

Comments of J.P. Morgan Ventures Energy Corporation

Subject: CAISO Final Payment Acceleration Proposal

Submitted by	Company	Date Submitted
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J.P. Morgan Ventures Energy Corporation (J.P. Morgan) appreciates the opportunity to submit these comments on the CAISO's Final Payment Acceleration proposal. J.P. Morgan generally supports the CAISO's Payment Acceleration proposal and strongly supports the expeditious implementation of 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. Accelerated Settlement Timeline

- The CAISO proposes the following accelerated settlement timeline:

	Timeline
CAISO	T+7B
Final	T+38B – 1st true-up
Proposal	T+76 – 2 nd true-up
	T+18M - 3 rd true-up
	T+35M - 4 th true-up

Please provide comments on these options:

J.P. Morgan supports the CAISO's Final Settlement Timeline recommendation. J.P. Morgan believes the recommendation meets the objective of Payment Acceleration and is a reasonable next step towards the CAISO's long-term objective of weekly invoicing. While J.P. Morgan earlier supported a T+2B settlement timeline ("bifurcation" proposal), that was with the understanding that settlements would otherwise remain at T+38B. Now that the CAISO is proposing to settle both day-ahead and real-time charges on an accelerated basis (T+7B), J.P. Morgan supports the CAISO's proposal.

2. Methodology for Estimating Meter Data & Meter Data Substitution

The CAISO proposes to require Scheduling Coordinators to submit estimated Settlement Quality Meter Data five business days after the relevant trading date. When meter data is not available within this timeframe, the CAISO will estimate outstanding metered demand and generation.

In order to support the CAISO's recommended T+7B proposal, J.P. Morgan supports the CAISO's proposed requirement to submit estimated meter data at T+5B and, at least with respect to generation, the CAISO's proposed approach for estimating meter data. (J.P. Morgan does not take a position on the CAISO's proposed load estimation proposal).

3. Interest Payments

The CAISO proposes to apply interest to any deviations through the second true-up invoice. The CAISO states that this is to help ensure that no financial incentives exist to submit unreasonable meter data.

J.P. Morgan is concerned that the application of interest may unnecessarily complicate or delay implementation of Payment Acceleration. While J.P. Morgan understands that the application of interest is not necessarily a technical implementation issue, J.P. Morgan is concerned that application of interest will be a contentious policy issue at FERC and may complicate final approval of the proposal.

While J.P. Morgan earlier supported the application of interest, J.P. Morgan did so under the "bifurcation" proposal where day-ahead charges would be settled at T+2B based on final day-ahead schedules. Under that proposal, J.P. Morgan reasoned that application of interest was consistent with the intent and purpose of the CAISO's established MRTU load underscheduling penalty. Now that the CAISO proposes to base settlements on submitted/estimated meter data, J.P. Morgan is unsure whether it is necessary or appropriate to apply interest. First, in instances where the CAISO estimates a Scheduling Coordinator's meter data, it does not appear appropriate to apply interest. Second, J.P. Morgan is not convinced that entities will have an ability to chronically underestimate meter data, especially since the CAISO can take action under its market conduct rules (e.g., provision of factual information).

While not a critical issue for J.P. Morgan, J.P. Morgan is concerned that resolution of the issue at FERC may extend the approval process. J.P. Morgan supports revisiting this issue at some future date after implementation of Payment Acceleration and if the CAISO experiences systematic and consistent meter data estimation problems.

4. Invoicing

The CAISO proposes to accelerate initial invoicing to semi-monthly (the first initial invoice would cover 1st – 15th trade dates, the second would cover 16th – 31st trade dates).

J.P. Morgan supports the CAISO's final recommendation to implement a semi-monthly invoicing process wherein initial invoices are issued semi-monthly (the first invoice for the

1st-15th billing period, the second invoice for the 16th -31st billing period) and where true-up invoices are issued monthly and included on one of the semi-monthly invoices and payment of all invoices is due within five (5) business days.

5. Sunset Provision

The CAISO proposes to implement a sunset provision policy at T+36M.

J.P. Morgan supports the CAISO's proposed sunset provision.

6. Deployment Schedule

The CAISO proposes to implement Payment Acceleration within 2-5 months after MRTU go live and to establish certain criteria that must be met prior to implementation.

As noted above, J.P. Morgan believes that the CAISO's Payment Acceleration is a critical next step in reducing market risk and improving the overall stability of the CAISO's markets. While J.P. Morgan would prefer that the CAISO implement Payment Acceleration concurrent with the implementation of MRTU or very soon thereafter, J.P. Morgan understands the CAISO's implementation constraints and supports an implementation schedule of 2-5 months post MRTU go-live. In addition, J.P. Morgan urges the CAISO to adopt and commit to a date-certain implementation of weekly invoicing.