

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. Submissions are requested by close of business on October 14th, 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 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.

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

NCPA is in the process of evaluating the Calpine proposal to bifurcate the DA/RT settlement process, but has the following general comments on elements of the proposal (as understood by NCPA)¹:

¹ NCPA reserves the right to supplement its comments once it has developed a more thorough understanding of the Calpine proposal.

Bifurcate DA and RT settlement – NCPA generally supports the concept of bifurcation of DA/RT Settlements, and generally agrees (as stated below) that scheduled quantities may be utilized within the initial settlement process, if clearly defined, in lieu of unavailable settlement quality meter data. NCPA believes that the benefits associated with lower collateral requirements and reduced default risk currently outweigh the risk of under scheduling (which can be controlled with the correct incentives).

Settle DA Markets Weekly – NCPA is still in the process of evaluating the impact weekly settlement may have on its internal invoicing process, but as stated below NCPA generally supports monthly settlement on a fixed date coincident with bilateral contracting.

Implement CCC with MRTU Go-Live – NCPA does believe that the benefits associated with Payment Acceleration may be significant, but also believes that Payment Acceleration should be developed through a robust CAISO stakeholder process to ensure durability. Considering the current MRTU implementation schedule, execution of Payment Acceleration coincident with MRTU Go-Live may not be possible, but to the extent MRTU is delayed beyond a February 1, 2009, start date Payment Acceleration should be factored into and incorporated within the overall scope and schedule of the MRTU project.

Settle RT markets on the current settlement schedule for not more than 6 months after MRTU implementation – NCPA agrees the impact on collateral requirements and default risk associated with the RT market may be significantly less than the DA market, and therefore may not be the priority, but NCPA does believe that both the DA/RT market settlement processes should be improved (via Payment Acceleration) no later than six (6) months after MRTU Go-Live.

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)).

NCPA does not support to use of estimated meter data due to the added complexity this would add to the process. Settlement quality meter data should be used if available, but if settlement quality meter data is not available NCPA does generally support the use of IFM Schedules for settlement, but the definition of Schedule must be clearly defined to ensure full transparency to all Market Participants. The CAISO may initiate its usage of compliance controls (such as UDP) to ensure Market Participants do schedule in a way that does not adversely

impact the CAISO market, or imposes an imbalanced risk exposure on a subset of Market Participants. NCPA believes the benefits of Payment Acceleration, and its impact on credit requirements and credit risk exposure within the CAISO market, will trump the risks associated with under scheduling of Load in the IFM. If there is a concern that market participants will intentionally under schedule Load in the IFM to avoid settlement, NCPA would suggest that the CAISO revisit the imposition of a baseline DA scheduling requirement to limit any exposure that may exist.

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

Please see answer to question 2.

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

No, this is an unnecessary complexity. As stated above, NCPA believes that appropriate compliance measurements and enforcement should be used to discourage unreasonable scheduling practices (i.e. imposition of UDP). If the CAISO does observe that Market Participants are consistently scheduling in an unreasonable fashion to avoid IFM settlement other corrective measures can be considered.

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.

NCPA is still evaluating the impact such a proposal would have on its internal invoicing process.

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.

NCPA supports a fixed date consistent with the standard settlement practice encompassed within commonly used master purchase power agreements (i.e. WSPP & EEI). Currently bilateral contracting settlement takes place on the 20th of every month. Establishing a coincident date for CAISO DA market settlement would eliminate cash flow imbalances that could hamper bilateral transacting which will continue to be widely utilized under MRTU.

7. Other Comments?

No additional comments at this time.