

Stakeholder Comments Template

Subject: Payment Acceleration Straw Proposal

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

Submitted by	Company	Date Submitted
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Word) to pacceleration@caiso.com. Submissions are requested by close of business on Thursday, November 13th, 2008.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. Settlement Timeline

Which of the following two options do you prefer for publication of Settlement statements?

	Timeline
Option #1	T+7B - Initial T+38B - 1 st true-up T+76B - 2 nd true-up T+18M - 3 rd true-up T+35M - 4 th true-up
Option #2	T+7B - Initial T+38B - 1 st true-up T+51B - 2 nd true-up T+18M - 3 rd true-up T+35M - 4 th true-up

Please provide comments on these options:

WPTF strongly supports Option 1 above for the settlement statement publication time line.

2. Interest Payments

Do you support CAISO's proposal of applying interest on deviations between the Initial and first true-up statements?

WPTF believes that the efficacy of applying interest charges on deviations between the initial estimate and first true-up statements depends on the degree of discretion a reporting entity is granted with regard to meter data reporting and the motivations and likelihood that an entity would be able to manipulate payment streams to its advantage. Based on our understanding of the CAISO proposal, we believe that the application of interest is not warranted at this time for several reasons:

- a. First and foremost, to the extent the meter data are based on CAISO estimates, it would be inappropriate to charge interest, since market participants are not responsible for the estimates.
- b. Second, the current proposal will settle both the Day-ahead and Real Time markets concurrently. Therefore, the CAISO's payment acceleration proposal does not create any specific incentive for underscheduling (as may have been the case under bifurcated approaches), and therefore there is no need for an interest calculation. The only concern may be that a party would provide an estimate that intentionally "under-reports" meter data for the accelerated settlement process. Such an action, if egregious and persistent, could be remedied by either an appropriate adjustment to those meter estimates or another form of sanction.
- c. Finally, the CAISO's interest proposal apparently does not consider other elements of a market participant's activity that deter it from under-reporting, such as an entity's interest in hedging congestion (its CRR position) or the RA must offer obligations (its supply position.) These offsetting elements of a market participant's portfolio will serve to discipline scheduling behavior because they have larger economic impacts than a specific interest calculation.

In summary, WPTF urges the CAISO to eliminate the interest calculation provisions from its payment acceleration proposal because the motivations and likelihood of manipulation are remote. If available evidence suggests that interest charges must be levied in order to encourage accurate meter data reporting or scheduling, the CAISO can re-visit the issue at a later date. If an interest calculation is included at the outset, then it should be subject to the same limitations as under-scheduling penalties and applied only when the difference between an initial estimate and the first true-up is greater than 15%.

Finally, and just to be clear, if the CAISO is inclined to impose interest, no interest should be assessed after the required receipt of SQMD.

Do you prefer applying interest to subsequent true-ups?

WPTF agrees with the CAISO proposal that there is no need to assess interest to subsequent true-ups.

3. Invoicing

Please provide detailed examples of your preferred invoicing solution.

WPTF strongly supports an invoicing schedule under which payments would be made at least semi-monthly, and preferably on a more frequent basis.

4. Meter Data Substitution

For meter estimation process, when adjusting DA Scheduled Demand by an incremental amount to reflect Actual Load, the amount of adjustment will not exceed 15% of the DA Scheduled Demand. For example, if SC1's DA Scheduled Demand = 100 MW, the maximum estimation adjustment would be 15 MW. Therefore, SC1's Estimated Metered Demand used in the T+7B Settlement = 115MW (maximum).

Note: The proposed meter estimation methodology will never negatively adjust the DA Scheduled Demand. So in this example minimum estimation value = 100 MW, maximum estimation value = 115MW.

WPTF supports the CAISO's proposed methodology for estimating DA demand to account for forecast errors and other real-time deviations when SCs do not provide their own meter data estimates.

However WPTF would also like the CAISO to provide some additional information regarding two details related to meter data estimates. First, please clarify whether and how SCs can submit estimated meter data when actual meter data is not yet available. The proposal is a little confusing on this point because in one place it states,

"CAISO will use ISO polled and Schedule Coordinator (SC) submitted meter data that is available within the OMAR application at T+5B. If meter data is not available within this timeframe, the CAISO will estimate outstanding metered demand and generation."

Later in the same paragraph, the proposal states,

"It is the SC's responsibility to ensure that submitted meter data for payment acceleration at T+5B reasonably represents the load or generation they serve. This can be accomplished using interval metering when available and sound estimation practices that blend a variety of available information (schedules, forecasts, temperature data, operating logs, recorders and historic data) to make a reasonable representation of the Load used and Generation delivered."

Does this mean that SCs can submit their own estimated meter data for the T+7B settlement when actual meter data is unavailable or incomplete?

Second, by ruling out negative adjustments to DA schedules, the CAISO is assuming that DA schedules will always be less than estimated meter data. It would be helpful for the

CAISO to explain how it proposes to deal with instances where the aggregated estimates for meter data exceed actual load and/or the aggregated total of SC schedules.

5. Other Comments?

1. **How will interest be calculated:** If the CAISO does not eliminate the interest calculation provisions of its proposal, WPTF requests the following clarifications:
 - a. Will interest be assessed on a daily basis from the time of the initial estimate, or on some other basis?
 - b. Will interest be assessed only on the difference between the amount of the initial estimate and the amount shown in the first true-up? If not, please explain how the CAISO will compute the amount against which interest charges will be applied.
2. **True-up invoices:** WPTF requests that CAISO settlement statements NOT combine operating months into one statement. Placing a single month on each statement greatly simplifies invoice processing and validation.
3. WPTF appreciates the CAISO's willingness to carefully weigh stakeholder input and then craft a proposal that reduces credit risk by accelerating the time frames for settlement and invoicing that minimizes disruption to market participants' existing back-office processes and avoids unnecessary complexity. WPTF urges the CAISO commit to a definitive time frame for implementation that is as close to MRTU start up as possible, and in no event longer than 3 months after MRTU start up. Timely implementation is particularly important now that the CAISO has deferred further action on its loss allocation methodology for credit defaults.