

Memorandum

To: ADR/Audit Committee of the ISO Board of Governors
From: Jim Detmers, Vice President of Operations
Elaine Siegel, Senior Compliance Auditor
Date: August 29, 2007
Re: *Results of the 2006 Scheduling Coordinators' Self Audit (Trade Year 2005) and Status of the 2007 Scheduling Coordinators' Self Audit (Trade Year 2006)*

This memorandum requires No Board action.

EXECUTIVE SUMMARY

This memo provides the CAISO ADR/Audit Committee with a status of the CAISO Tariff required annual Scheduling Coordinators' Self Audit of their meter data submittal process, and a quick look at possible impacts on Settlement Quality Meter Data based on future initiatives. Last year's Scheduling Coordinators' Self Audit was completed by all required Scheduling Coordinators and the process is on track for timely completion of the this year's audit.

BACKGROUND

CAISO Settlements uses meter data that is characterized in two ways. For CAISO Metered Entities,¹ the CAISO reads the meters and performs the Validating, Estimating and Editing, thereby creating Settlement Quality Meter Data (SQMD). Scheduling Coordinator Metered Entities² on the other hand are themselves responsible for collecting meter data, performing Validation, Estimating, and Editing and submitting SQMD to the CAISO.

All Scheduling Coordinators that submit SQMD for market settlement must perform an annual Self Audit focusing on their development and submittal of SQMD. Accurate reporting of SQMD is critical to our Settlement process. Inaccurate reporting of SQMD results in market cost shifting by altering imbalance energy calculations, increasing Unaccounted for Energy (in both positive and negative directions) and causing inaccuracies in the billing determinants used to assign costs. For Scheduling Coordinators to produce accurate and correct SQMD, the effort involves multiple interfaces and various entities performing their responsibilities in a controlled and repeatable manner. The annual Scheduling Coordinators' Self Audit is the primary means to provide assurance that the processes in place (outside of the CAISO's control) are controlled and are producing accurate and correct meter data.

¹ CAISO Metered Entities are responsible for up to 10% of the total Load and 80% of the total Generation in our Market Settlement.

² SQMD submitted by Scheduling Coordinators account for approximately 90% of the total Load and 20% of the total Generation in our Market Settlement.

The CAISO's role in the audit process is to provide sufficient guidelines to the SCs, be available throughout the year to answer questions, and to evaluate the Audit Reports for compliance with the Tariff. After each audit we issue a Lessons Learned Report to the Market and provide a copy of the report to the CPUC. The most recent Lessons Learned Report is posted on the CAISO website (Operations Center/Markets/Metering/Settlement Quality Meter Data) and summarized below.

SUMMARY OF THE 2006 SCHEDULING COORDINATORS' SELF AUDIT

For the 2005 trade year, all required audits were accomplished and all reports were received by the CAISO by the deadline with the exception of one Scheduling Coordinator, who was subsequently penalized \$1000³. All reports met the Audit Guidelines and demonstrated compliance with the CAISO Tariff. Based on the review of the reports it appears that 2005 was a stable year in the area of producing SQMD for the Scheduling Coordinators and specifically the Load Serving Entities.

As with previous years, after the review of all the Audit Reports, a Lessons Learned Report is generated. For 2006, there did not appear to be any new lessons to discuss with the Scheduling Coordinators; however, as new Scheduling Coordinators join the CAISO Market many of the lessons from previous years are just as valid and important to consider. We can not stress enough that care and attention to detail at all levels of meter data processing is important for the continual production of SQMD.

The CAISO continues to encourage the CPUC to evaluate the Usage Data Reconciliation process (a process designed by the CPUC's Data Quality Work Group many years ago to independently monitor the reporting of meter data by the Energy Service Providers to the Scheduling Coordinator and the CAISO) and to encourage all three of the Investor Owned Utilities to implement the process.

STATUS OF THE 2007 SCHEDULING COORDINATORS' SELF AUDIT

For the Trade Year 2006, Audit Guidelines were disseminated to 16 Scheduling Coordinators in May. Audit Plans were received by the CAISO in June. All Audit Plans were reviewed and approved by the CAISO and notification of approvals were sent in August. It has been recognized that the Usage Data Reconciliation Reports, presently being implemented by one Investor Owned Utility (IOU), play a significant role in SQMD. Therefore, the Audit Guidelines have been modified to allow for Scheduling Coordinators to submit their quarterly or annual Usage Data Reconciliations Report with their Audit Report. This IOU generated report will portray the accuracy of the reporting of data to the CAISO.

ASSESSMENT OF FUTURE IMPACTS

Future activities in the wholesale and retail markets could have an impact on the processing of SQMD. With the implementation of MRTU, it will be important to confirm that little change occurs with respect to the collection, processing, and reporting of SQMD. The CAISO is encouraged with the opportunity to work with more Load Serving Entities through the expansion of Customer Choice Aggregation and to support them in their efforts to produce and submit SQMD. In addition, The CPUC's Advance Meter Initiative can have a positive impact on the quality and accuracy of the submitted SQMD.

³ Note that the CAISO can issue a penalty of \$1000 per day if a self audit is not submitted by the deadline as stated in the audit guidelines and enforced by CAISO Tariff Section 37.6.3.