## INDEX

| Article Number                | Provisions                                  | Sheet No. |
|-------------------------------|---|-----------|
| 1. DEFINITIONS AND INTERP     | RETATION.                                   | 1         |
| 2. ISO OPERATIONS.            |   | 2         |
| 2.1 Access to the ISO Conti   | rolled Grid.                                | 2         |
| 2.2 Scheduling.               |   | 3         |
| 2.3 System Operations und     | er Normal and Emergency Operating Condition | ons. 33   |
| 2.4 [Not Used]                |   | 50        |
| 2.4.3 Existing Contracts for  | Transmission Service                        | 50        |
| 2.5 Ancillary Services.       |   | 61        |
| 2.6 Incorporation of the ISO  | Market Monitoring & Information Protocol    | 139       |
| 3. RELATIONSHIP BETWEEN       | ISO AND PARTICIPATING TOS.                  | 140       |
| 3.1 Nature of Relationship.   |   | 140       |
| 3.2 Transmission Expansion    | n.  | 141       |
| 3.3 [Not Used]                |   | 150       |
| 4. RELATIONSHIP BETWEEN       | ISO AND UDCS.                               | 161       |
| 4.1 General Nature of Relat   | tionship Between ISO and UDCs.              | 161       |
| 4.2 Coordinating Maintenan    | nce Outages of UDC Facilities.              | 162       |
| 4.3 UDC Responsibilities.     |   | 162       |
| 4.4 System Emergencies.       |   | 163       |
| 4.5 Electrical Emergency Pl   | an (EEP).                                   | 164       |
| 4.6 System Emergency Rep      | ports: UDC Obligations.                     | 164A      |
| 4.7 Coordination of Expansi   | ion or Modifications to UDC Facilities.     | 165       |
| 4.8 Information Sharing.      |   | 165       |
| 4.9 UDC Facilities under IS   | O Control.                                  | 167       |
| 5. RELATIONSHIP BETWEEN       | ISO AND GENERATORS.                         | 167       |
| 5.1 General Responsibilities  | S.  | 167       |
| 5.2 Procurement of Reliabili  | ity Must-Run Generation by the ISO.         | 170       |
| 5.3 Identification of General | ting Units.                                 | 179       |
| 5.4 WSCC Requirements.        |   | 179       |
| 5.5 Outages.                  |   | 179A      |
| 5.6 System Emergencies.       |   | 180       |

|    | 5.7 Interconnection of New Facilities to the ISO Controlled Grid.   | 181B |
|----|---|------|
|    | 5.8 Recordkeeping; Information Sharing.   | 182  |
|    | 5.9 Access Right.   | 183  |
|    | 5.10 Black Start Services.  | 184  |
|    | 5.11 Must-Offer Obligations.  | 184A |
|    | 5.12 [Not Used]   | 184G |
|    | 5.13 Energy Bids.   | 184G |
| 6. | TRANSMISSION SYSTEM INFORMATION AND COMMUNICATIONS.   | 185  |
|    | 6.1 WEnet.  | 185  |
|    | 6.2 Reliable Operation of the WEnet.  | 187  |
|    | 6.3 Information to be Provided By Connected Entities to the ISO.  | 188  |
|    | 6.4 Failure or Corruption of the WEnet.   | 188  |
|    | 6.5 Confidentiality.  | 189  |
|    | 6.6 Standards of Conduct.   | 189  |
| 7. | TRANSMISSION PRICING.   | 189  |
|    | 7.1 Access Charges.   | 189  |
|    | 7.2 Zonal Congestion Management.  | 198  |
|    | 7.3 Usage Charges and Grid Operations Charges.  | 207  |
|    | 7.4 Transmission Losses.  | 213  |
|    | 7.5 FERC Annual Charges.  | 215  |
| 8. | GRID MANAGEMENT CHARGE.   | 215D |
|    | 8.1 ISO's Obligations.  | 215D |
|    | 8.2 Costs Included in the Grid Management Charge.   | 216  |
|    | 8.3 Allocation of the Grid Management Charge Among Scheduling Coordinators and Other Appropriate Parties. | 217  |
|    | 8.4 Calculation and Adjustment of the Grid Management Charge.   | 217A |
|    | 8.5 Operating and Capital Reserves Account.   | 218  |
|    | 8.6 Transition Mechanism.   | 218  |
| 9. | FIRM TRANSMISSION RIGHTS  | 219  |
|    | 9.1 General   | 219  |
|    | 9.2 Characteristics of Firm Transmission Rights   | 219  |
|    | 9.3 Maximum Number of Firm Transmission Rights  | 221  |
|    | 9.4 Issuance of Firm Transmission Rights by the ISO   | 222  |

| 9.5 Distribution of Auction Revenues Received by the ISO for                              |      |
|---|------|
| Firm Transmission Rights  | 228  |
| 9.6 Distribution of Usage Charges to FTR Holders  | 228A |
| 9.7 Scheduling Priority of FTR Holders  | 230  |
| 9.8 Assignment of Firm Transmission Rights  | 231  |
| 10. METERING.   | 233  |
| 10.1 Applicability.   | 233  |
| 10.2 Responsibilities of ISO Metered Entities   | 233  |
| 10.3 Meter Service Agreements for ISO Metered Entities.                                   | 237  |
| 10.4 Low Side Metering.   | 238  |
| 10.5 Audit, Testing Inspection and Certification Requirements.                            | 239  |
| 10.6 Metering for Scheduling Coordinator Metered Entities.                                | 239  |
| 11. ISO SETTLEMENTS AND BILLING.  | 245  |
| 11.1 Settlement Principles.   | 245  |
| 11.2 Calculations of Settlements.   | 246  |
| 11.3 Billing and Payment Process.   | 253A |
| 11.4 General Principles for Production of Settlement Statements.                          | 253A |
| 11.5 Calculation in the Event of Lack of Meter Data for the Balancing of Market Accounts. | 254  |
| 11.6 Settlements Cycle.   | 255  |
| 11.7 Confirmation and Validation.   | 257  |
| 11.8 Payment Procedures.  | 259  |
| 11.9 Invoices.  | 260  |
| 11.10 Instructions for Payment.   | 260  |
| 11.11 ISO's Responsibilities.   | 260  |
| 11.12 Non-payment by a Scheduling Coordinator.  | 261  |
| 11.13 Payment to ISO Creditors.   | 261  |
| 11.14 Using the ISO Reserve Account.  | 261  |
| 11.15 Prohibition on transfers.   | 262  |
| 11.16 Alternative Payment Procedures.   | 262  |
| 11.17 [DELETED]   | 262  |
| 11.18 Payment Errors.   | 262  |
| 11.19 Defaults.   | 263  |
| 11.20 Proceedings to Recover Overdue Amounts.   | 264  |

|     | 11.21 Data Gathering and Storage.                                  | 264  |
|-----|--|------|
|     | 11.22 Confidentiality.   | 265  |
|     | 11.23 Communications.  | 265  |
|     | 11.24 ISO Payments Calendar.                                       | 266  |
| 12. | AUDITS.  | 266  |
|     | 12.1 Materials Subject to Audit.                                   | 266  |
|     | 12.2 ISO Audit Committee.  | 266  |
|     | 12.3 Audit Results.  | 268  |
|     | 12.4 Availability of Records.                                      | 268  |
|     | 12.5 Confidentiality of Information.                               | 268  |
|     | 12.6 Payments.   | 269  |
| 13. | DISPUTE RESOLUTION.  | 269  |
|     | 13.1 Applicability.  | 269  |
|     | 13.2 Negotiation and Mediation.                                    | 270  |
|     | 13.3 Arbitration.  | 272  |
|     | 13.4 Appeal of Award.  | 281  |
|     | 13.5 Allocation of Awards Payable by or to the ISO                 | 282  |
| 14. | LIABILITY AND INDEMNIFICATION.                                     | 284  |
|     | 14.1 Liability for Damages.  | 284  |
|     | 14.2 Exclusion of Certain Types of Loss.                           | 284  |
|     | 14.3 Market Participant's Indemnity.                               | 284  |
|     | 14.4 Potomac Economics, Ltd. Limitation of Liability.              | 284A |
| 15. | UNCONTROLLABLE FORCES.   | 285  |
| 16. | ISO GRID OPERATIONS COMMITTEE; CHANGES TO ISO PROTOCOLS.           | 286  |
|     | 16.1 ISO Grid Operations Committee.                                | 286  |
|     | 16.2 ISO Protocol Amendment Process                                | 286  |
|     | 16.3 Market Surveillance: Changes to Operating Rules and Protocols | 286  |
| 17. | ASSIGNMENT.  | 287  |
| 18. | TERM AND TERMINATION.  | 287  |
| 19. | REGULATORY FILINGS.  | 287  |
| 20. | MISCELLANEOUS.   | 288  |
|     | 20.1 Notice.   | 288  |
|     | 20.2 Waiver.   | 289  |
|     | 20.3 Confidentiality.  | 289  |

| 20.4 Staffing and Training To Meet Obligations.                     | 292  |
|---|------|
| 20.5 Accounts and Reports.  | 292  |
| 20.6 Titles.  | 292A |
| 20.7 Applicable Law and Forum.                                      | 292A |
| 20.8 Consistency with Federal Laws and Regulations                  | 293  |
| 21. GENERATION METER MULTIPLIERS.                                   | 294  |
| 21.1 Temporary Simplification Relating to GMM Loss Factors.         | 294  |
| 21.2 Application.   | 294  |
| 21.3 Notices of Full-Scale Operations.                              | 295  |
| 22. SCHEDULE VALIDATION TOLERANCES.                                 | 295  |
| 22.1 Temporary Simplification of Schedule Validation Tolerances.    | 295  |
| 22.2 Application.   | 296  |
| 22.3 Notices of Full-Scale Operations.                              | 296  |
| 23. METERED SUBSYSTEMS  | 297  |
| 23.1 General Nature of Relationship Between ISO and MSS             | 297  |
| 23.2 Coordination of Operations.                                    | 297  |
| 23.3 Coordinating Maintenance Outages of MSS Facilities.            | 297  |
| 23.4 MSS Operator Responsibilities.                                 | 297A |
| 23.5 Scheduling by or on behalf of a MSS Operator.                  | 297B |
| 23.6 System Emergencies.  | 2970 |
| 23.7 Under Frequency Load Shedding (UFLS).                          | 297D |
| 23.8 Electrical Emergency Plan (EEP).                               | 297E |
| 23.9 System Emergency Reports: MSS Obligations.                     | 297E |
| 23.10 Coordination of Expansion or Modifications to MSS Facilities. | 297E |
| 23.11 Ancillary Service Obligations for MSS.                        | 297F |
| 23.12 Load Following  | 297F |
| 23.13 Information Sharing.  | 297  |
| 23.14 Installation of and Rights of Access to MSS Facilities.       | 297K |
| 23.15.MSS System Unit   | 297L |
| 23.16 MSS Settlements   | 297N |
| 24. [NOT USED]  | 297P |
| 25. [NOT USED]  | 297P |
| 26. TEMPORARY CHANGES TO ANCILLARY SERVICES PENALTIES               | 297P |
| 26.1 Application and Termination                                    | 297F |

| 27. TEMPORARY RULE LIMITING ADJUSTMENT BIDS APPLICABLE TO DISPATCHABLE LOADS AND EXPORTS | 297Q |
|--|------|
| 27.1 Application and Termination   | 297C |
| 28. RULES LIMITING CERTAIN ENERGY AND ANCILLARY SERVICE BIDS                             | 298  |
| 28.1 Damage Control Bid Cap  | 298  |
| 29. [NOT USED]   | 298A |
| 30. YEAR 2000 COMPLIANCE   | 298A |
| 30.1 Y2K Compliance  | 298A |
| 30.2 Responsibility for Y2K Compliance   | 299  |
| 30.3 Disconnection of Non-Y2K Compliant Systems and Processes                            | 299  |
| APPENDIX A - MASTER DEFINITIONS SUPPLEMENT   | 300  |
| APPENDIX B - SCHEDULING COORDINATOR AGREEMENT  | 358  |
| APPENDIX C - ISO SCHEDULING PROCESS  | 363  |
| APPENDIX D - BLACK START UNITS   | 367  |
| APPENDIX E - VERIFICATION OF SUBMITTED DATA FOR ANCILLARY SERVICES                       | 369  |
| APPENDIX F - RATE SCHEDULES  | 372  |
| APPENDIX G - MUST-RUN AGREEMENTS   | 388  |
| APPENDIX H - METHODOLOGY FOR DEVELOPING THE WEIGHTED AVERAGE RATE FOR WHEELING SERVICE   | 389  |
| APPENDIX I - ISO CONGESTION MANAGEMENT ZONES   | 391  |
| APPENDIX J - END-USE METER STANDARDS & CAPABILITIES                                      | 393  |
| APPENDIX K - [NOT USED]  | 396  |
| APPENDIX L - ISO PROTOCOLS   | 397  |

## INDEX

| Article Number            | Provisions                    | Sheet No. |  |
|---------------------------|-------------------------------|-----------|--|
| APPENDIX L –              |                               |           |  |
| Ancillary Services Requ   | uirements Protocol (ASRP)     | 398       |  |
| Ancillary Services Requ   | uirements Protocol Appendices | 423       |  |
| Demand Forecasting P      | rotocol (DFP)                 | 443       |  |
| Dispatch Protocol (DP)    |                               | 453       |  |
| Market Monitoring and     | Information Protocol (MMIP)   | 490       |  |
| Outage Coordination P     | rotocol (OCP)                 | 509       |  |
| Schedules and Bids Pro    | otocol (SBP)                  | 536       |  |
| Scheduling Coordinator    | Application Protocol (SCAP)   | 569       |  |
| Scheduling Protocol (S    | P)                            | 587       |  |
| Settlement and Billing F  | Protocol (SABP)               | 631       |  |
| Settlement and Billing F  | Protocol Appendices           | 656       |  |
| Settlement and Billing F  | Protocol Annex                | 715       |  |
| Metering Protocol (MP)    |                               | 727       |  |
| Metering Protocol Appe    | endices                       | 761       |  |
| Eligible Intermittent Res | sources Protocol (EIRP)       | 848       |  |
| Enforcement Protocol (    | EP) (Effective Feb. 21, 2004) | 857       |  |