

AMENDMENT NO. 1 TO THE SCHEDULING COORDINATOR AGREEMENT

THIS AMENDMENT is dated this ____ day of _____, 1998 and is entered into, by and between:

(1) **Arizona Public Service Company** having its registered and principal place of business located at **400 North Fifth Street, Phoenix, AZ 85004** (“APS”);

and

(2) **California Independent System Operator Corporation**, a California non-profit public benefit Corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California, 95630 (the “ISO”).

APS and the ISO are hereinafter referred to as the “Amending Parties.”

Whereas:

- A.** The Amending Parties entered into the Scheduling Coordinator Agreement dated November 19, 1997 (the “Principal Agreement”).
- B.** By orders issued on December 17, 1997 and February 25, 1998, the Federal Energy Regulatory Commission required that the Principal Agreement be amended.

NOW THEREFORE, **THE AMENDING PARTIES AGREE** as follows:

- 1) Effective Date.** This Amendment shall be effective as of the effective date of the Principal Agreement and shall remain in full force and effect until the termination of the Principal Agreement.
- 2) Amendment to the Principal Agreement.** The Principal Agreement shall be amended as set out below:
 - a) Recital B is amended to read as follows:**
 - (B)** The Scheduling Coordinator wishes to schedule Energy and Ancillary Services on the ISO Controlled Grid under the terms and conditions set forth in the ISO Tariff.

- b) The section entitled “Covenant of the Scheduling Coordinator” is amended to read as follows:

Covenant of the Scheduling Coordinator

The Scheduling Coordinator agrees that:

- the ISO Tariff governs all aspects of scheduling of Energy and Ancillary Services on the ISO Controlled Grid, including (without limitation), the financial and technical criteria for Scheduling Coordinators, bidding, settlement, information reporting requirements and confidentiality restrictions;
- it will abide by, and will perform all of the obligations under the ISO Tariff placed on Scheduling Coordinators in respect of all matters set forth therein including, without limitation, all matters relating to the scheduling of Energy and Ancillary Services on the ISO Controlled Grid, ongoing obligations in respect of scheduling, Settlement, ISO System Security Policy and Procedures, billing and payments, confidentiality and dispute resolution;
- it shall ensure that each UDC, over whose Distribution System Energy or Ancillary Services are to be transmitted in accordance with Schedules, Adjustment Bids or bids for Ancillary Services submitted to the ISO by the Scheduling Coordinator, enters into a UDC operating agreement in accordance with Section 4 of the ISO Tariff;
- it shall ensure that each Generator for which it schedules Energy or on whose behalf it submits to the ISO Adjustment Bids or bids for Ancillary Services enters into a Generator Agreement in accordance with Section 5 of the ISO Tariff;
- its status as a Scheduling Coordinator is at all times subject to the ISO Tariff.

- c) Section 3.2 is amended to read as follows:

3.2 This Agreement shall terminate upon acceptance by FERC of a notice of termination. The ISO shall timely file any notice of termination with FERC.

- d) The section entitled “Agreement to be bound by ISO Tariff and ISO Protocols” is amended to read as follows:

Agreement to be bound by ISO Tariff

The ISO Tariff is incorporated herein and made a part hereof. In the event of a conflict between the terms and conditions of this Agreement and any other terms and conditions set forth in the ISO Tariff, the terms and conditions of the ISO Tariff shall prevail.

e) The section entitled “Electronic Contracting” is amended to read as follows:

Electronic Contracting

All submitted applications, schedules, bids, confirmations, changes to information on file with the ISO and other communications conducted via electronic transfer (e.g. direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the ISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the ISO Tariff as if executed in written format.

IN WITNESS WHEREOF, the Amending Parties have caused this Amendment No. 1 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Arizona Public Service Company

By: _____

Name: _____

Title: _____