



California ISO

CIP-014 NERC Reliability Standard
Risk Assessment Agreement
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California Independent System Operator

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1.0 Introduction

RC West was formed in 2019, and one of the services offered in Section 19 of the CAISO tariff is to provide a risk assessment verification as required by the North American Electric Reliability Council (“NERC”) Critical Infrastructure Protection (“CIP”) Standard 014 (“CIP-014”) for a transmission operator’s risk assessment of their transmission stations and substations. To implement this service, the CAISO has developed a *pro forma* CIP-014 Risk Assessment Verification Agreement (“CIP-014 Agreement”) which it intends to file with FERC for approval.

The purpose of CIP-014 is to identify and protect transmission stations, substations, and their associated primary control centers, that if rendered inoperable or damaged as a result of a physical attack could result in widespread instability, uncontrolled separation, or cascading outages within an interconnection. A periodic review is performed by each transmission operator of their transmission facilities that meet the CIP-014 criteria, and the transmission operator is required to have an unaffiliated third party verify the risk assessment.

This initiative is to allow stakeholder review of the pro forma agreement in advance of the CAISO filing it with FERC.

2.0 CIP-014 Agreement

The CIP-014 Agreement establishes the terms and conditions by which the CAISO will evaluate the risk assessment of a transmission operator in RC West. Similar to other studies performed by the CAISO, the RC Customer will provide a deposit for the evaluation and the CAISO will bill the RC Customer the actual cost incurred. If there is deposit money remaining, it will be returned to the RC Customer with interest incurred on the funds. If the deposit is insufficient, the RC Customer will be billed for the additional cost.

The evaluation will follow the standards and guidelines as they may be changed by NERC in the future for the CIP-014 risk assessment verification. The balance of the language in the agreement is the CAISO standard language for dispute resolution; representation and warranties; liability and disclaimer of warranty; uncontrollable forces; confidentiality; and other various miscellaneous terms.

The agreement also allows for additional supplemental reliability services as those services are defined in the BPM for RC Services in the future.

3.0 Appendix

CIP-014 RISK ASSESSMENT VERIFICATION AGREEMENT

THIS AGREEMENT is dated _____ day of _____, _____ and is entered into, by and between:

(1) **[Full Legal Name]**, having its registered and principal place of business located at **[Address]** (the "RC Customer");

and

(2) **California Independent System Operator Corporation ("CAISO")**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate.

The RC Customer and the CAISO each may be referred to as the "Parties".

WHEREAS:

- A. In its role as a Transmission Operator ("TOP"), RC Customer has determined that it must meet the requirements set forth in the North American Electric Reliability Council ("NERC") Critical Infrastructure Protection ("CIP") Standard 014 ("CIP-014").
- B. The purpose of CIP-014 is to identify and protect transmission stations, substations, and their associated primary control centers, that if rendered inoperable or damaged as a result of a physical attack could result in widespread instability, uncontrolled separation, or cascading outages within an Interconnection.
- C. Requirement R1 of CIP-014 requires TOPs to perform periodic risk assessments of its transmission stations and substations that meet the criteria specified in the applicability section of the standard.
- D. Requirement R2 of CIP-014 requires TOPs to have an unaffiliated third party, such as a registered Planning Coordinator or Reliability Coordinator, verify the risk assessment(s) it performed under Requirement R1.
- E. Consistent with Section 2.2.2 of the Reliability Coordinator Services Agreement between the Parties, RC Customer requests that CAISO perform this risk assessment verification for an additional charge pursuant to Sections 19.4 and 19.9 of the CAISO Tariff.

- F. The Parties desire to enter into this Agreement to set forth the terms and conditions under which CAISO will perform this service, as well as other supplemental reliability services specified in CAISO's Business Practice Manual for RC Services.

NOW, THEREFORE, in consideration of and subject to the mutual covenants set forth herein **THE PARTIES AGREE** as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Master Definitions Supplement. All capitalized terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.

1.2 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) "includes" or "including" shall mean "including without limitation";
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;

- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II

GENERAL TERMS AND CONDITIONS

- 2.1 Agreement.** This Agreement is subject to Sections 19.4 and 19.9 of the CAISO Tariff, which is incorporated herein.
- 2.2 Risk Assessment Verification.** The RC Customer elects, and the CAISO agrees to conduct or cause to be performed, a verification of RC Customer's risk assessments of its transmission stations and substations that meet the criteria specified in CIP-014, Requirement R1 ("Evaluation").
- 2.3 RC Customer Responsibilities.** RC Customer will cooperate with CAISO and will provide CAISO in a timely manner all information required to perform the Evaluation, including any technical data required to assess RC Customer's request.
- 2.4 CAISO Responsibilities.** CAISO will perform the Evaluation contemplated by CIP-014, Requirement R2, including any recommendations consistent with its "Requirement R2 Risk Assessment Review and Verification Methodology", available on its website at <http://www.caiso.com/rules/Pages/RequirementsGuidelines/Default.aspx> under "NERC compliance". Once the Evaluation is completed, CAISO will provide a report of its recommendations and meet with RC Customer, if requested. CAISO agrees to use the information provided by RC Customer under this Agreement solely for the purpose of performing the Evaluation.
- 2.5 Deposit and Settlement.** Consistent with Section 19.9 of the CAISO Tariff, RC Customer shall provide a deposit in the amount of \$50,000, which is equal to a non-binding good faith estimate for the cost of the Evaluation. If at any time CAISO determines the cost will exceed the \$50,000 deposit, CAISO will notify the RC Customer. The CAISO will deposit these funds in an interest bearing account at a bank or financial institution designated by the CAISO. The Evaluation deposit shall be applied to pay for prudent costs incurred by the CAISO, or third parties at the direction of the CAISO, as applicable, to perform and administer the Evaluation and to meet and otherwise communicate with RC Customer with respect to the Evaluation.

Following the issuance of the Evaluation Report documenting the CAISO's verification and any recommendations, the RC Customer will pay the actual costs incurred for the Evaluation in accordance with Section 19.9 of the CAISO Tariff. Any unused deposit, plus interest earned at the rate provided

for in the CAISO's interest-bearing account from the date of deposit to the date of withdrawal, on the remaining deposit, will be returned to RC Customer within ninety (90) calendar days after the Evaluation is completed; CAISO and RC Customer approve the completion; and all required documents for the refund are received by the CAISO. All refunds will be processed following CAISO's generally accepted accounting practices. Any CAISO deadline will be tolled to the extent the RC Customer has not provided the CAISO with the appropriate documents to facilitate the RC Customer's refund, or if the RC Customer has any outstanding invoice balance due to the CAISO on another project owned by the same RC Customer. If the RC Customer fails to timely pay any undisputed costs, the CAISO shall not be obligated to continue the Evaluation unless and until the RC Customer has paid all undisputed amounts.

In the event this Agreement is terminated by either Party or both Parties after CAISO has initiated its Evaluation, CAISO will make every attempt to halt work and related costs on the Evaluation as soon as practical and begin the refund process for any payments provided by RC Customer in excess of costs incurred by the CAISO, if applicable.

- 2.6 Supplemental Reliability Services.** RC Customer may request CAISO to perform additional supplemental reliability services that are specified in CAISO's Business Practice Manual for RC Services. At its sole discretion, CAISO may agree to undertake such services, subject to reimbursement for the cost of such. RC Customer will compensate CAISO at an hourly rate based on CAISO's internal labor costs plus overhead. Before any services are undertaken, CAISO and RC Customer will agree in writing on the applicable hourly rate, the scope of work, and a total fee estimate. CAISO shall submit to RC Customer monthly invoices for such services no later than thirty days after undertaking such work.
- 2.7 Impact of System Changes.** Substantial portions of technical data and assumptions used to perform the Evaluation, such as system conditions, topology of the stations and substation, existing and planned generation, and unit modeling, may change after the CAISO provides the Evaluation results to the RC Customer. The Evaluation results will reflect available data at the time the CAISO provides its report to the RC Customer. The CAISO shall not be responsible for any additional costs, including, without limitation, costs of new or additional facilities, system upgrades, or changes, that may be incurred by the RC Customer as a result of changes in such data and assumptions.
- 2.8 Compliance.** Each Party shall comply with a reasonable request for data or assistance from the other Party to the extent reasonably necessary to demonstrate compliance with CIP-014, Requirement R2, including providing reports or data reasonably necessary to support RC Customer's self-certifications, potential violation reviews, or WECC audits of CIP-014.

ARTICLE III

TERM AND TERMINATION

3.1 Effective Date. This Agreement shall be effective as of the later of the date it is executed by the Parties or the date accepted for filing and made effective by FERC, if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

3.2 Termination

3.2.1 Termination by CAISO. The CAISO may terminate this Agreement by giving written notice of termination in the event that the RC Customer commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the RC Customer, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article VII of this Agreement. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by RC Customer. In the event that the RC Customer no longer wishes to have the CAISO continue the Evaluation or other supplemental reliability services, it may terminate this Agreement, on giving the CAISO not less than thirty (30) days written notice. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within thirty (30) days of receipt of such request; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon thirty (30) days after the CAISO's

receipt of the RC Customer's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

- 3.3 Effect of Expiration or Termination.** Upon the expiration or termination of this Agreement for any reason, each Party will be released from all obligations to the other Party arising after the date of expiration or termination, except that expiration or termination of this Agreement will not (i) relieve either Party of those terms of this Agreement which by their nature are intended to survive, including without limitation Section 2.8 (Compliance), Section 4.1 (Dispute Resolution), Section 5.1 (Representations and Warranties), Section 6.1 (Liability), Section 6.2 (Disclaimer of Warranty), Article 8 (Confidentiality), Section 9.2 (Notices), Section 9.4 (Governing Law and Forum), and Section 9.7 (Severability), (ii) relieve RC Customer of its payment obligations for services already rendered in accordance with the terms of this Agreement, or (iii) relieve either Party from any liability arising from any breach of this Agreement.

ARTICLE IV

DISPUTE RESOLUTION

- 4.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to RC Customer and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

- 5.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 5.2 No Partnership.** This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, another Party.

ARTICLE VI

LIABILITY AND DISCLAIMER OF WARRANTY

- 6.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the RC Customer and references to the CAISO Tariff shall be read as references to this Agreement.
- 6.2 Disclaimer of Warranty.** In addition to the limitations of liability expressed in Section 6.1, CAISO does not make any warranty, express or implied, with respect to the accuracy, completeness, or usefulness of the information or recommendations resulting from, or arising out of, its Evaluation, and CAISO does not assume and expressly disclaims any liability with respect to the use of, or for damages resulting from the use of, any information or recommendations resulting from, or arising out of, its Evaluation.

ARTICLE VII

UNCONTROLLABLE FORCES

- 7.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the RC Customer and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII

CONFIDENTIALITY

- 8.1** Both Parties understand and agree that, in the performance of the work or services under this Agreement or in contemplation thereof, a Party (a "Recipient") may have access to private or Confidential Information (as defined below) which may be owned or controlled by the other Party (a "Discloser") and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Discloser. Both Parties agree that all Confidential Information disclosed by a Discloser to a Recipient shall be held in confidence by the Recipient and used only in performance of the Agreement, except to the extent such information is required to be disclosed by local, State or Federal laws and regulations or by court or public agency order. A Recipient shall exercise the same standard of care to protect a Discloser's confidential information as a reasonably prudent contractor would use to protect its own proprietary data. "Confidential Information" means (i) all written materials marked "Confidential", "Proprietary" or with words of similar import provided to either Party by the other Party, and (ii) all observations of equipment (including computer

screens) and oral disclosures related to either Party's systems, operations and activities that are indicated as such at the time of observation or disclosure, respectively, provided that such indication is confirmed in writing within five (5) business days of the disclosure. Confidential Information includes portions of documents, records and other material forms or representations that either Party may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

- 8.2** In the event that disclosure of confidential or proprietary information is required by local, State or Federal laws and regulations or by court or public agency order, the Recipient shall give prior written notice to the Discloser as far in advance as reasonably possible. The Recipient shall cooperate with the Discloser in the event the Discloser seeks a protective order or other appropriate remedy to prevent such disclosure and, if such a protective order or other remedy cannot be obtained by such Discloser, the Recipient shall disclose only that portion of the confidential or proprietary information that is legally required to be disclosed.
- 8.3** Notwithstanding Sections 8.1 and 8.2 above, each Party to this Agreement shall not have breached any obligation under this Agreement if Confidential Information is disclosed to a third party when the Confidential Information: (a) was in the public domain at the time of such disclosure or is subsequently made available to the public consistent with the terms of this Agreement; or (b) had been received by either Party at the time of disclosure through other means without restriction on its use, or had been independently developed by either Party as shown through documentation; or (c) is subsequently disclosed to either Party by a third party without restriction on use and without breach of any agreement or legal duty; or (d) subject to the provisions of Section 8.2, is used or disclosed pursuant to statutory duty or an order, subpoena or other lawful process issued by a court or other governmental authority of competent jurisdiction.
- 8.4** The Parties acknowledge that the CAISO must comply with Section 20 of the CAISO Tariff.

ARTICLE IX

MISCELLANEOUS

- 9.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 9.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to the RC Customer and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 1. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 9.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 9.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 9.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 9.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 9.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be

relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

- 9.8 Records.** The CAISO shall maintain records and accounts of all costs incurred in performing the Evaluation in sufficient detail to allow verification of all costs incurred, including associated overheads. The RC Customer shall have the right, upon reasonable notice, within a reasonable time at the CAISO's offices and at its own expense, to audit the CAISO's records as necessary and as appropriate in order to verify costs incurred by the CAISO. Any audit requested by the RC Customer shall be completed, and written notice of any audit dispute provided to the CAISO representative, within one hundred eighty (180) calendar days following receipt by the RC Customer of the CAISO's notification of the final costs of the Evaluation.
- 9.9 Amendments.** This Agreement may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder, and the RC Customer shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the FPA and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.
- 9.10 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[Name of RC Customer]

By: _____

Name: _____

Title: _____

Date: _____

Schedule 1

Notices

1. [RC CUSTOMER]:

2. CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION:
