

# SETTLEMENT AND BILLING PROTOCOL

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

# **SETTLEMENT AND BILLING PROTOCOL**

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## **SETTLEMENT AND BILLING PROTOCOL (SABP)**

### **SABP 1. OBJECTIVES, DEFINITIONS AND SCOPE**

#### **SABP 1.1 Objectives**

The objective of this Protocol (and of Annex 1) is to inform Scheduling Coordinators, Participating TOs and Operators of Reliability Must-Run Units of the manner in which the charges referred to in Section 11.1.6 of the ISO Tariff shall be calculated and settled and of the procedures regarding the billing, invoicing and payment of these charges.

#### **SABP 1.2 Definitions**

##### **SABP 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 Protocol. A reference to a Section is to a Section of the ISO Tariff. References to SABP are to this Protocol or to the stated paragraph of this Protocol. References to Annex 1 are to Annex 1 of this Protocol.

##### **SABP 1.2.2 Special Definitions for this Protocol**

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

**“Black Start Generator”** means a Participating Generator in its capacity as party to an Interim Black Start Agreement with the ISO for the provision of Black Start Services, but shall exclude Participating Generators in their capacity as providers of Black Start services under their Reliability Must-Run Contracts.

**“Day 0”** means the Trading Day to which the Settlement Statement or settlement calculation refers. For example “Day 41” shall mean the 41st day after that Trading Day and similar expressions shall be construed accordingly.

**“Fed-Wire”** means the Federal Reserve Transfer System for electronic funds transfer.

**“Interim Black Start Agreement”** means an agreement entered into between the ISO and a Participating Generator (other than a Reliability Must-Run Agreement) for the provision by the Participating Generator of Black Start capability and Black Start Energy on an interim basis

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until the introduction by the ISO of its Black Start auction (or until terminated earlier by either party in accordance with its terms).

**“ISO Surplus Account”** means the account established by the ISO pursuant to SABP 6.5.

**“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.

**“Security”** means the form of security provided by a Scheduling Coordinator pursuant to Section 2.2.3.2 of the ISO Tariff (i.e. letter of credit, guarantee or cash deposit) to secure its trading obligations.

**“Trading Interval”** means a Settlement Period as defined in the Master Definitions Supplement of the ISO Tariff.

### **SABP 1.2.3 Rules of Interpretation**

- (a) Unless the context otherwise requires, if the provisions of this Protocol and the ISO Tariff conflict, the ISO Tariff will prevail to the extent of the inconsistency. The provisions of the ISO Tariff have been summarized or repeated in this Protocol only to aid understanding.
- (b) A reference in this Protocol to a given agreement, ISO Protocol or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made.
- (c) The captions and headings in this Protocol are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Protocol.
- (d) This Protocol shall be effective as of the ISO Operations Date.
- (e) A reference to a day or Trading Day is to a calendar day unless otherwise specified.

### **SABP 1.2.4 Time**

All references to time are references to prevailing Pacific Standard Time.

### **SABP 1.2.5 Financial Transaction Conventions**

In this Protocol and its Appendices and Annex 1, the following conventions have been adopted in defining sums of money to be remitted to or received by the ISO:

- (a) where the ISO is to receive a sum of money under this Protocol, this is defined as a “Charge”;

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- (b) where the ISO is to required to pay a sum of money under this Protocol, this is defined as a "Payment".

**SABP 1.2.6 Currency**

All financial transactions are denominated in US dollars and cents.

**SABP 1.3 Scope**

**SABP 1.3.1 Scope of Application to Parties**

This Protocol (excluding Annex 1) applies to the ISO and to the following entities:

- (a) Scheduling Coordinators;
- (b) Participating TOs; and
- (c) Black Start Generators

The settlement, billing and payment process between the ISO, Scheduling Coordinators, Participating TOs and Black Start Generators shall be in accordance with Sections 11.3 to 11.24 inclusive of the ISO Tariff. References in those Sections to Scheduling Coordinators shall also apply to Participating TOs which receive Settlement Statements from the ISO in relation to the transactions referred to in those Settlement Statements but excluding the transactions referred to in Annex 1. Notwithstanding SABP 1.2.3(a), references in Sections 11.3 to 11.24 inclusive of the ISO Tariff to Scheduling Coordinators, ISO Debtors and ISO Creditors shall also apply to Black Start Generators which receive Settlement Statements from the ISO in relation to transactions under their Interim Black Start Agreements.

Annex 1 of this Protocol applies to the ISO, Owners of Reliability Must-Run Units and Participating TOs in relation to the billing and payment of amounts due under Reliability Must-Run Contracts and recovery of such amounts by the ISO from Participating Utilities. The provisions of this Protocol shall not apply to Annex 1 unless otherwise specified.

**SABP 1.3.2 Liability of the ISO**

Any liability of the ISO arising out of or in relation to this Protocol shall be subject to Section 14 of the ISO Tariff as if references to the ISO Tariff were references to this Protocol.

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## **SABP 2. OVERVIEW OF SETTLEMENT AND BILLING PROCESS**

### **SABP 2.1 Settlement Software**

The ISO settlement software shall be audited by an independent firm of auditors competent to carry out audits of such software to determine its consistency with this Protocol and the ISO Tariff. In any dispute regarding Settlement calculations, a certificate of such firm of auditors that the ISO software is consistent with the ISO Tariff shall be prima facie proof that the charges shown in a Settlement Statement have been calculated in a method consistent with the ISO Tariff and this Protocol.

### **SABP 2.2 ISO Accounts**

#### **SABP 2.2.1 Costs Associated with the ISO Trust Accounts**

The ISO is authorized to establish and maintain bank accounts held on trust for Market Participants and obtain lines of credit and other banking facilities (not exceeding an aggregate amount set by the ISO Governing Board) necessary for the operation of its Settlement and billing procedures. Unless otherwise specified in this Protocol the ISO will recover all costs incurred in connection with ISO banking facilities through the Grid Management Charge.

#### **SABP 2.2.2 Location of the ISO Accounts**

The ISO will maintain its bank accounts held on trust at a bank in California approved by the ISO Governing Board.

#### **SABP 2.2.3 ISO Trust Accounts**

The ISO will open and operate the following accounts which it will hold on trust for Market Participants:

- (a) the ISO Clearing Account to and from which payments are made pursuant to Section 11.8.2.1 of the ISO Tariff and SABP 6.3.1;
- (b) the ISO Reserve Account from which any debit balances on the ISO Clearing Account at the close of banking business are settled pursuant to Section 11.8.2.2 of the ISO Tariff and SABP 6.4; and
- (c) the ISO Surplus Account consistent with Section 11.8.2.3 of the ISO Tariff and SABP 6.5.

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The ISO may establish additional trust accounts as necessary to implement the Settlement and billing procedures outlined in this Protocol. It shall notify the Market Participants of the establishment of such accounts through the WEnet.

**SABP 2.2.4      The ISO Clearing Account**

Subject to SABP 6.1.2, ISO Debtors shall make all payments of ISO invoices by Fed-Wire to the ISO Clearing Account by 10.00 am on the due date according to the ISO Payments Calendar.

**SABP 2.2.5      The ISO Reserve Account**

The ISO shall operate the ISO Reserve Account as a trust account as follows:

- (a) the proceeds of drawings under any line of credit or other credit facility of the ISO Reserve Account shall be held on trust for ISO Creditors;
- (b) if the Reserve Account is replenished as provided for in SABP 6.9, any credits shall be held on trust for all ISO Creditors.

**SABP 2.2.6      Accounts of the SCs and Participating TOs**

Each Scheduling Coordinator and each Participating TO 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 ISO Clearing Account shall be made in accordance with this Protocol. Each Scheduling Coordinator shall notify the ISO of its account details and of any changes to those details in accordance with the provisions of its SC Agreement. Participating TOs will notify the ISO of their Settlement Account details in accordance with Section 2.2.1 of their Transmission Control Agreement and may notify the ISO from time to time of any changes by giving at least 7 days written notice before the new account becomes operational.

**SABP 2.3            ISO Payments Calendar**

**SABP 2.3.1        Contents of ISO Payments Calendar**

In September of each year, the ISO will prepare a draft ISO Payments Calendar for the following calendar year showing for each Trading Day:

- (a) The date by which Scheduling Coordinators are required to provide Settlement Quality Meter Data for all their Scheduling

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Coordinator Metered Entities for each Settlement Period in the Trading Day;

- (b) The date on which the ISO will issue Preliminary Settlement Statements to Scheduling Coordinators, Black Start Generators and Participating TOs for that Trading Day;
- (c) The date by which Scheduling Coordinators, Black Start Generators and Participating TOs are required to notify the ISO of any disputes in relation to their Preliminary Settlement Statements pursuant to SABP 4.4.1 and the ISO Tariff;
- (d) The date on which the ISO will issue Final Settlement Statements and invoices to Scheduling Coordinators, Black Start Generators and Participating TOs for that Trading Day;
- (e) The date and time by which ISO Debtors are required to have made payments into the ISO Clearing Account in payment of invoices for that Trading Day; and
- (f) The date and time on which ISO Creditors will receive payments from the ISO Clearing Account of amounts owing to them for that Trading Day.
- (g) In relation to Reliability Must-Run Charges and Payments, the details set out in paragraph 3 of Annex 1.

**SABP 2.3.2 Calendar Content and Format**

In accordance with SABP 2.3.3, 2.3.4 and 2.3.5 the ISO may change the content or format of the ISO Payments Calendar. The ISO may also produce a summary outline of the Settlement and billing cycles.

**SABP 2.3.3 Draft Payments Calendar**

In September of each year, the ISO will make a draft of the ISO Payments Calendar available on the ISO Home Page to Scheduling Coordinators, Black Start Generators, Participating TOs and Owners any of which may submit comments and objections to the ISO within two weeks of the date of posting of the draft on the ISO Home Page.

**SABP 2.3.4 Final Payments Calendar**

No later than October 31<sup>st</sup> in each year, the ISO will publish pursuant to Section 11.24.1 of the ISO Tariff the final ISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, Black Start Generators, Participating TOs and Owners. The final ISO Payments Calendar will be posted on the ISO Home Page.

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**SABP 2.3.5 Final Calendar Binding**

The final ISO Payments Calendar shall be binding on the ISO and on Scheduling Coordinators, Black Start Generators, Participating TOs and Owners.

**SABP 3. COMPUTATION OF CHARGES**

**SABP 3.1 Description of Charges to be Settled**

The ISO shall, based on the Settlement Quality Meter Data it has received, calculate the following:

- (a) the amount due from each Scheduling Coordinator for its share for the relevant month of the Grid Management Charge in accordance with Appendix A. This Charge shall accrue on a monthly basis.
- (b) the amount due from each Scheduling Coordinator for the Grid Operations Charge in accordance with Appendix B for each of the Settlement Periods of Day 0.
- (c) the amount due from and/or owed to each Scheduling Coordinator for the Charge for each Ancillary Service in accordance with Appendix C, for each of the Settlement Periods of Day 0.
- (d) the amount due from and/or owed to each Scheduling Coordinator for Imbalance Energy in accordance with Appendix D, for each of the Settlement Periods of Day 0.
- (e) the amount due from and/or owed to each Scheduling Coordinator for Usage Charges in accordance with Appendix E, for each of the Settlement Periods of Day 0.
- (f) the amount due from each Scheduling Coordinator for Wheeling Out and Wheeling Through Charges and the amount owed to each Participating TO for these charges in accordance with Appendix F, for each of the Settlement Periods of Day 0.
- (g) the amounts due from/to Scheduling Coordinators for Voltage Support (supplemental reactive power charges) for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (h) the monthly charges due from/to Scheduling Coordinators for long term voltage support provided by Owners of Reliability Must-Run Units in accordance with Appendix G.
- (i) the amounts due from/to Scheduling Coordinators for the provision of Black Start Energy from Reliability Must-Run Units for

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each of the Settlement Periods of Day O in accordance with Appendix G.

- (j) the amounts due from/to Black Start Generators for the provision of Black Start Energy for each of the Settlement Periods of Day O in accordance with Appendix G.

The ISO shall calculate these amounts using the software referred to in SABP 2.1 except in cases of system breakdown when it shall apply the procedures set out in SABP 9 (Emergency Procedures).

### **SABP 3.1.1 Additional Charges and Payments**

The ISO shall be authorized to levy additional charges or payments as special adjustments in respect of:

- (a) amounts required to round up any invoice amount expressed in dollars and cents to the nearest whole dollar amount in order to clear the ISO Clearing Account. These charges will be allocated amongst Scheduling Coordinators over an interval determined by the ISO and pro rata based on metered Demand (including exports) during that interval;
- (b) amounts in respect of penalties which may be levied by the ISO in accordance with the ISO Tariff. These charges will be levied on the Market Participants liable for payment of the penalty; and
- (c) amounts required to reach an accounting trial balance of zero in the course of the Settlement process in the event that the charges calculated as due from ISO Debtors are lower than payments calculated as due to the ISO Creditors for the same Trading Day. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day. In the event that the charges due from ISO Debtors are higher than the payments due to ISO Creditors, the ISO shall allocate a payment to the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day.

### **SABP 3.2 Method of Settlement of Charges**

#### **SABP 3.2.1 Settlement of Payments to/from Scheduling Coordinators and Participating TOs**

The ISO will calculate for each charge the amounts payable by the relevant Scheduling Coordinator, Black Start Generator or Participating TO for each Settlement Period of the Trading Day, and the amounts

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payable to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for each Settlement Period of that Trading Day and shall arrive at a net amount payable for each charge by or to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for that Trading Day. Each of these amounts will appear in the Preliminary and Final Settlement Statements that the ISO will provide to the relevant Scheduling Coordinator, Black Start Generator or Participating TO as provided in SABP 4.

The Grid Management Charge will be included in the Preliminary Settlement Statement and Final Settlement Statement with the other types of charges referred to in SABP 3.1 but a separate invoice for the Grid Management Charge will be issued by the ISO.

#### **SABP 4. SETTLEMENT STATEMENTS**

##### **SABP 4.1 Preliminary Settlement Statements**

###### **SABP 4.1.1 Timing of Preliminary Settlement Statements**

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO for validation a Preliminary Settlement Statement for each Trading Day in accordance with the ISO Payments Calendar.

###### **SABP 4.1.2 Contents of Preliminary Settlement Statements**

Each Preliminary Settlement Statement will include a statement of:

- (a) the amount payable or receivable by the Scheduling Coordinator, Black Start Generator or Participating TO for each charge referred to in SABP 3 for each Settlement Period in the relevant Trading Day;
- (b) the total amount payable or receivable by that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for all Settlement Periods in that Trading Day after the amounts payable and the amounts receivable under (a) have been netted off pursuant to SABP 3.2.1; and
- (c) the components of each charge in each Settlement Period except for information contained in the Imbalance Energy Report referred to in SABP 4.1.3.

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**SABP 4.1.3 Imbalance Energy Report**

Each Preliminary Settlement Statement shall be accompanied by a breakdown of the components of the Imbalance Energy Charge (the “Imbalance Energy Report”).

**SABP 4.2 Final Settlement Statements**

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO a Final Settlement Statement in accordance with the ISO Tariff and the ISO Payments Calendar. The Final Settlement Statement shall be in a format similar to that of the Preliminary Settlement Statement and shall include all the information provided in the Preliminary Settlement Statement as amended following the validation procedure set forth in SABP 4.3 and 4.4.

**SABP 4.3 Review, Validation, Confirmation of Preliminary Settlement Statements**

The provisions for confirmation, review and validation of Preliminary Settlement Statements set forth in Sections 11.6.1.2, 11.7.1 and 11.7.2 of the ISO Tariff shall apply to all Scheduling Coordinators, Black Start Generators (or Participating TOs save for charges or rebates referred to in Annex 1) who receive a Preliminary Settlement Statement from the ISO.

**SABP 4.4 Resolving Disputes Relating to Preliminary Settlement Statements**

**SABP 4.4.1 Notice**

If a Scheduling Coordinator, Black Start Generator (or Participating TO) disputes any item or calculation set forth in its Preliminary Settlement, it shall provide the ISO by electronic means with a notice of dispute within 10 days from the date of issue of the Preliminary Settlement Statement.

**SABP 4.4.2 Contents of Notice**

The notice of dispute shall state clearly the Trading Day, the issue date of the Preliminary Settlement Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim.

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**SABP 4.4.3 Amendment**

If the ISO agrees with the amount claimed, it shall incorporate the relevant data into the Final Settlement Statement.

**SABP 4.4.4 ISO Contact**

If the ISO does not agree with the amount claimed or if it requires additional information, it shall make reasonable efforts (taking into account the time it received the notice of dispute and the complexity of the issue involved) to contact the relevant Scheduling Coordinator, Black Start Generator or Participating TO to resolve the issue before issuing the Final Settlement Statement. If it is not possible to contact the relevant party, the ISO shall issue the Final Settlement Statement without taking into account the dispute notice.

**SABP 4.4.5 Payment Pending Dispute**

Each Scheduling Coordinator, Black Start Generator or Participating TO which receives an invoice shall pay any net debit and shall be entitled to receive any net credit shown in the invoice on the Payment Date, whether or not there is any dispute regarding the amount of the debit or credit. The provisions of Section 13 (Dispute Resolution) of the ISO Tariff shall apply to the disputed amount.

**SABP 4.5 Settlement Statement Re-runs**

**SABP 4.5.1 Notice**

If a Scheduling Coordinator, Black Start Generator or Participating TO, (having made reasonable efforts to resolve with the ISO any dispute relating to a Preliminary Settlement Statement pursuant to SABP 4.4) requires a Settlement Statement re-run, it shall send at any time to the ISO Governing Board a notice in writing.

**SABP 4.5.2 ISO Tariff**

The provisions of Sections 11.6.3, 11.6.3.1, 11.6.3.2 and 11.6.3.3 of the ISO Tariff relating to Settlement Statement re-runs shall apply to all Scheduling Coordinators, Black Start Generators or Participating TOs who require a Settlement re-run in accordance with this SABP 4.5.

**SABP 5. INVOICES**

The ISO shall provide on the day specified in the ISO Payments Calendar together with the Final Settlement Statement for the last day

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of the relevant Billing Period, an invoice in the format set out in SABP Appendix I showing:

- (a) amounts which according to each of the Final Settlement Statements of that Billing Period are to be paid from or to each Scheduling Coordinator, Black Start Generator or Participating TO;
- (b) the Payment Date, being the date on which such amounts are to be paid or received and the time for such payment; and
- (c) details (including the account number, bank name and Fed-Wire transfer instructions) of the ISO Clearing Account to which any amounts owed by the Scheduling Coordinator, Black Start Generator or Participating TO are to be paid.

A separate invoice will be issued for the Grid Management Charge.

## **SABP 6. PAYMENT PROCEDURES**

### **SABP 6.1 Time of Payment**

#### **SABP 6.1.1 Payment Date**

Subject to SABP 6.1.2, payment will be made by the ISO and by each Scheduling Coordinator, Black Start Generator and Participating TO on the Payment Date and time specified in the ISO Payments Calendar. Payment for the charges referred to in SABP 3.1 for each Trading Day in each calendar month shall be made sixty five (65) days after the last day of the relevant calendar month<sup>1</sup>, or, if payment falls due on a day that is not a Business Day, on the next succeeding Business Day pursuant to Section 11.3.1 of the ISO Tariff.

#### **SABP 6.1.2 Prepayments**

- (a) A Scheduling Coordinator may choose to pay at an earlier date than the Payment Date specified in the ISO Payments Calendar by way of prepayment provided it notifies the ISO by electronic means before submitting its prepayment.
- (b) Prepayment notifications must specify the dollar amount prepaid.

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<sup>1</sup> The ISO will file with FERC a section 205 application to request approval of a tariff change to implement monthly billing for Scheduling Coordinators and Participating TOs. The ISO hopes that FERC will accept the tariff change for filing to go into effect on 1.1.98. The protocols will reflect the concept of monthly billing pending action on the section 205 filing by FERC. This protocol may be subject to further revision depending on the outcome of the section 205 application.

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- (c) Prepayments must be made by Scheduling Coordinators via Fed-Wire into their ISO prepayment account designated by the ISO. The relevant Scheduling Coordinator shall grant the ISO a security interest on all funds in its ISO prepayment account.
- (d) On any Payment Date the ISO shall be entitled to cause funds from the relevant Scheduling Coordinator's ISO prepayment account to be transferred to the ISO Clearing Account in such amounts as may be necessary to discharge in full that Scheduling Coordinator's payment obligation arising in relation to that Payment Date.
- (e) Any funds held in the relevant Scheduling Coordinator's ISO prepayment account shall be treated as part of that Scheduling Coordinator's Security.
- (f) Interest (or other income) accruing on the relevant Scheduling Coordinator's ISO prepayment account shall inure to the benefit of that Scheduling Coordinator and shall be added to the balance of its ISO prepayment account on a monthly basis.
- (g) Funds held in an ISO prepayment account by a Scheduling Coordinator may be recouped, offset or applied by the ISO to any outstanding financial obligations of that Scheduling Coordinator to the ISO or to other Scheduling Coordinators under this Protocol.

**SABP 6.2            Payments to be made by Fed-Wire**

All payments by the ISO to Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire.

All payments to the ISO by Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire.

**SABP 6.3            Payment Process**

**SABP 6.3.1        Use of the ISO Clearing Account**

- (a) Subject to SABP 6.1.2 each ISO Debtor shall remit to the ISO Clearing Account the amount shown on the invoice as payable by that ISO Debtor for value not later than 10:00 am on the Payment Date.
- (b) On the Payment Date the ISO shall be entitled to cause the transfer of such amounts held in a Scheduling Coordinator's ISO prepayment account to the ISO Clearing Account as provided in SABP 6.1.2(c).

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

**SABP 6.3.1.2 Distribution to ISO Creditors**

The ISO shall calculate the amounts available for distribution to ISO Creditors on the Payment Date and shall give irrevocable instructions to the ISO Bank to remit from the ISO Clearing Account to the relevant Settlement Account maintained by each ISO Creditor for same day value the amounts determined by the ISO to be available for payment to each ISO Creditor. If required, the ISO shall instruct the ISO Bank to transfer amounts from the ISO Reserve Account to enable the ISO Clearing Account to clear by the close of banking business on the Payment Date.

**SABP 6.3.1.3 Grid Management Charge**

The ISO is authorized to instruct the ISO Bank to debit the ISO Clearing Account and transfer to the relevant ISO account sufficient funds to pay in full the Grid Management Charge falling due on any Payment Day in priority to any other payments to be made on that or on subsequent days out of the ISO Clearing Account.

**SABP 6.4 Use of the ISO Reserve Account**

If there are insufficient funds in the ISO Clearing Account to pay ISO Creditors and clear the account on any Payment Date, due to payment default by one or more ISO Debtors, the ISO shall transfer funds from the ISO Reserve Account to the ISO Clearing Account to clear it by close of banking business on that Payment Date pursuant to SABP 6.7.2.

**SABP 6.5 Use of the ISO Surplus Account**

**SABP 6.5.1 Establishment**

The ISO shall establish and maintain a bank account in accordance with this Protocol denominated the "ISO Surplus Account".

**SABP 6.5.2 Other Funds in the ISO Surplus Account.**

- (a) Any amounts paid to the ISO in respect of acts or defaults giving rise to default interest referred to in SABP 6.10.5 or penalties referred to in SABP 3.1.1 shall be credited to the Surplus Account.
- (b) The funds referred to in SABP 6.5.2(a) shall first be applied towards any expenses, loss or costs incurred by the ISO. Any excess will be credited to the Surplus Account pursuant to SABP 6.5.2(a).

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**SABP 6.5.3 Distribution of Funds**

In the event that there are funds in the ISO Surplus Account in excess of an amount to be determined by the ISO Governing Board and posted by the ISO on the WEnet, 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.

**SABP 6.5.4 Trust**

All amounts standing to the credit of the ISO Surplus Account will be held at all times on trust for Market Participants in accordance with this Protocol.

**SABP 6.6 System Failure**

**SABP 6.6.1 At ISO Debtor's Bank**

If any ISO Debtor becomes aware that a payment will not, or is unlikely to be, remitted to the ISO Bank by 10:00 am on the relevant Payment Date for any reason (including failure of the Fed-Wire or any computer system), it shall immediately notify the ISO, giving full details of the payment delay (including the reasons for the payment delay). The ISO Debtor shall make all reasonable efforts to remit payment as soon as possible, by an alternative method if necessary, to ensure that funds are received for value no later than 10:00 am on the Payment Date, or as soon as possible thereafter.

**SABP 6.6.2 At the ISO's Bank**

In the event of failure of any electronic transfer system affecting the ISO Bank, the ISO shall use reasonable efforts to establish alternative methods of remitting funds to the ISO Creditors' Settlement Accounts by close of banking business on that Payment Date, or as soon as possible thereafter. The ISO shall notify the ISO Debtors and the ISO Creditors of occurrence of the system failure and the alternative methods and anticipated time of payment.

**SABP 6.7 Payment Default**

Subject to SABP 6.8, 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 Clearing Account by any Scheduling Coordinator will not or has not been remitted and there are insufficient funds in the relevant Scheduling Coordinator's ISO prepayment account (the amount of insufficiency being referred to as the "Default

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Amount”), the ISO shall take the following actions to enable the ISO Clearing Account to clear not later than the close of banking business on the relevant Payment Date:

**SABP 6.7.1 Enforcing the Security of a Defaulting Scheduling Coordinator**

Subject to SABP 6.8 the ISO shall make reasonable endeavors to enforce the defaulting Scheduling Coordinator’s 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 ISO Creditors on the same day the ISO shall proceed in accordance with SABP 6.7.2 or 6.7.4 as applicable.

**SABP 6.7.2 Use of ISO Reserve Account**

If there are funds standing to the credit of the ISO Reserve Account (including the proceeds of drawings under banking facilities described in SABP 2.2.5) the ISO shall debit the ISO Reserve Account with the Default Amount in order to clear the ISO Clearing Account and effect payment to the ISO Creditors.

**SABP 6.7.3 Action against a Defaulting Scheduling Coordinator**

The ISO shall as soon as possible after taking action under SABP 6.7.2 take any steps it deems appropriate against the defaulting Scheduling Coordinator to recover the Default Amount (and any default interest as set out in SABP 6.10.5) including enforcing any Security pursuant to Section 11.14 of the ISO Tariff, exercising its rights of recoupment or set-off pursuant to SABP 6.10.2 and/or bringing proceedings against the defaulting Scheduling Coordinator pursuant to Section 11.20.1 of the ISO Tariff.

**SABP 6.7.4 Reduction of Payments to ISO Creditors**

If there are insufficient funds standing to the credit of the ISO Reserve Account, the ISO shall reduce payments to ISO Creditors on that Payment Date pursuant to Section 11.16.1 of the ISO Tariff to the extent necessary to clear the ISO Clearing Account by the close of banking business on the Payment Date.

**SABP 6.8 Default to be Remedied Promptly**

In the event that the ISO reasonably believes that an outstanding amount which has not been paid by 10:00 am on the relevant Payment Date, is likely to be paid no later than close of banking business on the next Business Day then the ISO may, but shall not be obliged to, delay enforcing that ISO Debtor’s Security or taking other measures to

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recover payment until after the close of banking business on the next Banking Day but default interest shall nonetheless accrue pursuant to SABP 6.10.5.

**SABP 6.9            Replenishing the ISO Reserve Account Following Payment Default**

If the ISO has debited the ISO Reserve Account as provided in SABP 6.7.2 then:

- (a) If, after the ISO has debited the ISO Reserve Account on a Payment Date, the ISO Bank receives a remittance from an ISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the ISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the ISO Reserve Account, such remittance shall be credited to the ISO Reserve Account.
- (b) The proceeds of any enforcement of Security referred to in SABP 6.8.2 and/or amounts recovered under proceedings shall be credited to the ISO Reserve Account.
- (c) If after taking reasonable action the ISO determines that the Default Amount (or any part) and/or default interest referred to in SABP 6.10.5 cannot be recovered, such amounts shall be deemed to be owing by those Market Participants who were ISO 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 ISO Creditors. Such charge shall be credited to the Reserve Account.

**SABP 6.10            Application of Funds Received**

Amounts credited to the ISO Clearing Account in payment of a Default Amount (as set out in SABP 6.9(a)) or as a result of enforcing the defaulting ISO Debtor's Security shall be applied to the ISO Reserve Account pursuant to SABP 6.9 to reduce amounts outstanding under any ISO banking facilities used to fund the ISO Reserve Account on the relevant Payment Date and the balance (if any) shall be applied to reimburse pro rata any ISO Creditors whose payments were reduced pursuant to SABP 6.7.4.

**SABP 6.10.1        Termination of SC Agreement and Limitation on Trading**

The provisions of Section 2.2.4.5 and 2.2.7.3 of the ISO Tariff shall apply.

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

**SABP 6.10.2 Set-Off**

The ISO is authorized to recoup, set off and apply any amount to which any defaulting ISO Debtor is or will be entitled, in or towards the satisfaction of any of that ISO Debtor's debts arising under the ISO Settlement and billing process. Each ISO Creditor and each ISO Debtor expressly acknowledges that the oldest outstanding amounts will be settled first in the order of the creation of such debts.

**SABP 6.10.3 Defaulting SCs and Eligible Customers**

If the ISO intends to terminate the SC Agreement of a Scheduling Coordinator (the "Defaulting SC") pursuant to Section 2.2.4.5 of the ISO Tariff, the ISO shall give written notice to the UDC or UDCs on whose service territory the customers of that Defaulting SC are located and shall post such notification on the ISO Home Page pursuant to Section 2.2.4.6 of the ISO Tariff.

**SABP 6.10.4 Order of Payments**

The ISO shall apply payments received in respect of amounts owing to ISO Creditors to repay the relevant debts in the order of the creation of such debts.

**SABP 6.10.5 Default Interest**

Unless the ISO is able to enforce the Security (if any) provided by the defaulting ISO Debtor, such ISO Debtor shall pay interest on Default Amount 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 together with any related transaction costs incurred by the ISO pursuant to SABP 6.7.2.

**SABP 6.10.6 Interest Accruing while Enforcing the Security**

If the ISO has debited the Reserve Account as provided in SABP 6.7.1, 6.7.2 or 6.8 and it subsequently succeeds in enforcing the Security provided by the defaulting Scheduling Coordinator, the ISO shall be entitled to withdraw from such Security in addition to the Default Amount, all costs incurred and interest accrued to the ISO as a result of debiting the Reserve Account from the date of such debit to the date of enforcement of the said Security.

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

**SABP 7. PAYMENT ERRORS**

**SABP 7.1 Overpayments**

**SABP 7.1.1 Notification**

If an ISO Creditor receives an overpayment on any Payment Date, it shall notify the ISO of such overpayment in accordance with the provisions of Section 11.18.1 of the ISO Tariff.

**SABP 7.1.2 Overpayment held on Trust**

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

**SABP 7.1.3 Interest on Overpayment**

- (a) If an overpayment is repaid by an ISO Creditor in accordance with Section 11.18.1 of the ISO Tariff, the ISO shall be entitled to interest on the amount of the overpayment at the prime rate of the bank where the Settlement Account of the overpaid ISO Creditor is located from the date the overpayment was received to the time that the repayment is credited to the relevant ISO Account.
- (b) If the overpayment (or any part of it) is not repaid by an ISO Creditor in accordance with Section 11.18.1 of the ISO Tariff, the ISO shall be entitled to interest on the amount of the overpayment at the ISO Default Interest Rate from the expiry of the two day period referred to in that Section until the repayment is credited to the relevant ISO Account and the ISO will be entitled to treat the overpayment (and any interest accruing thereon) as a Default Amount to which SABP 6.7 will apply.

**SABP 7.1.4 Treatment of Amounts Outstanding as a Result of an Overpayment**

The ISO shall apply the amount of any overpayment repaid (including interest received) to it under SABP 7.1.3 to credit any underpaid ISO Creditors pro rata to the amounts of their underpayments on the same day of receipt, or if not practicable, on the following Business Day.

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



## **SABP 8. COMMUNICATIONS**

### **SABP 8.1 Method of Communication**

Preliminary Settlement Statements and Final Settlement Statements will be published by the ISO on the WEnet. Invoices will be issued via EDI. Communications on a Payment Date relating to payment shall be made by the fastest practical means including by telephone. Methods of communication between the ISO and Market Participants may be varied by the ISO giving not less than 10 days notice to Market Participants on the WEnet.

### **SABP 8.2 Failure of Communications**

The provisions of Section 11.23 of the ISO Tariff shall apply.

## **SABP 9. EMERGENCY PROCEDURES**

### **SABP 9.1 Use of Estimated Data**

In the event of an emergency or a failure of any of the ISO software or business systems, the ISO may use estimated Settlement Statements and invoices and may implement any temporary variation of the timing requirements relating to the Settlement and billing process contained in the ISO Tariff or this Protocol. Details of the variation and the method chosen to produce estimated data, Settlement Statements and invoices will be published on the ISO Home Page.

### **SABP 9.2 Payment of Estimated Statements and Invoices**

When estimated Settlement Statements and invoices are issued by the ISO, payments between the ISO and Market Participants shall be made on an estimated basis. Failure to make such estimated payments shall result in the same consequences as a failure to make actual payments under SABP.

### **SABP 9.3 Validation and Correction of Estimated Statements and Invoices**

The ISO shall use its best efforts to verify the estimated data used under SABP 9.1 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 issued by the ISO in the manner set forth in Section 11.5 of the ISO Tariff.

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

**SABP 9.4 Estimated Statements to be Final**

In the event that the ISO is of the opinion that, despite its best efforts, it is not possible for it to verify the estimated data because actual data is not reasonably expected to become available to the ISO in the foreseeable future, the ISO shall consult with the Market Participants in order to develop the most appropriate substitute data including using data provided by Market Participants. Following such determination of substitute data, the ISO shall send to the relevant Market Participants revised Settlement Statements and Invoices. The provisions of SABP 4.4.5 shall apply to payment of revised invoices issued in accordance with this SABP 9.4. Failure to make payments of such revised invoices shall result in the same consequences as a failure to make actual payments under SABP.

**SABP 10. CONFIDENTIAL DATA**

- (a) The ISO shall implement and maintain a system of communication with Scheduling Coordinators to ensure compliance with Sections 11.22 and 20.3 of the ISO Tariff regarding access to confidential data and with Participating TOs pursuant to Section 26.3 of the Transmission Control Agreement.
- (b) Access within the ISO to such data on ISO's communications systems, including databases and backup files, shall be strictly limited to authorized ISO personnel through the use of passwords and other appropriate means.

**SABP 11. AMENDMENTS TO THE PROTOCOL**

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

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