

FIRM TRANSMISSION RIGHTS

9.1 General

9.1.1 The ISO shall make Firm Transmission Rights (each, an “FTR”), as defined in Section 9.2, available commencing effective January 1, 1999. For 1999, the ISO shall make FTRs available in the amounts determined in accordance with Section 9.3, with the rights and other characteristics described in Sections 9.2, 9.6, 9.7 and 9.8, and through the process described in Section 9.4. The owners of FTRs shall be entitled to share in Usage Charge revenues associated with Inter-Zonal Congestion in accordance with Section 9.6, and to scheduling priority in the event of congestion in the Day-Ahead Market, as described in Section 9.2.1.

9.2 Definition and Characteristics of Firm Transmission Rights

9.2.1 Each FTR shall be a contractual right, subject to the terms and conditions of the ISO Tariff, that entitles the FTR Holder to receive, for each hour of the term of the FTR, a portion of the Usage Charges received by the ISO for transportation of energy from a specific originating Zone to a specific receiving Zone. In the event of an uneconomic curtailment to manage Day-Ahead congestion, an FTR entitles its holder to a Day-Ahead scheduling priority higher than that of a schedule using Converted Rights capacity that does not have an FTR.

9.2.1.1 For the purpose of Section 9 of this Tariff, the term “Zone” shall be construed to mean both “Zone” and “Scheduling Point.”

9.2.2 Each FTR shall be defined by a transmission path from an originating Zone to a receiving Zone that is contiguous to the originating Zone. Each FTR shall entitle the FTR Holder to a share of Usage Charges attributable to Inter-Zonal Congestion for transfers on that path from the designated originating Zone to the designated receiving Zone. This entitlement shall be the sum of:

- a) Where there is congestion in the Day-Ahead Market, the Usage Charge applicable to congestion management in the Day-Ahead Market times the number of FTRs, as adjusted pursuant to Section 9.6.3, in MWs, owned by the FTR Holder; and
- b) Where there is congestion in the Hour-Ahead Market, the Usage Charge applicable to congestion management in the Hour-Ahead Market shall be paid, per MW, according to the following priority: (i) to those submitting Adjustment Bids to sell in the Hour-Ahead Market; (ii) FTRs not scheduled or committed in the Day-Ahead Market; and (iii) the Transmission Owners.

An FTR is a right in one direction only. Its holder shall not be entitled to share in Usage Charges attributable to Inter-Zonal Congestion from the designated receiving Zone to the designated originating Zone, except as provided in Section 7.3.1.5 for a counter-schedule.

9.2.3 The ISO Governing Board shall, from time to time, approve the amount of FTRs to be auctioned for each Inter-Zonal Interface and the ISO shall publish this information on its Web site at least 30 days prior to the auction. No additional FTRs auctioned as a result of changes in the ISO's defined Inter-Zonal Interfaces shall affect existing FTRs .

9.2.3.1 Should the ISO create additional Zones or otherwise change the ISO's defined Inter-Zonal Interface, and if such changes would affect outstanding FTRs, such changes will not take effect prior to the expiration date of any such outstanding FTRs. The ISO shall also publish an announcement of any such pending changes on its Web site at least 30 days prior to the applicable FTR auction.

9.2.3.2 Any additional FTRs auctioned as a result of changes in the ISO's defined Inter-Zonal Interfaces shall not affect the rights associated with existing FTRs.

9.2.4 Each FTR shall be issued in the denomination of 1 MW and shall have a duration of one year, starting with the hour beginning at 12:00 a.m., on January 1 of the year for which the FTR is issued and ending with the hour beginning at 11:00 p.m., on December 31 of the same year, provided, however, that if additional FTRs are

auctioned after the commencement of the calendar year for that year, those FTRs shall have a duration of the balance of the calendar year. An FTR shall not afford the FTR Holder any right to share in Usage Charges attributable to Inter-Zonal Congestion occurring in any hour before or after the term of the FTR.

9.2.5 The portion of the Usage Charges attributable to the Inter-Zonal Congestion affecting transfers from the originating Zone to the receiving Zone to which the FTR Holder is entitled shall be determined in accordance with Section 9.6.

9.2.6 FTR Holders shall be entitled to priority in the scheduling of Energy in the Day-Ahead Market in the circumstances and subject to the limitations specified in Section 9.7.

9.2.7 Any entity, with the exception of the ISO, shall be eligible to acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, or by purchasing FTRs in secondary markets. To participate in the ISO's auction of FTRs, an entity must either be a certified Scheduling Coordinator or have met financial requirements equivalent to the financial certification criteria required of all Scheduling Coordinators.

9.3 Maximum Number of Firm Transmission Rights

9.3.1 On each Inter-Zonal Interface and direction combination for which FTRs are issued, the ISO shall issue a number of FTRs that is less than or equal to the difference between:

- (i) The WSCC Approved Path Rating of the interface in the direction from the originating zone to the receiving zone or, if the interface has not received a WSCC Approved Rating, a rating determined by a methodology that is consistent with the WSCC's rating methodology; and
- (ii) The portion of the transfer capability of the interface used to schedule rights that have a higher scheduling priority than Converted Rights.

9.4 Issuance of Firm Transmission Rights by the ISO by Auction

The ISO shall make FTRs available by conducting an annual primary auction of FTRs, commencing approximately two months before the beginning of the term of the FTRs. The auction of FTRs shall be a multi-round, clearing price auction conducted separately, independently and simultaneously for each Inter-Zonal Interface and direction combination for which FTRs are issued. In addition, if the ISO Governing Board decides to make additional FTRs available between annual auctions, the ISO may conduct additional auctions of such FTRs. The term of such FTRs shall only be for the remaining duration of the calendar year during which they were issued.

9.5 Distribution of Auction Revenues Received by the ISO for Firm Transmission Rights

9.5.1 For each Inter-Zonal Interface and direction for which an FTR is defined, the total proceeds received by the ISO through the auction described in Section 9.4 shall be allocated to the Participating TO in proportion to their Converted Rights associated with the corresponding Inter-Zonal Interface. Each Participating TO shall credit its FTR auction proceeds against its Access Charge.

9.5.2 In the event the transmission facilities or rights making up an Inter-Zonal Interface with respect to which FTRs are defined are owned by more than one Participating TO, the proceeds of the auction of such FTRs shall be allocated to those Participating TOs in proportion to their Converted Rights associated with the Inter-Zonal Interface.

9.6 Distribution of Usage Charges to FTR Holders

9.6.1 For each FTR, the FTR Holder shall be entitled to receive from the ISO a portion of the total Usage Charges related to Inter-Zonal Congestion calculated by the ISO in the Day-Ahead Market and collected by the ISO with respect to the Inter-Zonal Interface and direction combination for which the FTR was defined. This portion equals the Usage Charge calculated by the ISO in the Day-Ahead Market for the transfer of 1 MW

of Energy from the originating zone to the receiving zone during each hour in which Usage Charges are payable, subject to adjustment in accordance with Section 9.6.3.

9.6.2 In addition, an FTR holder shall be entitled to receive a portion of the additional Usage Charges related to Inter-Zonal Congestion calculated by the ISO in the Hour-Ahead Market and collected by the ISO with respect to the Inter-Zonal Interface and direction combination for which the FTR was defined, subject to adjustment in accordance with Section 9.6.3.

9.6.3 When the Day Ahead scheduling capability of an Inter-Zonal Interface is less than its normal scheduling capacity prior to the Day Ahead Market, the financial entitlements associated with an FTR shall not be reduced until and unless the scheduling capacity available to non-FTR Holders has been reduced to zero. In that event, the financial entitlements associated with the corresponding FTRs shall be multiplied by a factor equal to the amount of scheduling capability available to FTR holders divided by the number of FTRs.

9.6.4 When the congestion Usage Charges calculated and collected by the ISO from both the Day-Ahead Market and the Hour-Ahead Market with respect to transfers across an Inter-Zonal Interface in a particular direction result in a net obligation to the ISO, the provisions of this Section 9.6 shall continue to apply, and FTR Holders shall be required to pay the ISO these amounts.

9.6.5 The ISO will calculate the congestion Usage Charge revenues to be credited or debited to the account of each FTR Holder on an hourly basis. Such calculation will identify the Inter-Zonal Interface and direction to which each credit or debit applies.

9.7 Scheduling Priority of FTR Holders

9.7.1 FTRs will not affect the ISO's dispatch and operation of the ISO Controlled Grid except that each FTR Holder will have a priority, as described in this Section 9.7, for the scheduling of Energy in the Day-Ahead Market when an Inter-Zonal Interface experiences Inter-Zonal Congestion in the direction for which its FTR is defined. Any FTRs not used in Preferred Schedules in the Day-Ahead Market for any hour have no scheduling priority for that hour in the trading day. FTR Holders shall have no scheduling priority in the Hour-Ahead Market or in real time operations.

9.7.2 When Inter-Zonal Congestion is experienced or projected to be experienced in the Day-Ahead Market, the ISO shall first attempt to relieve the Inter-Zonal Congestion using Adjustment Bids submitted by Scheduling Coordinators.

9.7.2.1 If the ISO is unable to relieve the Day-Ahead Inter-Zonal Congestion using Adjustment Bids, then the ISO will allocate Day-Ahead inter-zonal transmission capacity first to schedules of Market Participants that are using Existing Contract rights that have higher scheduling priority than Converted Rights capacity and second to Market Participants who hold FTRs and have indicated to the ISO that they wish to exercise their scheduling priority option. The ISO will allocate any remaining transmission capacity to remaining Market Participants' schedules pro rata.

9.7.3 When the scheduling capability of an Inter-Zonal Interface is less than or greater than its normal scheduling capability prior to the Day-Ahead Market, as described in Section 9.6.3, the priority scheduling rights of FTR Holders, as described in Section 9.7.2, shall remain constant (in MWs) to the extent that the total scheduling rights of FTR Holders do not exceed the total Interface scheduling capability of the associated Inter-Zonal Interface after adjustments have been made for transmission capacity allocated to Existing Contract rights that have higher scheduling priority than Converted Rights. If the total Interface scheduling capability, adjusted for transmission capacity allocated to Existing Contract rights that have higher scheduling priority than

Converted Rights, is less than the total of all scheduling capability represented by FTR holders who have chosen to exercise the FTR scheduling priority option, scheduling capability shall be allocated to FTR Holders pro rata.

9.7.4 The scheduling priority of FTR Holders:

- (i) Shall not apply in the Hour-Ahead Market or in real-time dispatch and operation of the ISO Controlled Grid;
- (ii) Shall not apply to any transfer of Energy other than a transfer across the Inter-Zonal Interface in the direction for which the FTR was defined during the hour or hours during which the circumstances described in Section 9.7.2 apply; and
- (iii) Shall not be transferable, except in connection with a transfer of the FTR that is registered with the ISO, as described in Section 9.8.

9.8 Assignment of Firm Transmission Rights

9.8.1 An FTR may be assigned, sold, or otherwise transferred by the FTR Holder in full MW increments, either for the entire term of the FTR or for any portion of that term providing, however, that any such transfer shall be in full hour increments that correspond to the FTR issued to the FTR Holder. The FTR Holder of record may register the transfer of the FTR with the ISO by notifying the ISO through the form specified for that purpose by the ISO. At such time as the ISO shall specify before the deadline applicable to scheduling Energy in the Day-Ahead Market, the FTR Holder of record will notify the ISO of the quantity and identification numbers of the FTRs being transferred and the portion of the term of the FTR for which they are transferred. After the ISO receives such notice, the transferee shall be considered the FTR Holder of record with respect to the portion of the term of the FTR that is transferred. In order to

use the Scheduling Priority of an FTR, pursuant to section 9.7, an FTR must be registered with the ISO.

9.8.2 Alternatively, an FTR Holder may choose not to register the transfer of an FTR with the ISO. In that event, the ISO will not recognize the transfer for any purpose under the ISO Tariff and the rights and obligations of the transferor and the transferee shall be solely as set forth in any agreement between them. The ISO shall have no authority or responsibility for enforcing any such agreement.

9.8.3 To facilitate the operation of secondary markets in FTRs, the ISO shall post on WENet: (i) at the request of such entities, the identity of entities that hold FTRs that have been registered with the ISO, together with the quantity and identification numbers of the FTRs held by such entities; and (ii) the name and a contact telephone number or telecopy number of any entity that operates a secondary market in FTRs and that requests the ISO to post such information.