

September 25, 2009

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: California Independent System Operator Corporation,  
Docket No. ER09-\_\_\_\_-000  
Payment Acceleration Modification

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.15 of the regulations of the Federal Energy Regulatory Commission ("Commission" or "FERC"), 18 C.F.R. § 35.15, the California Independent System Operator Corporation ("CAISO") hereby submits for filing an original and five copies of proposed amendments to the CAISO Tariff to modify the payment acceleration program to resolve a settlement imbalance issue. Absent the modifications, when the CAISO implements payment acceleration on November 1, 2009, the CAISO will not be able to settle the charges for Congestion Revenue Rights ("CRR") and the Participating Intermittent Resource Program ("PIRP") that have a monthly settlement netting element on a neutral basis due to the switch from monthly to semi-monthly invoicing.<sup>1</sup> The modifications proposed in this filing will allow these charges to be calculated on a daily basis and reconciled on a monthly basis in order to assure neutrality. The modifications will not increase the overall financial impact on CRR holders and PIRP participants.

The CAISO is also proposing a minor technical correction to the existing tariff provisions that will apply to transactions on those Trading Days through October 31, 2009 which precede the implementation of payment acceleration but will be settled after that date. The correction is made to CAISO Tariff Appendix H, Sections 11.29.8.3 and 11.29.24.1(d). Those sections inaccurately refer to a Recalculation Settlement Statement on T+59B. There is no settlement statement issued 59 Business Days after the Trading Day. The proposed modifications correct the reference to the settlement statement issued 60 Business Days after the Trading Day, which is Recalculation Settlement Statement T+60B.

Pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), the CAISO requests waiver of the notice requirement contained in Section

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<sup>1</sup> Capitalized terms not otherwise defined herein have the same meaning as set forth in the CAISO Tariff, Appendix A, Master Definition Supplement.

35.3 of the Commission's regulations (18 C.F.R. § 35.3) in order to permit the modifications to apply to Trading Days beginning with the effective date of November 1, 2009, coincident with the implementation of payment acceleration. The CAISO requests that the Commission approve the proposed tariff revisions, without modification, suspension, or hearing, and grant all appropriate waivers to allow the tariff provisions to go into effect on that date.

## I. BACKGROUND

On June 1, 2009, the CAISO filed proposed tariff amendments in Docket No. ER-09-1247-000 to implement changes that will accelerate the CAISO's settlement and payment timeline, effective October 1, 2009. On June 4, 2009, the CAISO submitted an errata filing in Docket No. ER-09-1247-001 to correct the proposed effective date for the payment acceleration program from October 1, 2009 to November 1, 2009 (these filings are collectively referred to as "Payment Acceleration Filing").

Pursuant to the Commission's Combined Notice of Filings issued June 3 and June 9, 2009, fifteen parties filed motions to intervene and comments in that proceeding in response to the CAISO's Payment Acceleration Filing, only one of which was a protest. The motions to intervene and comments expressed universal support for payment acceleration, and the sole protest included comments that "fully support" the "objectives and most elements of the Payment Acceleration Amendments."<sup>2</sup> The CAISO submitted its Answer to the comments and protest on July 10, 2009.

While the Payment Acceleration Filing was pending, the CAISO began a dry run process to prepare for the implementation of that proposal and conduct testing with Scheduling Coordinators. During the dry run, the CAISO became aware of the CRR and PIRP neutrality issue that will arise under payment acceleration.

On July 30, the CAISO issued a Market Notice to initiate the stakeholder process for the CRR and PIRP neutrality issue and announce that the matter would be discussed during the weekly Settlements and Market Clearing ("SaMC") user group web conference scheduled for August 5, 2009. On July 31, 2009, the CAISO issued a whitepaper that described the issue and proposed the CAISO's solution to achieve neutral settlement of the affected charges.<sup>3</sup> Following the August 5 SaMC web conference, the CAISO on August 6, 2009, issued a Market Notice to advise stakeholders of the whitepaper and invite the submission of written comments on the whitepaper by August 12, 2009 for further discussion at the August 13, 2009 SaMC user group web conference.<sup>4</sup> On August 10, 2009, the

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<sup>2</sup> Six Cities (the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside California) at 4.

<sup>3</sup> The whitepaper is posted on the CAISO Website at <http://www.aiso.com/23fc/23fcc7c553790.pdf>.

<sup>4</sup> The Market Notice is posted on the CAISO Website at <http://www.aiso.com/2402/2402a72e381c0.html>.

CAISO sent out a second Market Notice to remind stakeholders of the due date for comments and to provide information about the upcoming SaMC web conference.<sup>5</sup> Stakeholders did not object to or oppose the CAISO's proposal during the web conferences or in written comments.

The CAISO presented the CRR and PIRP neutrality issue and its proposed solution to the Board at its meeting on September 11, 2009 and the Board authorized this filing.<sup>6</sup> Stakeholders offered no public comments on the proposal at the Board meeting.

On September 17, 2009, the Commission issued an order in which it found the CAISO's payment acceleration proposal to be just and reasonable.<sup>7</sup> Specifically, the Commission found that the payment acceleration program "should lower the market's credit exposure and reduce the amount of the credit requirements market participants must meet."<sup>8</sup> The Commission conditionally accepted the payment acceleration program, subject to clarifications or modifications to be addressed in a compliance filing due 30 days from the date the order was issued. The clarifications or modifications directed by the Commission relate to the estimation and submission of Settlement Quality Meter Data, the time period for responding to disputes, the application of interest, the timing of the advance notice required for a non-routine invoice, and the application of existing tariff provisions to transactions that occur prior to the effective date of the payment acceleration program. The modifications proposed in the instant filing fall outside the scope of matters to be addressed in the CAISO's compliance filing for the September 17 Order.

On September 23, 2009, the CAISO posted proposed tariff modifications to change the settlement frequency of the CRR Balancing Account and Imbalance Energy and excess cost payments for PIRP. The CAISO also issued a Market Notice to advise stakeholders of the posting and schedule a conference call for September 24, 2009 to discuss stakeholder comments and questions about the tariff changes.<sup>9</sup> Stakeholders did not express any objections or opposition to the CAISO's proposal during the conference call.

Southern California Edison Company ("SCE") submitted a written comment requesting a clarification that CRR revenues for both the annual and monthly auctions will be converted into daily values. The CAISO has included that clarification in proposed Tariff Section 11.2.4.3. No other written comments were received.

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<sup>5</sup> The Market Notice is posted on the CAISO Website at <http://www.aiso.com/2406/2406d4ae533d0.html>

<sup>6</sup> The Board Memorandum is posted on the CAISO Website at <http://www.aiso.com/241e/241ebb28336e0.pdf>.

<sup>7</sup> *Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,265 (2009) ("September 17 Order").

<sup>8</sup> *Id.* at P 11.

<sup>9</sup> The Market Notice is posted on the CAISO Website at <http://www.aiso.com/2432/24329b0143790.html>

## II. DISCUSSION OF PROPOSED TARIFF CHANGES

### A. CRR and PIRP Monthly Charge Codes

Under the payment acceleration program, one of the critical elements to shortening the time period in which the CAISO invoices and settles market transactions will be the semi-monthly settlement process. There will be two billing periods in each calendar month. The first billing period will be the first to the fifteenth day of the month. The invoices for this semi-monthly billing period will be issued on the seventh business day after the Trading Day that is the fifteenth day of the month. The second billing period will be from the sixteenth to the last of day of the month. The invoices for this semi-monthly billing period will be issued on the seventh business day after the Trading Day that is the end of the month.

During the dry run process to prepare for the implementation of payment acceleration, the CAISO uncovered an imbalance issue with the semi-monthly calculations. The CAISO determined that the charges for CRR and PIRP that have a monthly settlement netting element -- *i.e.*, the CRR Balancing Account and Imbalance Energy and excess cost payments for PIRP -- would not settle on a neutral basis due to the switch from monthly to semi-monthly invoicing. This is not permitted because imbalances under both of these programs are required to be adjusted on a monthly basis to reduce ultimate Imbalance Energy charges.

For CRR settlement, neutrality is currently based on daily and monthly components. CRR hourly settlement provides entitlement to CRR holders, funded by Day-Ahead Congestion revenues. Congestion revenues might be higher or lower than the CRR entitlements. At month-end, the CRR Balancing Account achieves neutrality by distributing any imbalance to Measured Demand. CRR Auction revenues obtained earlier are also included in the CRR Balancing Account. Under payment acceleration's semi-monthly invoicing, however, the monthly CRR Balancing Account would not be cleared on the first semi-monthly invoice. This would leave an imbalance resulting in either under-collection or over-collection on the midmonth invoice.

In order to address this issue, the CAISO proposes to convert the CRR Balancing Account to daily charges through revisions to Tariff Sections 11.2.4, 11.2.4.3, 11.2.4.4, 11.2.4.4.1, 11.2.4.5, 36.8.5.4, and 36.14.3. These charges will be settled daily and invoiced semi-monthly. This will ensure neutrality on a daily basis and minimize any financial impact on Market Participants. In response to SCE's requested clarification, the CAISO has further revised Section 11.2.4.3 to make clear that CRR revenues for both the annual and monthly auctions will be converted into daily values.

The CAISO will distribute a portion of CRR Auction net revenue that accrues interest to Measured Demand. With a daily charge, it would be burdensome to keep track of this accrued interest on a daily basis and the interest

would be relatively small. The CAISO will instead create a new charge code just for this interest allocation, which will be settled on a monthly basis.

With respect to the PIRP related charges, PIRP resources are exempt from daily Uninstructed Deviation and excess cost allocation charges. Under the PIRP program, Uninstructed Deviations are netted and settled at month-end, which causes a difference between the cost of daily deviation and the net deviation for the month. These differences are allocated to Scheduling Coordinators that have net negative deviation during the entire month. As a result, with the switch to semi-monthly invoicing under payment acceleration, the Imbalance Energy charge group will not settle on a neutral basis and unnecessary allocations will be made to Market Participants in the mid-month statement.

In order to allow the affected charge codes to settle neutrally, the CAISO proposes to charge PIRP resources on a daily basis for any Uninstructed Imbalance Energy and allocate any excess costs on the initial semi-monthly invoice, thereby allowing the charge codes to settle neutrally. The CAISO will then reverse the daily charges and credits on the month-end invoice and assess the net of the deviation charges to the PIRP participants as required under the PIRP program. This will achieve settlement neutrality and ensure that PIRP participants receive the benefits of the PIRP program. The CAISO has proposed tariff changes to Section 11.12.1, Uninstructed Energy by Participating Intermittent Resources, to adopt this approach.

For the reasons just explained, the CAISO submits that converting the CRR Balancing Account and PIRP Imbalance Energy and excess cost allocation charges from a monthly to daily settlement is necessary and appropriate to avoid revenue non-neutrality issues under payment acceleration. It will also avoid unnecessary cost allocations to Market Participants by eliminating imbalances that would otherwise occur on the midmonth invoice. Further, the change needed to avoid these consequences is largely mechanical. The CAISO's proposal changes only the frequency that the charges are applied and settled, and not the overall revenue amounts to be collected from CRR and PIRP participants. It is also significant that the CAISO's proposal has widespread stakeholder support. Although stakeholders had several opportunities to discuss and to provide comments on the issue, only one comment requesting a clarification was received. No stakeholder objected to or opposed the CAISO's proposal.

The CAISO accordingly urges the Commission to approve the instant filing so that the tariff changes will become effective coincident with the implementation of payment acceleration.

#### **B. Correction to Appendix H, Sections 11.29.8.3 and 11.29.24.1(d)**

As approved by the Commission in the September 17 Order, the new payment acceleration timelines will apply to Trading Days beginning with the effective date of November 1, 2009. Accordingly, transactions for Trading Days

prior to that effective date will continue to be settled under the terms of the currently effective metering and settlement provisions of the CAISO Tariff. In order to accommodate the need to have two settlement timelines in effect for a transitional period and to provide the CAISO with authority in the CAISO Tariff to process the necessary metering data, produce Settlement Statements, and handle any billing inquiries, the CAISO's Payment Acceleration Filing incorporated the existing provisions of Tariff Sections 10 and 11 into a separate Appendix H. This appendix will apply the metering and settlement provisions of the currently effective CAISO Tariff to all market transactions that occur prior to the effective date for payment acceleration.

It has come to the CAISO's attention that Appendix H, Sections 11.29.8.3 and 11.29.24.1(d) inaccurately refer to issuance of a Recalculation Settlement on T+59B. There is no settlement statement issued 59 Business Days after the Trading Day under the existing settlements process. There is instead a settlement statement issued 60 Business Days after the Trading Day, which is Recalculation Settlement Statement T+60B. The proposed changes to Appendix H, Sections 11.29.8.3 and 11.29.24.1(d) correct the error by changing T+59B to T+60B in those provisions. This technical correction is necessary to ensure that these sections are accurate and consistent with the timing of the settlement statements that will be issued during the transition period.

### **III. EFFECTIVE DATE AND REQUEST FOR WAIVER**

The CAISO respectfully requests that the tariff changes contained in the instant filing be made effective as of November 1, 2009, *i.e.*, the date the CAISO will implement the payment acceleration program. Therefore, the CAISO requests waiver, pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), of the notice requirement contained in Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3), in order to permit the requested November 1 effective date.

Good cause exists for granting the requested waiver and effective date. The requested effective date for the proposed tariff changes coincides with the implementation date for the payment acceleration program approved by the Commission in the September 17 Order. If the proposed tariff changes to the CRR and PIRP charges that have a monthly settlement netting element do not become effective at the same time as the remainder of the payment acceleration provisions, the switch from monthly to semi-monthly invoicing will prevent the CAISO from settling those charges on a neutral basis. In addition, all of the proposed tariff modifications are mechanical changes with no overall revenue impact. They are unopposed by affected stakeholders.

### **IV. EXPENSES**

No expense or cost associated with this filing has been alleged or judged in any judicial proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

## **V. COMMUNICATIONS**

Correspondence and other communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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\* Individuals designated for service pursuant to 18 C.F.R. § 203(b)(3).

## **VI. SERVICE**

The CAISO has served copies of this transmittal letter and all attachments on the California Public Utilities Commission, the California Energy Commission, and all parties with effective Scheduling Coordinator Service Agreements under the CAISO Tariff. In addition, the CAISO is posting a copy of the filing on the CAISO Website.

## **VII. CONTENTS OF THIS FILING**

The following documents, in addition to this transmittal letter, support the instant filing:

Attachment A:	Clean Tariff Sheets from the Tariff
Attachment B:	Blacklined Tariff Sheets showing changes from the Tariff

## VIII. CONCLUSION

The CAISO respectfully requests that the Commission approve the proposed tariff changes, without modification, suspension, or hearing, with an effective date of November 1, 2009.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth Ann Burns" followed by a stylized initial "BA".

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**Attachment A – Clean Sheets**  
**Payment Acceleration CRR Balancing Account and PIRP Charges Amendment**  
**Fourth Replacement CAISO Tariff**  
**ER09-\_\_\_\_-000**  
**September 25, 2009**

**11.2.3.2.1 IFM Charges for MSS Demand under Net Energy Settlement.**

The CAISO shall charge Scheduling Coordinators that submit Bids for MSS Operators that have selected net Energy Settlement an amount equal to the product of the net MSS Demand in the Day-Ahead Schedule and the IFM MSS Price. The net MSS Demand is the quantity of MSS Demand that exceeds MSS Generation for the applicable MSS.

**11.2.3.2.2 IFM Payments for MSS Supply Under Net Energy Settlement.**

The CAISO shall pay Scheduling Coordinators that submit Bids for MSS Operators that have selected net Energy Settlement an amount equal to the product of the net MSS Supply in the Day-Ahead Schedule and the weighted average price of all IFM LMPs for all applicable PNodes within the relevant MSS. The net MSS Supply is the quantity of MSS Generation that exceeds the MSS Demand for the applicable MSS. The weights used to compute the weighted average LMPs shall be equal to MSS Generation scheduled in the Day-Ahead Schedule.

**11.2.4 CRR Settlements.**

CRR Holders shall be paid or charged for Congestion costs depending on the type of CRRs held by the CRR Holder, the direction of Congestion as measured through the IFM, and the LMP as calculated in the IFM. CRRs shall be funded through the revenues associated with the IFM Congestion Charge, CRR Charges, and the CRR Balancing Account. The CRR Payments and CRR Charges shall be settled first on a daily basis for each Settlement Period of the DAM. The CAISO shall pro-rate CRR Payments and CRR Charges for each Settlement Period, if there is an insufficiency of funds during that Settlement Period from the IFM Congestion Charge pursuant to Section 11.2.4.1. A daily true up will then be conducted, on both CRR Payments and CRR Charges in the clearing of the CRR Balancing Account pursuant to Section 11.2.4.4.1 and 11.2.4.4.2.

**11.2.4.2.3 Multi-Point CRR.**

For each CRR Holder, the CAISO shall calculate a CRR Payment for each Multi-Point CRR held by the CRR Holder, equal to the sum of the MCCs at each CRR Sink weighted by their associated MWh quantities as specified by the CRR, minus (2) the sum of the MCCs at each CRR Source weighted by their associated MWh quantities as specified by the CRR. If the calculated amount is positive, the CAISO shall calculate a CRR Payment for the Multi-Point CRR. If the result of this calculated amount is negative, the CAISO will calculate a CRR Charge for the Multi-Point CRR. The full CRR Payment calculated pursuant to this process shall be subject to pro-ration as described in 11.2.4.4.

**11.2.4.3 Payments and Charges for Monthly and Annual Auctions.**

The CAISO shall charge CRR Holders for the Market Clearing Price for CRRs obtained through the clearing of the CRR Auction as described in Section 36.13.6. To the extent the CRR Holder purchases a CRR through a CRR Auction that has a negative value, the CAISO shall pay the CRR Holder for taking the applicable CRR. The CAISO shall net all revenue received and payments made through this process. CRR Auction net revenue amounts for on-peak and off-peak usage from each CRR auction shall be separated. CRR Auction revenues for each season coming from the annual auction are first allocated uniformly across the three months comprising each season based on time of use. These on-peak and off-peak monthly amounts from the seasonal auctions are then added to the corresponding monthly on-peak and off-peak amounts from CRR Monthly auction for the same month to form the monthly net CRR Auction on-peak and off-peak revenues, respectively. Furthermore, these monthly net CRR auction revenues shall then be converted into daily values and added to the Daily CRR Balancing Accounts. In particular, the Daily CRRBA contribution will be the sum of (1) the monthly net CRR Auction on-peak amount multiplied by the ratio of daily on-peak hours to monthly on-peak hours, and (2) the monthly net CRR Auction off-peak amount multiplied by the ratio of daily off-peak hours to monthly off-peak hours.

**11.2.4.4 Hourly CRR Settlement.**

For each Settlement Period, the IFM Congestion Funds calculated in Section 11.2.4.1.2 will be used to pay CRR Holders that are owed CRR Payments. If the IFM Congestion Fund is sufficient to make the required CRR Payments for the Settlement Period, all CRR Holders shall be paid and charged fully according to their entitlements. If the IFM Congestion Fund is insufficient to make the required CRR Payments, then CRR Payments and CRR Charges shall be pro-rated by a ratio equal to the total hourly amount of IFM Congestion Funds divided by the net of CRR Payments for that Settlement Period. Any

surplus revenue for the Settlement Period after making all hourly CRR Payments will go to the CRR Balancing Account for use in the end-of-day clearing of the CRR Balancing Account processes pursuant to Section 11.2.4.4.1. Any CRR Payment shortfalls (or amounts not fully paid) and CRR Charge shortfalls (or amounts not fully charged) for the Settlement Period, will be tracked for further Settlement during the daily clearing process as described in Section 11.2.4.4.1. The hourly Settlement of CRRs for each CRR Holder will be based on the type of CRR holdings as described in Section 11.2.4.2. The CRR Holder's hourly CRR Settlement amount, which may be subject to pro-ration if necessary as described in this Section, will be the net of the holder's CRR Payments for CRR Options or CRR Obligations, and the holder's CRR Charges for CRR Obligations out of these holdings.

**11.2.4.4.1 Daily Clearing of the CRR Balancing Account – Full Funding of CRRs.**

At the end of each day, all CRR Payment shortfalls for all CRR Holders shall be paid in full and all CRR Charge shortfalls shall be fully charged through the CRR Balancing Account clearing process. The net of these CRR Charges and CRR Payment shortfalls shall be added to the CRR Balancing Account for the applicable day. Any surplus or shortfall revenue amounts in the CRR Balancing Account will be distributed to Scheduling Coordinators in an amount equal to (a) the CRR Balancing Account surplus or shortfall amounts, times (b) the ratio of each Scheduling Coordinator's Measured Demand (net of the Scheduling Coordinator's Measured Demand associated with valid and balanced ETC, TOR or Converted Rights Self-Schedule quantities for which IFM Congestion Credits and/or HASP and RTM Congestion Credits were provided in the same relevant day) divided by (c) the total Measured Demand for all Scheduling Coordinators for the relevant day (net of the total Measured Demand associated with valid and balanced ETC, TOR or Converted Rights Self-Schedule quantities for which IFM Congestion Credits and/or RTM Congestion Credits were provided in the same relevant day).

**11.2.4.5 CRR Balancing Account.**

The CRR Balancing Account shall accumulate: (1) the seasonal and monthly CRR Auction revenue amounts that were converted into daily CRRBA values as described in Section 11.2.4.3 and (2) any surplus revenue or shortfall generated from hourly CRR Settlements as described in Section 11.2.4.4. Interest accruing due to the CRR Balancing Account shall be at the CAISO's received interest rate and shall be credited to each monthly CRRBA Accrued Interest Fund, which is then allocated to monthly Measured Demand excluding Measured Demand associated with valid and balanced ETC, TOR, or CVR self-schedule quantities for which IFM Congestion Credits and/or RTM Congestion Credits were provided in the same month.

**11.11.2 Wheeling Through and Wheeling Out Transactions.**

The CAISO shall calculate, account for and settle charges and payments for Wheeling Through and Wheeling Out transactions in accordance with Section 26.1.4 and Appendix F, Schedule 3, Section 14.

**11.12 Participating Intermittent Resources.**

**11.12.1 Uninstructed Energy by Participating Intermittent Resources.**

Uninstructed Imbalance Energy associated with deviations by a Participating Intermittent Resource shall be settled as provided in this Section 11.12.1 for every Settlement Period in which such Participating Intermittent Resource meets the scheduling requirements established in the Eligible Intermittent Resources Protocol in Appendix Q. Initially, the Uninstructed Imbalance Energy associated with deviations by a Participating Intermittent Resource shall be settled in accordance to Section 11.5.2. However, if the above-referenced scheduling requirements for Participating Intermittent Resources are met, then charges (payments) for Uninstructed Imbalance Energy during such Settlement Periods shall be reversed at the end of the Trade Month and settled as specified in Section 11.12.1. The net Uninstructed Imbalance Energy in each Settlement Interval shall be assigned to a deviation account specific to each Participating Intermittent Resource. The net balance in each deviation account at the end of each calendar month shall be paid (or charged) to the Scheduling Coordinator for the associated Participating Intermittent Resource at the average price specified in Section 34.19.2.5.

**11.12.2 Allocation of Costs From Participating Intermittent Resources.**

The charges (payments) for Uninstructed Imbalance Energy that would have been calculated if the Settlement Interval deviations by each Participating Intermittent Resource were priced at the appropriate Resource-Specific Settlement Interval LMP shall be assigned to a monthly balancing account for all Participating Intermittent Resources in the CAISO Balancing Authority Area. The balance in such

**36.8.5.4 Load Migration and Compliance with CAISO Credit Requirements.**

To the extent that the credit requirements of an LSE as specified in Section 12 are updated by the allocation of new CRRs to reflect Load Migration, the CAISO will do the following. For new CRRs that result in net charges to the affected LSE over a Settlement period these charges will appear on the LSE's Settlement Statement irrespective whether the LSE has met the updated credit requirement. For new CRRs that result in net payments to the affected LSE over a Settlement period and that LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until those updated credit requirements are met. At the end of each Settlement period, if the LSE has not met the updated credit requirements resulting from Load Migration CRR transfers, the CAISO will add any net payments that accrued to the transferred CRRs to the CRR Balancing Account to be included in the daily clearing of the CRR Balancing Account, and those net payments will no longer be recoverable by the LSE. The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.

**36.8.5.5 Load Migration Adjustment for CRR Year One.**

For the CRR Year One CRR Allocation process, the CAISO will account for the cumulative Load Migration that takes place between the beginning of the CRR Year One CRR Allocation process and the first date that the Day-Ahead Market is operational as a single adjustment as described in the Business Practice Manuals.

**36.8.5.6 Load Migration Reflected in the Monthly CRR Allocation Process.**

An LSE who loses or gains net Load through Load Migration must reflect that loss or gain in the monthly Load forecasts it submits to the CAISO for determining its monthly CRR Eligible Quantities for future monthly CRR Allocations.

associated with the IBAA change, or (b) retain the original CRR Source or CRR Sink specification of the Previously-Released CRR. The CRR Holder of such a CRR must make the one-time election prior to the first CRR Allocation and CRR Auction process that incorporates the IBAA change in the CRR FNM, in accordance with the process time line specified in the applicable Business Practice Manual. If the IBAA change is implemented to coincide with the beginning of a calendar year and is coordinated with the annual CRR Allocation and CRR Auction process for that year, as described in Section 36.14.1, the provisions discussed herein apply only to Previously-Released CRRs that are Long Term CRRs and Previously-Released CRRs that are Seasonal CRRs obtained through the CRR Allocation and are eligible for PNP nomination. In the event that the IBAA change is implemented in the CAISO Markets other than on January 1, then these provisions apply also to any Previously-Released CRRs that are Seasonal CRRs effective for the remainder of the year in which the IBAA change is implemented.

**36.14.3 Potential Impact of an IBAA Change on the Revenue Adequacy of Previously-Released CRRs.**

It is possible that, as a result of modifying the CRR Sources or CRR Sinks of Previously-Released CRRs as provided in Section 36.14.2, the entire set of Previously-Released CRRs may no longer be simultaneously feasible. Any such violation of simultaneous feasibility may or may not lead to a revenue shortfall, that is, a deficiency over the course of a month between the IFM Congestion Charge and the amount of funds needed to fully settle the CRRs that are in effect for that month. Consistent with Section 11.2.4.4.1, any revenue shortfall that may result from IBAA-related changes to CRR Sources and CRR Sinks would be funded through the relevant daily CRR Balancing Account.

**11.29.7.3.3** Where a Settlement Statement Re-run indicates that the accounts of Scheduling Coordinators, CRR Holders, Black Start Generators, or Participating TOs should be debited or credited to reflect alterations to Settlements previously made under this CAISO Tariff, for those Scheduling Coordinators, CRR Holders, Black Start Generators, or Participating TOs affected by the statement rerun, the CAISO shall reflect the amounts to be debited or credited in the next subsequent Recalculation Settlement Statement that it issues following the Settlement Statement Re-run to which the provisions of this Section 11 apply.

**11.29.7.3.4** Reruns, post closing adjustments and the financial outcomes of CAISO ADR Procedures and any other dispute resolution may be invoiced separately from monthly market activities. The CAISO shall provide a Market Notice at least thirty (30) days prior to such invoicing identifying the components of such Invoice or Payment Advice.

**11.29.8 Confirmation and Validation.**

**11.29.8.1 Confirmation.**

It is the responsibility of each Scheduling Coordinator, CRR Holder, Black Start Generator, or Participating TO to notify the CAISO if it fails to receive a Settlement Statement on the date specified for the publication of such Settlement Statement in the CAISO Payments Calendar. Each Scheduling Coordinator, CRR Holder, Black Start Generator, or Participating TO shall be deemed to have received its Settlement Statement on the dates specified, unless it notifies the CAISO to the contrary.

**11.29.8.2 Validation.**

Each Scheduling Coordinator, CRR Holder, Black Start Generator, or Participating TO shall have the opportunity to review the terms of the Initial Settlement Statement T+38BD that it receives. The Scheduling Coordinator, CRR Holder, Black Start Generator, or Participating TO shall be deemed to have validated each Initial Settlement Statement unless it has raised a dispute or reported an exception within eight (8) Business Days from the date of issuance. Once validated, an Initial Settlement Statement shall be binding on the Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO to which it relates, unless the CAISO performs a Settlement Statement Re-run pursuant to Section 11.29.7.3.

The notice of dispute, if any, shall state clearly the Trading Day, the issue date of the Initial Settlement Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim.

**11.29.8.3 Validation of Initial Settlement Statement Reissue and Recalculation Settlement Statements.**

Each Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO shall have the opportunity to review the Incremental Changes that appear on the Initial Settlement Statement Reissue and Recalculation Settlement Statement that it receives. The Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO shall be deemed to have validated the Incremental Changes on each Initial Settlement Statement Reissue and Recalculation Settlement Statement unless it has raised a dispute or reported an exception regarding those Incremental Changes within ten (10) Business Days from the date of issuance. Once validated, the Incremental Changes on the Initial Settlement Statement Reissue and Recalculation Settlement Statement shall be binding on the Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO to which it relates, unless the CAISO performs a Settlement Statement Re-run pursuant to Section 11.29.7.3. The notice of dispute shall state clearly the Trading Day, the issue date of the Initial Settlement Statement Reissue and Recalculation Settlement Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim. The only Recalculation Settlement Statement that cannot be disputed is the one issued on T+60BD.

(d) The date on which the CAISO will issue the Initial Settlement Statement Reissue and Recalculation Settlement Statements for T+51BD, T+60BD and T+76BD, and Invoices and Payment Advices to Scheduling Coordinators, CRR Holders, Black Start Generators and Participating TOs for that Trading Day;

(e) The date and time by which CAISO Debtors are required to have made payments into the CAISO Clearing Account in payment of Invoices for that Trading Day;

(f) The dates and times on which CAISO Creditors will receive payments from the CAISO Clearing Account of amounts owing to them for that Trading Day; and

(g) In relation to Reliability Must-Run Charges and RMR Payments, the details set out in paragraph 3 of Appendix N, Part J.

The CAISO will make a draft of the CAISO Payments Calendar available on the CAISO Website to Scheduling Coordinators, CRR Holders, Black Start Generators, Participating TOs and RMR Owners any of which may submit comments and objections to the CAISO within two weeks of the date of posting of the draft on the CAISO Website. No later than October 31st in each year, the CAISO will publish the final CAISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, CRR Holders, Black Start Generators, Participating TOs and RMR Owners. The final CAISO Payments Calendar will be posted on the CAISO Website, and will show for the period from 1 January to 31 December in the next succeeding year (both dates inclusive), the dates on which Settlement Statements shall be published by the CAISO and the Payment Dates on which the CAISO will pay the Participating TOs the Wheeling revenues allocated to them pursuant to Section 26.1.4.3.

## 2. Definitions

As used in this Appendix O, the capitalized terms defined below shall have the definitions specified in this Section 2. All other capitalized terms shall have the meaning specified in the Master Definition Supplement in Attachment A.

**Incremental Change:** The change in dollar value of a specific Charge Code from the Initial Settlement Statement T+33BD to the Initial Settlement Statement Reissue or Recalculation Settlement Statement including any new Charge Codes or Trading Day charges appearing for the first time on the Initial Settlement Statement, Reissue or Recalculation Settlement Statement.

**Initial Settlement Statement T+38BD:** A Settlement Statement generated by the CAISO for the calculation of Settlements for a given Trading Day, which is published on the thirty eight Business Day from the relevant Trading Day (T+38BD) and is prior to the Invoice or Payment Advice published for the relevant bill period.

**Settlement Statement Re-run:** The recalculation of a Settlement Statement in accordance with the provisions of the CAISO Tariff.

**Recalculation Settlement Statement:** The reissue of an Initial Settlement Statement T+38BD by the CAISO on the fifty-first (51st) Business Day from the relevant Trading Day (T+51BD) if T+51BD falls on a calendar day that is after the day the invoice or Payment Advice for the bill period containing the relevant Trading Day is scheduled to publish.

**Attachment B - Blacklines**  
**Payment Acceleration CRR Balancing Account and PIRP Charges Amendment**  
**Fourth Replacement CAISO Tariff**  
**ER09-\_\_\_-000**  
**September 25, 2009**

\* \* \*

#### **11.2.4 CRR Settlements.**

CRR Holders shall be paid or charged for Congestion costs depending on the type of CRRs held by the CRR Holder, the direction of Congestion as measured through the IFM, and the LMP as calculated in the IFM. CRRs shall be funded through the revenues associated with the IFM Congestion Charge, CRR Charges, and the CRR Balancing Account. The CRR Payments and CRR Charges shall be settled first on a daily basis for each Settlement Period of the DAM. The CAISO shall pro-rate CRR Payments and CRR Charges for each Settlement Period, if there is an insufficiency of funds during that Settlement Period from the IFM Congestion Charge pursuant to Section 11.2.4.1. A ~~monthly-daily~~ true up will then be conducted, on both CRR Payments and CRR Charges in the clearing of the CRR Balancing Account pursuant to Section 11.2.4.4.1 and 11.2.4.4.2.

\* \* \*

#### **11.2.4.3 Payments and Charges for Monthly and Annual Auctions.**

The CAISO shall charge CRR Holders for the Market Clearing Price for CRRs obtained through the clearing of the CRR Auction as described in Section 36.13.6. To the extent the CRR Holder purchases a CRR through a CRR Auction that has a negative value, the CAISO shall pay the CRR Holder for taking the applicable CRR. The CAISO shall net all revenue received and payments made through this process ~~and shall add the net remaining seasonal and monthly CRR Auction revenue amounts (either negative or positive amounts) to the CRR Balancing Account for the appropriate month.~~ CRR Auction net revenue amounts for on-peak and off-peak usage from each CRR auction shall be separated. CRR Auction revenues for each season coming from the annual auction are first allocated uniformly across the three monthsly accounts comprising each season based on time of use. These on-peak and off-peak monthly amounts from the seasonal auctions are then added to the corresponding monthly on-peak and off-peak amounts from CRR Monthly auction for the same month to form the monthly net CRR Auction on-peak and off-peak revenues, respectively. Furthermore, these monthly net CRR auction revenues shall then be converted into daily values and added to the Daily CRR Balancing Accounts. In particular, the Daily CRRBA contribution will be the sum of (1) the monthly net CRR Auction on-peak amount multiplied by the

ratio of daily on-peak hours to monthly on-peak hours, and (2) the monthly net CRR Auction off-peak amount multiplied by the ratio of daily off-peak hours to monthly off-peak hours.

#### **11.2.4.4 Hourly CRR Settlement.**

For each Settlement Period, the IFM Congestion Funds calculated in Section 11.2.4.1.2 will be used to pay CRR Holders that are owed CRR Payments. If the IFM Congestion Fund is sufficient to make the required CRR Payments for the Settlement Period, all CRR Holders shall be paid and charged fully according to their entitlements. If the IFM Congestion Fund is insufficient to make the required CRR Payments, then CRR Payments and CRR Charges shall be pro-rated by a ratio equal to the total hourly amount of IFM Congestion Funds divided by the net of CRR Payments for that Settlement Period. Any surplus revenue for the Settlement Period after making all hourly CRR Payments will go to the CRR Balancing Account for use in the ~~end-of-month~~daily clearing of the CRR Balancing Account processes pursuant to Section 11.2.4.4.1. Any CRR Payment shortfalls (or amounts not fully paid) and CRR Charge shortfalls (or amounts not fully charged) for the Settlement Period, will be tracked for further Settlement during the ~~end-of-month~~daily clearing process as described in Section 11.2.4.4.1. The hourly Settlement of CRRs for each CRR Holder will be based on the type of CRR holdings as described in Section 11.2.4.2. The CRR Holder's hourly CRR Settlement amount, which may be subject to pro-ration if necessary as described in this Section, will be the net of the holder's CRR Payments for CRR Options or CRR Obligations, and the holder's CRR Charges for CRR Obligations out of these holdings.

#### **11.2.4.4.1 ~~Monthly~~Daily Clearing of the CRR Balancing Account – Full Funding of CRRs.**

At the end of each ~~month~~day, all CRR Payment shortfalls for all CRR Holders shall be paid in full and all CRR Charge shortfalls shall be fully charged through the CRR Balancing Account clearing process. The net of these CRR Charges and CRR Payment shortfalls shall be added to the CRR Balancing Account for the applicable ~~month~~day. Any surplus or shortfall revenue amounts in the CRR Balancing Account will be distributed to Scheduling Coordinators in an amount equal to (a) the CRR Balancing Account surplus or shortfall amounts, times (b) the ratio of each Scheduling Coordinator's Measured Demand (net of the Scheduling Coordinator's Measured Demand associated with valid and balanced ETC, TOR or Converted Rights Self-Schedule quantities for which IFM Congestion Credits and/or HASP and RTM Congestion Credits were provided in the same relevant ~~month~~day) divided by (c) the total Measured Demand for all

Scheduling Coordinators for the relevant ~~month~~day (net of the total Measured Demand associated with valid and balanced ETC, TOR or Converted Rights Self-Schedule quantities for which IFM Congestion Credits and/or RTM Congestion Credits were provided in the same relevant ~~month~~day).

#### **11.2.4.5 CRR Balancing Account.**

The CRR Balancing Account shall accumulate: (1) the seasonal and monthly CRR Auction revenue amounts that were converted into daily CRRBA values as described in Section 11.2.4.3 and (2) any surplus revenue or shortfall generated from hourly CRR Settlements as described in Section 11.2.4.4.

Interest accruing due to the CRR Balancing Account shall be at the CAISO's received interest rate and shall be credited to ~~the each monthly CRRBA Balancing Account~~Accrued Interest Fund, which is then allocated to monthly Measured Demand excluding Measured Demand associated with valid and balanced ETC, TOR, or CVR self-schedule quantities for which IFM Congestion Credits and/or RTM Congestion Credits were provided in the same month.

\* \* \*

#### **11.12 Participating Intermittent Resources.**

##### **11.12.1 Uninstructed Energy by Participating Intermittent Resources.**

Uninstructed Imbalance Energy associated with deviations by a Participating Intermittent Resource shall be settled as provided in this Section 11.12.1 for every Settlement Period in which such Participating Intermittent Resource meets the scheduling requirements established in the Eligible Intermittent Resources Protocol in Appendix Q. Initially, the Uninstructed Imbalance Energy associated with deviations by a Participating Intermittent Resource shall be settled in accordance to Section 11.5.2. However, if the above-referenced scheduling requirements for Participating Intermittent Resources are met, then charges (payments) for Uninstructed Imbalance Energy during such Settlement Periods shall be reversed at the end of the Trade Month and settled as specified in Section 11.12.1. The net Uninstructed Imbalance Energy in each Settlement Interval shall be assigned to a deviation account specific to each Participating Intermittent Resource. The net balance in each deviation account at the end of each calendar month shall be paid (or charged) to the Scheduling Coordinator for the associated Participating Intermittent Resource at the average price specified in Section 34.19.2.5. ~~If the above-referenced scheduling requirements for Participating Intermittent Resources are not met, then charges~~

~~(payments) for Uninstructed Imbalance Energy during such Settlement Periods shall be determined in accordance with Section 11.5.2.~~

\* \* \*

#### **36.8.5.4 Load Migration and Compliance with CAISO Credit Requirements.**

To the extent that the credit requirements of an LSE as specified in Section 12 are updated by the allocation of new CRRs to reflect Load Migration, the CAISO will do the following. For new CRRs that result in net charges to the affected LSE over a Settlement period these charges will appear on the LSE's Settlement Statement irrespective whether the LSE has met the updated credit requirement. For new CRRs that result in net payments to the affected LSE over a Settlement period and that LSE has not met the updated credit requirements affected by the allocation of new CRRs to reflect Load Migration, the CAISO shall withhold payment until those updated credit requirements are met. At the end of each Settlement period, if the LSE has not met the updated credit requirements resulting from Load Migration CRR transfers, the CAISO will add any net payments that accrued to the transferred CRRs to the CRR Balancing Account to be included in the ~~end-of-month~~daily clearing of the CRR Balancing Account, and those net payments will no longer be recoverable by the LSE. The CAISO may place new allocated CRRs into CRR Auctions if the non-compliance with credit or applicable Financial Security requirements is persistent.

\* \* \*

#### **36.14.3 Potential Impact of an IBAA Change on the Revenue Adequacy of Previously-Released CRRs.**

It is possible that, as a result of modifying the CRR Sources or CRR Sinks of Previously-Released CRRs as provided in Section 36.14.2, the entire set of Previously-Released CRRs may no longer be simultaneously feasible. Any such violation of simultaneous feasibility may or may not lead to a revenue shortfall, that is, a deficiency over the course of a month between the IFM Congestion Charge and the amount of funds needed to fully settle the CRRs that are in effect for that month. Consistent with Section 11.2.4.4.1, any revenue shortfall that may result from IBAA-related changes to CRR Sources and CRR Sinks would be funded through the relevant ~~monthly~~daily CRR Balancing Account.

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## GRANFATHERED METERING AND SETTLEMENT PROVISIONS FOR TRADING DAYS

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### **11.29.8.3 Validation of Initial Settlement Statement Reissue and Recalculation Settlement Statements.**

Each Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO shall have the opportunity to review the Incremental Changes that appear on the Initial Settlement Statement Reissue and Recalculation Settlement Statement that it receives. The Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO shall be deemed to have validated the Incremental Changes on each Initial Settlement Statement Reissue and Recalculation Settlement Statement unless it has raised a dispute or reported an exception regarding those Incremental Changes within ten (10) Business Days from the date of issuance. Once validated, the Incremental Changes on the Initial Settlement Statement Reissue and Recalculation Settlement Statement shall be binding on the Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO to which it relates, unless the CAISO performs a Settlement Statement Re-run pursuant to Section 11.29.7.3. The notice of dispute shall state clearly the Trading Day, the issue date of the Initial Settlement Statement Reissue and Recalculation Settlement Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim. The only Recalculation Settlement Statement that cannot be disputed is the one issued on T+~~59~~60BD.

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### **11.29.24 CAISO Payments Calendar.**

#### **11.29.24.1 Preparation.**

In September of each year, the CAISO will prepare a draft CAISO Payments Calendar for the following calendar year showing for each Trading Day:

(a) The date by which Scheduling Coordinators are required to provide Settlement Quality Meter Data for all their Scheduling Coordinator Metered Entities for each Settlement Period in the Trading Day;

(b) The date on which the CAISO will issue Initial Settlement Statements and Invoices and Payment Advices to Scheduling Coordinators or CRR Holders, Black Start Generators and Participating TOs for that Trading Day;

(c) The date by which Scheduling Coordinators, CRR Holders, Black Start Generators and Participating TOs are required to notify the CAISO of any disputes in relation to their Initial Settlement Statements pursuant to Section 11.29.8.2;

(d) The date on which the CAISO will issue the Initial Settlement Statement Reissue and Recalculation Settlement Statements for T+51BD, T+~~59~~60BD and T+76BD, and Invoices and Payment Advices to Scheduling Coordinators, CRR Holders, Black Start Generators and Participating TOs for that Trading Day;

(e) The date and time by which CAISO Debtors are required to have made payments into the CAISO Clearing Account in payment of Invoices for that Trading Day;

(f) The dates and times on which CAISO Creditors will receive payments from the CAISO Clearing Account of amounts owing to them for that Trading Day; and

(g) In relation to Reliability Must-Run Charges and RMR Payments, the details set out in paragraph 3 of Appendix N, Part J.

The CAISO will make a draft of the CAISO Payments Calendar available on the CAISO Website to Scheduling Coordinators, CRR Holders, Black Start Generators, Participating TOs and RMR Owners any of which may submit comments and objections to the CAISO within two weeks of the date of posting of the draft on the CAISO Website. No later than October 31st in each year, the CAISO will publish the final CAISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, CRR Holders, Black Start Generators, Participating TOs and RMR Owners. The final CAISO Payments Calendar will be posted on the CAISO Website, and will show for the period from 1 January to 31 December in the next succeeding year (both dates inclusive), the dates on which Settlement Statements shall be published by the CAISO and the Payment Dates on which the CAISO will pay the Participating TOs the Wheeling revenues allocated to them pursuant to Section 26.1.4.3.

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