

**PUGET SOUND ENERGY COMMENTS
MARKET SETTLEMENT TIMELINE ISSUE PAPER
JUNE 27, 2019**

Puget Sound Energy (PSE) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) Market Settlement Timeline Issue Paper and Straw Proposal (Proposal). In this initiative, CAISO proposes to make revisions to its required and optional settlement timelines, and impose a threshold amount for settlement disputes. The intent of these changes is threefold: (1) to improve the quality of initial settlement statements to reduce market participant financial exposure; (2) to allow for sufficient time for CAISO and market participants to resolve settlement disputes; and (3) to reduce administrative cost. PSE strongly supports these goals, and offers the following comments for CAISO's consideration.

The first element of the Proposal is to re-align, consolidate, and extend the required settlement timeline within 60 business days after a trade date. To this end, CAISO proposes to: (1) calculate and publish two settlement statements within 60 business days after a trade date (one at T+7 business days and another at T+60 business days); and require market participants to submit settlement quality meter data at T+4 business days and T+52 business days rather than T+8 business days and T+48 business days required under the current settlement timeline. CAISO reasons that these changes will improve the quality of required settlement statements by allowing CAISO to incorporate price corrections and quality meter data into the initial statement, and giving CAISO more time to resolve disputes for the last required statement. PSE supports these changes, and agrees that they will improve the quality of the required settlement statements.

The second element of the Proposal is to re-align and shorten the optional settlement timeline. CAISO proposes to publish optional statements at T+12 months, T+ 21 months, and T+ 24 months, rather than at T+9 months, T+18 months, T+33 months, and T+36 months as required under the current settlement timeline. PSE supports CAISO's intent to reduce administrative efforts associated with the re-calculations associated with the settlement of these statements. PSE also believes that providing market participants with certainty as to settlement outcomes as quickly as possible should be a policy goal of the settlement process. There are two ways that CAISO could further this policy goal in this initiative.

First, CAISO could publish the first optional statement at T+6 months, and the final optional statement at T+18 months. PSE believes that completing the settlements process within 18 months of a

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trade date would provide market participants with a reasonable amount of certainty with respect to settlement outcomes. Moving the first optional statement up to T+6M will provide two benefits: (1) it will reduce the financial burden on CAISO and market participants¹ as the sooner a settlement is issued, the sooner the financial processes can be resolved; and (2) it would further reduce administrative costs for market participants and the reduced timeline can improve stakeholder customer response. At a minimum, it would be helpful if CAISO could provide additional explanation and analysis for the reasons that it believes that T+12 months and T+ 24 months are the appropriate times to publish the initial and final optional statements.

Second, CAISO could establish deadlines for dispute resolution. Under the current settlement process, CAISO merely attempts to resolve disputes by the following settlement statement. Establishing a deadline for dispute resolution would remove the uncertainty associated with the current process because it would give market participants a date certain by which disputes will be resolved. For example, PSE is awaiting resolution of a dispute submitted in February of 2017 and is still in the open dispute process that CAISO does not have to address until the T+33M settlement statement. Disputes that experience significant lag time in being addressed cause uncertainty and require resources to track. At a minimum, CAISO should commit to resolving a dispute by the next settlement statement.

The third element of the Proposal is to place a \$100 dollar minimum threshold on the amount of settlement disputes. While PSE agrees in concept that this limitation will decrease the administrative burden associated with low-value settlement re-calculations, additional information would be helpful to better understand the full impact of this portion of the Proposal. To this end, PSE requests the following:

- Clarification of “an approved place-holder dispute” – what it is, how it is initiated, associated process, etc.;
- Clarification of whether there are any qualifications associated with the \$100 threshold (e.g., per trade day, per five-minute interval, etc.);
- Clarification of how the proposal would work in instances where it is cumbersome or impractical to estimate the dispute amount; and
- Clarification of how the proposal would impact smaller market participants that may have lower materiality thresholds.

¹ See CAISO Straw Proposal, Table 2, pg. 8. The financial revenues to re-settle in 2017 were over \$6M.

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PSE also requests that in the draft final proposal CAISO provide a mock-up of the settlements calendar reflecting the proposed timeline taking into account the initiatives implementation date, if approved.

PSE appreciates CAISO's consideration of the above comments, and appreciates this effort to improve the settlement process.