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March 1, 2011

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket No. ER11-\_\_\_\_-000  
Tariff Changes to Implement Offer of Settlement Filed One Day  
Out of Time**

Dear Secretary Bose:

On February 11, 2011, in Docket No. EL09-62-000, the Commission issued an order accepting without modification a proposed Offer of Settlement submitted in that proceeding on October 1, 2010 ("Offer of Settlement").<sup>1</sup> The February 11 Order directed the California Independent System Operator Corporation ("ISO") to submit a compliance filing within 15 days, or by February 28, 2011, to revise its tariff to incorporate the revised default allocation tariff provisions included in the Offer of Settlement, pursuant to the ISO's commitment in the Offer of Settlement to submit such a compliance filing.<sup>2</sup>

The ISO filed tariff language in compliance with the Commission's February 11 Order approving the offer of settlement in Docket No. ER11-2973-000 on February 28, 2011. The ISO began the electronic filing process around 3:00 PM EST but was not able to submit the filing before the 5:00 PM deadline due to problems with the eTariff system. After working with Commission staff,

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<sup>1</sup> *California Independent System Operator Corp.*, 134 FERC ¶ 61,097 (2011) ("February 11 Order").

<sup>2</sup> *Id.* at P 3.

the ISO was able to submit the filing at 5:13 PM. However, on March 1, 2011, the ISO became aware of an additional problem in the eTariff system, namely that no effective date was reflected in the eTariff public viewer.

Accordingly, the ISO now resubmits the revised default allocation tariff provisions for Commission acceptance effective March 31, 2009,<sup>3</sup> as set forth in the Offer of Settlement.<sup>4</sup> The February 28, 2011 filing in Docket No. ER11-2973-000 has also been withdrawn.

The ISO has served this filing on all parties in Docket No. EL09-62. Please contact the undersigned with any questions.

Respectfully submitted,

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Counsel for the  
California Independent System  
Operator Corporation

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<sup>3</sup> The earliest effective date that can be reflected in the eTariff system, however, is the date the ISO filed its baseline tariff in the eTariff system, which was June 28, 2010. Therefore, the metadata for the tariff records submitted with this compliance filing reflect a proposed effective date of June 28, 2010. In this compliance filing, the ISO also submits, as Attachment A hereto, "paper" tariff sheets reflecting the pre-eTariff effective date of the tariff provisions (March 31, 2009, with the exception of one tariff sheet that reflects an amendment that became effective November 1, 2009). This procedure is consistent with the Commission's guidance in its Order on *Filing Procedures For Electronically Filed Tariffs, Rate Schedules and Jurisdictional Agreements*, Docket No. RM01-5-000 (May 21, 2010).

<sup>4</sup> See Offer of Settlement, Attachment A, Section 2.2.

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents upon all of the parties listed on the official service list for Docket No. EL09-62, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 1<sup>st</sup> day of March, 2011.

/s/ Bradley R. Miliauskas  
Bradley R. Miliauskas

**Attachment A – Historical Clean Tariff**  
**California Independent System Operator Corporation**  
**Default Loss Allocation Compliance Filing**  
**March 1, 2011**

- (c) If after taking reasonable action the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered on the next practicable Invoices, such amounts shall be allocated in accordance with Section 11.29.17 of the CAISO Tariff.

**11.29.9.6.3 Surplus Account.**

The CAISO shall establish and maintain a bank account denominated the CAISO Surplus Account. The CAISO Surplus Account shall include the following:

- (a) Any amounts paid to the CAISO in respect of penalties or Sanctions referred to in Section 11.14 shall be credited to the CAISO Surplus Account, subject, however, to Section 11.29.9.6.1(b).
- (b) The funds referred to in Section 11.29.9.6.1(a) pertaining to penalties or Sanctions as provided in Section 11.14 shall first be applied towards any expenses, loss or costs incurred by the CAISO except for that portion of those amounts collected pursuant to 37.9.4. Any excess after such application will be credited to the CAISO Surplus Account pursuant to 11.29.9.6.1(a).
- (c) The funds referred to in Section 11.29.9.6.1(a) pertaining to default Interest referred to in Section 11.29.13.1 shall first be applied towards any unpaid CAISO Creditor balances for the Trading Month in which the default Interest was assessed and second to any other unpaid CAISO Creditor balances. Only after all unpaid CAISO Creditor balances are satisfied in full will any excess funds pertaining to default Interest be credited to the CAISO Surplus Account pursuant to Section 11.29.9.6.1(a).

In the event that there are funds in the CAISO Surplus Account in excess of an amount to be determined by the CAISO Governing Board and identified in a Market Notice by the CAISO to Market Participants, the amount of such excess will be distributed to Scheduling Coordinators using the same method of apportioning the refund as the method employed in apportioning the liability for the Grid Management Charge.

**11.29.10 Billing and Payment.**

The CAISO shall prepare and send to each Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO two Invoices or Payment Advices for each calendar month. The first Invoice or Payment Advice will be based on the Initial Settlement Statement T+38BD and the second Invoice or Payment Advice will be based on the Initial Settlement Statement Reissue or Recalculation Settlement Statement(s). Each Invoice or Payment Advice will show amounts which are to be paid by or to each Scheduling Coordinator, CRR Holder, Black Start Generator or Participating TO, the Payment Date, being the date on which such amounts are to be paid or received and details of the CAISO Clearing Account to which any amounts owed by Scheduling Coordinators, CRR Holder, Black Start Generator or Participating TO are to be paid.

The Invoices or Payment Advices will also include the total charges for each component of the Grid Management Charge, the total charges associated with any Interest for each relevant Trading Month, the FERC Annual Charges due monthly, as well as any disbursements associated with a shortfall receipt distribution.

A separate Invoice for the FERC Annual Charges due annually will be issued by the CAISO to the Scheduling Coordinator in accordance with Section 11.19.1.2. The CAISO will issue separate Invoices for NERC/WECC Charges as described in Section 11.20.

A separate Invoice for a shortfall allocation will be issued by the CAISO to Scheduling Coordinators in the event of a payment default in accordance with Section 11.29.17.1.

In the event of an allocation of a payment default in accordance with Section 11.29.17.2, the CAISO may either issue separate Invoices to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2, as applicable, or may issue Invoices through its standard invoicing process that include the allocation of the payment default.

and the reason for the non-payment. If the Scheduling Coordinator or CRR Holder fails to pay any sum to the CAISO when due and after and the CAISO draws upon any and all available Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder, the Scheduling Coordinator or CRR Holder shall pay Interest on the overdue amount for the period from the Payment Date to the date on which the payment is remitted to the CAISO Clearing Account, together with any related transaction costs incurred by the CAISO. The CAISO shall apply all such Interest payments on the default amount either on a pro rata basis to CAISO Creditors in relation to amounts past due in the order of the creation of such debts, or, if the default amount was allocated pursuant to Section 11.29.17.2, to Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in relation to amounts past due in the order of the creation of such debts.

**11.29.13.2 Payment Default.**

Subject to Section 11.29.13.6, if by 10:00 am on a Payment Date the CAISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the CAISO Clearing Account by any Scheduling Coordinator or CRR Holder will not or has not been remitted and there are insufficient funds in the relevant Scheduling Coordinator's or CRR Holder's CAISO prepayment account (the amount of insufficiency being referred to as the "default amount"), the CAISO shall take the following actions to enable the CAISO Clearing Account to clear not later than the close of banking business on the relevant Payment Date.

**11.29.13.3 Enforcing the Financial Security of a Defaulting Scheduling Coordinator or CRR Holder.**

Subject to Section 11.29.13.6, the CAISO shall make reasonable endeavors to enforce the defaulting Scheduling Coordinator's or CRR Holder's Financial Security (if any) to the extent necessary to pay the default amount. If it is not practicable to obtain clear funds in time to effect payment to CAISO Creditors on the same day the CAISO shall proceed in accordance with Sections 11.29.13.4 or 11.29.17.1 as applicable.

**11.29.13.8 Order of Payments.**

Unless otherwise specified in accordance with Section 11.29.17, the CAISO shall apply payments received in respect of amounts owing to CAISO Creditors to repay the relevant debts in the order of the creation of such debts.

**11.29.13.9 Interest Accruing while Enforcing the Financial Security.**

If the CAISO has debited the CAISO Reserve Account and it subsequently succeeds in enforcing the Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder, the CAISO shall be entitled to withdraw from such Financial Security in addition to the default amount, all costs incurred and Interest accrued to the CAISO as a result of debiting the CAISO Reserve Account from the date of such debit to the date of enforcement of the said Financial Security.

**11.29.13.10 Application of Funds Received.**

Amounts credited to the CAISO Clearing Account in payment of a default amount (as set out in Section 11.29.9.6.2.1) or as a result of enforcing the defaulting CAISO Debtor's Financial Security shall be applied to the CAISO Reserve Account pursuant to Section 11.29.9.6.2.1 to reduce amounts outstanding under any CAISO banking facilities used to fund the CAISO Reserve Account on the relevant Payment Date less any) amounts that first shall be applied either to reimburse pro rata any CAISO Creditors whose payments were reduced pursuant to Section 11.29.17.1, or, if the default amount was allocated pursuant to Section 11.29.17.2, to reimburse Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.1 or to reimburse SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable.

**11.29.14 [NOT USED]**

**11.29.15 [NOT USED]**

**11.29.16 Prohibition on Transfers.**

The CAISO shall at no time instruct the CAISO Bank to transfer any sum from a CAISO Account to another account (not being a CAISO Account) unless that account is a Settlement Account or the amount is owed to the CAISO under this CAISO Tariff.



**11.29.17 Alternative Payment Procedures.**

**11.29.17.1 Pro Rata Reduction to Payments.**

If it is not possible to clear the CAISO Clearing Account on a Payment Date because of an insufficiency of funds available in the CAISO Reserve Account or by enforcing any Financial Security provided by a defaulting Scheduling Coordinator or CRR Holder, the CAISO shall (1) first pay in full every CAISO Creditor whose net amounts receivable on the relevant Payment Date is less than \$5,000; and (2) second, reduce payments to all remaining CAISO Creditors proportionately to the net amounts payable to them on the relevant Payment Date to the extent necessary to clear the CAISO Clearing Account through a shortfall allocation. The CAISO shall account for such reduction in the CAISO ledger accounts as amounts due and owing by the non-paying CAISO Debtor to each CAISO Creditor whose payment was so reduced. Each payment default amount allocated to CAISO Creditors through a shortfall allocation under this Section 11.29.17.1 that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated as set forth in Section 11.29.17.2. The provisions of this Section 11.29.17.1 shall not apply to non-payment of any penalty amount that a Scheduling Coordinator or CRR Holder has disputed and FERC has specifically authorized the Scheduling Coordinator or CRR Holder to net its payment to the CAISO by the amount of the penalty in question in accordance with Section 37.9.3, in which case the non-payment amount will be allocated exclusively to the CAISO penalty trust account and not allocated to CAISO Creditors.

**11.29.17.2 Payment Default Allocation**

**11.29.17.2.1 Methodology for Allocating Payment Default Amounts**

Except as set forth in Section 11.29.17.2.2, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section 11.29.17.1 and that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated on the next practicable Invoices to the Default-Invoiced SCIDs to which the percentage shares calculated pursuant to Section 11.29.17.2.7 for the current calendar quarter apply, excluding the CAISO Debtor that has not paid the payment default amount, pursuant to the following methodology:

- (a) Twenty (20) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the net amounts that were payable in each applicable calendar quarter (and averaged within such calendar quarter) to the Default-Invoiced SCIDs over the applicable Default Look-Back Periods. For Market Participants subject to Default Election option 1, these net amounts will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, these net amounts will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.
- (b) Thirty (30) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter (and averaged within such calendar quarter) over the applicable Default Look-Back Periods, after excluding dollar amounts shown on the Invoices for payments and charges for GMC, RMR, and Wheeling Access Charge costs, and after excluding the billing of Access Charges and the payment of Transmission Revenue Requirements to Participating Transmission Owners. For Market Participants subject to Default Election option 1, the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, the absolute values of the net sum of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.
- (c) Fifty (50) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the largest of the following five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) for each Default-Invoiced SCID over the applicable Default Look-Back Periods:

- (1) Cleared Day-Ahead Schedules to supply Energy, plus Day-Ahead Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus scheduled supply obligation for Ancillary Services (including imports but excluding RUC Schedules), plus Virtual Supply Awards;
- (2) Metered Generation, plus Real-Time Interchange Import Schedules, plus Real-Time Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus HASP Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus Real-Time supply obligation for Ancillary Services;
- (3) Cleared Day-Ahead Schedules for Demand (including Demand served by Pumped-Storage Hydro Units and exports) multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus scheduled demand obligation for Ancillary Services, plus Virtual Demand Awards;
- (4) Metered Load multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus Real-Time Interchange Export Schedules, plus Real-Time demand obligation for Ancillary Services; or
- (5) The greater of (A) the quantity of CRRs acquired in CRR Auctions or transferred through the Secondary Registration System (excluding CRRs acquired in CRR Allocations) or (B) Inter-SC Trades of Energy.

For Market Participants subject to Default Election option 1, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated by consolidating all of the data for the applicable SCIDs.

#### **11.29.17.2.2 Interim De Minimis Allocation**

During the time period from the effective date of this Section 11.29.17.2.2 until April 1, 2011, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section

11.29.17.1 that is equal to or less than \$1,000 multiplied by the total number of SCIDs that have recorded market activity in the most recent Trading Month will be allocated on the next practicable Invoices among all such SCIDs so that an equal share of the payment default amount is allocated to each applicable SCID excluding the CAISO Debtor that has not paid the payment default amount. Notwithstanding the foregoing, if allocation of a payment default amount to any SCID under this Section 11.29.17.2.2 would result in any entity: (i) being allocated more than a \$1,000 share of a payment default amount per applicable SCID or (ii) being allocated cumulative shares of payment default amounts that equal more than \$1,000 per applicable SCID, the CAISO will instead allocate the payment default amount pursuant to Section 11.29.17.2.1.

**11.29.17.2.3 Interest on Allocated Payment Default Amounts**

In accordance with Section 11.29.10.2, Interest will be charged to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs exceed the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, and Interest will be paid to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs are exceeded by the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, for the period between the date of the shortfall allocation and the date payments are due for the Invoices on which the allocation of the payment default amounts appear. The Interest payable pursuant to this Section 11.29.17.2.3 will be included on the Invoices on which the allocation of the payment default amounts appear.

**11.29.17.2.4 Default Election**

- (a) Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO will make an election of either option 1 or option 2 under this Section 11.29.17.2.4, which will be the Market Participant's Default Election until such time as a subsequent change by the Market Participant of its Default Election from option 1 to option 2 (or vice versa) goes into effect. Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO shall make

only a single Default Election regardless of whether that Market Participant has multiple effective contracts with the CAISO that cause the entity to be a Market Participant. For example, an entity that has signed a Scheduling Coordinator Agreement and a CRR Entity Agreement shall only make a single Default Election.

- (i) Option 1: For such Market Participants that choose Default Election option 1, the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to each SCID of such Market Participant on an SCID-by-SCID basis, and each SCID of such Market Participant will be a Default-Invoiced SCID.
- (ii) Option 2: In order to qualify for Default Election option 2, all of the SCIDs of a Market Participant with one or more effective contracts with the CAISO must certify that they meet one of the following criteria, and the entity must agree that the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to all SCIDs created for use under all of the effective contracts with the CAISO based on a consolidation of data for all such SCIDs:
  - (1) All of the SCIDs are associated with Affiliates or business units under common control where one or more of the Affiliates or business units or a related business entity has more than fifty (50) percent control of the Affiliates or business units, either directly or through one or more intermediaries;
  - (2) All of the SCIDs are associated with a Joint Powers Authority; or
  - (3) All of the SCIDs are associated with a municipal utility or state or federal agency.

Each Market Participant that chooses Default Election option 2 will at the same time select a single SCID to be the sole Default-Invoiced SCID under option 2. This Default-Invoiced SCID will receive Invoices containing payment default amounts allocated on behalf of all of the SCIDs under all contracts between the entity and the CAISO. Allocation of payment default amounts for entities

choosing Default Election option 2 will be based on consolidated data from all of the entity's SCIDs. The selection of a single SCID as the sole Default-Invoiced SCID will not in any way relieve any Market Participant subject to Default Election option 2 of any obligation to pay Invoices, including in the event of a default by the Default-Invoiced SCID on a default payment obligation, in which case the CAISO will be entitled to utilize all available Financial Security provided by any defaulting Market Participant subject to Default Election option 2.

- (b) By October 15, 2010, Market Participants will inform the CAISO in writing of their initial Default Elections for the period from March 31, 2009 through December 31, 2011. Within five (5) Business Days after FERC issues an order accepting the settlement agreement filed in FERC Docket No. EL09-62, Market Participants will inform the CAISO in writing of any changes to their initial Default Elections for the period from March 31, 2009 through December 31, 2011. If Market Participants that have made initial Default Elections fail to timely inform the CAISO in writing of changes to their initial Default Elections, the Market Participants will be deemed to have chosen their initial Default Elections as their Default Elections for the period from March 31, 2009 through December 31, 2011.
- (c) Starting on October 1, 2011, Market Participants may subsequently change their Default Elections by October 1 of each calendar year by notifying the CAISO, to become effective on January 1 of the next calendar year. Market Participants that do not change their Default Elections by that date will be deemed to have chosen to continue their current Default Elections.
- (d) Each entity that becomes a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO after one of the dates set forth in Section 11.29.17.2.4(a), -(b), or -(c) will make its Default Election prior to engaging in any transactions in the CAISO Markets. The Default Election of each such entity will remain in effect until the entity makes another Default Election pursuant to this Section 11.29.17.2.4. However, any Market Participant that has already made a Default Election will not be eligible to change its

Default Election as a result of its subsequently also becoming a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO.

- (e) Market Participants that do not timely inform the CAISO of their initial Default Elections will be deemed to have chosen Default Election option 1.

#### **11.29.17.2.5 Effect of Change in Default Election**

Starting with the Default Elections due by October 1, 2011, each time that a Market Participant changes its Default Election pursuant to Section 11.29.17.2.4 from option 1 to option 2 (or vice versa), the following provisions will apply:

- (a) For the first quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first three (3) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent full calendar quarter of data within the Default Look-Back Period.
- (b) For the second quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first two (2) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent two (2) full calendar quarters of data within the Default Look-Back Period.
- (c) For the third quarter of the calendar year after the change in Default Election goes into effect, the new Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first full calendar quarter of data within the Default Look-Back Period and application of the new election to the most recent three (3) full calendar quarters of data within the Default Look-Back Period.
- (d) For the fourth quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts

calculated pursuant to Section 11.29.17.2.1 based on application of the new election to the entire Default Look-Back Period.

**11.29.17.2.6 Default Look-Back Period**

- (a) For each payment default that occurs any time prior to March 31, 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available. In no event will the CAISO consider settlement data for transactions occurring prior to March 31, 2009.
- (b) For each payment default that occurs in the second calendar quarter of 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available (*i.e.*, the third and fourth calendar quarters of 2010).
- (c) For each payment default that occurs in the third calendar quarter of 2011, the Default Look-Back Period will be the most recent three (3) full calendar quarters for which T+38B data are available (*i.e.*, the third and fourth calendar quarters of 2010 and the first calendar quarter of 2011).
- (d) For each payment default that occurs in the fourth calendar quarter of 2011 or in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the Default Look-Back Period will be the most recent four (4) full calendar quarters for which T+38B data are available.
- (e) Notwithstanding any other provision in this Section 11.29.17.2.6, the following provisions will apply to each Default-Invoiced SCID for an entity that is a new Market Participant that begins to participate in the CAISO Markets following the effective date of this Section 11.29.17.2.6:
  - (i) The Default-Invoiced SCID for that Market Participant will first be subject to allocation of payment default amounts under Section 11.29.17.2.1 in the second calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets and the applicable Default Look-Back Period will be the calendar quarter in which the Market Participant began to participate in the CAISO Markets.



- (ii) For each payment default that occurs in the third calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first two (2) calendar quarters of participation in the CAISO Markets.
- (iii) For each payment default that occurs in the fourth calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first three (3) calendar quarters of participation in the CAISO Markets.
- (iv) For each payment default that occurs in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the applicable Default Look-Back Period will be determined as set forth in Section 11.29.17.2.6(d).

#### **11.29.17.2.7 Provision of Information on Percentage Shares**

Beginning with the second calendar quarter of 2011, the CAISO will provide to each Default-Invoiced SCID on or about the first Business Day of the applicable calendar quarter its own percentage share of any payment default amount that may be allocated in the calendar quarter to which the percentage share applies, subject to adjustment to account for any non-paying CAISO Debtor, based on application of the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 to the applicable Default Look-Back Period. In calculating the percentage share for each Default-Invoiced SCID pursuant to this Section 11.29.17.2.7, the CAISO will determine the percentage share for each full calendar quarter and will average those quarterly percentage shares.

#### **11.29.17.2.8 Scope of Payment Default Allocation Provisions**

The provisions of Section 11.29.17.2 will not apply to the allocation of payment default amounts and interest accrued thereon that are associated with Trading Days that occurred prior to April 1, 2009.

#### **11.29.17.3 Payment of Defaulted Receivables.**

Collections of defaulted receivables (other than Interest) will either be distributed pro rata to CAISO Creditors for the month of default or, if the defaulted receivables are allocated pursuant to Section 11.29.17.2, collections of the defaulted receivables will be distributed to Default-Invoiced SCIDs in

proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.2, as applicable, for the month in which the payment default occurred.

- (1) If the total collected in that closing related to the past due Trading Month is less than \$5,000, then the funds shall accumulate in an interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.
- (2) If all CAISO Creditors for that Trading Month have been paid, then the proceeds will either be paid pro rata to the CAISO Creditors in the oldest unpaid Trading Month, or, if the defaulted receivables are allocated pursuant to Section

11.29.17.2, the proceeds will be paid to the Default-Invoiced SCIDs in proportion to their allocated shares of the default amount, as calculated pursuant to Section 11.29.17.2.1 or will be paid to the SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in the oldest unpaid Trading Month.

- (3) This provision is also applicable to the amounts netted against CAISO Creditor balances related to prior defaulted receivables.
- (4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.29.9.6.1.

**11.29.18 [NOT USED]**

**11.29.19 Payment Errors.**

**11.29.19.1 Overpayments.**

If for any reason, including the negligence of the CAISO Bank or the CAISO, a CAISO Creditor receives an overpayment on any Payment Date, the CAISO Creditor shall within two (2) Business Days from the date of receipt of the funds into its Scheduling Coordinator or CRR Holder Settlement Account, notify the CAISO of the amount of the overpayment and shall forthwith pay the overpayment into a CAISO Account specified by the CAISO.

**11.29.19.2 Repayment of Overpayment.**

If prior to a CAISO Creditor notifying the CAISO of the overpayment, the CAISO receives notice (from the CAISO Bank or otherwise) of the overpayment, the CAISO shall within two (2) Business Days notify the recipient of the overpayment. The CAISO shall be responsible for payment to those entitled to the sum which has been overpaid.

**11.29.19.3 Overpayment Held In Trust.**

Until a CAISO Creditor refunds the overpayment to the CAISO, the CAISO Creditor shall be deemed to hold the amount of such overpayment on trust for any CAISO Creditor which may have been underpaid in consequence of such overpayment, pro rata to the amount of the underpayment.

**13.5.3 Method of Allocation.**

**13.5.3.1 Allocation to Market Participants.**

The CAISO will use best efforts to determine which Market Participant(s) is or are responsible for and/or benefit from payment of an award by or to the CAISO and to allocate receipt of or payment for the award equitably to such Market Participant(s). In undertaking the allocation, the CAISO shall consider the extent of a Market Participant's participation in affected markets and the CAISO Tariff in effect on the applicable Trading Day(s), and may consider any other relevant factor, including but not limited to, applicable contracts.

**13.5.3.2 Residual Amounts.**

Any awards for which the CAISO is unable to identify Market Participants in accordance with 13.5.3.1 and any award amounts that the CAISO is unable to collect that are not covered by Section 11.29.17.1 or Section 11.29.17.2 will be allocated to all Scheduling Coordinators through neutrality adjustments.

<b>Decline Potential Charge – Imports</b>	A potential charge that is calculated for any HASP Intertie Schedule for an Energy import when the HASP Intertie Schedule is not delivered for any reason, which potential charge and its applicability are determined pursuant to Section 11.31.
<b>Decline Threshold Percentage – Imports/Exports</b>	The rate at which Scheduling Coordinators may fail to deliver imports or exports in accordance with HASP Intertie Schedules without incurring Decline Monthly Charges – Imports or Decline Monthly Charges – Exports, as measured by the respective percentages of HASP Intertie Schedules for import or export MWh quantities that the Scheduling Coordinator does not deliver during a Trading Month. The Decline Threshold Percentage – Imports/Exports is ten percent (10%).
<b>Decline Threshold Quantity – Imports/Exports</b>	The MWh quantity of HASP Intertie Schedules for imports or exports of Energy that a Scheduling Coordinator may fail to deliver during a Trading Month without incurring Decline Monthly Charges – Imports or Decline Monthly Charges – Exports. The Decline Threshold Quantity – Imports/Exports is 300 MWh.
<b>Default Election</b>	An election made pursuant to Section 11.29.17.2.4.
<b>Default Energy Bid</b>	The Energy Bid Curve used in Local Market Power Mitigation pursuant to Section 39.
<b>Default-Invoiced SCID(s)</b>	The SCID(s) selected by an entity pursuant to the Default Election procedures set forth in Section 11.29.17.2.4 that are to be allocated a portion of any payment default amount pursuant to Section 11.29.17.2.1.
<b>Default LAP</b>	The LAP defined for the TAC Area at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 and 30.5.3.2.
<b>Default Look-Back Period</b>	The retrospective time period determined pursuant to Section 11.29.17.2.6 for the purpose of allocating payment default amounts.
<b>Default Modified Bid</b>	A Bid that is submitted by a Scheduling Coordinator and is deemed valid and qualifies for modification under the provisions of Section 40.

<b>Real-Time Economic Dispatch (RTED)</b>	The mode of the Real-Time Dispatch that will optimally dispatch resources based on their Energy Bids, excluding Contingency Only Operating Reserves except when needed to avoid an imminent System Emergency.
<b>Real-Time Interchange Export Schedule</b>	A final agreed-upon schedule of Energy to be transferred from the CAISO Balancing Authority Area to another Balancing Authority Area based on agreed-upon size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and Energy between the source and sink Balancing Authority Areas involved in the transaction.
<b>Real-Time Interchange Import Schedule</b>	A final agreed-upon schedule of Energy to be transferred to the CAISO Balancing Authority Area from another Balancing Authority Area based on agreed-upon size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and Energy between the source and sink Balancing Authority Areas involved in the transaction.
<b>Real-Time Manual Dispatch (RTMD)</b>	The mode of the Real-Time Dispatch that will be invoked as a fall-back mechanism only when the RTED or RTCD fails to provide a feasible Dispatch.
<b>Real-Time Marginal Cost of Losses Offset</b>	A component of the neutrality adjustments as provided in Section 11.5.4.2 to account for the distribution of excess Real-Time Marginal Cost of Losses and the non-assessment of Marginal Cost of Losses charges to Measured Demand for TOR Self-Schedules eligible for the RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules as provided in Section 11.5.7.2.
<b>Real-Time Market (RTM)</b>	The spot market conducted by the CAISO using SCUC and SCED in the Real-Time, after the HASP is completed, which includes the RTUC, STUC and the RTD for the purpose of Unit Commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply Bids and CAISO Forecast of CAISO Demand.
<b>Real-Time Market Pumping Bid Cost</b>	For the applicable Settlement Interval, the Pumping Cost submitted to the CAISO in the HASP or RTM divided by the number of Settlement Intervals in a Trading Hour, as further provided in Section 11.8.4.1.4.

In the event of an allocation of a payment default in accordance with Section 11.29.17.2, the CAISO may either issue separate Invoices to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2, as applicable, or may issue Invoices through its standard invoicing process that include the allocation of the payment default.

Recalculation Settlement Statements, post closing adjustments and the financial outcomes of CAISO ADR Procedures and any other dispute resolution may be invoiced separately from monthly market activities. The CAISO shall provide a Market Notice at least five (5) Business Days prior to such invoicing identifying the components of such Invoice or Payment Advice.

**11.29.10.4 Emergency Procedures.**

**11.29.10.5 Use of Estimated Data.**

In the event of an emergency or a failure of any of the CAISO software or business systems, the CAISO may use estimated Settlement Statements and Invoices and Payment Advices and may implement any temporary variation of the timing requirements relating to the Settlement and billing process contained in the CAISO Tariff. Details of the variation and the method chosen to produce estimated data, Settlement Statements and Invoices and Payment Advices will be published on the CAISO Website.

**11.29.10.6 Payment of Estimated Statements and Invoices.**

When estimated Settlement Statements and Invoices or Payment Advices are issued by the CAISO, payments between the CAISO and Market Participants shall be made on an estimated basis and the necessary corrections shall be made by the CAISO as soon as practicable. The corrections will be reflected as soon as practicable in later Settlement Statements and Invoices and Payment Advices issued by the CAISO. Failure to make such estimated payments shall result in the same consequences as a failure to make actual payments.

**11.29.10.7 Validation and Correction of Estimated Statements and Invoices.**

The CAISO shall use its best efforts to verify the estimated data and to make the necessary corrections as soon as practicable. The corrections will be reflected as soon as practicable in later Settlement Statements and Invoices and Payment Advices issued by the CAISO.

**Attachment B – Clean Tariff**

**California Independent System Operator Corporation**

**Fifth Replacement FERC Electric Tariff**

**Default Loss Allocation Amendment**

**March 1, 2011**



\* \* \*

#### **11.29.9.6.2.1 Replenishing the CAISO Reserve Account Following Payment Default**

If the CAISO has debited the CAISO Reserve Account then:

- (a) If, after the CAISO has debited the CAISO Reserve Account on a Payment Date, the CAISO Bank receives a remittance from a CAISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the CAISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the CAISO Reserve Account, such remittance shall be credited to the CAISO Reserve Account.
- (b) The proceeds of any enforcement of Financial Security and/or amounts recovered under proceedings shall be credited to the CAISO Reserve Account.
- (c) If, after taking reasonable action, the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered on the next practicable Invoices, such amounts shall be allocated in accordance with Section 11.29.17 of the CAISO Tariff.

\* \* \*

#### **11.29.10.3 Other Invoicing Provisions**

The Invoices or Payment Advices will also include the total charges for each component of the Grid Management Charge, the total charges associated with any Interest for each relevant Trading Month, the FERC Annual Charges due monthly, as well as any disbursements associated with a shortfall receipt distribution.

A separate Invoice for the FERC Annual Charges due annually will be issued by the CAISO to the Scheduling Coordinator in accordance with Section 11.19.1.2. The CAISO will issue separate Invoices for NERC/WECC Charges as described in Section 11.20.

A separate Invoice for a shortfall allocation will be issued by the CAISO to Scheduling Coordinators in the event of a payment default in accordance with Section 11.29.17.1.

In the event of an allocation of a payment default in accordance with Section 11.29.17.2, the CAISO may either issue separate Invoices to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2, as applicable, or may issue Invoices through its standard invoicing process that include the allocation of the payment default.

Recalculation Settlement Statements, post closing adjustments and the financial outcomes of CAISO ADR Procedures and any other dispute resolution may be invoiced separately from monthly market activities. The CAISO shall provide a Market Notice at least five (5) Business Days prior to such invoicing identifying the components of such Invoice or Payment Advice.

\* \* \*

### **11.29.13 Non-Payment By A Scheduling Coordinator Or CRR Holder**

#### **11.29.13.1 Notification and Interest**

If a Scheduling Coordinator or CRR Holder becomes aware that a payment for which it is responsible will not be remitted to the CAISO Clearing Account on time, it shall immediately notify the CAISO of the fact and the reason for the non-payment. If the Scheduling Coordinator or CRR Holder fails to pay any sum to the CAISO when due and after and the CAISO draws upon any and all available Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder, the Scheduling Coordinator or CRR Holder shall pay Interest on the overdue amount for the period from the Payment Date to the date on which the payment is remitted to the CAISO Clearing Account, together with any related transaction costs incurred by the CAISO. The CAISO shall apply all such Interest payments on the default amount either on a pro rata basis to CAISO Creditors in relation to amounts past due in the order of the creation of such debts, or, if the default amount was allocated pursuant to Section 11.29.17.2, to Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in relation to amounts past due in the order of the creation of such debts.

\* \* \*

#### **11.29.13.10 Application of Funds Received**

Amounts credited to the CAISO Clearing Account in payment of a default amount (as set out in Section 11.29.9.6.2.1 and 11.29.9.6.4.1) or as a result of enforcing the defaulting CAISO Debtor's Financial Security shall be applied to the CAISO Reserve Account pursuant to Section 11.29.9.6.2.1 or to the CAISO Penalty Reserve Account pursuant to Section 11.29.9.6.4.1 to reduce amounts outstanding under any CAISO banking facilities used to fund the CAISO Reserve Account or the CAISO Penalty Reserve Account on the relevant Payment Date less any amounts that first shall be applied either to reimburse pro rata any CAISO Creditors whose payments were reduced pursuant to Section 11.29.17.1, or, if the default amount was allocated pursuant to Section 11.29.17.2, to reimburse Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.1 or to reimburse SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable.

\* \* \*

#### **11.29.17 Alternative Payment Procedures**

##### **11.29.17.1 Pro Rata Reduction to Payments**

If it is not possible to clear the CAISO Clearing Account on a Payment Date because of an insufficiency of funds available in the CAISO Reserve Account or by enforcing any Financial Security provided by a defaulting Scheduling Coordinator or CRR Holder, the CAISO shall (1) first pay in full every CAISO Creditor whose net amounts receivable on the relevant Payment Date is less than \$5,000; and (2) second, reduce payments to all remaining CAISO Creditors proportionately to the net amounts payable to them on the relevant Payment Date to the extent necessary to clear the CAISO Clearing Account through a shortfall allocation. The CAISO shall account for such reduction in the CAISO ledger accounts as amounts due and owing by the non-paying CAISO Debtor to each CAISO Creditor whose payment was so reduced. Each payment default amount allocated to CAISO Creditors through a shortfall allocation under this Section 11.29.17.1 that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated as set forth in Section 11.29.17.2. The provisions of this Section 11.29.17.1 shall not apply to non-payment of any penalty amount that a Scheduling Coordinator or CRR Holder has disputed and FERC has specifically authorized the Scheduling Coordinator or CRR Holder to net its payment to the CAISO by the amount of the penalty in question in accordance with Section 37.9.3, in

which case the non-payment amount will be allocated exclusively to the CAISO penalty trust account and not allocated to CAISO Creditors.

#### **11.29.17.2 Payment Default Allocation**

##### **11.29.17.2.1 Methodology for Allocating Payment Default Amounts**

Except as set forth in Section 11.29.17.2.2, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section 11.29.17.1 and that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated on the next practicable Invoices to the Default-Invoiced SCIDs to which the percentage shares calculated pursuant to Section 11.29.17.2.7 for the current calendar quarter apply, excluding the CAISO Debtor that has not paid the payment default amount, pursuant to the following methodology:

- (a) Twenty (20) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the net amounts that were payable in each applicable calendar quarter (and averaged within such calendar quarter) to the Default-Invoiced SCIDs over the applicable Default Look-Back Periods. For Market Participants subject to Default Election option 1, these net amounts will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, these net amounts will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.
- (b) Thirty (30) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter (and averaged within such calendar quarter) over the applicable Default Look-Back Periods, after excluding dollar amounts shown on the Invoices for payments and charges for GMC, RMR, and Wheeling Access Charge costs, and after excluding the billing of Access Charges and the payment of Transmission Revenue Requirements to Participating

Transmission Owners. For Market Participants subject to Default Election option 1, the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, the absolute values of the net sum of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.

- (c) Fifty (50) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the largest of the following five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) for each Default-Invoiced SCID over the applicable Default Look-Back Periods:
- (1) Cleared Day-Ahead Schedules to supply Energy, plus Day-Ahead Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus scheduled supply obligation for Ancillary Services (including imports but excluding RUC Schedules), plus Virtual Supply Awards;
  - (2) Metered Generation, plus Real-Time Interchange Import Schedules, plus Real-Time Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus HASP Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus Real-Time supply obligation for Ancillary Services;
  - (3) Cleared Day-Ahead Schedules for Demand (including Demand served by Pumped-Storage Hydro Units and exports) multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus scheduled demand obligation for Ancillary Services, plus Virtual Demand Awards;

- (4) Metered Load multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus Real-Time Interchange Export Schedules, plus Real-Time demand obligation for Ancillary Services; or
- (5) The greater of (A) the quantity of CRRs acquired in CRR Auctions or transferred through the Secondary Registration System (excluding CRRs acquired in CRR Allocations) or (B) Inter-SC Trades of Energy.

For Market Participants subject to Default Election option 1, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated by consolidating all of the data for the applicable SCIDs.

#### **11.29.17.2.2 Interim De Minimis Allocation**

During the time period from the effective date of this Section 11.29.17.2.2 until April 1, 2011, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section 11.29.17.1 that is equal to or less than \$1,000 multiplied by the total number of SCIDs that have recorded market activity in the most recent Trading Month will be allocated on the next practicable Invoices among all such SCIDs so that an equal share of the payment default amount is allocated to each applicable SCID excluding the CAISO Debtor that has not paid the payment default amount. Notwithstanding the foregoing, if allocation of a payment default amount to any SCID under this Section 11.29.17.2.2 would result in any entity: (i) being allocated more than a \$1,000 share of a payment default amount per applicable SCID or (ii) being allocated cumulative shares of payment default amounts that equal more than \$1,000 per applicable SCID, the CAISO will instead allocate the payment default amount pursuant to Section 11.29.17.2.1.

#### **11.29.17.2.3 Interest on Allocated Payment Default Amounts**

In accordance with Section 11.29.10.2, Interest will be charged to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs exceed the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, and Interest will be paid to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs are exceeded by the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, for the period between the date of the shortfall allocation and the date payments are due for the Invoices on which the allocation of the payment default amounts appear. The Interest payable pursuant to this Section 11.29.17.2.3 will be included on the Invoices on which the allocation of the payment default amounts appear.

#### **11.29.17.2.4 Default Election**

- (a) Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO will make an election of either option 1 or option 2 under this Section 11.29.17.2.4, which will be the Market Participant's Default Election until such time as a subsequent change by the Market Participant of its Default Election from option 1 to option 2 (or vice versa) goes into effect. Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO shall make only a single Default Election regardless of whether that Market Participant has multiple effective contracts with the CAISO that cause the entity to be a Market Participant. For example, an entity that has signed a Scheduling Coordinator Agreement and a CRR Entity Agreement shall only make a single Default Election.
  
- (i) Option 1: For such Market Participants that choose Default Election option 1, the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to each SCID of such Market Participant on an SCID-by-SCID basis, and each SCID of such Market Participant will be a Default-Invoiced SCID.

(ii) Option 2: In order to qualify for Default Election option 2, all of the SCIDs of a Market Participant with one or more effective contracts with the CAISO must certify that they meet one of the following criteria, and the entity must agree that the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to all SCIDs created for use under all of the effective contracts with the CAISO based on a consolidation of data for all such SCIDs:

- (1) All of the SCIDs are associated with Affiliates or business units under common control where one or more of the Affiliates or business units or a related business entity has more than fifty (50) percent control of the Affiliates or business units, either directly or through one or more intermediaries;
- (2) All of the SCIDs are associated with a Joint Powers Authority; or
- (3) All of the SCIDs are associated with a municipal utility or state or federal agency.

Each Market Participant that chooses Default Election option 2 will at the same time select a single SCID to be the sole Default-Invoiced SCID under option 2. This Default-Invoiced SCID will receive Invoices containing payment default amounts allocated on behalf of all of the SCIDs under all contracts between the entity and the CAISO. Allocation of payment default amounts for entities choosing Default Election option 2 will be based on consolidated data from all of the entity's SCIDs. The selection of a single SCID as the sole Default-Invoiced SCID will not in any way relieve any Market Participant subject to Default Election option 2 of any obligation to pay Invoices, including in the event of a default by the Default-Invoiced SCID on a default payment obligation, in which case the CAISO will be entitled to utilize all available Financial Security provided by any defaulting Market Participant subject to Default Election option 2.



- (b) By October 15, 2010, Market Participants will inform the CAISO in writing of their initial Default Elections for the period from March 31, 2009 through December 31, 2011. Within five (5) Business Days after FERC issues an order accepting the settlement agreement filed in FERC Docket No. EL09-62, Market Participants will inform the CAISO in writing of any changes to their initial Default Elections for the period from March 31, 2009 through December 31, 2011. If Market Participants that have made initial Default Elections fail to timely inform the CAISO in writing of changes to their initial Default Elections, the Market Participants will be deemed to have chosen their initial Default Elections as their Default Elections for the period from March 31, 2009 through December 31, 2011.
- (c) Starting on October 1, 2011, Market Participants may subsequently change their Default Elections by October 1 of each calendar year by notifying the CAISO, to become effective on January 1 of the next calendar year. Market Participants that do not change their Default Elections by that date will be deemed to have chosen to continue their current Default Elections.
- (d) Each entity that becomes a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO after one of the dates set forth in Section 11.29.17.2.4(a), -(b), or -(c) will make its Default Election prior to engaging in any transactions in the CAISO Markets. The Default Election of each such entity will remain in effect until the entity makes another Default Election pursuant to this Section 11.29.17.2.4. However, any Market Participant that has already made a Default Election will not be eligible to change its Default Election as a result of its subsequently also becoming a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO.
- (e) Market Participants that do not timely inform the CAISO of their initial Default Elections will be deemed to have chosen Default Election option 1.

#### **11.29.17.2.5 Effect of Change in Default Election**

Starting with the Default Elections due by October 1, 2011, each time that a Market Participant changes its Default Election pursuant to Section 11.29.17.2.4 from option 1 to option 2 (or vice versa), the following provisions will apply:

- (a) For the first quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first three (3) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent full calendar quarter of data within the Default Look-Back Period.
- (b) For the second quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first two (2) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent two (2) full calendar quarters of data within the Default Look-Back Period.
- (c) For the third quarter of the calendar year after the change in Default Election goes into effect, the new Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first full calendar quarter of data within the Default Look-Back Period and application of the new election to the most recent three (3) full calendar quarters of data within the Default Look-Back Period.
- (d) For the fourth quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the new election to the entire Default Look-Back Period.

#### **11.29.17.2.6 Default Look-Back Period**

- (a) For each payment default that occurs any time prior to March 31, 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available. In no event will the CAISO consider settlement data for transactions occurring prior to March 31, 2009.
- (b) For each payment default that occurs in the second calendar quarter of 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available (*i.e.*, the third and fourth calendar quarters of 2010).
- (c) For each payment default that occurs in the third calendar quarter of 2011, the Default Look-Back Period will be the most recent three (3) full calendar quarters for which T+38B data are available (*i.e.*, the third and fourth calendar quarters of 2010 and the first calendar quarter of 2011).
- (d) For each payment default that occurs in the fourth calendar quarter of 2011 or in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the Default Look-Back Period will be the most recent four (4) full calendar quarters for which T+38B data are available.
- (e) Notwithstanding any other provision in this Section 11.29.17.2.6, the following provisions will apply to each Default-Invoiced SCID for an entity that is a new Market Participant that begins to participate in the CAISO Markets following the effective date of this Section 11.29.17.2.6:
  - (i) The Default-Invoiced SCID for that Market Participant will first be subject to allocation of payment default amounts under Section 11.29.17.2.1 in the second calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets and the applicable Default Look-Back Period will be the calendar quarter in which the Market Participant began to participate in the CAISO Markets.

- (ii) For each payment default that occurs in the third calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first two (2) calendar quarters of participation in the CAISO Markets.
- (iii) For each payment default that occurs in the fourth calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first three (3) calendar quarters of participation in the CAISO Markets.
- (iv) For each payment default that occurs in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the applicable Default Look-Back Period will be determined as set forth in Section 11.29.17.2.6(d).

#### **11.29.17.2.7 Provision of Information on Percentage Shares**

Beginning with the second calendar quarter of 2011, the CAISO will provide to each Default-Invoiced SCID on or about the first Business Day of the applicable calendar quarter its own percentage share of any payment default amount that may be allocated in the calendar quarter to which the percentage share applies, subject to adjustment to account for any non-paying CAISO Debtor, based on application of the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 to the applicable Default Look-Back Period. In calculating the percentage share for each Default-Invoiced SCID pursuant to this Section 11.29.17.2.7, the CAISO will determine the percentage share for each full calendar quarter and will average those quarterly percentage shares.

#### **11.29.17.2.8 Scope of Payment Default Allocation Provisions**

The provisions of Section 11.29.17.2 will not apply to the allocation of payment default amounts and interest accrued thereon that are associated with Trading Days that occurred prior to April 1, 2009.

#### **11.29.17.3 Payment of Defaulted Receivables**

Collections of defaulted receivables (other than Interest) will either be distributed pro rata to CAISO Creditors for the month of default or, if the defaulted receivables are allocated pursuant to Section 11.29.17.2, collections of the defaulted receivables will be distributed to Default-Invoiced SCIDs in proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.2, as applicable, for the month in which the payment default occurred.

- (1) If the total collected in that closing related to the past due Trading Month is less than \$5,000, then the funds shall accumulate in an interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.
- (2) If all CAISO Creditors for that Trading Month have been paid, then the proceeds will either be paid pro rata to the CAISO Creditors in the oldest unpaid Trading Month, or, if the defaulted receivables are allocated pursuant to Section 11.29.17.2, the proceeds will be paid to the Default-Invoiced SCIDs in proportion to their allocated shares of the default amount, as calculated pursuant to Section 11.29.17.2.1 or will be paid to the SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in the oldest unpaid Trading Month.
- (3) This provision is also applicable to the amounts netted against CAISO Creditor balances related to prior defaulted receivables.
- (4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.29.9.6.1.

\* \* \*

### **13.5.3.2 Residual Amounts**

Any awards for which the CAISO is unable to identify Market Participants in accordance with 13.5.3.1 and any award amounts that the CAISO is unable to collect that are not covered by Section 11.29.17.1 or Section 11.29.17.2 will be allocated to all Scheduling Coordinators through neutrality adjustments.

\* \* \*

## **CAISO Tariff Appendix A**

### **Master Definitions Supplement**

\* \* \*

#### **- Default Election**

An election made pursuant to Section 11.29.17.2.4.

\* \* \*

#### **- Default-Invoiced SCID(s)**

The SCID(s) selected by an entity pursuant to the Default Election procedures set forth in Section 11.29.17.2.4 that are to be allocated a portion of any payment default amount pursuant to Section 11.29.17.2.1.

\* \* \*

#### **- Default Look-Back Period**

The retrospective time period determined pursuant to Section 11.29.17.2.6 for the purpose of allocating payment default amounts.

\* \* \*

#### **- Real-Time Interchange Import Schedule**

A final agreed-upon schedule of Energy to be transferred to the CAISO Balancing Authority Area from another Balancing Authority Area based on agreed-upon size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and Energy between the source and sink Balancing Authority Areas involved in the transaction.

\* \* \*

**Attachment C – Marked Tariff**

**California Independent System Operator Corporation**

**Fifth Replacement FERC Electric Tariff**

**Default Loss Allocation Amendment**

**March 1, 2011**

\* \* \*

#### 11.29.9.6.2.1 Replenishing the CAISO Reserve Account Following Payment Default

If the CAISO has debited the CAISO Reserve Account then:

- (a) If, after the CAISO has debited the CAISO Reserve Account on a Payment Date, the CAISO Bank receives a remittance from a CAISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the CAISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the CAISO Reserve Account, such remittance shall be credited to the CAISO Reserve Account.
- (b) The proceeds of any enforcement of Financial Security and/or amounts recovered under proceedings shall be credited to the CAISO Reserve Account.
- (c) If, after taking reasonable action, the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered on the next practicable Invoices, such amounts shall be allocated in accordance with Section 11.29.17 of the deemed to be owing by those Market Participants who were CAISO Tariff Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date and shall be accounted for by way of a charge in the next Settlement Statements of those CAISO Creditors. Such charge shall be credited to the CAISO Reserve Account.

\* \* \*

#### 11.29.10.3 Other Invoicing Provisions

The Invoices or Payment Advices will also include the total charges for each component of the Grid Management Charge, the total charges associated with any Interest for each relevant Trading Month, the FERC Annual Charges due monthly, as well as any disbursements associated with a shortfall receipt distribution.



A separate Invoice for the FERC Annual Charges due annually will be issued by the CAISO to the Scheduling Coordinator in accordance with Section 11.19.1.2. The CAISO will issue separate Invoices for NERC/WECC Charges as described in Section 11.20.

A separate Invoice for a shortfall allocation will be issued by the CAISO to Scheduling Coordinators in the event of a payment default in accordance with Section 11.29.17.1.

In the event of an allocation of a payment default in accordance with Section 11.29.17.2, the CAISO may either issue separate Invoices to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2, as applicable, or may issue Invoices through its standard invoicing process that include the allocation of the payment default.

Recalculation Settlement Statements, post closing adjustments and the financial outcomes of CAISO ADR Procedures and any other dispute resolution may be invoiced separately from monthly market activities. The CAISO shall provide a Market Notice at least five (5) Business Days prior to such invoicing identifying the components of such Invoice or Payment Advice.

\* \* \*

### **11.29.13 Non-Payment By A Scheduling Coordinator Or CRR Holder**

#### **11.29.13.1 Notification and Interest**

If a Scheduling Coordinator or CRR Holder becomes aware that a payment for which it is responsible will not be remitted to the CAISO Clearing Account on time, it shall immediately notify the CAISO of the fact and the reason for the non-payment. If the Scheduling Coordinator or CRR Holder fails to pay any sum to the CAISO when due and after and the CAISO draws upon any and all available Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder, the Scheduling Coordinator or CRR Holder shall pay Interest on the overdue amount for the period from the Payment Date to the date on which the payment is remitted to the CAISO Clearing Account, together with any related transaction costs incurred by the CAISO. The CAISO shall apply all such Interest payments on the default amount either on a pro rata basis to CAISO Creditors in relation to amounts past due in the order of the creation of such debts, or, if the default amount was allocated pursuant to Section 11.29.17.2, to Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section

11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in relation to amounts past due in the order of the creation of such debts.-

\* \* \*

#### **11.29.13.10 Application of Funds Received**

Amounts credited to the CAISO Clearing Account in payment of a default amount (as set out in Section 11.29.9.6.2.1 and 11.29.9.6.4.1) or as a result of enforcing the defaulting CAISO Debtor's Financial Security shall be applied to the CAISO Reserve Account pursuant to Section 11.29.9.6.2.1 or to the CAISO Penalty Reserve Account pursuant to Section 11.29.9.6.4.1 to reduce amounts outstanding under any CAISO banking facilities used to fund the CAISO Reserve Account or the CAISO Penalty Reserve Account on the relevant Payment Date ~~less and the balance (if any amounts that first)~~ shall be applied either to reimburse pro rata any CAISO Creditors whose payments were reduced pursuant to Section 11.29.17.1, or, if the default amount was allocated pursuant to Section 11.29.17.2, to reimburse Default-Invoiced SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.1 or to reimburse SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable.

\* \* \*

#### **11.29.17 Alternative Payment Procedures**

##### **11.29.17.1 Pro Rata Reduction to Payments**

If it is not possible to clear the CAISO Clearing Account on a Payment Date because of an insufficiency of funds available in the CAISO Reserve Account or by enforcing any Financial Security provided by a defaulting Scheduling Coordinator or CRR Holder, the CAISO shall (1) first pay in full every CAISO Creditor whose net amounts receivable on the relevant Payment Date is less than \$5,000; and (2) second, reduce payments to all remaining CAISO Creditors proportionately to the net amounts payable to them on the relevant Payment Date to the extent necessary to clear the CAISO Clearing Account through a shortfall allocation. The CAISO shall account for such reduction in the CAISO ledger accounts as amounts due and owing by the non-paying CAISO Debtor to each CAISO Creditor whose payment was

so reduced. Each payment default amount allocated to CAISO Creditors through a shortfall allocation under this Section 11.29.17.1 that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated as set forth in Section 11.29.17.2. The provisions of this Section 11.29.17.1~~The provisions of this section~~ shall not apply to non-payment of any penalty amount that a Scheduling Coordinator or CRR Holder has disputed and FERC has specifically authorized the Scheduling Coordinator or CRR Holder to net its payment to the CAISO by the amount of the penalty in question in accordance with Section 37.9.3, in which case the non-payment amount will be allocated exclusively to the CAISO penalty trust account and not allocated to CAISO Creditors.

### **11.29.17.2 Payment Default Allocation**

#### **11.29.17.2.1 Methodology for Allocating Payment Default Amounts**

Except as set forth in Section 11.29.17.2.2, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section 11.29.17.1 and that remains unpaid by the defaulting Scheduling Coordinator or CRR Holder will be allocated on the next practicable Invoices to the Default-Invoiced SCIDs to which the percentage shares calculated pursuant to Section 11.29.17.2.7 for the current calendar quarter apply, excluding the CAISO Debtor that has not paid the payment default amount, pursuant to the following methodology:

- (a) Twenty (20) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the net amounts that were payable in each applicable calendar quarter (and averaged within such calendar quarter) to the Default-Invoiced SCIDs over the applicable Default Look-Back Periods. For Market Participants subject to Default Election option 1, these net amounts will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, these net amounts will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.

(b) Thirty (30) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter (and averaged within such calendar quarter) over the applicable Default Look-Back Periods, after excluding dollar amounts shown on the Invoices for payments and charges for GMC, RMR, and Wheeling Access Charge costs, and after excluding the billing of Access Charges and the payment of Transmission Revenue Requirements to Participating Transmission Owners. For Market Participants subject to Default Election option 1, the sum of the absolute values of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, the absolute values of the net sum of the dollar amounts shown on their Invoices payable or receivable in each applicable calendar quarter will be calculated by consolidating all of the data for the applicable SCIDs, recognizing any offsetting effect of an individual SCID's positive or negative dollar amount in the consolidated total.

(c) Fifty (50) percent of the payment default amount will be allocated to the Default-Invoiced SCIDs in proportion to the largest of the following five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) for each Default-Invoiced SCID over the applicable Default Look-Back Periods:

(1) Cleared Day-Ahead Schedules to supply Energy, plus Day-Ahead Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus scheduled supply obligation for Ancillary Services (including imports but excluding RUC Schedules), plus Virtual Supply Awards;

(2) Metered Generation, plus Real-Time Interchange Import Schedules, plus Real-Time Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus HASP Ancillary Services Awards and qualified Self-Provided Ancillary Services, plus Real-Time supply obligation for Ancillary Services;

- (3) Cleared Day-Ahead Schedules for Demand (including Demand served by Pumped-Storage Hydro Units and exports) multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus scheduled demand obligation for Ancillary Services, plus Virtual Demand Awards;
- (4) Metered Load multiplied by one-hundred three (103) percent to reflect Transmission Losses, plus Real-Time Interchange Export Schedules, plus Real-Time demand obligation for Ancillary Services; or
- (5) The greater of (A) the quantity of CRRs acquired in CRR Auctions or transferred through the Secondary Registration System (excluding CRRs acquired in CRR Allocations) or (B) Inter-SC Trades of Energy.

For Market Participants subject to Default Election option 1, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated on an SCID-by-SCID basis. For Market Participants that are eligible for and have chosen Default Election option 2, each of the five (5) amounts calculated in MWh for every month in each applicable calendar quarter (and averaged within such calendar quarter) will be calculated by consolidating all of the data for the applicable SCIDs.

#### **11.29.17.2.2 Interim De Minimis Allocation**

During the time period from the effective date of this Section 11.29.17.2.2 until April 1, 2011, each payment default amount allocated to CAISO Creditors through a shortfall allocation pursuant to Section 11.29.17.1 that is equal to or less than \$1,000 multiplied by the total number of SCIDs that have recorded market activity in the most recent Trading Month will be allocated on the next practicable Invoices among all such SCIDs so that an equal share of the payment default amount is allocated to each applicable SCID excluding the CAISO Debtor that has not paid the payment default amount. Notwithstanding the foregoing, if allocation of a payment default amount to any SCID under this Section 11.29.17.2.2 would result in any entity: (i) being allocated more than a \$1,000 share of a payment default amount per

applicable SCID or (ii) being allocated cumulative shares of payment default amounts that equal more than \$1,000 per applicable SCID, the CAISO will instead allocate the payment default amount pursuant to Section 11.29.17.2.1.

### **11.29.17.2.3 Interest on Allocated Payment Default Amounts**

In accordance with Section 11.29.10.2, Interest will be charged to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs exceed the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, and Interest will be paid to Default-Invoiced SCIDs pursuant to Section 11.29.17.2.1 or to SCIDs pursuant to Section 11.29.17.2.2 to the extent the payment default amounts allocated to those Default-Invoiced SCIDs or SCIDs are exceeded by the payment default amounts allocated to them through a shortfall allocation pursuant to Section 11.29.17.1, for the period between the date of the shortfall allocation and the date payments are due for the Invoices on which the allocation of the payment default amounts appear. The Interest payable pursuant to this Section 11.29.17.2.3 will be included on the Invoices on which the allocation of the payment default amounts appear.

### **11.29.17.2.4 Default Election**

- (a) Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO will make an election of either option 1 or option 2 under this Section 11.29.17.2.4, which will be the Market Participant's Default Election until such time as a subsequent change by the Market Participant of its Default Election from option 1 to option 2 (or vice versa) goes into effect. Each Market Participant that is a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO shall make only a single Default Election regardless of whether that Market Participant has multiple effective contracts with the CAISO that cause the entity to be a Market Participant. For example, an entity that has signed a Scheduling Coordinator Agreement and a CRR Entity Agreement shall only make a single Default Election.

(i) Option 1: For such Market Participants that choose Default Election option 1, the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to each SCID of such Market Participant on an SCID-by-SCID basis, and each SCID of such Market Participant will be a Default-Invoiced SCID.

(ii) Option 2: In order to qualify for Default Election option 2, all of the SCIDs of a Market Participant with one or more effective contracts with the CAISO must certify that they meet one of the following criteria, and the entity must agree that the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 will apply to all SCIDs created for use under all of the effective contracts with the CAISO based on a consolidation of data for all such SCIDs:

(1) All of the SCIDs are associated with Affiliates or business units under common control where one or more of the Affiliates or business units or a related business entity has more than fifty (50) percent control of the Affiliates or business units, either directly or through one or more intermediaries;

(2) All of the SCIDs are associated with a Joint Powers Authority; or

(3) All of the SCIDs are associated with a municipal utility or state or federal agency.

Each Market Participant that chooses Default Election option 2 will at the same time select a single SCID to be the sole Default-Invoiced SCID under option 2. This Default-Invoiced SCID will receive Invoices containing payment default amounts allocated on behalf of all of the SCIDs under all contracts between the entity and the CAISO. Allocation of payment default amounts for entities choosing Default Election option 2 will be based on consolidated data from all of the entity's SCIDs. The selection of a single SCID as the sole Default-Invoiced

SCID will not in any way relieve any Market Participant subject to Default Election option 2 of any obligation to pay Invoices, including in the event of a default by the Default-Invoiced SCID on a default payment obligation, in which case the CAISO will be entitled to utilize all available Financial Security provided by any defaulting Market Participant subject to Default Election option 2.

- (b) By October 15, 2010, Market Participants will inform the CAISO in writing of their initial Default Elections for the period from March 31, 2009 through December 31, 2011. Within five (5) Business Days after FERC issues an order accepting the settlement agreement filed in FERC Docket No. EL09-62, Market Participants will inform the CAISO in writing of any changes to their initial Default Elections for the period from March 31, 2009 through December 31, 2011. If Market Participants that have made initial Default Elections fail to timely inform the CAISO in writing of changes to their initial Default Elections, the Market Participants will be deemed to have chosen their initial Default Elections as their Default Elections for the period from March 31, 2009 through December 31, 2011.
- (c) Starting on October 1, 2011, Market Participants may subsequently change their Default Elections by October 1 of each calendar year by notifying the CAISO, to become effective on January 1 of the next calendar year. Market Participants that do not change their Default Elections by that date will be deemed to have chosen to continue their current Default Elections.
- (d) Each entity that becomes a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO after one of the dates set forth in Section 11.29.17.2.4(a), -(b), or -(c) will make its Default Election prior to engaging in any transactions in the CAISO Markets. The Default Election of each such entity will remain in effect until the entity makes another Default Election pursuant to this Section 11.29.17.2.4. However, any Market Participant that has already made a Default Election will not be eligible to change its Default Election as a result of its subsequently also becoming a Scheduling Coordinator, a CRR Holder, a Candidate CRR Holder, or a PTO.



- (e) Market Participants that do not timely inform the CAISO of their initial Default Elections will be deemed to have chosen Default Election option 1.

#### **11.29.17.2.5 Effect of Change in Default Election**

Starting with the Default Elections due by October 1, 2011, each time that a Market Participant changes its Default Election pursuant to Section 11.29.17.2.4 from option 1 to option 2 (or vice versa), the following provisions will apply:

- (a) For the first quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first three (3) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent full calendar quarter of data within the Default Look-Back Period.
- (b) For the second quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first two (2) full calendar quarters of data within the Default Look-Back Period and application of the new election to the most recent two (2) full calendar quarters of data within the Default Look-Back Period.
- (c) For the third quarter of the calendar year after the change in Default Election goes into effect, the new Default-Invoiced SCID(s) will be allocated shares of payment default amounts calculated pursuant to Section 11.29.17.2.1 based on application of the prior election to the first full calendar quarter of data within the Default Look-Back Period and application of the new election to the most recent three (3) full calendar quarters of data within the Default Look-Back Period.
- (d) For the fourth quarter of the calendar year after the change in Default Election goes into effect, the Default-Invoiced SCID(s) will be allocated shares of payment default amounts

calculated pursuant to Section 11.29.17.2.1 based on application of the new election to the entire Default Look-Back Period.

#### **11.29.17.2.6 Default Look-Back Period**

- (a) For each payment default that occurs any time prior to March 31, 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available. In no event will the CAISO consider settlement data for transactions occurring prior to March 31, 2009.
- (b) For each payment default that occurs in the second calendar quarter of 2011, the Default Look-Back Period will be the most recent two (2) full calendar quarters for which T+38B data are available (i.e., the third and fourth calendar quarters of 2010).
- (c) For each payment default that occurs in the third calendar quarter of 2011, the Default Look-Back Period will be the most recent three (3) full calendar quarters for which T+38B data are available (i.e., the third and fourth calendar quarters of 2010 and the first calendar quarter of 2011).
- (d) For each payment default that occurs in the fourth calendar quarter of 2011 or in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the Default Look-Back Period will be the most recent four (4) full calendar quarters for which T+38B data are available.
- (e) Notwithstanding any other provision in this Section 11.29.17.2.6, the following provisions will apply to each Default-Invoiced SCID for an entity that is a new Market Participant that begins to participate in the CAISO Markets following the effective date of this Section 11.29.17.2.6:
  - (i) The Default-Invoiced SCID for that Market Participant will first be subject to allocation of payment default amounts under Section 11.29.17.2.1 in the second calendar quarter following the calendar quarter in which the Market Participant

begins to participate in the CAISO Markets and the applicable Default Look-Back Period will be the calendar quarter in which the Market Participant began to participate in the CAISO Markets.

- (ii) For each payment default that occurs in the third calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first two (2) calendar quarters of participation in the CAISO Markets.
- (iii) For each payment default that occurs in the fourth calendar quarter following the calendar quarter in which the Market Participant begins to participate in the CAISO Markets, the applicable Default Look-Back Period will be the Market Participant's first three (3) calendar quarters of participation in the CAISO Markets.
- (iv) For each payment default that occurs in any subsequent calendar quarter in which Section 11.29.17.2.1 is in effect, the applicable Default Look-Back Period will be determined as set forth in Section 11.29.17.2.6(d).

#### **11.29.17.2.7 Provision of Information on Percentage Shares**

Beginning with the second calendar quarter of 2011, the CAISO will provide to each Default-Invoiced SCID on or about the first Business Day of the applicable calendar quarter its own percentage share of any payment default amount that may be allocated in the calendar quarter to which the percentage share applies, subject to adjustment to account for any non-paying CAISO Debtor, based on application of the methodology for allocating payment default amounts set forth in Section 11.29.17.2.1 to the applicable Default Look-Back Period. In calculating the percentage share for each Default-Invoiced SCID pursuant to this Section 11.29.17.2.7, the CAISO will determine the percentage share for each full calendar quarter and will average those quarterly percentage shares.

#### **11.29.17.2.8 Scope of Payment Default Allocation Provisions**

The provisions of Section 11.29.17.2 will not apply to the allocation of payment default amounts and interest accrued thereon that are associated with Trading Days that occurred prior to April 1, 2009.

### **11.29.17.3 Payment of Defaulted Receivables**

-Collections of defaulted receivables (other than Interest) will either be distributed pro rata to CAISO Creditors for the month of default or, if the defaulted receivables are allocated pursuant to Section 11.29.17.2, collections of the defaulted receivables will be distributed to Default-Invoiced SCIDs in proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.1 or to SCIDs in proportion to their allocated shares of the defaulted receivables as calculated pursuant to Section 11.29.17.2.2, as applicable, for the month in which the payment default occurred.

- (1) If the total collected in that closing related to the past due Trading Month is less than \$5,000, then the funds shall accumulate in an interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.
- (2) If all CAISO Creditors for that Trading Month have been paid, then the proceeds will either be paid pro rata to the CAISO Creditors in the oldest unpaid Trading Month, or, if the defaulted receivables are allocated pursuant to Section 11.29.17.2, the proceeds will be paid to the Default-Invoiced SCIDs in proportion to their allocated shares of the default amount, as calculated pursuant to Section 11.29.17.2.1 or will be paid to the SCIDs in proportion to their allocated shares of the default amount as calculated pursuant to Section 11.29.17.2.2, as applicable, in the oldest unpaid Trading Month.-
- (3) This provision is also applicable to the amounts netted against CAISO Creditor balances related to prior defaulted receivables.
- (4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.29.9.6.1.

\* \* \*

### 13.5.3.2 Residual Amounts

Any awards for which the CAISO is unable to identify Market Participants in accordance with 13.5.3.1 and any award amounts that the CAISO is unable to collect that are not covered by Section 11.29.17.1 or Section 11.29.17.2 will be allocated to all Scheduling Coordinators through neutrality adjustments.

\* \* \*

## CAISO Tariff Appendix A

### Master Definitions Supplement

\* \* \*

#### **- Default Election**

An election made pursuant to Section 11.29.17.2.4.

\* \* \*

#### **- Default-Invoiced SCID(s)**

The SCID(s) selected by an entity pursuant to the Default Election procedures set forth in Section 11.29.17.2.4 that are to be allocated a portion of any payment default amount pursuant to Section 11.29.17.2.1.

\* \* \*

#### **- Default Look-Back Period**

The retrospective time period determined pursuant to Section 11.29.17.2.6 for the purpose of allocating payment default amounts.

\* \* \*

#### **- Real-Time Interchange Import Schedule**

A final agreed-upon schedule of Energy to be transferred to the CAISO Balancing Authority Area from another Balancing Authority Area based on agreed-upon size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and Energy between the source and sink Balancing Authority Areas involved in the transaction.

\* \* \*