Stakeholder Comments Template

Subject: Payment Acceleration Proposal

Submitted by	Company	Date Submitted
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PG&E provides these comments in response to the Payment Acceleration Stakeholder Meeting, which was held by the CAISO on August 19th, 2008. We appreciate the efforts made by CAISO and the opportunity to make comments

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.

   PG&E is hesitant to support a proposal that would increase the frequency of invoice processing; this would not only create a higher level of processing time for Market Participants, but also fragment a given Trade month into several separate invoices. Further, bifurcating the settlement process into separate Day Ahead (DA) and Real Time (RT) invoices, adds another level of reconciliation complexity.

   It is not clear how a weekly frequency would intersect with Initial and Recalculated statements. The current ISO Payment Acceleration proposal indicates monthly invoices on the third Tuesday of every month. What are the implications of increasing the invoice frequency? When RT charges in a Recalculated statement appears due to the existence of reliable meter data, would the Initial Statements at T+9B for a given Trade Month only comprise of DA charges until T+50B? An illustrative example of the bifurcation combining the

timing of Initial and Recalculated statements would better assist PG&E in assessing the merits of this proposal.

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).

Using DA IFM Schedules Only

Using DA IFM Schedules Only is most compatible with current work processes. We will need to do further research in regards to technology we currently use.

Using DA IFM + adjustment based on CAISO Actual Load
Can this information be provided with a high degree of completeness and data quality? How does CAISO take into account the load from the different municipalities and the DA customer load?

Use current Credit Liability Meter Data estimation (uses the IFM DA schedule and adder of + /- 10% factor (or other % Factor).

How often would the true-ups occur? Would there be any type of penalties involved in regards to charge codes? Would seasonality be calculated using historical data and other factors? More research needs to be done on these options. Has the CAISO evaluated any of the other methodologies used in the markets of different states?

3. **Guidelines for SC submitted T+5B Meter Data**
   o "measurement file" guideline vs. SQMD requirement
   o Determining accuracy for SC submitted "measurement file" or SQMD
   o Responsibilities for compliance for SC submitted "measurement file" or SQMD

We will need some more clarification on the "measurement file". How the SC will send this file to the CAISO? There is a concern regarding the use of this information and how we will true-up the "measurement file" once we have Settlement Quality Meter Data.

In regards to compliance, how will the yearly self-audits take into account to the "measurement file"? We would need to research and review the differences of these

guidelines. It has also been noted that we may need to "develop" our own system to handle the methodology chosen to create "the measurements file". Once a methodology is chosen, who would give it final approval?

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

   Yes. To the extent that Meter Data estimation is based upon DA schedules, this creates the incentive for schedulers to be as accurate as possible and compensates Market Participants for the time value of money.

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.

   PG&E's preference would be to support Payment Acceleration only after the implementation of MRTU go-live in order to resolve the system's uncertainties and test stability over a prolonged period.

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.

   The current payment process generates invoices by Trade Month; preliminary and final invoices are sent approximately every two weeks by the ISO to Market Participants. The present system has two distinct advantages. First, it does not combine more than one Trade Month in a single invoice, unless a prior period or Good Faith Negotiation adjustment has been included. These are usually designated as manual adjustments and are relatively easy to separate from the actual monthly invoice. Regularly combining more than one Trade Month on a single invoice would create complexity for Market Participants because correct subtotals would have to be calculated and assigned to the appropriate Trade month in order to balance to the invoice. In addition, if the invoice includes a partial Trade Month due to the invoice cutoff date, this would create the additional burden of estimating the remaining days in the month for accrual

reporting. Second, the frequency of invoices every two weeks under the present system provides a manageable level of processing time. Anything more frequent presents the potential of actually increasing a Market Participant's overall processing time. Less frequent invoicing does not solve the issue of paying market participants closer to the end of a given Trade Month.

7. Other Comments?

(Submit Comments Here)