

Subject: Payment Acceleration Proposal

| Submitted by | Company | Date Submitted |
|---|----------------------------------|----------------|
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1. Compounding Interest

During the Payment Acceleration Implementation Workshop #2 on February 24th, 2009, a question on compounding interest was discussed. An example has been posted - Interest Payments Example.pdf - to the website for your review.

Do you have any further questions or concerns regarding the method being used for compounding interest?

2. Transition Period

A proposal for a 3.5 month transition period was presented at the February 24th Implementation workshop. An example was provided showing the payment (Invoice) calendar during the transition period.

Do you have any questions, concerns, or other ideas regarding the transition to Payment Acceleration?

With the rollout of Payment Acceleration, more charge codes will be introduced in the CAISO's Settlements. Therefore, SCE emphasizes on quality and accuracy of the invoices. Although there will be multiple invoices from the MRTU production and Payment Acceleration during the transition phase that have invoice dates in close proximity (e.g. MRTU production – 11/11 and 11/23 with Payment Acceleration 11/10 and 11/24), SCE supports the CAISO's approach in producing separate invoices to better manage and validate these different types of invoices and charge codes.

3. Dry Run Approach

A Dry Run Approach was introduced during the February 24th Implementation Workshop. CAISO will be developing the strategy, along with specific statement and invoicing timeline examples.

Please provide your comments and thoughts on how you would like to see the Dry Run period structured. Please keep in mind the Dry Run period duration of three months (6/1 – 8/31) when providing your comments.

Overall, SCE is pleased with the CAISO's conceptual design for the dry run of Payment Acceleration. However, SCE requests the CAISO to provide a more detailed dry run plan on the actual content. The plan should include information on the following: (1) the actual trade dates that will be used for the dry run; (2) timeline and process for submission of meter data in the testing environment; (3) timeline for posting statements and invoice for trade dates included in the accelerated dry run; (4) scenarios for the CAISO to validate that interest is triggered and being calculated correctly; and (5) overall process for dry run support (system stability, issue identification and resolution, and progress checkpoints).

4. Other Comments?

Dry Run on Estimated Aggregated Liabilities:

With increasing charge codes and uncertainty of financial transaction volumes under MRTU, SCE requests the CAISO use actual MRTU months as a baseline for the Payment Acceleration dry run process and as a result provide market participants with the actual dollar value change (reduction) in estimated aggregated liabilities (EAL). Moreover, SCE recommends the CAISO provide stakeholders with an analysis of the projected EAL values during the transition period (both MRTU production and Payment Acceleration settlement period) to ensure that the combination of two settlement cycles does not temporarily increase EAL values. For example, in the month of November 2009, the CAISO plans on issuing four invoices. At the time period (11/11) of the issuance of the first invoice, the CAISO will have settlements for the following trade months outstanding:

- 8/1-8/31 (recalc)
- 10/1-10/16 (Initial)
- 9/1-9/31 (Initial)
- 7/1-7/31 (Recalc)

- 11/1-11/10 (Initial)

Based on this schedule, the actual number of trade days of unpaid obligation would be 119, which is significantly higher than the 65-95 days referenced in the Credit Management BPM (Page 37). Even if one excludes the recalculation invoices, the number of trade dates of unpaid obligations is 57 days, which is more than double the average cash clearing period of the 25 days provided in the December 8, 2008 memorandum to the CAISO Board.