

# Memorandum

**To:** ADR/Audit Committee of the ISO Board of Governors

**From:** Jim Detmers, Vice President of Operations

**Date:** May 8, 2009

**Re:** *Results of the Scheduling Coordinators' Self Audit of Settlement Quality Meter Data*

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*This memorandum does not require Board action.*

## EXECUTIVE SUMMARY

This memo provides the ADR/Audit Committee of the ISO Board of Governors with the results of the annual scheduling coordinators' self audit of their meter data submittal process for the 2007 Trade Year<sup>1</sup>, as required by ISO tariff. From this year's review of the audit reports submitted by 16 scheduling coordinators, the ISO has concluded that:

1. The scheduling coordinators complied with ISO guidelines and the tariff requirements relating to the annual audit;
2. The scheduling coordinators subject to the audit requirement continue to maintain sufficient controls needed to provide settlement quality meter data; and
3. The ISO's analysis of unaccounted for energy appears to be consistent with the scheduling coordinators' audit results.

## BACKGROUND

ISO Settlements uses settlement quality meter data that is characterized in two ways. For ISO metered entities,<sup>2</sup> the ISO reads the meters and performs validating, estimating and editing functions, thereby creating settlement quality meter data. Scheduling coordinator metered entities<sup>3</sup>, on the other hand, are themselves responsible for collecting meter data, performing validation, estimating, and editing and submitting settlement quality meter data to the ISO.

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<sup>1</sup> The schedule for the annual audit requires the final settlement of a complete trade year. Therefore, this audit is performed in the middle of 2008 to cover the meter data submitted and settled for the complete 2007 trade year.

<sup>2</sup> ISO metered entities are responsible for up to 10% of the total load and 80% of the total generation in our market settlement.

<sup>3</sup> Settlement quality meter data submitted by scheduling coordinators account for approximately 90% of the total load and 20% of the total generation in our market settlement.

The ISO tariff requires all scheduling coordinators that submit settlement quality meter data for market settlement to perform an annual self audit focusing on their development and submittal of the data. Accurate reporting of this data is critical to the ISO's settlement process. Inaccurate reporting of this data results in market cost shifting by altering imbalance energy calculations, increasing unaccounted for energy (in either positive and negative directions) and causing inaccuracies in the billing determinants used to assign costs. In order for scheduling coordinators to produce accurate and correct settlement quality meter data, their meter data submittal effort involves multiple interfaces and various entities performing their responsibilities in a controlled and repeatable manner. The annual scheduling coordinators' self audit is the primary means to provide assurance that the processes in place (outside of the ISO's control) are controlled and are producing accurate and correct meter data.

The ISO's role in the audit process is to provide sufficient guidelines to the scheduling coordinators, be available throughout the year to answer questions, and to evaluate the audit reports for compliance with the tariff. After each audit, the ISO issues a "lessons learned" report to the market and provides a copy of the report to the California Public Utilities Commission. The most recent report is posted on the ISO website (Operations Center/Markets/Metering/Settlement Quality Meter Data).

### **SUMMARY OF THE 2007 SCHEDULING COORDINATORS' SELF AUDIT**

For the 2007 trade year, all the scheduling coordinators completed all required audits and submitted their reports to the ISO by the deadline. All reports met the audit guidelines and demonstrated compliance with the ISO tariff.

Based on the ISO's review of the reports, it appears that 2007 was another stable year in the area of producing settlement quality meter data for the scheduling coordinators and that all essential controls were in existence within the scheduling coordinator's settlement quality meter data practices. The ISO also noted that some scheduling coordinators adopted new practices as a result of their review of the previous ISO "lessons learned" report. The ISO payments calendar was modified slightly during the year to include new deadlines and most scheduling coordinators continued to submit their data on a timely basis. Many of the scheduling coordinators attended, in person or via web access, a training program to resubmit settlement quality meter data via the web in the ISO's new program.

The ISO also continues to recognize that unaccounted for energy has remained within a +/- 2% range. There have been no increases of trends within the ranges we have witnessed in previous years. This further demonstrates that scheduling coordinators have sufficient controls in place for complying with their local regulatory requirements and producing accurate data for market settlement.

### **ASSESSMENT OF FUTURE IMPACTS**

Future activities in the wholesale and retail markets could have an impact on the processing of settlement quality meter data. With the implementation of the ISO's new market, there will be no change to the processing of retail meter data, therefore it is important to confirm that little change occurs with respect to the collection, processing, and reporting of settlement quality meter data. The ISO is encouraged with the opportunity to work with more load serving entities through the expansion of customer choice aggregation and to support them in their efforts to produce and submit this data. In addition, the CPUC's advance meter initiative will have a positive impact on the quality and accuracy of the submitted settlement quality meter data.