



**California ISO Payment Acceleration Project  
Discussion Draft  
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## Executive Summary

The California ISO (CAISO) recognizes that the current payment calendar takes too long between trade date and market clearing and presenting undue credit risk to market participation. This increased risk may hinder resource availability from out-of-state resources, challenges credit management, and exposes market participants to additional risk in the event of defaults or bankruptcies.

The CAISO plans to implement payment acceleration approximately 6 months after the Settlements and Market Clearing System (SaMC) go live. Payment acceleration would provide market clearing on an average of 30 days. Payment acceleration also opens the possibility of other significant settlement improvements, such as providing participants an increased dispute window, and implementing a sunset provision.

All ISO's are researching options to reduce credit risk and many are exploring shortened payment cycles (payment acceleration).

## CAISO Proposal for Payment Acceleration

The CAISO is proposing the following for payment acceleration:

### Recommended Accelerated Meter Data Submittal Process

#### Proposed Methodology:

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 then create estimated data based on available schedules or forecasts.

The SCs will use the same meter data submittal process currently available today, utilizing either OMAR On-line or their FTP functionality, to submit their data files to the CAISO no later than T+5B. Submittal of meter data anytime after T+5B will not be used in the accelerated payment calculation, but will remain in OMAR until such time that it is updated and/or provided to settlements for the T+50B Settlements Calculation.

As noted, if the SC does not submit or polled meter data is unavailable by T+5B, CAISO will estimate meter data values based on available schedules or forecasts. This estimation is anticipated to be performed within SAMC as part of the payment acceleration calculation.

## Benefits:

- Provides flexibility allowing SC's the ability to be part of the solution.
- Recognizes technology advancement in meter data collection and estimation (ie smart metering).
- Follows current SQMD submittal requirements and processes.
- No additional submittal or compliance processes required, leverages current enforcement protocols.
- Leverage current metering infrastructures and file formats.

## **Statements, Invoicing, and Billing Inquiries**

Below is a description of the CAISO proposed statement and invoice cycles, which are also summarized in a table at the end of the document.

### **Invoices**

The CAISO will publish a monthly invoice on the 3<sup>rd</sup> Tuesday of each month. Any statements that have published at the time of invoicing will be included in the monthly invoice. This includes not only initial statements, but also any true up statements that have published. Following current standards, payment of all invoices is due within 5 business days after the invoice publishes.

### **Initial Statement and Monthly Invoice**

The initial statement will use available Meter Data (ISO polled + SC submitted) at T+5B and estimate remaining obligations based on schedules or forecasts applying a pre-determined estimation risk factor. Initial statement will publish nine (9) business days after each trade date (T+9B). SCs can submit billing inquiries identifying discrepancies based on this initial statement until T+28 business days for any item except those specifically dependent upon the meter data that is estimated by the CAISO. The CAISO will make corrections on the next true up statement at T+50B for the impacted trade date, if possible given the complexity of the issue, for any valid issues identified in billing inquiries received before the predefined deadline. If an SC disagrees with the CAISO's resolution of its billing inquiry, that SC has 3 months from the CAISO response to initiate a good faith negotiation (GFN).

### **First True-Up Statement & Invoice**

The second statement ("First True Up") uses actual SQMD submitted by SCs no later than *T+45 calendar days*, as well as SQMD for CAISO polled meter data, and will publish 50 business days after the trade date (T+50B). This T+50B timeframe allows enough time for SCs to submit actual SQMD and still limits the time gap between the initial statement and the first true up statement. The first true up statements will be reflected on the next monthly invoice published. SCs can submit billing inquiries to the CAISO on or before T+74B, and the CAISO will make corrections, if possible, on the

next true up statement at T+100B. If an SC disagrees with the CAISO's resolution of its billing inquiry, that SC has 3 months from CAISO response to initiate a good faith negotiation (GFN).

### **Second True-Up Statement & Invoice**

The third statement ("Second True Up") includes any changes to SQMD, and any corrections due to valid issues identified through the billing inquiry process. This statement will publish 100 business days after the trade date (T+100B), and will act as the final statement for purposes of RMR invoicing. The second true up statements will be reflected on the next monthly invoice published. SCs can submit billing inquiries based only on incremental changes between the T+50B and T+100B statements, and these must be submitted by T+12M. Valid billing inquiries will be included on the next true up statement at T+18M. If a participant disagrees with the CAISO's resolution of its billing inquiry, that SC has 3 months from CAISO response to initiate a GFN.

### **Third True Up Statement (If needed) and Invoice**

The fourth statement ("Third True Up") would be generated only if there were changes due to billing inquiries filed based on the second true up statement, if corrected SQMD is submitted by a SC, or if other errors were caught by the CAISO. It will publish 18 months after the trade date (T+18M), and the statements will be reflected on the next monthly invoice published. Based on this statement, SCs can submit billing inquiries based only on incremental changes between the T+100B and T+18M statements, and these must be submitted by T+19M. The CAISO must respond to billing inquiries no later than T+20M. Valid billing inquiries will be included on the next true up statement. If a participant disagrees with the CAISO's resolution of its billing inquiry and wishes to pursue it further that participant must file a GFN within 1 month of the CAISO response.

### **Fourth True Up Statement (If needed) and Invoice**

The fifth statement ("Fourth True Up") would be generated 36 months after the trade date (T+36M) only if there were changes due to valid billing inquiries from the T+18M statement, meter data issues identified through the audit process, or any GFN or ADR settlements. The fourth true up statements will publish to the T+36M monthly invoice cycle. If a participant disagrees with the CAISO's resolution of its billing inquiry, that participant must follow the alternative dispute resolution (ADR) process to pursue the matter further.

### **Note about True-Ups**

The CAISO seeks to adopt a more orderly true up approach to settlement revisions that will replace the cumbersome and less predictable rerun approach that we currently use. The concept is to collect any changes for a certain trade date and recalculate them according to a predefined calendar as true ups to SC's in an orderly and predictable manner.

## Sunset Provision Discussion

CAISO plans to implement a sunset provision policy at T+36M – 4<sup>th</sup> True-up Statement.

## Payment Calendar

The following chart represents an overview of the proposed new payment calendar under payment acceleration and includes the following assumptions:

- 1) Move historic ‘disputes’ to more routine billing inquiries.
- 2) Much more flexibility for participants.
- 3) Current dispute window is extended.

<b>SQMD Date</b>	<b>Statement Generated Date</b>	<b>Billing Inquires Due</b>	<b>Data Changes incorporated</b>	<b>Invoice Date</b>
T+5B	T+9B	T+28B Anything, but estimated meter data related issues	Meter Data (ISO polled + SC submitted) at T+5B and estimate remaining obligations based on schedules or forecasts applying a pre-determined estimation risk factor.	3 <sup>rd</sup> Tuesday of each Calendar Month
<i>T+45C (SQMD)</i>	T+50B	T+74B	Actual SQMD, Corrections based on Billing Inquiries, data clean up	Next Monthly Invoice Cycle
<i>T+48B (SQMD)</i>	T+100B	T+12M (incremental changes)	Corrections based on billing inquiries, SQMD corrections, data clean up	Next Monthly Invoice Cycle
T+17M (SQMD)	T+18M (if needed)	T+19M (incremental changes)	Corrections based on billing inquiries, SQMD Corrections, GFN, ADR	Next Monthly Invoice Cycle
T+35M (SQMD)	T+36M (if needed)	N/A	SQMD Corrections based on MDAS Audit findings, GFN, ADR	T+36M Monthly Invoice Cycle

## **Payment Calendar Transition Timeline**

The current payment calendar and the payment acceleration payment calendar will overlap for a period of time in 2009. The transition period is currently under design and will be released at a later date.

## **Payment Calendar Examples (PAT and current)**

The following is an example of the payment acceleration payment calendar. Holidays are not included in this example. Please click on the following links to view the excel documents from the CAISO website:

Sample Payment Calendar:

<http://www.caiso.com/docs/09003a6080/35/de/09003a608035de92.xls>