleration (as applicable to both the day-ahead and real-time markets) is six-months after the start of MRTU.

2. Methodology for Estimating Meter Data

CAISO held a conference call on September 18th, 2008 to discuss potential methodologies for estimating Meter Data at T+5B absent polled or SC submitted data availability. Options discussed are listed below:

- Using DA IFM Schedules Only
- Using DA IFM + adjustment based on CAISO Actual Load
- Use current Credit Liability Meter Data estimation (uses the IFM DA schedule and adder of +/- 10% factor (or other % Factor).

J.P. Morgan supports use of final day-ahead market schedules as the basis for accelerated settlement. While J.P. Morgan is not opposed to more refined approaches (e.g., DA IFM schedules plus adjustments based on actual CAISO load or Credit Liability Meter Data estimation), J.P. Morgan would be concerned if development and implementation of such methodologies would delay implementation of payment acceleration. J.P. Morgan observes that use of the more complex alternatives may require more process to refine the approaches and may in fact require CAISO Tariff and CAISO system changes.

3. Guidelines for SC submitted T+5B Meter Data

- "measurement file" guideline vs. SQMD requirement
- Determining accuracy for SC submitted "measurement file" or SQMD
- Responsibilities for compliance for SC submitted "measurement file" or SQMD

As noted above, J.P. Morgan generally supports using final day-ahead market schedules as the basis for initial settlement under a payment acceleration proposal. However, J.P. Morgan can generally support imposition of a requirement for Scheduling Coordinators to submit either Settlement Quality Meter Data or a measurement file that satisfies certain established guidelines. J.P. Morgan recognizes that not all market participants may be able to submit SQMD five days after a given trade date. J.P. Morgan advises the CAISO not to develop a meter data estimation methodology the implementation of which will further delay implementation of Payment Acceleration.

4. In cases where Meter Data estimation is used, do you support applying interest charges on the variation between initial & true-up statements?

J.P. Morgan conceptually supports the application of interest charges to differences between initial settlement statements and final settlement statement. Application of interest charges to these differences will create an incentive for market participants to, if applicable, provide best estimates meter data at T+5B and will preserve the intended incentives of the load under-scheduling charge and real-time deviation charges.

5. Implementation Schedule

Would you support a manual invoicing process to accelerate payments and cash clearing on an interim basis until the final Payment Acceleration solution can be implemented post MRTU go-live? The manual process would not require any SaMC external interface changes. It would be based on pre-payment of DA charge codes and be reflected on the SaMC invoice.

J.P. Morgan would support a manual invoicing process in order to implement payment acceleration and cash clearing as soon as possible. J.P. Morgan can support settlement based on final day-ahead schedules (J.P. Morgan assumes that is what is intended by the CAISO's statement "pre-payment of DA charge codes")

6. Invoicing Options

Please comment on the following invoice preference:

- Monthly on a fixed date - i.e.) 20th of every month
- Proposed – 3rd Tuesday of each month
- Semi-Annual or Weekly

Mixing Initial & True-up Statement across Different Accounting Months on same invoice.

7. Other Comments?

(Submit Comments Here)