

NYISO Responses To Proposed Milestones For Shortened Settlement Cycle

Billing & Price Corrections Task Force Settlements Technical Conference
July 28, 2006

Web-Based Reconciliation (WBR) Software

The NYISO recognizes the importance of the WBR application as the primary mechanism for Meter Authorities to submit metering data to the NYISO for market settlements and as a key process control tool for Market Participants to validate the market volumes upon which market settlements are determined. The WBR application was integral to the successful issuance of Close-Out Settlements for 62 service months over the last 12 months. Throughout this effort, the WBR proved to be an effective tool, notwithstanding certain throughput limitations. Furthermore, it is important to note that the volume of monthly processing experienced over the past 12 months was significantly greater than the throughput requirements will be for the WBR going forward.

Certain members of the BAWG have identified as potential Sarbanes Oxley and SAS 70 concerns: (i) the absence of an "echo back" response to Meter Authority file uploads, (ii) the need to upload metering data in multiple files versus a single file upload, and (iii) the need for the NYISO to occasionally assist in data uploads when automated uploads prove unsuccessful. The NYISO appreciates these concerns and is committed to working with customers to explore them; however, because these issues are not affected by the length of the settlement cycle, the NYISO does not view them as bearing directly upon the proposal to shorten the settlement cycle.

Members of BAWG have requested that Load Serving Entities (LSE) be able to view, in WBR, hourly usage assigned to their loads at least two weeks before the processing of billing data and the issuance of a settlement adjustment invoice. The proposed settlement cycle accommodates this request by requiring hourly LSE metering data be submitted to the NYISO one month prior to issuing the invoice. The NYISO expects that settlements will be processed and posted immediately upon receipt of all metering information from the Meter Authorities. This would make metering and settlement information visible to Market Participants three weeks prior to invoicing. The population of WBR with LSE metering data is subsequent to the processing of market settlements. This sequence in processing was designed into the software to ensure that the values observed in WBR are consistent with those contained in a bill. Modification of this processing sequence would only add a day or so of visibility to metering data and might actually render some process controls ineffective, should they employ settlement reasonableness criteria to assist in the identification of anomalous metering data.

The NYISO agrees with the BAWG participants' assertion that MPs need the opportunity to review the load data to ensure that it is accurate. The current process provides this opportunity. It is critically important that customers timely review the metering data available to them to facilitate timely settlement corrections. This will be an ongoing requirement regardless of the length of the settlement cycle. The proposed settlement cycle offers customers multiple opportunities to review the accuracy of their settlement data and provides a reasonable opportunity to address any discrepancies. Any changes to software functionality should follow development of and agreement on processes for MP review and subsequent correction of meter data.

The NYISO agrees that the processing enhancements identified in milestone lists may add value to the WBR application. The NYISO does not view these potential improvements as a prerequisite to shortening the settlement cycle; however, the NYISO has committed to upgrading certain features of the WBR

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following completion of the Settlement System Replacement. In addition to the improvements in processing throughput capability identified in BAWG's milestones, there will likely be additional WBR enhancement requests initiated from within the NYISO to accommodate a metering inventory to support the annual reporting requirement identified in the Revenue Metering Requirements Manual. All of these improvements to the WBR will, of course, require prioritization and funding for their implementation through the established project prioritization process.

Manual Adjustments

The NYISO is committed to minimizing the use of invoice-level settlement adjustments. In some cases, however, an invoice-level adjustment represents the most efficient and effective way to render a settlement consistent with the relevant provisions of the NYISO tariffs. The complexity of some settlement provisions, such as OATT Attachment N and cost reallocation for Storm Watches, may not prove feasible for automated computation. Further, most case-specific settlements can only be rendered through invoice adjustments, such as sanctions imposed by the NYISO Market Monitoring Unit. The NYISO has identified the costs associated with the incorporation of those settlements that can reasonably be automated within the settlements system; however, those software modifications have not been supported through the Market Participants' project prioritization process.

Billing Accuracy

Certain BAWG participants have suggested that generator and tie-line data, which comprise the inputs to the "Mload" process, should be locked down 1 month prior to a 4-month invoice. This timeline is not feasible because it does not permit owners of generation to validate their metering data prior to creating the LSE hourly metering data, which BAWG participants request be made visible one month prior to invoicing. The NYISO's proposed timeline would require the lockdown of generator and tie-line metering two months prior to invoicing, which would provide a reasonable opportunity for both generators and loads to review the data. To date the NYISO has received no comments in opposition to its proposal.

The BAWG has identified the inclusion of certain intermediate calculation results in the data warehouse application as a milestone. The NYISO will seek from Market Participants a list of those intermediate calculation results through the Business Intelligence Task Force for possible incorporation into the software development lifecycle to provide for the storage of such values in the settlements engine.

The BAWG has also identified improvements in CRITAR ticket responses as a precursor to shortening the settlement cycle. The NYISO is committed to improving this process, as indicated at the last meeting of the BPCTF. The NYISO has undertaken two Lean Six Sigma projects aimed at improving the process for handling customer settlement inquiries, and these initiatives are now in the implementation phase of the DMAIC process. While faster response times are desirable for both the NYISO and its customers, the NYISO's analysis indicates that current response times do not present a barrier to issuing Close-Out Settlements within a 7 versus 20 month timeframe.

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Software Change Control Management

At the April 2006 BAWG meeting, the NYISO presented its proposed software deployment notification process, which was implemented shortly thereafter. The process provides Market Participants with notice and details regarding any software changes two business weeks prior to deployment. The NYISO is interested in suggestions from Market Participants regarding potential improvements to this notification process. Members of the BAWG have also requested that software change control processes be formally approved by the Business Issues Committee. This could significantly impede the NYISO's ability to respond quickly to situations where a software deployment is needed urgently to address critical market or operational issues.

Following the elimination of the 24-month true-up, the NYISO and the BAWG developed a list of milestones for further reducing the settlement cycle. One such milestone was the development by BAWG of a white paper supporting the implementation of a software test bed that would allow Market Participants to observe settlement impacts of new software prior to deployment. While this white paper has not yet been developed, the NYISO has examined this proposal and determined that the costs of developing such a testing environment, inclusive of hardware and software, but exclusive of on-going administration costs, to be in the range of \$10M - \$15M.

Settlement Processing & Administrative Procedures

BAWG identified the need for NYISO to publish certain procedures employed in the settlements process. BAWG specifically mentioned procedures for applying adjustments to invoices, correcting certain anomalous billing data, such as performance tracking data, and settlement dispute protocols. In addition to the current effort to review and approve the Draft Accounting and Billing Manual, the NYISO is in the process of compiling information describing these processes for presentation to the BAWG in Q4, as well as a number of other processes integral to the overall administration of the settlements process.

Accounting & Billing Manual

The NYISO is currently facilitating WebEx-based, Market Participant reviews of the manual, with a target for approval of the manual by the Business Issues Committee in October 2006.