1. Definitions

**Import Allocation Secondary Registration Process**

The electronic means by which Load Serving Entities and Market Participants must register any bilateral transactions of Remainder Import Capacity or Commitment Import Capacity with the CAISO.

**Import Capacity Load Share**

A Load Serving Entity’s proportionate share of the forecasted RA Compliance Year coincident peak Load for the ISO Control Area relative to the total coincident peak Load for the ISO Control Area as determined by the California Energy Commission.

**Import Capacity Load Share Ratio**

A Load Serving Entity’s Import Capacity Load Share relative to the Import Capacity Load Shares of all other Load Serving Entities receiving an import allocation in the aggregate or requesting an import allocation on a particular branch group that have not had their request for import capacity on the particular branch group fully satisfied.

**Load Share Quantity**

The product of Total Import Capacity and Import Capacity Load Share.

**Pre-RA Import Commitment**

Any power purchase agreement, ownership interest, or other commercial arrangement entered into on or before March 10, 2006, by a Load Serving Entity serving Load in the ISO Control Area for the procurement of Energy or capacity from a resource or resources located outside the ISO Control Area that was included in the 2007 Compliance Year import allocation process. The Pre-RA Import Commitment shall be deemed to terminate upon the expiration of the initial term of the Pre-RA Import Commitment, notwithstanding any “evergreen” or other renewal provision exercisable at the option of the Load Serving Entity.
**RA Compliance Year** Calendar year from January 1 to December 31.

**Total Import Capacity** The aggregate maximum import capacity in MW deliverable to the ISO Control Area based on ISO study criteria minus the aggregate sum in MW of all Existing Contracts and Transmission Ownership Rights held by Load Serving Entities that do not serve Load within the ISO Control Area.

### 40.5.2.2 Deliverability of Imports.

#### 40.5.2.2.1 Allocation Process

This Section 40.5.2.2 shall apply only to Resource Adequacy Plans covering the period through December 31, 2007, unless superseded earlier by alternative ISO Tariff provisions. For Resource Adequacy Plans covering any period after December 31, 2007, total import capacity will be assigned on an annual basis for a one-year term to Load Serving Entities serving Load in the ISO Control Area and other Market Participants through their respective Scheduling Coordinators, if applicable, for 2007 as described by the following sequence of steps.

**Step 1:** The ISO shall establish for 2007 for each branch group the total maximum import capacity values for the ISO Control Area, and will post those values on the ISO Website for RA Compliance Year 2008 by July 1, 2007, and for subsequent RA Compliance Years in accordance with the schedule and process set forth in the Business Practices Manual by July 1, 2006.
Step 2: For each branch group, the total maximum capacity established in Step 1 for each branch group will be reduced by subtracting the import capacity on each branch group associated with (i) Existing Transmission Contracts and (ii) encumbrances and Transmission Ownership Rights held by Load Serving Entities that do not serve Load within the ISO Control Area. The remaining sum of all branch group import capacity shall be the Total Import Capacity. Total Import Capacity shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the CAISO Control Area.

Step 3: From the amount of import capacity remaining on each branch group after Step 2 above, Existing Contracts and encumbrances and Transmission Ownership Rights held by Load Serving Entities that serve Load within the CAISO Control Area shall be reserved for the holders of such commitments and will not be subject to reduction under any subsequent steps in this Section. The import capacity reserved pursuant to this Step 3 shall be referred to as “Existing Contract Import Capacity”.

Step 4: From the amount of import capacity remaining on each branch group after application of Step 3 determined in Step 2 above, the CAISO will allocate to Load Serving Entities serving Load within the ISO Control Area will receive, to the extent feasible, an allocation of import capacity on a particular branch group selected by the Load Serving Entity based on Pre-RA Import Commitments in effect (supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Compliance Year for which the allocation is being performed equal to each entity’s resource commitments from outside the ISO Control Area, as of March 10, 2006, the terms of which runs through at least calendar year 2007. The Pre-RA Import Commitment will be assigned to the branch group shall be selected by the Load Serving Entity during the Compliance Year 2007 allocation process, which was based on the primary branch group upon which the Energy or capacity from the particular resource commitment from outside the ISO Control Area had been primarily historically scheduled, or, for a Pre-RA Import Commitment resource commitment without a scheduling history at the time of the Compliance Year 2007 allocation process, the primary branch group upon which the Energy or capacity from the particular resource commitment from outside the ISO Control Area was anticipated to be scheduled. To the extent a Pre-RA Import Commitment was not presented during the Compliance Year 2007 allocation process, the Load Serving Entity shall select the branch group upon which the Pre-
RA Import Commitment is primarily anticipated to be scheduled during the term of the Pre-RA Import Commitment and that selection shall be utilized in future annual allocation processes.

To the extent a particular branch group becomes over requested with Pre-RA Import Commitments due to changes in system conditions that decrease the maximum import capacity of the branch group as reflected in Step 1, to the extent a particular branch group is over requested, such that the MWs represented in all Pre-RA Import Commitments requested resource commitments utilizing the branch group exceed the branch group’s remaining import capacity, the Pre-RA Import Commitments requested resource commitment MW quantities will be allocated available capacity, which is capacity on the branch group in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3, based on the “Import Capacity Load Share” ratio of each Load Serving Entity submitting such Pre-RA Import Commitments on the particular branch group resource commitments. To the extent this initial allocation has not fully assigned the total import capacity of the particular branch group to the requested resource commitments, the remaining capacity will be allocated until fully exhausted based on the Import Capacity Load Share ratio of each Load Serving Entity whose submitted Pre-RA Import Commitment resource commitment has not been fully satisfied by the previous Import Load Share Ratio allocation iteration. The import capacity allocated pursuant to this Step 4 shall be referred to as “Commitment Import Capacity.”

a. Import Capacity Load Share is each Load Serving Entity’s proportionate share of the forecasted 2007 coincident peak Load for the ISO Control Area relative to the total coincident peak Load of all Load Serving Entities that have not had their request for import capacity for a resource commitment on a particular branch group fully satisfied. The proportionate share of the forecasted 2007 peak Load for the ISO Control Area for each Load Serving Entity is the “Coincident Load Share,” as determined by the California Energy Commission.

b. The ISO will notify the Scheduling Coordinator for each Load Serving Entity of the Load Serving Entity’s Coincident Load Share. The ISO will further notify the Scheduling
Coordinator for each Load Serving Entity of the amount of, and branch group on which, import capacity has been allocated to the Load Serving Entity pursuant to this Step 3. The import capacity allocated pursuant to this Step 3 shall be referred to as “Commitment Import Capacity.”

6. Step 4: To the extent import capacity remains unallocated following Steps 1–3 above, the ISO will publish on its Website remaining aggregate import capacity, the identity of the branch groups with available capacity, and the MW quantity remaining on each such branch group. The remaining aggregate import capacity remaining after Step 4 will be allocated only to Load Serving Entities serving Load within the ISO Control Area through their Scheduling Coordinators that have not received Existing Contract Import Capacity and Commitment Import Capacity under Steps 3 and 4 that exceed the Load Serving Entity’s Load Share Quantity. This remaining import capacity will be allocated until fully exhausted to those Load Serving Entities eligible to receive an import allocation under this Step based on each Load Serving Entity’s Import Capacity Coincident Load Share Ratio up to, but not in excess of, its Load Ratio Quantity. The quantity of import capacity allocated under this Step shall be the Remainder Import Capacity. This Step 4 does not allocate import capacity on a specific branch group, but rather allocates aggregate import capacity.

4. Step 6: Following the completion of Step 5, the ISO will post to its website for RA Compliance Year 2008 by July 9, 2007 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practices Manual the following information:

a. The Total Import Capacity.

b. The quantity in MW of Existing Contracts assigned to each branch group, distinguishing between Existing Contracts held by Load Serving Entities within the ISO Control Area and those Load Serving Entities outside the ISO Control Area;
c. The quantity in MW of Pre-RA Import Commitments assigned to each branch group; and

d. The aggregate quantity in MW of remaining import capacity after Step 4, the identity of the branch groups with available capacity, and the MW quantity remaining on each such branch group.

Step 7: Following the completion of Step 5, by July 9, 2007 for RA Compliance Year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual, the ISO will notify the Scheduling Coordinator for each Load Serving Entity of:

a. The Load Serving Entity's Import Capacity Load Share;

b. The Load Serving Entity's Load Share Quantity; and

c. The amount of, and branch group on which, the Load Serving Entity's Existing Contract Import Capacity, Import Commitment Capacity, and Remainder Import Capacity, as applicable, has been allocated.

Step 5 & 6: Up to and including July 17, 2007 for RA Compliance year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual, Load Serving Entities shall be allowed to trade some or all of their Remainder Import Capacity or Commitment Import Capacity to any other Load Serving Entity or Market Participant during a period of time established by ISO Market Notice. The ISO will accept trades among LSEs and Market Participants only to the extent such trades are reported to the ISO through its Import Allocation Secondary Registration Process and are otherwise in accordance with Section 40.5.2.2.2. in a manner established by ISO Market Notice.

Step 6 & 7: At any time up to and including July 19, 2007 for RA Compliance year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual, Three business days after the close of the trading period set forth in Step 5 above, the Scheduling Coordinator for each Load Serving Entity or Market Participant shall notify the ISO of its request to allocate its post-trading Remainder Import Capacity on a MW basis per available branch group
basis (traded Commitment Import Capacity will remain on the branch group upon which it was allocated under Step 4 and will not be subject further allocation). Total requests for import capacity by a Scheduling Coordinator cannot exceed the sum of the post-traded Remainder Import Capacity of its Load Serving Entities. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests for Remainder Import Capacity on that branch group will be allocated based on the ratio of each Load Serving Entity’s Import Capacity Load Share in the same manner as set forth in Step 4, as used in Step 3. A Market Participant without a Import Capacity Load Share Coincident Load Share will be assigned the Import Capacity Load Share Coincident Load Share equal to the average Import Capacity Load Coincident Load Share of those Load Serving Entities from which it received Remainder Import Capacity. The ISO will notify each Scheduling Coordinator for Load Serving Entities or Market Participants of their accepted allocation under this Step 6.

Step 10: At any time up to and including July 27, 2007 for RA Compliance year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual, Following Step 6, the ISO will:

a. Notify the Scheduling Coordinator for each Load Serving Entities or Market Participants submitting requests for import capacity allocation under Step 9 of their accepted allocation requests;

b. Publish on its Website remaining aggregate import capacity, if any, the identity of the branch groups with available capacity, and the MW quantity remaining on each such branch group.

Step 11: To the extent import capacity remains unallocated as disclosed by Step 10, at any time up to and including August 1, 2007 for RA Compliance year 2008 and for subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities or Market Participants shall notify the ISO of their requests to allocate any remaining Remainder Import Capacity or on a MW per available branch group basis. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over
requested, the requests on that branch group will be allocated based on each Load Serving Entity or
Market Participant’s Import Capacity Load Share Ratio, as used in Steps 4 and 9.

Step 12: At any time up to and including August 8, 2007 for RA Compliance year 2008 and for
subsequent RA Compliance Years in accordance with the schedule set forth in the Business Practice
Manual, the ISO will:

a. Notify each Scheduling Coordinator for a Load Serving Entity or Market Participant of the
   Load Serving Entity or Market Participant’s accepted allocation under Step 11; and

b. Publish on its Website remaining aggregate import capacity, if any, the identity of the
   branch groups with available capacity, and the MW quantity remaining on each such
   branch group.

No further iterations will be permitted.

Step 13: To the extent import capacity remains unallocated as disclosed by Step 12, Scheduling
Coordinators for Load Serving Entities or Market Participants shall notify the ISO at any time, except as
limited herein, of a request for remaining Remainder Import Capacity on a MW per available branch group
basis. Each request must include the identity of Load Serving Entity or Market Participant on whose
behalf the request is made as well as be limited to a single branch group and the CAISO will accept only
two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving
Entity or other Market Participant. The ISO will honor requests in priority of the time requests from
Scheduling Coordinators were received until the branch group is fully subscribed and without regard to
any Load Serving Entity’s Load Share Quantity. Any honored request shall be for the remainder of the
RA Compliance Year; however, any notification by the ISO of acceptance of the request in accordance
with this Section after the 20th calendar day of any month shall not be permitted to be included in the Load
Serving Entity’s Resource Adequacy Plan submitted in the same month as the acceptance.

The ISO shall provide an electronic means, either through the Import Allocation Secondary Registration
Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed
received by the CAISO and, within 7 days of receipt of the request, whether the request was honored. If
honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the allocated import capacity. If the request is not honored because the branch group requested was fully subscribed, the Scheduling Coordinator would be required to submit a new request for unallocated capacity on a different branch group. The CAISO will update on its website the list of unallocated capacity by branch group on or before the 5th calendar day of each month.

This multi-step allocation of total import capacity does not guarantee or result in any actual transmission service being allocated and is only used for determining the maximum import capacity that can be credited towards satisfying the Planning Reserve Margin of a Load Serving Entity under this Section 40.

Upon the request of the ISO, Scheduling Coordinators must provide the ISO with information on existing import contracts and any trades or sales of their load share allocation. To the extent that the ISO’s review of Resource Adequacy Plans identifies reliance upon imports that exceed the import capacity allocated to the Load Serving Entity under this section, the ISO will inform the CPUC or appropriate Local Regulatory Authority of any Resource Adequacy Plan submitted by a Scheduling Coordinator for a Load Serving Entity under their respective jurisdiction that exceeds its allocation of import capacity.

40.5.2.2.2 Bilateral Import Allocation Transactions and Registration Process

This Section shall apply to all transactions of Commitment Import Capacity or Remainder Import Capacity other than that provided for in Step 8 of Section 40.5.2.2.1. Any Load Serving Entity or other Market Participant that has received an allocation of Commitment Import Capacity or Remainder Import Capacity pursuant to Section 40.5.2.2.1 may assign, sell, or otherwise transfer such Commitment Import Capacity or Remainder Import Capacity in MW increments. The import capacity subject to each transfer shall remain on the branch group assigned pursuant to Section 40.5.2.2.1.

The transferor of the Commitment Import Capacity or Remainder Import Capacity must report the transaction to the ISO through its Import Allocation Secondary Registration Process by providing the following information:

a. Identity of the counter-parties and e-mail contract information;
b. The MW quantity;
c. The branch group on which the import capacity was allocated; and

d. The term of the transfer.

The ISO shall provide through the Import Allocation Secondary Registration Process notification to the counter-parties that the transaction has been received. Transfers information received in accordance with this Section after the 20th calendar day of any month shall not be permitted to be included in the Load Serving Entity’s Resource Adequacy Plan submitted in the same month as the transfer submission.