




Billing, Payment and Credit Enhancements: Draft Tariff Language

Stakeholder call
September 19, 2024

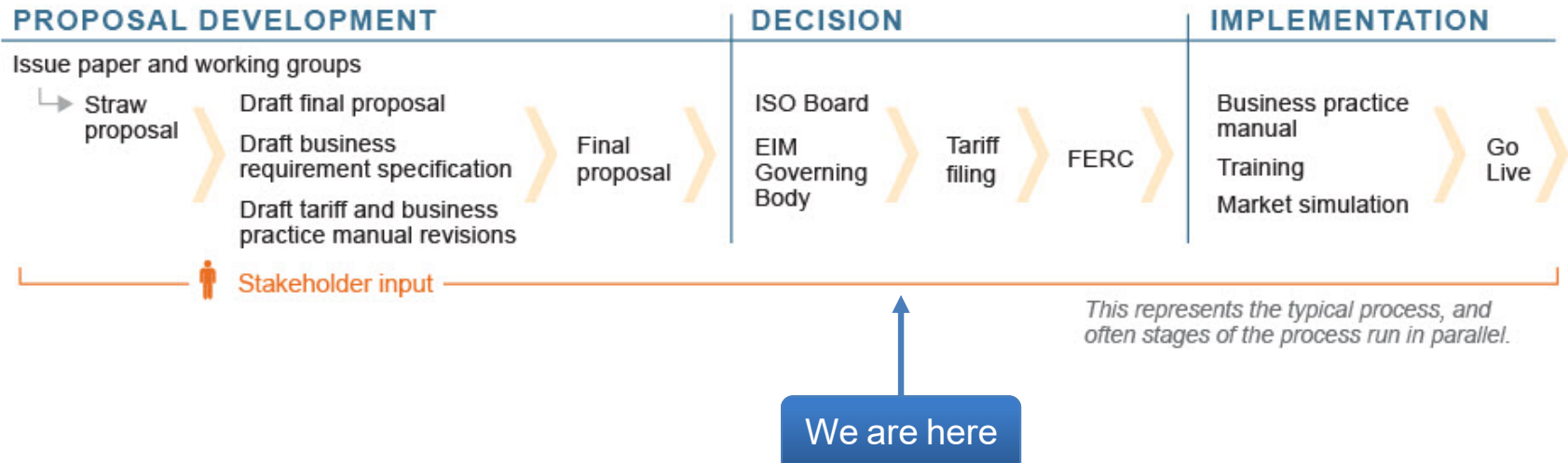
Housekeeping reminders

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO's permission.
- These meetings are intended to stimulate open dialogue and engage different perspectives.
- Please keep comments professional and respectful.
- Please try and be brief and refrain from repeating what has already been said so that we can manage the time efficiently.
- If you need technical assistance during the meeting, please send a chat to the event producer

Instructions for raising your hand to ask a question

- Open the Participant and Chat panels from the bottom right.
- If you are connected to audio through your computer  or used the “call me” option, select the raise hand icon located on the bottom of your screen.
 - **Note:** *3 only works if you dialed into the meeting.
 - Please remember to state your name and affiliation before making your comment.
- You may also send your question via chat to Yelena Kopylov-Alford or to all panelists.

CAISO Policy Initiative Stakeholder Process



ROADMAP, INTRODUCTION AND BACKGROUND

Agenda

- Introduction and Background
- Clarifying settlements v. billing
- Reorganization of Section 11
- Proposed § 11.29.2 – Single agreement governs settlement, billing and payment
- Questions about other changes?
- Next steps, including phase 2

Most of the proposed changes are straightforward to a degree that it does not seem productive to review each change individually.

- Instead, call will address select topics meant to help you evaluate the redlines
 - Thinking behind most common changes
 - Review new rule that designates one contract to govern settlement and billing
- Open the call to address questions about any of the changes

Refresher about the underlying business processes.

- Invoices (and payment advices) issued Wednesdays
 - To certain types of participants
 - Cover a range of settlement statements specified on payments calendar
- Payment due following Tuesday
- Assuming all invoices paid in full, funds received send to recipients of payment advices

Focus is on occasions when a market participant does not pay its full invoice.

- Even after a payment default, market creditors can be paid
- Primary protection is posted collateral
 - although collateral may not be available right away
- Otherwise
 - Reserve account can cover cash flow temporarily
 - Collection strategy in connection with bankruptcy

What happens if there aren't sufficient funds to pay market creditors?

- General rules about default losses
- Clear market initially by reducing payments to creditors (Section 11.29.17.1)
- Loss then re-allocated to broader market (Section 11.29.17.2)
 - Added in 2011
- CAISO pursues collection on behalf of market (“central counterparty,” added in 2012)

Terminology around defaults.

- Insolvency – financial term
- Bankruptcy – legal proceeding
- A market participant in bankruptcy may not be insolvent
- An insolvent market participant may or may not file for bankruptcy
- Bankruptcy can be a solution for insolvency

A key aspect of a bankruptcy filing is the automatic stay.

- CAISO may need court approval to use property of the bankruptcy estate
- Could result in a delay of payment, even if CAISO is holding sufficient collateral

REVISIONS TO DISTINGUISH SETTLEMENT FROM BILLING

The great majority of the redlines seek to clarify the distinction between settlements, on the one hand, and billing and payment, on the other.

- Explained in § 5.4 of the Draft Final Proposal
- Though we believe the intended meaning is clear, the word “pay” should ideally refer only to payment of invoices and payment advices
- When the context is settlements, the terms debit, credit and revenue are substituted
- Not proposing to change defined terms such as “No Pay”

REORGANIZATION OF SECTION 11

Some of the proposed changes move provisions within Section 11 in order to keep topics together. The basic structure of Section 11:

- Principles
- Settlements
- Charges that are invoiced outside normal process
- Settlements resumed
- Billing and payment principles
- Settlement statements
- Disputes
- Payment process
- Payment defaults

We propose to move some sections that had been isolated from other provisions on the same topic.

- Changes to the current language are indicated or at least summarized in comment bubbles
- Otherwise, the language is not changed
- Further reorganization is possible in phase 2

NEW RULE – ONE CONTRACT WILL GOVERN ALL SETTLEMENTS AND BILLING

This new rule is meant to designate a single agreement to govern all of a market participant's settlement, billing and payment.

- Applies when one entity has more than one agreement that encompasses settlement and billing – e.g., Scheduling Coordinator Agreement and CRR Entity Agreement
- One of the agreements will be designated to govern all settlements, billing and payment
- Explained in section 2.2 of Draft Final Proposal
- Why?
 - Recoupment against bankrupt debtors
 - Avoiding unnecessary litigation

This change is intended to be entirely legal.

- Meant to affect only which agreement legally governs settlement, billing and payment in a bankruptcy court
 - Prevent having sums due to CAISO under one agreement and back the market participant under another
- Not intended to change SCIDs, BAIDs, scheduling process ...

Proposed new section 11.29.2, part one – defining terms:

This Section applies to every Business Associate that is a party to more than one agreement with the CAISO that governs settlement, billing and payment. These agreements are: Scheduling Coordinator Agreements, EIM Entity Scheduling Coordinator Agreements (regardless whether the addendum for EDAM is effective), CRR Entity Agreements, the Transmission Control Agreement (for Participating Transmission Owners) and Black Start Agreements. Collectively, these agreements, including any successors to these agreements, are referred to in this Section as “Billing and Payment Agreements.”

Proposed new section 11.29.2, part two – context for the rule:

One of the Billing and Payment Agreements between the Business Associate and the CAISO will be designated to govern all CAISO settlements, whether those settlements are under this Section 11, Section 29.11 or Section 33.11, and all billing and payment arising from those settlements, including but not limited to payment and collection of all amounts due from the Business Associate to the CAISO and all amounts due from the CAISO to the Business Associate under all Billing and Payment Agreements between the Business Associate and the CAISO.

Proposed new section 11.29.2, part four – ensure obligation to pay is incorporated into agreements:

For avoidance of doubt, Scheduling Coordinators, Candidate CRR Holders, CRR Holders, CRR Entities, Participating Transmission Owners and Black Start Generators that are party to Black Start Agreements are obligated to pay all Invoices and entitled to receive payment on Payment Advices issued to the Business Associate pursuant to Section 11, Section 29.11 or Section 33.11.

Proposed new section 11.29.2, part four – the rule designating an agreement:

The designated agreement will be the agreement that appears first on this list:

- Transmission Control Agreement;
- Scheduling Coordinator Agreement;
- EIM Scheduling Coordinator Agreement;
- CRR Entity Agreement;
- Black Start Agreement.

If the Business Associate is party to more than one agreement of the same type, such as two or more Scheduling Coordinator Agreements, then the first-executed agreement of that type is designated.

Proposed new section 11.29.2, part five – avoid unintended implications:

Nothing in this Section shall limit or otherwise affect the obligation of the Business Associate to comply with the terms of every Billing and Payment Agreement to which it is a party.

Questions?

QUESTIONS ABOUT OTHER CHANGES?

Please do not forget about the “Guide to Draft Tariff Language.”

- Meant to help you find the redlines related to a specific topic
- Tracks from sections of the Draft Final Proposal to redlined tariff sections

Are there any other changes to discuss now?

NEXT STEPS

Next Steps

- Comments are due by end of day October 03, 2024
 - Please submit your comments using the comment template available on the initiative webpage (linked below).
- Questions about the redlines? Please email Dan Shonkwiler dshonkwiler@caiso.com
- Questions about how to submit comments? Please email ISOStakeholderAffairs@caiso.com
- Additional information on this process is available on the ISO website at <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Billing-payment-credit-enhancements>

THANK YOU

After comments are submitted ...

- We expect to file the amendment on October 11
- The phase 2 stakeholder process will begin soon afterwards
 - Will include visibility into the financial condition of load-serving entities
 - And other possible enhancements

ENERGY matters



Energy Matters blog provides timely insights into ISO grid and market operations as well as other industry-related news:

<https://www.caiso.com/about/news/energy-matters-blog>

The California ISO's blog highlights its most recent news releases, and includes information about ISO issues, reports, and initiatives.



Story | Transmission

New tools and data to support ISO's interconnection process

09/16/2024

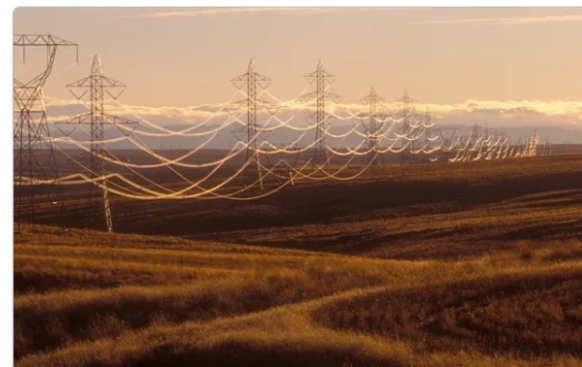


Story | Transmission

DOE grant gives boost to grid-enhancing technologies on the transmission network

By Jeff Billinton

08/08/2024



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The ISO posts an updated 20-Year Transmission Outlook

By Neil Millar

07/31/2024

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REGISTRATION IS OPEN

2024 STAKEHOLDER SYMPOSIUM

Welcome reception - Oct. 29
at Kimpton Sawyer Hotel, Sacramento, CA

Symposium program - Oct. 30
SAFE Credit Union Convention Center
Sacramento, CA

Visit the event website: www.reg.eventmobi.com/2024stakeholdersymposium

SPONSORSHIP OPPORTUNITIES AVAILABLE

New Policy Initiatives Timeline

The California ISO has launched the Policy Initiatives Timeline to offer stakeholders a concise overview of ongoing policy initiatives. At a glance, it offers a snapshot view of key details such as the status of each initiative, projected timelines, and the current phase of the stakeholder engagement process. Updates to this timeline will be made weekly and posted on the [policy initiatives landing page](#). For more information, stakeholders are encouraged to reach out to ISOStakeholderAffairs@caiso.com.

