Stakeholder Comments from SDG&E

Subject: Payment Acceleration Straw Proposal

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 Thursday, November 13th, 2008.

Submitted by	Company	Date Submitted
Michael G. Strong 858-650-6154	San Diego Gas & Electric Company	November 13, 2008

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

1. **Settlement Timeline**
   Which of the following two options do you prefer for publication of Settlement statements?

	Timeline
Option #1	T+7B - Initial T+38B – 1st true-up T+76B – 2nd true-up T+18M - 3rd true-up T+35M - 4th true-up
Option #2	T+7B - Initial T+38B – 1st true-up T+51B – 2nd true-up T+18M - 3rd true-up T+35M - 4th true-up

   Please provide comments on these options:

   Option #2 is preferred since the 2nd true-up statement is moved up 25 business days and would easily accommodate availability of Settlement Quality Meter Data. The earlier statement dates also allow for an earlier publication and payment of the 2nd Recalculation Invoice, which will reduce any outstanding balance associated with credit risk.

2. **Interest Payments**
   Do you support CAISO's proposal of applying interest on deviations between the Initial and first true-up statements?

Do you prefer applying interest to subsequent true-ups?

Interest payments should not be applied on the deviations between the Initial statement and the 1st true-up statement, and certainly not on subsequent true-ups. Interest payments for the thirty-one business day interim period have no current precedent and are intended by the CAISO staff to act as an incentive for Load Serving Entities not to under-estimate in bidding the load, thereby extending their obligation to pay the full amount for required generation until the true-up statement. In the event of an over-estimation of load, interest would have to be paid to the LSE to be equitable. It is not clear how much of an incentive these interest payments will actually provide, if any, given that most metered data (not yet SQMD) is available each day for large customer accounts. Any disputable error in the interest calculation by the CAISO would have to be borne by some or all participants against their objections. Additionally, while generators are the major beneficiaries of the payment acceleration to reduce their credit risk exposure, the LSE's will have their own risk increased to account for interest payment incentives.

3. **Invoicing**

Please provide detailed examples of your preferred invoicing solution.

The APM Sample Payment Calendar as posted on the Payment Acceleration website on 11/12/2008 is the preferred model for invoicing, with the exception of revising the publication date for the 2nd true-up (recalculation) statement from T+76B to the earlier proposed T+51B date. In this case, the 2nd Recalc Invoice (2nd true-up) would be published corresponding to the last day of the trading month at T+51B. Separate monthly charge codes can be invoiced by the CAISO when determined at some appropriate date after month-end. Rather than attempt to force the number of invoices to some minimum number each month as the CAISO proposed schedule suggests, it is much preferred for MRTU participants reconciling settlement statements to not combine different monthly amounts or to split out the initial invoices into more that two publication dates at this time. Although the CAISO's current *go-live* MRTU payment calendar does allow for the combination of monthly invoices, this is not introduced in the recalculations until some 3½ months later and not on an ongoing bi-weekly basis. Other than the two initial monthly invoices, there should be no need or advantage to splitting monthly invoices in the payment acceleration schedule.

4. Meter Data Substitution

For meter estimation process, when adjusting DA Scheduled Demand by an incremental amount to reflect Actual Load, the amount of adjustment will not exceed 15% of the DA Scheduled Demand. For example, if SC1's DA Scheduled Demand = 100 MW, the maximum estimation adjustment would be 15 MW. Therefore, SC1's Estimated Metered Demand used in the T+7B Settlement = 115MW (maximum).

Note: The proposed meter estimation methodology will never negatively adjust the DA Scheduled Demand. So in this example minimum estimation value = 100 MW, maximum estimation value = 115MW.

It is not clear why this limitation is being introduced or what the intended consequences are meant to be with a maximum asymmetrical adjustment limitation up to 15% above the

day ahead scheduled demand. This proposal is not supported since any additional deterrents to control scheduled demand are not necessary and not without potential uncertainties in its application. If the load bid into the DA market turns out to be lower than expected and there is no ability to reduce that estimate, LSE scheduled demand may tend to be on the low side. Benefits and risks from this proposed limitation should be clearly identified, and any limit should be both positive and negative to allow for estimation adjustments in either direction.

5. Other Comments?

Given the enormity of the MRTU implementation and subsequent effort that will be required to ensure success in this endeavor, introducing another new and untested payment acceleration schedule that will have direct and potentially significant financial impacts on the participants as soon as the end of the first month under MRTU certainly increases the risk that all may not go as intended right away. Since we are already living with the credit risk "problem" today, providing additional time for limited resources to first work with MRTU is not unreasonable and is preferred. Deployment of the payment acceleration proposal for at least six months will allow for additional insight into its application as well.