

23 METERED SUBSYSTEMS

23.1 General Nature of Relationship Between ISO and MSS

23.1.1 An entity that is determined by the ISO to qualify as a Metered Subsystem and that undertakes in writing to the ISO to comply with all applicable provisions of the ISO Tariff as specified in that written agreement as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 23, shall be considered an MSS Operator and shall have the rights and obligations set forth in this Section 23. The ISO shall not be obligated to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from a Metered Subsystem unless the written undertaking of the MSS Operator of the Metered Subsystem has become effective.

23.2 Coordination of Operations. Each MSS Operator shall operate its MSS at all times in accordance with Good Utility Practice and Applicable Reliability Criteria, including WECC and NERC criteria, and in a manner which ensures safe and reliable operation. All information pertaining to the physical state or operation, maintenance and failure of the MSS affecting the operation of the ISO Control Area that is made available to the ISO by the MSS Operator shall also be made available to Scheduling Coordinators, provided that the ISO shall provide reasonable notice to the MSS Operator. The ISO shall not be required to make information available to the MSS Operator other than information that is made available to Scheduling Coordinators.

23.3 Coordinating Maintenance Outages of MSS Facilities. Each MSS Operator shall make appropriate arrangements to coordinate Outages of Generating Units in accordance with Section 5. Each MSS Operator shall make appropriate arrangements to coordinate Outages of transmission facilities forming part of its MSS that will have an effect, or are reasonably likely to have an effect, on any interconnection between the MSS and the system of a Participating

TO,

prior to the submission by that Participating TO of its Maintenance Outage requirements under Section 2.3.3. The ISO will coordinate Outages of other Participating TOs transmission facilities that may affect the MSS.

23.4 MSS Operator Responsibilities.

The MSS Operator's written undertaking to the ISO shall obligate the MSS Operator to comply with all provisions of the ISO Tariff, as amended from time to time, applicable to the UDCs, including, without limitation, the applicable provisions of Section 4 and Section 2.3.2. In addition, recognizing the ISO's responsibility to promote the efficient use and reliable operation of the ISO Controlled Grid and the Control Area consistent with the Applicable Reliability Criteria, each MSS Operator shall:

23.4.1 operate and maintain its facilities, in accordance with applicable safety and reliability standards, regulatory requirements, applicable operating guidelines, applicable rates, tariffs, statutes and regulations governing their provision of service to their End-Use Customers and Good Utility Practice so as to avoid any material adverse impact on the ISO Controlled Grid, it being understood that, if the MSS Operator does not so operate and maintain its facilities and the ISO concludes, after notice is provided to the MSS Operator, that such failure impairs or threatens to impair the reliability of the ISO Controlled Grid, the ISO may suspend MSS status, in accordance with this Section 23, until the MSS Operator demonstrates the ability and willingness to so operate and maintain its facilities;

23.4.2 provide the ISO Outage Coordination Office each year with a schedule of upcoming maintenance of facilities forming part of the MSS that will affect or is reasonably likely to affect the ISO Controlled Grid in accordance with Section 2.3.3.5;

23.4.3 coordinate with the ISO, Participating TOs and Generators to ensure that ISO Controlled Grid Critical Protective Systems, including relay systems, are installed and maintained in order to function on a coordinated and complementary basis with the protective systems of the MSS, Participating TOs and Generators and notify the ISO as soon as is reasonably possible of any condition of which it becomes aware that may compromise the ISO Controlled Grid Protective Systems;

23.4.4 be responsible for any Reliability Must-Run Generation and Voltage Support required for reliability of the MSS, including the responsibility for any costs of such Reliability Must-Run Generation, and Voltage Support and may satisfy this requirement through Generating Units owned by the MSS or under contract to the MSS;

23.4.5 be responsible for Black Start requirements for reliability of the MSS, however, if the MSS can self-provide this requirement, the MSS shall not pay its pro rata share of the Black Start requirement in accordance with Section 2.5.28.6; and

23.4.6 be responsible for Intra-Zonal Congestion Management and transmission line Outages within or at the boundary of the MSS, and all associated costs and not responsible for Intra-Zonal Congestion Management elsewhere in the Zone except to the extent that a Scheduling Coordinator is delivering Energy to or from the MSS.

23.5 Scheduling by or on behalf of a MSS Operator. All Schedules submitted on behalf of an MSS Operator for the delivery of Energy and Ancillary Services to Loads connected to the MSS and for the delivery of Energy and Ancillary Services from Generating Units forming part of the MSS or System Units shall be submitted by a Scheduling Coordinator that complies with all applicable provisions of the ISO Tariff, which Scheduling Coordinator may be the MSS Operator,

provided that the MSS Operator complies with all applicable requirements for Scheduling Coordinators. A Scheduling Coordinator shall separately identify Schedules that it submits on behalf of an MSS Operator.

23.5.1 Without limiting the foregoing, the Scheduling Coordinator for the MSS must submit gross generation information for the System Unit, Generating Unit, and information regarding imports, exports and Gross Loads to the ISO in the format and in accordance with the timelines applicable to other Scheduling Coordinators.

23.5.2 The Scheduling Coordinator for the MSS will designate, in discrete quantities and with prices for both Ancillary Services and Energy: (1) Schedules in Day-Ahead and Hour-Ahead Energy markets (including Schedules for internal Generation and internal Demand within the MSS), (2) bids or self-provided Schedules for Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve capacity and associated bid Energy, (3) Adjustment Bids, (4) Supplemental Energy bids, or (5) any feasible combination thereof.

23.6 System Emergencies.

23.6.1 In the event a System Emergency occurs or the ISO determines that a System Emergency is threatened or imminent, each MSS Operator shall comply with all directions from the ISO concerning the avoidance, management and alleviation of the System Emergency and shall comply with all procedures concerning System Emergencies set forth in the ISO Tariff.

23.6.2 During a System Emergency, the ISO and the MSS Operator shall communicate through their respective control centers and in accordance with procedures established in the agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff.

23.6.3 The ISO has authority to suspend MSS control and direct, via communications with the MSS Operator, the operation of Generating Units within the MSS, including Generating Units that may comprise a System Unit, if such control is necessary to maintain ISO Controlled Grid reliability.

23.7 Under Frequency Load Shedding (UFLS).

23.7.1 Each agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff shall describe the UFLS program for that MSS. The ISO and MSS Operator shall review the UFLS program periodically to ensure compliance with Applicable Reliability Criteria.

23.7.2 The ISO shall perform periodic audits of each MSS's UFLS system to verify that the system is properly configured for each MSS.

23.7.3 The ISO will use its reasonable endeavors to ensure that UFLS is coordinated among all MSSs and UDCs so that no MSS or UDC bears a disproportionate share of the ISO's UFLS program.

23.7.4 In compiling its UFLS program, the ISO, at its discretion, may also coordinate with other entities, review and audit their UFLS programs and systems as described in Sections 23.7.1 to 23.7.3 and Sections 4.4.3.1 to 4.4.3.3, inclusive.

23.7.5 The ISO shall have the authority to direct a MSS Operator to disconnect Load from the ISO Controlled Grid if necessary to avoid an anticipated System Emergency or to regain operational control over the ISO Controlled Grid during an actual System Emergency. The ISO shall direct the MSS Operator to shed Load in accordance with the prioritization schedule developed pursuant to Sections 2.3.2.6 and 4.5. When ISO Controlled Grid conditions

permit restoration of Load, the ISO shall restore Load according to the prioritization schedule developed pursuant to Section 2.3.2.6 hereof. The MSS Operator shall restore Load internal to the MSS.

23.8 Electrical Emergency Plan (EEP).

23.8.1 The ISO shall in accordance with Section 2.3.2.4 hereof implement the Electrical Emergency Plan in consultation with the MSS Operator or other entities, at the ISO's discretion, when Energy reserve margins are forecast to be at the levels specified in the plan.

23.8.2 Each MSS Operator will notify its End-Use Customers connected to the MSS's Distribution System of any voluntary curtailments notified to the MSS Operator by the ISO pursuant to the provisions of the EEP.

23.8.3 If a Load curtailment is required to manage System Emergencies, the ISO will determine the amount and location of Load to be reduced pursuant to Section 4.5. Each MSS Operator shall be responsible for notifying its customers and Generators connected to its system of curtailments and service interruption.

23.9 System Emergency Reports: MSS Obligations.

23.9.1 Each MSS Operator shall maintain all appropriate records pertaining to a System Emergency.

23.9.2 Each MSS Operator shall cooperate with the ISO in the preparation of an Outage review pursuant to Section 2.3.2.9.

23.10 Coordination of Expansion or Modifications to MSS Facilities.

Each MSS Operator and any Participating TO with which its system is interconnected, if applicable, shall coordinate in the planning and implementation of any expansion or

modifications of a MSS's or Participating TO's system that will affect their transmission interconnection, the ISO Controlled Grid or the transmission services to be required by the MSS Operator. The MSS Operator and any Participating TO with which the MSS is interconnected shall be responsible for coordinating with the ISO.

23.11 Ancillary Service Obligations for MSS.

23.11.1 Ancillary Service obligations will be allocated to the Scheduling Coordinator scheduling Load within a MSS in accordance with the ISO Tariff. The ISO shall have the right to call upon Ancillary Service capacity self-provided by a Scheduling Coordinator for an MSS or procured by the ISO from such Scheduling Coordinator in accordance with the ISO Tariff. The Scheduling Coordinator representing the MSS Operator may bid or self-provide Ancillary Services from a System Unit or from individual Generating Units or Participating Loads in the MSS. Alternatively, the Scheduling Coordinator representing the MSS may purchase Ancillary Services from the ISO or third parties to meet all or part of its Ancillary Service obligations in accordance with the ISO Tariff.

23.11.2 If the MSS Operator desires to follow internal Load with a System Unit or Generating Units in the MSS, and also to provide Regulation to the ISO, the MSS must provide adequate telemetry consistent with the ISO Tariff and all applicable standards to allow performance in response to ISO AGC signals to be measured at the interconnection of the MSS to the ISO Controlled Grid.

23.12 Load Following

23.12.1 The MSS Operator may operate a System Unit or Generating Units in the MSS to follow its Load, provided that: (a) the Scheduling Coordinator for the MSS Operator shall remain responsible for purchases of Imbalance Energy in accordance with the ISO Tariff if the

MSS Operator does not operate its System Unit or Generating Units and schedule imports into the MSS, to match the metered Demand in the MSS and exports from the MSS; and (b) if the deviation between the Generation in the MSS and imports into the MSS and metered Demand in the MSS and exports from the MSS exceeds a deviation band equal to three percent (3%) of the lesser of the MSS Operator's metered or Hour-Ahead scheduled Demand and exports from the MSS, adjusted for Forced Outages and any ISO directed firm Load Shedding for the MSS's portfolio as a whole (the "Deviation Band"), then the Scheduling Coordinator for the MSS Operator shall pay the additional amounts specified in Section 23.12.2. The Scheduling Coordinator for an MSS Operator that chooses to follow its Load in accordance with this Section 23.12 shall provide sixty (60) days advance notice to the ISO. If the Scheduling Coordinator later desires not to follow the Load of the MSS Operator, the Scheduling Coordinator shall provide sixty (60) days advance notice to the ISO that it will no longer follow Load.

23.12.2 Under the circumstances described in Section 23.12.1, the Scheduling Coordinator for an MSS Operator shall pay amounts based on a price that is the effective weighted average Ex Post Price applicable to the MSS's Scheduling Coordinator for the billing interval (the "Deviation Price"). The revenue received from these payments will be used as an off-set to the ISO's Grid Management Charge. The payments due from a Scheduling Coordinator will be calculated as follows:

23.12.2.1 If the metered Generation resources and imports into the MSS exceed the metered Demand and exports from the MSS, and Energy expected to be delivered by the Scheduling Coordinator for the MSS in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the Deviation Band, then the Scheduling Coordinator for the MSS Operator will pay the ISO an amount equal to one hundred percent (100%) of the product of the Deviation Price and the amount of the Imbalance Energy that is supplied in excess of the Deviation Band.

23.12.2.2 If metered Generation resources and imports into the MSS are insufficient to meet the metered Demand and exports from the MSS, and Energy expected to be delivered by the Scheduling Coordinator for the MSS in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the Deviation Band, then the Scheduling Coordinator for the MSS Operator shall pay the ISO an amount equal to the product of the Deviation Price and two hundred percent (200%) of the shortfall that is outside of the Deviation Band, in addition to the Imbalance Energy charges that may be applicable under the ISO Tariff.

23.12.3 If the ISO is charging Grid Management Charges for uninstructed deviations, and the Scheduling Coordinator for the MSS has uninstructed deviations associated with Load following from the MSS's resources, then the ISO will net the Generation and imports into the MSS to match the Demand and exports out of the MSS, and will not assess GMC associated with uninstructed deviations for such portion of Energy that is used to match MSS Demand and net exports.

23.12.3.1 If Generation, above the amount to cover Demand and exports, was sold into the ISO's Imbalance Energy market, then the Scheduling Coordinator for the MSS will be charged GMC associated with uninstructed deviations for this quantity.

23.12.3.2 If insufficient Generation and imports was available to cover Demand and exports, and the Scheduling Coordinator for the MSS purchased Imbalance Energy from the ISO's market, then such Scheduling Coordinator will be charged GMC associated with uninstructed deviations for this quantity.

23.12.3.3 Only GMC associated with uninstructed deviations (the Ancillary Services and Real-Time Energy Operations Charge (ASREO)) will be treated on a net basis.

GMC for Control Area Services (CAS) will be charged based on Gross Load and exports out of the MSS. The Scheduling Coordinator for the MSS Operator will be assessed the GMC Congestion Management Charge (CONG) in accordance with Section 8.3. Ancillary Service bids accepted by the ISO and Instructed Energy will be assessed the GMC ASREO.

23.13 Information Sharing.

23.13.1 System Planning Studies and Forecasts.

The ISO, the MSS Operator and Participating TOs shall share information such as projected Load growth and system expansions necessary to conduct necessary system planning studies to the extent that these may impact the operation of the ISO Control Area. Each MSS Operator shall provide to the ISO annually its ten-year forecasts of Demand growth, internal Generation, and expansion of or replacement for any transmission facilities that are part of the MSS that will or may significantly affect any point of interconnection between the MSS and the ISO Controlled Grid. Such forecasts shall be provided on the date that UDCs are required to submit forecasts to the ISO under Section 4.8.1. Each MSS Operator or each Scheduling Coordinator for an MSS Operator shall also submit weekly and monthly peak Demand Forecasts in accordance with the ISO's protocols.

23.13.2 System Surveys and Inspections.

The ISO and each MSS Operator shall cooperate with each other in performing system surveys and inspections to the extent these relate to the operation of the ISO Control Area.

23.13.3 Reports.

23.13.3.1 The ISO shall make available to each MSS Operator any public annual reviews or reports regarding performance standards, measurements and incentives relating to the ISO

Controlled Grid and shall also make available, upon reasonable notice, any such reports that the ISO receives from Participating TOs. Each MSS Operator shall make available to the ISO any public annual reviews or reports regarding performance standards, measurements and incentives relating to the MSS's Distribution System to the extent these relate to the operation of the ISO Controlled Grid.

23.13.3.2 The ISO and the MSS Operators shall develop an operating procedure to record requests received for Maintenance Outages by the ISO and the completion of the requested maintenance and turnaround times.

23.13.3.3 Each MSS Operator shall promptly provide such information as the ISO may reasonably request concerning the MSS Operator's operation of the MSS to enable the ISO to meet its responsibility under the ISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the ISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The ISO shall have no responsibility to prepare reports on Outages that affect customers on the MSS, unless the Outage also affects customers connected to the system of another entity within the ISO Control Area. The MSS Operator shall be solely responsible for the preparation of any reports required by any governmental entity or the WECC with respect to any Outage that affects solely customers on the MSS.

23.13.3.4 Reliability Information. Each MSS Operator shall inform the ISO, and the ISO shall inform each MSS Operator, in each case as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO

Controlled Grid or the integrity of the MSS respectively. Each MSS Operator and the ISO each shall also inform the other as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of the MSS Operator, is reasonably likely to threaten the reliability of the ISO Controlled Grid, or, in the case of the ISO, is reasonably likely to adversely affect the MSS. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the entity receiving the information of the threat and, in the case of the ISO, not unduly discriminatory with respect to the ISO's provision of similar information to other entities.

23.13.3.5 Forms. The ISO shall, in consultation with MSS Operators, jointly develop and, as necessary, revise, any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

23.14 Installation of and Rights of Access to MSS Facilities.

23.14.1 Installation of Facilities.

23.14.1.1 Meeting Service Obligations.

The ISO and each MSS Operator shall each have the right, if mutually agreed, on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property.

23.14.1.2 Governing Agreements for Installations.

The ISO and the MSS Operator shall enter into agreements governing the installation of equipment or other facilities containing customary and reasonable terms and conditions.

23.14.2 Access to Facilities.

Each MSS Operator shall grant the ISO reasonable access to MSS facilities free of charge for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the MSS's system, provided that the ISO must provide reasonable advance notice of its intent to access MSS facilities. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

23.14.3 Access During Emergencies.

Notwithstanding any provision in this Section 23, the ISO may have access, without giving prior notice, to any MSS Operator's equipment or other facilities during times of a System Emergency or where access is needed in connection with an audit function.

23.15 MSS System Unit

23.15.1 A MSS Operator may aggregate one or more Generating Units and/or Participating Loads as a System Unit. Except as specifically provided in the agreement referred to in Section 23.1.1, all provisions of the ISO Tariff applicable to Participating Generators and to Generating Units (and, if the System Unit includes a Load, to Participating Loads), shall apply fully to the System Unit and the Generating Units and/or Loads included in it. The MSS Operator's written undertaking to the ISO in accordance with Section 23.1.1 shall obligate the MSS Operator to comply with all provisions of the ISO Tariff, as amended from time to time, applicable to the System Unit, including, without limitation, the applicable provisions of Section 5 and Section 2.3.2. In accordance with Section 5.1.3, the ISO will obtain control over the System Unit, not the individual Generating Unit, except for Regulation, to comply with Section 5.

23.15.2 Without limiting the generality of Section 23.15.1, a MSS Operator that owns or has an entitlement to a System Unit:

23.15.2.1 is required to have a direct communication link to the ISO's EMS satisfying the requirements applicable to Generating Units owned by Participating Generators, or Participating Loads, as applicable, for the System Unit and the individual resources that make up the System Unit;

23.15.2.2 shall provide resource-specific information regarding the Generating Units and Loads comprising the System Unit to the ISO through telemetry to the ISO's EMS;

23.15.2.3 shall obtain ISO certification of the System Unit's Ancillary Service capabilities in accordance with Section 2.5.6 and 2.5.24 before the Scheduling Coordinator representing the MSS may self-provide its Ancillary Service obligations or bid into the ISO's markets from that System Unit;

23.15.2.4 shall provide the ISO with control over the AGC of the System Unit, if the System Unit is supplying Regulation to the ISO or is designated to self-provide Regulation; and

23.15.2.5 shall install ISO certified meters on each individual resource or facility that is aggregated to a System Unit.

23.15.3 Subject to Section 23.15.5, the ISO shall have the authority to exercise control over the System Unit to the same extent that it may exercise control pursuant to the ISO Tariff over any other Participating Generator, Generating Unit or, if applicable, Participating Load, but the ISO shall not have the authority to direct the MSS Operator to adjust the operation of the individual resources that make up the System Unit to comply with directives issued with respect to the System Unit.

23.15.5 When and to the extent that Energy from a System Unit is scheduled to provide for the needs of Loads within the MSS and is not being bid to the ISO's Ancillary Service or Supplemental Energy markets, the ISO shall have the authority to dispatch the System Unit only to avert or respond to a circumstance described in the third sentence of Section 5.1.3 or, pursuant to Section 5.6, to a System Emergency.

23.16 MSS Settlements

23.16.1 The ISO will assess the Scheduling Coordinator for the MSS the neutrality adjustments and Existing Contracts cash neutrality charges pursuant to Section 11.2.9 (or collect refunds therefore) based on the net metered Demand and exports of the MSS.

23.16.2 If the ISO is charging Scheduling Coordinators for summer reliability or demand programs, the MSS Operator may petition the ISO for an exemption of these charges. If the MSS Operator provides documentation to the ISO by November 1 of any year demonstrating that the MSS Operator has secured generating capacity for the following calendar year at least equal to one hundred and fifteen percent (115%), on an annual basis, of the peak Demand responsibility of the MSS Operator, the ISO shall grant the exemption. Eligible generating capacity for such a demonstration may include on-demand rights to Energy, peaking resources, and Demand reduction programs. The peak Demand responsibility of the MSS Operator shall be equal to the annual peak Demand Forecast of the MSS Load plus any firm power sales by the MSS Operator, less interruptible Loads, and less any firm power purchases. Firm power for the purposes of this Section 23.16.2 shall be Energy that is intended to be available to the purchaser without being subject to interruption or curtailment by the supplier except for Uncontrollable Forces or emergency. To the extent that the MSS Operator demonstrates that it has secured generating capacity in accordance with this Section 23.16.2, the Scheduling

Coordinator for the MSS Operator shall not be obligated to bear any share of the ISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8 for the calendar year for which the demonstration is made.

23.16.3 If the ISO is compensating Generating Units for Emissions Costs, Start-Up Fuel Costs and Minimum Load Costs, and if MSS Operator charges the ISO for the Emissions Costs, Start-Up Fuel Costs and Minimum Load Costs, of the Generating Units serving the Load of the MSS, then the Scheduling Coordinator for the MSS shall bear its proportionate share of the total amount of those costs incurred by the ISO based on the MSS gross metered Demand and exports and the Generating Units shall be made available to the ISO through the submittal of Supplemental Energy bids. If the MSS Operator chooses not to charge the ISO for the Emissions Costs, Start-Up Fuel Costs and Minimum Load Costs of the Generating Units serving the Load of the MSS, then the Scheduling Coordinator for the MSS shall bear its proportionate share of the total amount of those costs incurred by the ISO based on the MSS's net metered Demand and exports. The MSS Operator shall make the election whether to charge the ISO for these costs on an annual basis on November 1 for the following calendar year.

23.16.4 The Scheduling Coordinator for the MSS shall be responsible for Transmission Losses, in accordance with the ISO Tariff, only within the MSS, at any points of interconnection between the MSS and the ISO Controlled Grid, and for the delivery of Energy to the MSS or from the MSS, provided the MSS Operator fulfills its obligation to provide for Transmission Losses on the transmission facilities forming part of the MSS. A Generation Meter Multiplier shall be assigned to the Generating Units on the MSS at the Points of Interconnection for use of the ISO Controlled Grid. That GMM shall be 1.0 for all Generating Units within the MSS that are located at or behind a Point of Interconnection, to the extent that the Load at the Point of Interconnection for that portion of the MSS exceeds the amount of Generation produced by the Generating Units connected to that portion of the MSS, except that a GMM shall be calculated by the ISO for

Energy produced pursuant to a Dispatch instruction from the ISO.

23.16.5 If the MSS Operator has elected to follow its Load in accordance with Section 23.12, then the MSS is not eligible to receive bid cost recovery as provided for in Section 11.2.4.1.1.1 and the Scheduling Coordinator for the MSS shall be allocated costs associated with bid cost recovery on a net Metered Demand basis. If the MSS Operator has elected to not follow its Load in accordance with Section 23.12, then the MSS is eligible to receive bid cost recovery as provided for in Section 11.2.4.1.1.1, if applicable, subject to resource-specific performance review, and the Scheduling Coordinator for the MSS shall be allocated costs associated with bid cost recovery on a gross metered Demand basis.

24. [NOT USED]

25. [NOT USED]

26. TEMPORARY CHANGES TO ANCILLARY SERVICES PENALTIES

26.1 Application and Termination

The temporary change, respecting Ancillary Services penalties, set out in Section 26.2 shall continue in effect until such time as the Chief Executive Officer of the ISO issues a Notice of Full-Scale Operations, posted on the ISO Internet "Home Page", at <http://www.caiso.com>, or such other Internet address as the ISO may publish from time to time, specifying the date on which this Section 26 shall cease to apply, which date shall be not less than seven (7) days after the Notice of Full-Scale Operations is issued.

26.2 For so long as this Section 26.2 remains in effect, Scheduling Coordinators shall not be liable for the penalties specified in Section 2.5.26 of the ISO Tariff if, as a result of limitations associated with the ISO's Congestion Management software, the scheduled output of the resource from which the Scheduling Coordinator has committed to provide an Ancillary Service is adjusted by the ISO to a level that conflicts with the Scheduling Coordinator's Ancillary Service capacity commitments, thereby resulting in a failed availability test.

**27. TEMPORARY RULE LIMITING ADJUSTMENT BIDS APPLICABLE TO
DISPATCHABLE LOADS AND EXPORTS**

27.1 Application and Termination

The temporary change limiting Adjustment Bids for Dispatchable Loads and exports set out in Section 27.2 shall continue in effect until such time as the Chief Executive Officer of the ISO posts a notice ("Notice of Full-Scale Operations"), on the ISO Home Page specifying the date on

which this Section 27 shall cease to apply, which date shall not be less than seven (7) days after the Notice of Full-Scale Operations is posted.

27.2 For so long as this Section 27.2 remains in effect, Scheduling Coordinators shall continue to be allowed to specify Adjustment Bids for Dispatchable Loads and exports, conditioned on the rule that the last segment of the Adjustment Bid (i.e., the maximum MW value) must equal the preferred MW operating point specified for the Dispatchable Load or export.

28. RULES LIMITING CERTAIN ENERGY AND ANCILLARY SERVICE BIDS

28.1 Damage Control Bid Cap

28.1 Notwithstanding any other provision of this ISO Tariff, **Damage Control Bid Cap** provisions of Section 28.1.2 and 28.1.3 shall apply to the ISO's Energy and Ancillary Service capacity markets.

28.1.2 Maximum Bid Level. The maximum bid level shall be **\$250/MWh**. **Market** Participants may submit bids above \$250/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

28.1.3 Negative Decremental Energy Bids

Negative decremental Energy bids into the ISO Markets less than -\$30/MWh (minus thirty dollars per MWh) shall not be eligible to set any Market Clearing Price and, if Dispatched, shall be paid as bid. If the ISO Dispatches a bid below -\$30/MWh, the supplier must submit a detailed breakdown of the component costs justifying the bid to the ISO and to the Federal Energy Regulatory Commission no later than seven (7) days after the end of the month in which the bid was submitted. The ISO will treat such information as confidential and will apply the procedures in Section 20.3.4 of this ISO Tariff with regard to requests for disclosure of such information. The ISO shall pay suppliers for amounts in excess of -\$30/MWh after those amounts have been justified.

29. [NOT USED]

30. YEAR 2000 COMPLIANCE

30.1 Y2K Compliance

“Y2K Compliance” or “Y2K Compliant” means hardware, software, firmware, or other systems or processes (hereafter “systems and processes”) that correctly manage, calculate, compare and sequence date data from, into and between the 20th and 21st centuries, including leap year calculations, without human intervention. Y2K Compliant systems and processes must utilize input and output date formats that are compatible with the ISO’s systems and processes, must conform to the International Organization for Standardization ISO 8601:1988 standards for representation of dates and must not cause incorrect date calculations.

30.2 Responsibility for Y2K Compliance

It is the sole responsibility of each Market Participant or other entity that interfaces with the ISO's systems and processes to ensure that the entity's interfacing systems or processes are Y2K Compliant. The ISO will provide joint Y2K test opportunities to ensure interoperability between the ISO systems and external systems that interface with the ISO (e.g., Scheduling Coordinators, and other entities). This proactive test program is an opportunity to minimize the possibilities of transmitting Y2K related erroneous data to the ISO. Participation in this testing program is voluntary, and not a requirement.

30.3 Disconnection of Non-Y2K Compliant Systems and Processes

In order to protect and maintain the integrity of the ISO's systems and processes, the ISO shall have the authority to immediately disconnect the systems or processes of any Scheduling Coordinator or other entity that is believed by the ISO to be passing Y2K related erroneous data; i.e., data from systems and processes that do not meet the Section 30.1 standards for Y2K Compliance. The ISO will immediately notify the disconnected Scheduling Coordinator or other entity of the reason for the action taken by the ISO. The ISO shall permit such Scheduling Coordinator or other entity to reestablish interfaces with the ISO after receiving and approving documented test results showing that the disconnected systems or processes are Y2K Compliant and would not otherwise adversely affect the ISO's systems and processes. The ISO will review and approve or reject documented test results within two (2) Business Days of their receipt. The ISO will reconnect the entity within one (1) Business Day of the ISO's approval.

31. RELATIONSHIP BETWEEN ISO AND SUDCS.

31.1 General Nature of Relationship Between ISO and SUDCs.

31.1.1 The ISO shall not be obliged to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from the Distribution System of a SUDC directly connected to the ISO Controlled Grid unless the relevant SUDC has entered into a SUDC Operating Agreement. The SUDC Operating Agreement shall require SUDCs to comply with the applicable provisions of this Section 31 and any other expressly applicable Sections of this ISO Tariff and the ISO Protocols, as they may be amended from time to time. The ISO shall maintain a pro forma SUDC Operating Agreement available for SUDCs to enter into with the ISO.

31.1.2 The ISO shall operate the ISO Control Area and the ISO Controlled Grid and each SUDC shall operate its Distribution System at all times in accordance with Good Utility Practice and in a manner which ensures safe and reliable operation. The ISO shall, in respect of its obligations set forth in this Section 31, have the right by mutual agreement to delegate certain operational responsibilities to the relevant Participating TO or SUDC pursuant to this Section 31. All information made available to SUDCs by the ISO shall also be made available to Scheduling Coordinators. Any information, pertaining to the physical state, operation, maintenance or failure of the SUDC Distribution System that may cause a material adverse affect to the operation of the ISO Controlled Grid, that is made available to the ISO by the SUDC shall also be made available to Scheduling Coordinators upon receipt of reasonable notice.

31.2 Coordinating Maintenance Outages of SUDC Facilities.

Each SUDC and the Participating TO with which it is interconnected shall coordinate their Outage requirements with respect to their transmission interconnection facilities prior to the submission by that Participating TO of its maintenance Outage requirements under Section 2.3.3.

31.3 SUDC Responsibilities.

Recognizing the ISO's duty to ensure efficient use and reliable operation of the ISO Control Area and the ISO Controlled Grid consistent with the Applicable Reliability Criteria, each SUDC shall:

31.3.1 operate and maintain its Distribution System in accordance with applicable reliability standards, statutes and regulations, and Good Utility Practice so as to avoid any material adverse impact on the reliability of the ISO Control Area and the ISO Controlled Grid;

31.3.2 provide the ISO Outage Coordination Office each year with a schedule of upcoming maintenance on its transmission interconnection facilities with the ISO Controlled Grid that has a reasonable potential of causing a material adverse impact to the reliability of the ISO Controlled Grid.

31.4 System Emergencies.

31.4.1 In the event of a System Emergency, SUDCs shall comply with all directions from the ISO concerning the management and alleviation of the System Emergency and shall comply with all procedures concerning SUDCs for System Emergencies set out in the individual SUDC Operating Agreements.

31.4.2 During a System Emergency, the ISO and SUDCs shall communicate in accordance with procedures established in individual SUDC operating agreements.

31.5 Load Reduction.

31.5.1 If the ISO declares a Stage 1 System Emergency, the SUDC shall use any reasonably available local communication infrastructure to request that its customers curtail their electricity usage. The SUDC shall not be called separately in Stage 3 System Emergencies to manually shed Load. Load restoration of any voluntary Load reduction will occur once the ISO declares that a System Emergency no longer exists.

31.5.2 If the Participating TO sheds the SUDC Load associated with the Participating TO's transmission facilities, the Participating TO will provide timely information and work with the SUDC regarding SUDC Load restoration.

31.6 System Emergency Reports: SUDC Obligations.

31.6.1 Each SUDC shall maintain all appropriate records pertaining to a System Emergency in accordance with the SUDC's then-existing record retention practice or policy, provided the records are kept for a minimum of six (6) years.

31.6.2 In accordance with its SUDC Operating Agreement, each SUDC shall provide available information to the ISO regarding the ISO's preparation of an Outage review.

31.7 Coordination of Expansion or Modifications to SUDC Facilities.

Each SUDC and the Participating TO with which it is interconnected shall coordinate in the planning and implementation of any expansion or modifications of a SUDC's or Participating TO's system that will materially affect the reliability of their transmission interconnection facilities, the ISO Controlled Grid or the transmission services to be required by the SUDC. The Participating TO shall be responsible for coordinating with the ISO.

31.8 Information Sharing.

31.8.1 System Planning Studies.

The ISO, Participating TOs and SUDCs shall share available information such as projected SUDC Load growth and SUDC system expansions necessary for the ISO or the Participating TOs to conduct necessary system planning studies to the extent that such SUDC Load growth or SUDC system expansions will materially impact the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.2 System Surveys and Inspections.

The ISO, each UDC and each SUDC shall cooperate, to the extent economically feasible for the SUDC, in performing system surveys and inspections regarding the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.3 Reports.

31.8.3.1 The ISO shall make available to the SUDCs any public annual reviews or reports regarding performance standards, measurements and incentives relating to the ISO Control Area and the ISO Controlled Grid and shall also make available, upon reasonable notice, any such reports that the ISO receives from the Participating TOs. Each SUDC shall make available to the ISO upon request any public annual reviews or reports regarding performance standards, measurements and incentives relating to the SUDC's Distribution System to the extent these relate to the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.3.2 The ISO and SUDCs shall develop an operating procedure for the ISO to record requests received from the SUDC for Maintenance Outages and the completion of the requested maintenance and turnaround times.

31.9 Installation of Equipment on and Rights of Access to SUDC Facilities.

31.9.1 Installation of Facilities.

The ISO and the SUDC shall each have the right on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property. The ISO and the SUDC shall enter into agreements governing the installation of such equipment or other facilities containing customary, reasonable terms and conditions.

31.9.2 Access to Facilities.

The SUDCs shall grant, free of charge, the ISO reasonable access to SUDC facilities for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the SUDC's system, provided that the ISO must provide reasonable advance notice of its intent to access SUDC facilities and opportunity for SUDC staff to be present. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

31.9.3 Access During Emergencies.

Notwithstanding any provision in this Section 31 the ISO may have access, without giving prior notice, to any SUDC's equipment or other facilities during times of a System Emergency.

31.9.4 Access For Audit Functions.

Notwithstanding any provision in this Section 31 the ISO may have access, without giving prior notice, to any SUDC's equipment or other facilities where the ISO has a reasonable basis to believe the SUDC has failed to comply with the SUDC Operating Agreement, applicable ISO Tariff or ISO Protocol provisions and access is required to conduct an audit to gather relevant facts.