

SETTLEMENT AND BILLING PROTOCOL

ANNEX 1

Posted April __, 1998

[Amends 1, 4, 5, 6, 7 incorporated herein]

ANNEX 1

SETTLEMENT AND BILLING OF

RELIABILITY MUST-RUN CHARGES AND PAYMENTS

1 Objectives, Definitions and Scope

1.1 Objectives

The objective of this Annex 1 is to inform Owners of Reliability Must-Run Units and Participating Utilities which are responsible for payment of RMR Charge pursuant to Section 5.2.7 of the ISO Tariff, of the manner in which the charges referred to in Section 5.2.7 of the ISO Tariff shall be calculated and settled and of the procedures regarding the billing, invoicing and payment of these charges.

1.2 Definitions

1.2.1 Master Definitions Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement to the ISO Tariff shall have the same meaning where used in this Annex 1. A reference to a paragraph is to a paragraph of this Annex. References to SABP are to the Settlement and Billing Protocol or to the stated paragraph of that Protocol. References to Appendices are to Appendices of SABP.

1.2.2 Definitions of SABP

Unless otherwise specified, any word or expression defined in SABP shall have the same meaning where used in this Annex.

1.2.3 Special Definitions for this Annex

In this Annex the following words and expressions shall have the meanings set opposite them:

“Adjustment RMR Invoice” means the monthly invoice issued by the Owner to the ISO for adjustments made to the Estimated RMR Invoice pursuant to Article 4.5(f) or 4.6(f) (as applicable) of the Conditions of Must-Run Contract.

“Business Day” shall have the meaning ascribed to it in the Conditions of Must-Run Contract.

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“Estimated RMR Invoice” means the monthly invoice issued by the Owner to the ISO for estimated RMR Charges or Rebates pursuant to Section 4.5(a) or 4.6 (a) (as appropriate) of the Conditions of Must-Run Contract.

“ISO Home Page” means the ISO internet home page at <http://www.caiso.com/iso> or such other internet address as the ISO shall publish from time to time.

“ISO RMR Account” means the account established and operated by the ISO to and from which all payments under this Annex shall be made.

“Owner” means the entity which has entered into a Reliability Must-Run Contract with the ISO pursuant to the ISO Tariff.

“Participating Utility” means a utility that is a party to the TCA in whose Service Area a Reliability Must-Run Generating Unit is located as referred to in Section 5.2.7 of the ISO Tariff.

“RMR Charge” means the sum payable by the Participating Utility to the ISO pursuant to Section 5.2.7 of the ISO Tariff for the cost of Reliability Must-Run Generation and Ancillary Services as set out in the Conditions of Must Run Contract. If the ISO has received a RMR Rebate, the RMR Charge may take the form of a sum payable to the Participating Utility by the ISO.

“RMR Payment” means any amounts payable by the ISO to an Owner pursuant to a Reliability Must-Run Contract.

“RMR Payments Calendar” means the Payments Calendar issued by the ISO pursuant to section 3 of this Annex 1.

“RMR Rebate” means any amounts payable to the ISO by an Owner pursuant to a Reliability Must-Run Contract.

“RMR Security” means the form of security provided by a Participating Utility to cover its liability under this Annex pursuant to Section 5.2.7.1 of the ISO Tariff.

1.2.4 Rules of Interpretation and Other Terms and Conventions

The rules of interpretation set out in SABP 1.2.3, and the provisions of SABP 1.2.4, 1.2.5 and 1.2.6 shall apply to this Annex.

1.3 Scope of Application to Parties

This Annex applies to the ISO, Owners and Participating Utilities which are responsible for payment of RMR Charge pursuant to Section 5.2.7 of the ISO Tariff.

For the avoidance of doubt, this Annex shall not apply to charges for Energy or Ancillary Services which are payable by the ISO under Sections 2.5 and 11 of the ISO Tariff to Scheduling Coordinators which are

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representing Owners. Such payments shall be made by the ISO to such Scheduling Coordinators pursuant to Section 11 of the ISO Tariff and the provisions of SABP. The Owners shall account for such payments received from their Scheduling Coordinators in their Estimated RMR Invoices and Adjustment RMR Invoices as provided in the Conditions for Must-Run Contracts 4.5(g) and 4.6(g).

1.4 Relationship of this Annex with SABP

Unless otherwise specified, the provisions of SABP shall not apply to this Annex but Appendices B, G and H shall apply as appropriate.

1.5 Relationship of this Annex with the ISO Tariff

For the avoidance of doubt, Sections 11.3 to 11.24 inclusive of the ISO Tariff shall not apply to this Annex.

2 Accounts

2.1 ISO RMR Account

The ISO will establish an account (the "ISO RMR Account") where payments to the ISO from Participating Utilities or Owners and payments from the ISO to Owners or Participating Utilities pursuant to this Annex will be made in accordance with Section 5.2.7 of the ISO Tariff, the Must-Run Contracts and this Annex. This account will not be held in trust by the ISO for Market Participants.

2.2 Owner's Settlement Accounts

Each Owner shall establish and maintain a settlement account at a commercial bank located in the United States and reasonably acceptable to the ISO which can effect money transfers via Fed-Wire where payments to and from the Reliability Must-Run Account shall be made in accordance with this Annex. Each Owner shall notify the ISO of its settlement account details upon entering into its Reliability Must-Run Contract with the ISO and may notify the ISO from time to time of any changes by giving at least 15 days notice before the new account becomes operational.

3 Payments Calendar

The ISO shall issue a RMR Payments Calendar for the purposes of this Annex which shall contain the following information:

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- (a) the date on which Owners are required to issue to the ISO their Estimated RMR Invoice pursuant to their Reliability Must-Run Contract;
- (b) the date on which Owners are required to issue to the ISO their Adjustment RMR Invoice pursuant to their Reliability Must-Run Contract;
- (c) the date on which the ISO may issue proposed amendments to the Estimated RMR Invoice to the Participating Utility and to Owner;
- (d) the date on which the ISO may issue proposed amendments to the Adjustment RMR Invoice to the Participating Utility and the Owner;
- (e) the date by which the Participating Utility must have notified to the ISO any disputes in relation to the Estimated or Adjustment RMR Invoices or the ISO's proposed amendments pursuant to paragraph 6.4.1 of this Annex 1;
- (f) the date on which the ISO is required to issue to the Participating Utility the invoice relating to each Estimated RMR Invoice;
- (g) the date on which the ISO is required to issue to the Participating Utility the invoice relating to each Adjustment RMR Invoice;
- (h) the date and time by which Participating Utilities are required to have made payments into the ISO RMR Account in payment of the ISO's invoices relating to each Estimated RMR Invoice and each Adjustment RMR Invoice;
- (i) the date and time by which the ISO is required to have made payments into the Owners' Settlement Accounts in payment of each Estimated RMR Invoice and each Adjustment RMR Invoice pursuant to their Reliability Must-Run Contract;
- (j) the date and time by which Owners are required to have made payments into the ISO RMR Account for RMR Rebates;
- (k) the date and time by which the ISO is required to have made payments into the Participating Utilities' Settlement Accounts in relation to any RMR Rebates received from Owners pursuant to paragraph 5 of this Annex 1.

If the day on which any Estimated RMR Invoice, Adjustment RMR Invoice or ISO invoice is due to be issued, or payment is due, is not a Business Day, such statement or invoice shall be issued or payment shall be due on the next succeeding Business Day.

Information relating to charges for Energy or Ancillary Services which are payable by the ISO pursuant to Sections 2.5 and 11 of the ISO Tariff and SABP to the Scheduling Coordinators representing Owners will be contained in the ISO Payments Calendar pursuant to SABP 2.3.

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4 Information to be provided by Owners to the ISO

The Estimated RMR Invoice and Adjustment RMR Invoice shall include, or be accompanied by, information about RMR Payments or RMR Rebates payable from or to the ISO pursuant to the Reliability Must-Run Contract in sufficient detail to enable the ISO to calculate all RMR Charges payable from the Participating Utility to the ISO and all RMR Charges payable by the ISO to the Participating Utility.

This information shall be made available in an electronic form mutually agreed by the parties and include, but shall not be limited to:

- (a) data on the items described as data inputs and data outputs in Table H4 of Appendix H for each relevant Settlement Period in each Trading Day;
- (b) data relating to the payments for Energy and Ancillary Services received by the Owner from its Scheduling Coordinator; and
- (c) information on the factors used to calculate variable contract prices (as applicable).

5 Calculation of RMR Charge

The ISO shall calculate, based on the information provided by the Owners pursuant to paragraph 4, the amount due from (or to) the relevant Participating Utility for RMR Charges as applicable.

For the avoidance of doubt, the ISO shall not be obligated to pay the Participating Utility any RMR Charges (corresponding to an RMR Rebate) unless and until the ISO has received corresponding funds into its ISO RMR Account from the Owner.

6 Description of the Billing Process

6.1 Issuance of RMR Invoices by the Owner

Each Owner shall provide to the ISO in an electronic form mutually agreed by the parties on each of the days specified in the ISO Payments Calendar an Estimated RMR Invoice or an Adjustment RMR Invoice (as applicable) and will send to the relevant Participating Utility a copy of that invoice on the day of issue.

6.2 Review of the RMR Invoice by the ISO

The ISO will review the Estimated RMR Invoice or Adjustment RMR Invoice within the period specified in the ISO Payments Calendar and may issue proposed adjustments to that invoice to the Owner and the relevant Participating Utility.

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6.3 Issuance of Invoice by the ISO

The ISO shall provide to the Participating Utility on the day specified in the RMR Payments Calendar an invoice showing:

- (a) the amounts which on the basis of the Estimated RMR Invoice (or the Adjustment RMR Invoice as the case may be) and pursuant to paragraph 5 of this Annex 1 are to be paid from (or to) the relevant Participating Utility in relation to each RMR Charge
- (b) the Payment Date, being the date on which such amounts are to be paid or received and the time for such payment;
- (c) details (including the account number, bank name and Fed-Wire transfer instructions) of the Reliability Must-Run Account to which any amounts owed by the Participating Utility are to be paid.

For the avoidance of doubt, the invoice referred to in this paragraph 6.5 shall be different from the invoice issued by the ISO to the same Participating Utility pursuant to SABP 5.

6.4 Resolving Disputes Relating to Invoices

6.4.1 Review of the ISO invoice by the Participating Utility

Each Participating Utility shall have a period specified in the ISO Payments Calendar to review the Estimated or Adjustment RMR Invoice and any proposed amendments to such Invoices issued by the ISO and shall be deemed to have validated these Invoices unless it has raised a dispute or reported an exception within that period.

6.4.2 Notice

If a Participating Utility disputes any item or calculation relating to a Estimated or Adjustment RMR Invoice it shall provide the ISO via the WEnet and the Owner by mail with a notice of dispute at any time from the receipt of the copy of the Estimated RMR Invoice (or Adjustment RMR Invoice as applicable) from the Owner to the expiration of the period for review set out in the ISO Payments Calendar.

6.4.3 Contents of Notice

The notice of dispute shall state clearly the Estimated RMR Invoice or Adjustment RMR Invoice, the item disputed, the reasons for the dispute, the proposed amendment (if appropriate) and shall be accompanied by all available evidence reasonably required to support the claim.

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6.4.4 Amendment Agreed by the ISO

Subject to paragraph 6.4.5 of this Annex 1, if the ISO agrees with the proposed change, the amendment shall be shown in the ISO invoice where the relevant RMR Charge is due to appear.

6.4.5 Dispute Involving the Owner

If the dispute relates to an item originating in the Estimated RMR Invoice (or Adjustment RMR Invoice as the case may be) the provisions of Article 4.5(k) or 4.6(k) (as applicable) of the Conditions of Must-Run Contract shall apply.

6.4.6 Payment Pending Dispute

Neither the Participating Utility nor the ISO shall be obligated to pay the disputed amount to the Owner pending the resolution of the dispute but interest shall be payable thereon as provided for in the Conditions of Must-Run Contract.

7 Payment Procedures

7.1 Payment Date

The Payment Date for RMR Payments to and RMR Rebates from Owners shall be the date specified in their Conditions of Must-Run Contract and in the RMR Payments Calendar and the same shall be the Payment Date for the ISO and Participating Utilities in relation to RMR Charges

7.2 Payments to be made via Fed-Wire

All payments by the ISO to Owners and Participating Utilities shall be made via Fed-Wire.

All payments to the ISO by Owners and Participating Utilities shall be made via Fed-Wire.

7.3 Payment by Owners, Participating Utilities and Scheduling Coordinators

Each Owner shall remit to the ISO RMR Account the amount shown on the relevant Estimated RMR Invoice or Adjustment RMR Invoice as payable by that Owner for value not later than 10.00 am on the Payment Date.

Each Participating Utility shall remit to the ISO RMR Account the amount shown on the relevant invoice issued by the ISO pursuant to paragraph 6.5 as payable by that Participating Utility for value not later than 10.00 am on the Payment Date.

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7.4 Payment by the ISO

The ISO shall calculate the amounts available for distribution to Participating Utilities and/or Owners on the Payment Date and shall give irrevocable instructions to the ISO Bank to remit from the ISO RMR Account to the relevant settlement account maintained by each Participating Utility or Owner the amounts determined by the ISO to be available for payment to each Participating Utility or Owner.

7.5 Payment Default by Participating Utility

If by 10.00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the ISO RMR Account will not or has not been remitted (“the Default Amount”) the ISO shall take the actions set out in paragraph 7.5.1 of this Annex 1 to enable payment to be made to the relevant Owners and Participating Utilities.

7.5.1 Enforcing the Participating Utility’s Security

If the whole or part of any payment due by a Participating Utility for RMR Charges has not been received as set out in paragraph 7.5, the ISO shall take any steps it deems appropriate against the defaulting Participating Utility to recover the Default Amount (and any default interest pursuant to paragraph 7.8) including enforcing any RMR Security provided by that Participating Utility, exercising its rights of set-off pursuant to paragraph 7.7 and/or bringing proceedings against the defaulting Participating Utility.

7.5.2 ISO to Use Best Efforts to Effect Payment

The ISO shall not be obligated to pay the Owner any amounts under the RMR Estimated or Adjustment Invoice if it has not received payment for such amounts from the Participating Utility responsible for such payments under Section 5.2.7 of the ISO Tariff. The ISO shall use its best efforts to enforce such rights as it has to payment of amounts due to it from the Participating Utility as set out in paragraph 7.5.1 of this Annex 1. As soon as payment is received by the defaulting Participating Utility or pursuant to paragraph 7.5.1 the ISO shall pay such amounts received (together with all interest received pursuant to paragraph 7.7 of this Annex 1) to the settlement account of the relevant Owners.

7.5.3 Default relating to Market Payments

For the avoidance of doubt, non payment to Owners of charges for Energy or Ancillary Services which are payable by the ISO to Scheduling Coordinators representing such Owners shall be dealt with pursuant to Sections 11.3 to 11.24 (inclusive) of the ISO Tariff and the provisions of SABP.

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7.6 Set-off

7.6.1 Set-off in the case of a defaulting Participating Utility

The ISO is authorized to apply any amount to which any defaulting Participating Utility is or will be entitled, in or towards the satisfaction of any of that Participating Utility's debts arising under the settlement and billing process set out in this Annex.

For the avoidance of doubt, neither the ISO nor any Participating Utility will be authorized to set off any amounts owed by that Participating Utility under this Annex against amounts owed to that Participating Utility under SABP.

7.6.2 Set-off in the case of a defaulting Owner

The ISO is authorized to apply any amount to which any defaulting Owner is or will be entitled, in or towards the satisfaction of any of that Owner's debts arising under the settlement and billing process set out in this Annex.

For the avoidance of doubt, neither the ISO nor any Owner will be authorized to set off any amounts owed by that Owner under this Annex against amounts owed to that Owner under SABP.

7.7 Default Interest

Participating Utilities shall pay interest on Default Amounts to the ISO at the ISO Default Interest Rate for the period from the relevant Payment Date to the date in which the payment is received by the ISO or the date the ISO receives funds from the RMR Security of the defaulting Participating Utility together with any related transaction costs incurred by the ISO pursuant to paragraph 7.5.1 of this Annex.

Owners shall pay interest to the ISO on Default Amounts at the Interest Rate as defined in the Reliability Must-Run Contract for the period from the date on which payment was due to the date in which the payment is received by the ISO.

The ISO shall pay interest to Owners at the Interest Rate as defined in the Conditions of Must-Run Contract for the period from the day following the date when the ISO received an RMR Charge from the responsible Participating Utility to the date in which the payment is received by the Owner.

The ISO shall pay interest to Participating Utilities at the ISO Default Interest Rate as defined in the Master Definition Supplement to the ISO Tariff for the period from the date following the date it received an RMR Rebate from the relevant Owner to the date in which the payment is received by the relevant Participating Utility.

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For the avoidance of doubt, where payment of a Default Amount is made by exercise of a right of set-off, the amount concerned is received when payment of the sum which takes that set-off into account is made.

8 Overpayments

The provisions of SABP 7.1.1, 7.1.2 and 7.1.3 shall apply to Owners and Participating Utilities which have been overpaid by the ISO and references to "ISO Creditors" in these sections and in the relevant Sections of the ISO Tariff shall be read, for the purposes of this Annex, to mean Owners and Participating Utilities as applicable.

9 Communications

9.1 Method of Communication

Invoices will be issued by the ISO via EDI. Estimated RMR Invoices and Adjustment RMR Invoices will be issued by the Owner in an electronic form mutually agreed by the parties. Methods of communication between the ISO, Participating Utilities and Owners may be varied by the ISO giving not less than 10 days notice to Participating Utilities and Owners on the WEnet.

9.2 Emergency Procedures

9.2.1 Emergency Affecting the ISO

In the event of an emergency or a failure of any of the ISO software or business systems, the ISO may deem the Estimated RMR Invoice or the Adjustment RMR Invoice to be correct without thorough verification and may implement any temporary variation of the timing requirements relating to the settlement and billing process contained in this Annex.

9.2.2 Emergency Affecting the Owner

In the event of an emergency or a failure of any of the Owner's systems, the Owner may use estimated invoices as provided in Section 4.5(a) (or 4.6(a) as applicable) of the Conditions of Must-Run Contract or may implement any temporary variation of the timing requirements relating to the settlement and billing process contained in this Annex and its Reliability Must-Run Contract. Details of the variation will be published on the WEnet.

Communications of an emergency nature on a Due Date or a Payment Date relating to payments shall be made by the fastest practical means including by telephone.

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10 Confidentiality

The provisions of SABP 9, 10 and 11 shall apply to this Annex between the ISO and Participating Utilities

Except as may otherwise be required by FERC Order Nos. 888 or 889 or any other applicable Law, all information and data provided by Owner or the ISO to the Participating Utility pursuant to the Conditions of Must-Run Contract or this Annex 1 ("confidential information") shall be deemed to be confidential and proprietary to the providing party and will be used by the receiving party solely for purposes of this Annex 1. The receiving party shall limit the disclosure of any such information to only those personnel within its organization with responsibility for assessing such information in connection with this Annex and shall be responsible for assuring that personnel within its organization comply with the provisions of this section 10.

The provisions of communications, emergency and confidentiality of the Must-Run Contracts shall apply between the ISO and Owners.

11 Amendments to this Annex

If the ISO determines a need for an amendment to this Annex 1, the ISO will follow the requirements as set forth in Section 16 of the ISO Tariff.

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