

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 2nd, 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.

While WPTF believes that accelerating payments for all of CAISO's markets is desirable in order to reduce risk, WPTF strongly endorses the idea of initially bifurcating DA/financial and RT market settlements. DA energy and other financial transactions can be settled right away because the quantities and prices that result are known with certainty by the CAISO shortly after the DA market closes. Accelerated settlement and payment of DA/financial transactions would also allow the CAISO's financial markets to operate on the same basis as other financial markets around the world, where transactions are typically settled within two or three business days. While market participants may have to modify some of their internal settlement processes, WPTF members envision no particular process or system issues that would impose undue difficulty or expense on market participants. WPTF also believes taking aggressive steps

now to speed up DA settlement is particularly appropriate in light of the current environment in the credit and financial markets at-large. (WPTF does however encourage further discussion of how accelerated settlements will be merged with settlements that are not accelerated to produce the entire settlement of record for SCs.)

WPTF believes there are several important benefits to be derived by separating the settlement of the DA energy market and other financial only charges (DA/financial), including CRRs and virtual transactions when Convergence Bidding is implemented, from settlement of the RT charges that are based on meter data, and by settling DA/financial transactions shortly after the DA market closes. These include greatly reduce default risk, smaller collateral requirements, and lower prices for electricity consumers.

In addition, settling DA/financial market transactions more often and more quickly will encourage market participants to conduct more of their business in CAISO markets. Under the current settlement timelines, suppliers are particularly concerned about the size of their exposure to counterparty risk and the amounts of their cash that are encumbered by a combination of accounts receivable from the CAISO and collateral lodged with the CAISO. If the settlement timeline remains at 95 days, suppliers will prefer to execute most of their transactions in the bilateral market where the average interval between the time a transaction is executed and the time it is settled is about 25 days.

WPTF agrees with the CAISO that bifurcating DA/financial and RT settlements also avoids the complexities of estimating meter readings which would be required if RT settlements were also accelerated. WPTF urges against complicating the DA/financial acceleration process by including estimates of RT charges.

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).

As stated above WPTF supports accelerating payments based on DA IFM schedules as well as other financial markets including CRRs, and virtual transactions when Convergence Bidding is implemented. Such charge types are independent of any meter data. WPTF believes that trying to accelerate any RT settlements introduces too much complexity with little incremental benefit. Especially given all the incentives under MRTU to conduct activities in the DA market, RT market volumes should be relatively small. WPTF is therefore opposed to pursuing the 2nd or 3rd bulleted options above, and certainly finds no

reason to hold up implementation of payment acceleration for DA/financial transactions to address such issues.

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

See Answer to Q2.

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

Given that WPTF’s position is to accelerate payment of DA/financial transactions and to deal with transactions that rely on meter data at a later date, WPTF believes that it is not necessary to address interest payments at this time.

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.

Yes, acceleration should happen as soon as possible.

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.

WPTF members differ on the frequency with which cash clearing should occur. However, all members believe that invoices should be issued no less frequently than invoices are issued in the bilateral (e.g., EEI/WSP) market, which currently takes place 20 days following the end of the trade month.

7. Other Comments?

WPTF appreciates the opportunity to submit comments on this important matter.