



Scheduling Coordinator Aggregate Liability Estimation (SCALE)

Implementation Questions and Answers

- Q1 What is SCALE?
- A1 *SCALE is a tool for estimating Scheduling Coordinators' (SCs') outstanding financial liability at any point in time. It is based on each SC's own operating data, accessed through the ISO's Market Operations Department.*
- Q2 How is SCALE similar to and different from the ISO's previous Estimated Aggregate Liability (EAL) financial liability estimation tool?
- A2 *The tools are similar in that both use actual settlement data to the extent that it is available. However, a gap remains between Trade Days that have already settled but are not yet invoiced – known outstanding amounts – and Trade Days that have not yet been settled – unknown amounts. The EAL tool was limited to being able to estimate the unknown quantities based on each SC's historic settlements during the months immediately preceding the known period. SCALE has the enhanced ability to use each SC's actual operating data to estimate the unknown quantities.*
- Q3 Why is the ISO changing to a different estimation tool?
- A3 *The previous tool (EAL) was based on historic usage rather than current market data. SCs' scheduling and usage patterns – and, as a result, their outstanding financial liability – can change significantly from month-to-month. SCALE is designed to give a more accurate estimate of each SC's current liability.*
- Q4 How accurate is SCALE?
- A4 *The ISO has tested SCALE by comparing its estimated SC liability against the actual settlements data for each of the estimated periods. Testing has shown that SCALE can estimate 65-75% of SCs' financial liability within $\pm 30\%$. EAL only was able to attain $\pm 30\%$ accuracy for 10-25% of SCs.*
- Q5 If the accuracy is $\pm 30\%$, the tool still is not entirely accurate. What if I disagree with the results of SCALE?
- Q5 *If an SC disagrees with the result of SCALE, they still can work with their Account Manager to propose a different liability amount. If the SC can provide additional data supporting a different liability estimate, the ISO will use that amount.*
- Q6 Does the ISO need to change the Tariff to adopt the SCALE tool?
- A6 *No. Section 2.2.7.3 of the ISO Tariff states that "The ISO Security Amount is intended to cover the entity's outstanding and estimated liability for either (i) Grid Management Charge; and/or (ii) Imbalance Energy, Ancillary Services, Grid Operations Charge, Wheeling Access Charge, High Voltage Access Charge, Transition Charge, Usage Charges, and FERC Annual Charges." However, the Tariff does not prescribe a specific methodology for determining the amount of that liability. Rather, Section 2.2.7.3 simply provides: "To estimate charges for Trading Days for which*

Settlement data is not yet available, the ISO will consider available historical Settlement data, appropriately adjusted to reflect recent market prices and trends, or other available information for individual Scheduling Coordinators." The ISO believes that SCALE, which is based on current data and assumptions, is a more accurate tool for estimating liability. But, as stated above, if the SC can provide additional data to support a different liability assessment, the ISO will use that amount.

- Q7 How does SCALE estimate an SC's outstanding liability?*
- A7 SCALE uses actual market operations data on load, generation and interties for each SC. Load data includes load profiles based on actual UDC Loads, generation deviations, UFE and SC-provided load data. Generation data is based on SCs' schedules, RT dispatch data, EMS data and MDAS data. Intertie and Intratie data is provided by MDAS and EMS. For a detailed description of how SCALE estimates liability, please see the additional document entitled "SCALE Development Process."*
- Q8 When will the ISO implement SCALE?*
- A8 When the ISO distributes estimates of SCs' liability on March 5, 2004, the figures will be based on the SCALE tool.*