Stakeholder Comments on:
The CAISO's Payment Acceleration Project

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Introduction

In accordance with the California Independent System Operator's ("CAISO's") request at its Payment Acceleration Working Group meeting held on April 28, 2009, Southern California Edison Company ("SCE") hereby submits its comments on the Payment Acceleration Blacklined Tariff Changes ("Proposed Tariff Revisions") for the Payment Acceleration on the following sections: 1) Settlement Quality Meter Data for Initial Settlement Statement Calculation; 2) Penalties for Uninstructed Imbalance Energy; 3) Billing and Payment; 4) Interest; 5) Unsecured Credit Limit; and 6) Method for Calculating Inaccurate Meter Data Penalty.

I. Section 11.1.5 (b): Settlement Quality Meter Data for Initial Settlement Statement Calculation

The CAISO's proposed tariff revisions on estimating meter data for metered demand will be based on the scheduled demand by Load Aggregation Point (LAP) and/or Customer LAP (CLAP). CAISO further states that the estimated value will be increased by fifteen (15) percent if the total actual system demand in real-time is greater than 15 percent of the total estimated metered demand at T+5B. SCE believes that these two provisions conflict with one another. CAISO's first sentence states that the estimation will be based on demand at the LAP or CLAP level, but in the second sentence, uses a formula to increase its estimate based on actual system demand and system-wide estimated metered demand. By not using the same level (LAP vs System) to both estimated metered demand as well as applying a 15 percent adder to CAISO estimated demand, the CAISO process will result in meter errors being ignored at the Transmission Access Charge (TAC) level if the total system load/estimate falls above the 15% threshold. The end result of this is that all loads will be initially charged for Imbalanced Energy instead of the load within the specific TAC where the meter error occurred. The following are examples illustrating Imbalanced Energy being assessed to all LSEs:

Example:
Assume system has 3 TAC areas (A, B, and C) and each TAC has 2 LSE's (1 and 2). Loads within the TAC are as follows:

TAC area A:
TAC Area actual load = 1,000
LSE 1 Metered Demand = 500
LSE 2 Metered Demand = 500

TAC area B:
TAC area actual load = 500
LSE 1 metered demand = 200
LSE 2 metered demand = 300

TAC area C:
TAC area actual load = 4,000
LSE 1 metered demand (estimated by CAISO) = 2,000
LSE 2 metered demand (estimated by CAISO) = 1,250

Using this example, the percentage difference between system actual load and system metered demand is 13.64% (not enough to trigger the 15% adder for LSE’s who fail to submit their data to the CAISO). However, within the TAC area C, the percentage difference between TAC area load and metered demand is 18.75%, enough to trigger the 15% adder. The end result is the missing 750 MWh's from TAC area C will be allocated to all LSEs as Imbalanced Energy even though both TAC areas’ A & B LSE's submitted load equaled the TAC area actual load. As a result, certain LSE's will be initially overcharged while other LSE's will be undercharged. SCE understands that interest will be assessed at the T+38B recalculated settlement but it seems apparent that interest can be avoided all together by evaluating whether a 15% adder is necessary at the TAC level rather than at the system level.

II. Section 11.23: Penalties for Uninstructed Imbalance Energy

The CAISO’s proposed Tariff revisions states that the Uninstructed Deviation Penalty (UDP) charge code shall not be assessed for the Initial settlement statement at T+7B but rather assessed for the remaining Recalculated settlement statements beginning at T+38B. Based on the Tariff modifications, SCE requests the CAISO to clarify whether the UDP and all other Penalty charge codes, including Underscheduling Load charges, will be subject to interest.

III. Section 11.29.10: Billing and Payment

Tariff revisions state that “the CAISO will publish invoices and payment advices for the first semi-monthly billing period in a month on the seventh day after the trading day that is the fifteenth day of the month. The CAISO will publish invoices and payment advices for the second semi-monthly billing period in a month on the seventh day after the trading day that is the end of the month"[1]. SCE believes the "seventh day" verbiage inadvertently omitted the clarity of invoices and payment advices publication date. Therefore, SCE believes the CAISO should indicate "seventh business day" rather than "seventh day". Additionally, SCE offers alternative language which more clearly identifies when invoices and payment advices will be published. Rather than describing the invoice timeline in terms of business days after the trading day that is the 15th or the end of the month, it seems the publishing timeframe could be more clearly stated as being issued on the same day the CAISO publishes its initial settlement statement for 15th or the month and the initial trade date for the last day of the month.

IV. Section 11.29.10.2: Interest

The CAISO's tariff revisions prefer interest to be applied to any deviations through the second Recalculation Invoice at T+76B. However, to achieve just and reasonable settlements, SCE believes that interest should be calculated and assessed throughout the entire payment cycle (up to T+35M sunset period). Moreover, the NYISO's current practice allows interest to be assessed until the month of sunset period.

V. Section 12.1.1 and 12.1.1.1: Unsecured Credit Limit

Overall, SCE supports the CAISO moving forward with filing Payment Acceleration language at FERC in June. However, SCE believes that the current tariff language of $50M UCL is separable from that filing. That is, Payment Acceleration will not go into effect until October 1st and thus it is not necessary for the CAISO to commit to a maximum UCL value in the June 1st Payment Acceleration FERC filing. Therefore, SCE strongly recommend that the CAISO pull the $50M language from the current payment acceleration tariff language and inform its Board next Monday (5/18/09) that the CAISO are working with stakeholders and will provide a final value at a subsequent Board meeting. SCE notes that since there is a period of transition between current rules and Payment Acceleration, a single UCL value may not be appropriate, but rather a plan that transitions from the current to a final value should be considered. Pulling the UCL language from the June filing will allow more time for the CAISO to consider the merits of a transition, as well as the final steady-state value, and develop tariff language consistent with the outcome of that process.

[1] Payment Acceleration Blacklined Tariff Changes, Page 24.

VI. Section 37.11.1: Method for Calculating Inaccurate Meter Data Penalty

The CAISO's proposed tariff revisions state that "there is no sanction for the submission of inaccurate meter data for an Initial settlement statement"[2]. This statement is contrary to what was presented to stakeholders; that the CAISO would use existing monitoring and tariff enforcement measures to encourage compliance. SCE believes the revisions would not apply enforcement actions on meter data (actual or estimated) used for the initial settlement statements. To ensure consistency with the CAISO's commitments made during the stakeholder process, SCE requests that the tariff revisions to state the following:

- *"There will be ~~no~~ Sanction for the submission of inaccurate Meter Data used for an Initial and Recalculation Settlement Statements ~~T+7B~~. ~~However, an error in submitted Meter Data that is~~ Inaccurate Meter Data ~~that is~~ discovered by the CAISO after issuance of an Initial or Recalculation Settlement Statements, as applicable, constitutes a Rule of Conduct Violation."*[3]

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[2] Payment Acceleration Blacklined Tariff Changes, Page 39.
[3] Payment Acceleration Blacklined Tariff Changes, Page 39.