

# Stakeholder Comments Template

## Subject: Payment Acceleration Proposal

Submitted by	Company	Date Submitted
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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](mailto:pacceleration@caiso.com). Submissions are requested by close of business on October 14, 2008.

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

### 1. Bifurcation of DA/RT Settlements

During the Payment Acceleration Stakeholder meeting on August 19<sup>th</sup>, 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.

Please provide comments on any impacts this proposal would have on your systems and/or processes.

- No issues with the theory of bifurcation, but the preference would be to keep DA and RT settlements together for smoother accounting/accrual operations, and to provide invoicing based on a full trade month. Although weekly settlements do occur in other markets (MISO, for example) they have not been shown to be the most efficient method for settlements given the number and duration of settlement reruns (true-ups) in those markets. Also, weekly settlements causes a mixing of trade dates across multiple settlement months, which is not preferred (see item 6. Invoicing Options below).
- The CAISO is proposing that if bifurcation of DA and RT is implemented SQMD will be submitted by 45 calendar days after trade date, but the associated Settlement Statement will not be published until 50 business days after the trade date – this represents a time lag of 4 weeks between submission of SQMD data and the publishing of the true-up Statement, which does not promote or support payment acceleration. See California ISO Payment

Acceleration Project Feasibility Analysis October 8, 2008, Settlement Statements with DA/RT Bifurcation section. The publish date for the Statement needs to be closer to the SQMD submission date; recommend 5 business days, or about one week, after the 45<sup>th</sup> calendar date for publishing of the Statement.

## 2. Methodology for Estimating Meter Data

CAISO held a conference call on September 18<sup>th</sup>, 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).

Absent meter reading upgrades, if bifurcation is implemented for Payment Acceleration, then estimated data would not be needed.

- APM supports the use of estimated meter data for settlement purposes. Other ISO entities use estimated meter data, and absent such meter data, the State Estimator Solution data; this is a recognized and acceptable practice. LSE's should also be encouraged to ensure they have installed the latest technology for meter reads, which would allow the CAISO to implement a shorter timeline in which to submit SQMD to the ISO.
- A tolerance band should be established for implementing a penalty (as opposed to interest) in the event that an SC submits meter data in an attempt to unfairly short the market. This should be monitored and imposed by the Independent Market Monitor.

## 3. Guidelines for SC submitted T+5B Meter Data

- "measurement file" guideline vs. SQMD requirement
- Determining accuracy for SC submitted "measurement file" or SQMD
- Responsibilities for compliance for SC submitted "measurement file" or SQMD
- What is a "measurement file" and how does it compare to "estimated" meter data?

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

- There needs to be some kind of penalty for exceeding a preset tolerance band, but not interest. See comments above regarding the tolerance band.

## 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.

➤ No issues with this.

## 6. Invoicing Options

Please comment on the following invoice preference:

- Monthly on a fixed date - i.e.) 20<sup>th</sup> of every month
- Proposed – 3<sup>rd</sup> Tuesday of each month
- Semi-Annual or Weekly

Mixing Initial & True-up Statement across Different Accounting Months on same invoice.

- APM supports monthly invoicing, and prefers a timeline that matches current industry standards for bilateral settlements – invoicing on the 10<sup>th</sup> with payments due on the 20<sup>th</sup> of the month following Trade Month-end. This would require that MDMA’s submit either settlement-quality or estimated meter data by T+8 (or T+5 as suggested above) for use in Settlements, or allowing a default to the State Estimator solution if no meter data is submitted. Although weekly invoicing would greatly decrease the amount of time between the transaction date and financial clearing, it has the effect of shifting the credit risk to the LSE’s, as they would be required to pay for energy before they can invoice and collect from their customers, while conversely “benefitting” any importing or supplying SCs. Following WSPP timelines for invoicing provides a balance for the credit risk, while still satisfying payment acceleration purposes.
- APM does not support the mixing of Initial or True-Up Statements across accounting months – this would make it difficult for accounting departments to track and record accruals and actual charges. Both the proposed 3<sup>rd</sup> Tuesday of each month and the weekly invoicing methods will involve mixing of trade date settlements from different months, which is why APM supports monthly invoicing as stated above.

## 7. Other Comments?

1. Does CAISO have in place a methodology for determining its maximum unsecured credit limit based on the amount of time it takes to settle payments? Recently, CAISO has proposed to reduce its maximum unsecured credit limit from \$250MM to \$100MM, and stated that additional reductions may be warranted after the successful implementation of their Payment Acceleration initiative. How does the CAISO intend to implement the proposed reduction to the maximum unsecured credit limit without restricting market participation?
2. Has the CAISO performed an impact analysis of the relationship between DA and IST settlements, and the net financial position of Market Participants after settlement occurs? This could have the effect of greatly reducing the actual cash flows in DA Settlements, which in turn could negate the need for bifurcation of DA and RT.