

Commission grant SCE permission to intervene in this proceeding. SCE hereby reserves its rights to raise substantive issues regarding all aspects of this proceeding, and to file additional comments, as warranted by the proceeding. SCE designates the following person for service on the Commission's service list in this proceeding:

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II. COMMENTS

A. Introduction

On June 1, 2009, the CAISO filed proposed tariff modifications to implement acceleration of the CAISO's payment timeline ("Payment Acceleration").¹ Under the Payment Acceleration initiative, the CAISO intends to significantly shorten the time period in which it invoices and settles market transactions. SCE supports the CAISO's desire to shorten its overall settlement cycle and appreciates the hard work and effort put forth by CAISO staff to engage stakeholders and incorporate stakeholder recommendations into the CAISO final proposal. SCE provides comments on the following features of the Payment Acceleration tariff modifications: 1) CAISO methodology for estimation of meter data; 2) Application of interest charges; and 3) Effective date of Appendix H.

¹ On June 4, 2009, the CAISO filed an amendment modifying the proposed effective date, which should have been November 1, 2009, rather than October 1, 2009.

B. CAISO Methodology for Estimation of Meter Data

Section 11.1.5 of the proposed tariff modification provides detail as to the methodology the CAISO will use to estimate meter data for Scheduling Coordinator's ("SC") who fail to submit estimated meter data in time for the publishing of the initial settlement statement (T+7B). Specifically sub-section (b) of section 11.1.5 states that:

CAISO Estimated Settlement Quality Meter Data for metered Demand will be based on Scheduled Demand by the appropriate LAP. This value will be increased by fifteen percent (15%) if the total actual system Demand is Real-Time, as determined by the CAISO each hour, is greater than fifteen percent (15%) of the sum of the value of Scheduling Coordinator submitted metered Demand, CAISO polled estimated Settlement quality metered Demand, and Scheduled Demand for unsubmitted metered Demand at the fifth Business Day after the Trading Day (T+5B).

This language uses conflicting methodologies in first determining the initial estimated metered demand value (LAP Level) and then subsequently deciding whether to increase the amount of CAISO estimated metered demand by 15% (System Level). As an alternative, SCE recommends that the CAISO's estimation methodology be targeted solely at the Transmission Access Charge ("TAC") level, in order to better align the estimation methodology with the market settlement rules for Unaccounted for Energy ("UFE").

Approving the CAISO's proposed methodology will ultimately result in an increase in the allocation of UFE charges to SCs within TAC areas who submit accurate and reliable estimated meter demand by the T+5B deadline. This will occur because the CAISO's proposal will tend to mask TAC level meter errors, due to the dependency on system level load and meter data. The CAISO's proposal in effect puts an unjustified financial burden on SCs who adhere to the CAISO metered demand estimation rules, while allowing noncompliant SCs to initially avoid the costs of serving their native load. While SCE understands that the CAISO will assess interest charges to SCs whose estimated metered demand deviates from actual demand values, the cumulative costs and potential increased credit requirements due to temporary "artificial" UFE

charges may do more harm to SCs than the additional benefits from receiving interest payments provide.

To address this concern, SCE requests that the Commission require the CAISO take a more targeted approach when determining whether to assess a 15% increase to CAISO estimated metered demand values. SCE's alternative proposal would keep the same 15% threshold, but instead of applying it at the system level it would apply at the TAC level. As a result SCE's proposal would more accurately allocate UFE charges to the SCs who fail to submit estimated metered data, instead of initially allocating a greater portion of UFE charges to SCs who submit accurate metered data within the T+5B timeframe.

C. Application of Interest Charges

Section 11.29.10.2 states that interest will be applied to all deviations through the second Recalculation Settlement Statement (T+76B). SCE supports the CAISO incorporating interest into the Payment Acceleration program, but feels that interest should be applied consistently across the entire payment cycle and not arbitrarily stop at the T+76B Recalculation Settlement Statement. CAISO has provided no basis for assuming deviations post-T+76B will be small, and because Payment Acceleration will be a permanent feature of MRTU, initial concerns over manual process are not valid and should not be considered a reason for not to apply interest across the entire payment cycle.² Moreover, the precedent of applying interest across the entire payment cycle has already been made by the New York Independent System Operator.³

Ultimately, if the Commission approves the CAISO's proposal to only apply interest up to the T+76B Recalculation Settlement Statement. SCE requests that the Commission require the CAISO apply interest to all disputes that adhere to the timeline set forth in section 11.29.8.4.2. Under the CAISO's current proposal, interest will only be applied to disputes that are resolved

² Filing Letter at p. 18.

³ NYISO Billing and Accounting Manual, Section 1.3.1, Page 1-5.

<http://www.nyiso.com/public/webdocs/documents/manuals/administrative/acctbillmnl.pdf>

prior to the issuance of the T+76B Recalculation Settlement Statement, and would not apply to disputes that are timely submitted but not resolved by the T+76B Recalculation Settlement Statement publication date. While SCs have a Tariff-defined timetable for submission of disputes, the CAISO itself does not have such a defined timeframe for resolution of disputes. SCE understands that some disputes are more complex than others and may need additional time to get resolved in a complete and accurate manner. As such, it is SCE's position that CAISO should be allotted enough time to accurately resolve a dispute, but the length of time needed for resolution should not impact a SCs ability to a paid or charged interest on dispute-related deviations.

D. Effective date of Appendix H

The CAISO's proposed sunset date for the tariff modifications made to Appendix H is in conflict with the proposed effective date of November 1, 2009 requested by the CAISO in its errata filing letter of June 4, 2009. SCE requests that the Commission require the CAISO to update the sunset date of Appendix H to be consistent with that of the requested effective date of the Payment Acceleration tariff provisions.

III. CONCLUSION

For all of the foregoing reasons, SCE respectfully requests that the Commission allow SCE to intervene in this proceeding and be accorded full party status herein. SCE further requests that the Commission require the CAISO to modify the methodology it is proposing for estimating metered demand to use TAC area load and TAC level actual/estimated metered demand in order to better align the estimation methodology with the market settlement rules for Unaccounted for Energy. SCE further requests that the Commission require the CAISO to extend the application of interest on invoice-level deviations across its entire payment cycle, or at a minimum require the CAISO to apply interest to all disputes that are submitted according to Tariff section 11.29.8.4.2.

Respectfully submitted,

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Dated: [June 22, 2009](#)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **INTERVENTION AND COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S PAYMENT ACCELERATION FILING** upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rosemead, California, this 22nd day of June, 2009.

Case Analyst

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