

Enhancing the Settlement Process

**Presented to the Billing & Accounting
Working Group**

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Study Findings

- **There is value added from shortening the cycle**
- **There is risk reduction to Market Participants**
- **Monthly billing, with a four month final bill, is cost beneficial**
- **Shortening the billing to less than monthly, with a shorter final bill, would require policy, operational and other changes**
- **Other hurdles, questions and issues need to be addressed**

Open Issues and Questions

- What changes are needed to ensure timely and accurate metering data
- Future NYISO involvement in retail metering, billing and adjustments
- Finalize enhancements to existing billing systems
- Determine market segments best suited and most advantaged by shorter cycles
- Balance impacts (regulatory, cashflow) to MPs
- Validate cost/benefit information
- Evaluate existing systems as future platform

Recommendations

- **Continues monthly billing, but shorten the “final” bill to four months by early 2005**
- **Create internal NYISO Project Team (2Q04) to scope out “vision” and develop plan to achieve vision**
- **Create MP Steering Committee to ensure balancing of interests and affirmation**
- **Present vision and plan by year end 2004**
- **Resource load approved project**

Settlement Alternatives Comparison

(Thousands of Dollars)

	Base Case- 45 days	Daily	Daily with a 5 day lag	DAM daily with a 7 day lag/RTM monthly	Daily	1 to 5 Days
Initial Payment						
Final Bill	12-Months	4-Months	4-Months	4-Months	1-Month Wholesale/ 4-Months Retail	1 to 5 Days Wholesale/ 4-Months Retail
One Time Costs						
NYISO	\$0	\$850	\$850	\$3,679	\$850	\$850
Market Participants	\$0	\$30,646	\$30,646	\$30,646	\$30,646	\$30,646
Total One Time Costs	\$0	\$31,496	\$31,496	\$34,325	\$31,496	\$31,496
Annual Costs & Benefits						
Costs of Accelerated Payments – Loads	\$0	\$55,959	\$49,315	\$25,807	\$55,959	\$55,959
Costs of Accelerated Payments – Suppliers	\$0	\$2,198	\$2,198	\$2,198	\$2,198	\$2,198
Annual NYISO Costs	\$0	\$217	\$217	\$217	\$217	\$217
Reduction in Default Exposure - Loads	\$0	\$4,900	\$4,900+	\$4,900+	\$7,000	\$7,800
Annual Benefits less Costs - Loads	\$0	(\$55,959)	(\$49,315)	(\$25,807)	(\$55,959)	(\$55,959)
Annual Benefits less Costs - Suppliers	\$0	\$69,595	\$60,372	\$24,989	\$69,595	\$69,595
5 –Year NPV						
Loads	\$0	(\$194,438)	(\$174,690)	(\$104,819)	(\$194,438)	(\$194,438)
Suppliers	\$0	\$206,851	\$179,438	\$74,272	\$206,851	\$206,851