

AGC (Automatic Generation Control)

solely on the economic Dispatch of Generation. This price will remain in effect until the ISO considers that the System Emergency has been contained and corrected.

Generation equipment that automatically responds to signals from the ISO's EMS control in real time to control the power output of electric generators within a prescribed area in response to a change in system frequency, tieline loading, or the relation of these to each other, so as to maintain the target system frequency and/or the established interchange with other areas within the predetermined limits.

Aggregate Final Accepted Schedules

ISO approved aggregated Final Schedules.

Alert Notice

A Notice which may be issued by the ISO, in the Day-Ahead Market, the Operating Reserve is forecast to be less than the WSCC Minimum Operating Reliability Criteria minimum. An Alert is issued to the Market Participants to stimulate the market to provide additional resources, thereby avoiding progression to a Warning.

Ancillary Services

Regulation, Spinning Reserve, Non-Spinning Reserve, Replacement Reserve, Voltage Support and Black Start together with such other interconnected operation services as the ISO may develop in cooperation with Market Participants to support the transmission of Energy from Generation resources to Loads while maintaining reliable operation of the ISO Controlled Grid in accordance with Good Utility Practice.

Ancillary Service Provider

A Participating Generator or an owner of Load who is eligible to provide an Ancillary Serviced.

Applicable Reliability Criteria

The reliability standards established by NERC, WSCC, and Local Reliability Criteria as amended from time to time, including any requirements of the NRC.

Applicants

Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company and any others as applicable.

Approved Credit Rating

- (a) A short-term taxable commercial paper debt rating of not less than any one of the following: (i) A1 by Standard and Poor's Corporation; (ii) D1 by Duff & Phelps Credit Rating Agency; (iii) F1 by Fitch IBCA Incorporated; or (iv) P1 by Moody's Investors Service.
- (b) A short-term tax exempt commercial paper debt

rating of not less than any one of the following: (I) A1 by Standard and Poor's Corporation; (ii) V1 by Fitch IBCA Incorporated; or (iii) VMIG1 by Moody's Investors Service.

(c) A federal agency shall be deemed to have an Approved Credit Rating if its financial obligations under the ISO Tariff are backed by the full faith and credit of the United States.

(d) A California state agency shall be deemed to have an Approved Credit Rating if its financial obligations under the ISO Tariff are backed by the full faith and credit of the State of California.

(e) Another credit rating approved by the ISO Board of Governors.

Approved Load Profile

Local Regulatory Authority approved Load profiles applied to cumulative End-Use Meter Data in order to allocate consumption of Energy to Settlement Periods.

Approved Maintenance Outage

A Maintenance Outage which has been approved by the ISO through the ISO Outage Coordination Office.

Availability Measure

An indication for measuring the performance of

	Transmission Owners in maintaining the reliability and availability of the Transmission Owner's transmission system.
<u>Available Transfer Capacity</u>	For a given transmission path, the capacity rating in MW of the path established consistent with ISO and WSCC transmission capacity rating guidelines, less any reserved uses applicable to the path.
<u>Balanced Schedule</u>	A Schedule shall be deemed balanced when Generation, adjusted for Transmission Losses equals forecast Demand with respect to all entities for which a Scheduling Coordinator schedules.
<u>Balancing Account</u>	An account set up to allow periodic balancing of financial transactions that, in the normal course of business, do not result in a zero balance of cash inflows and outflows.
<u>Base Transmission Revenue Requirements</u>	The Transmission Revenue Requirement adjusted to reflect the Transmission Revenue Balancing Account Adjustment (TRBAA).
<u>BEEP Interval</u>	The time period, which may range between five (5) and thirty (30) minutes, over which the ISO's BEEP Software measures deviations in Generation and Demand, and selects Ancillary Service and Supplemental Energy resources to

provide balancing Energy in response to such deviations. As of the ISO Operations Date, the BEEP Interval shall be ten (10) minutes. Following a decision by the ISO Governing Board, the ISO may, by seven (7) days' notice published on the ISO's Home Page, at <http://www.caiso.com> (or such other internet address as the ISO may publish from time to time), increase or decrease the BEEP Interval within the range of five (5) to thirty (30) minutes.

BEEP Interval Ex Post Prices

The prices charged to or paid by Scheduling Coordinators for Instructed Imbalance Energy in each Zone in each BEEP Interval. The prices will vary between Zones if Congestion is present. The BEEP Interval Ex Post Price is equal to the bid price of the marginal resource accepted by the ISO for Dispatch and deemed eligible by the ISO to set the price during the BEEP Interval. For each BEEP Interval: the BEEP Interval Ex Post Price for incremental Energy will equal the highest price bid selected by the BEEP software; and the BEEP Interval Ex Post Price for decremental Energy will equal the lowest price bid selected by the BEEP software.

another party to connect or disconnect electric equipment interconnected to the ISO Controlled Grid.

Ex Post Price

The Hourly Ex Post Price or the BEEP Interval Ex Post Prices.

Existing Contracts

The contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.

Existing Operating Entity

The entity which owns and operates a MSS (Metered Subsystem).

Existing Rights

Those transmission service rights defined in Section 2.4.4.1.1 of the ISO Tariff.

Facilities Study Agreement

An agreement between a Participating TO and either a Market Participant, Project Sponsor, or identified principal beneficiaries pursuant to which the Market

the maximum amount of requirements and bundled power sale capacity purchased by the participating TO from the transmission owner to which it is physically interconnected during the hour in which the Monthly Peak Load of the Participating TO occurs.

Final Day-Ahead Schedule

The Day-Ahead Schedule which has been approved as feasible and consistent with all other Schedules by the ISO based upon the ISO's Day-Ahead Congestion Management procedures.

Final Hour-Ahead Schedule

The Hour-Ahead Schedule of Generation and Demand that has been approved by the ISO as feasible and consistent with all other Schedules based on the ISO's Hour-Ahead Congestion Management procedures.

Final Schedule

A Schedule developed by the ISO following receipt of a Revised Schedule from a Scheduling Coordinator.

Final Settlement Statement

The restatement or recalculation of the Preliminary Settlement Statement by the ISO following the issue of that Preliminary Settlement Statement.

Flexible Generation

Generation that is capable of, and for which the Generator has agreed to, adjust operating levels in response to real time market price or ISO control signals.

Forced Outage

An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the Day-Ahead Market or Hour-Ahead Market scheduling processes.

FPA

Parts II and III of the Federal Power Act, 16 U.S.C. § 824 et seq., as they may be amended from time to time.

FTR (Firm Transmission Right)

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

Pursuant to the terms of the ISO Tariff with respect to Wheeling Access Charges.

ISO Debtor

A Scheduling Coordinator or a Participating TO that is required to make a payment to the ISO under the ISO Tariff.

ISO Default Interest Rate

The rate which is equal to 2% above the average rate of interest which the ISO Bank charges to the ISO in respect of its borrowings.

ISO Documents

The ISO Tariff, the ISO Protocols, ISO bylaws, and any agreement entered into between the ISO and a Scheduling Coordinator, a Participating TO or any other Market Participant pursuant to the ISO Tariff.

ISO Governing Board

The Board of Governors established to govern the affairs of the ISO.

ISO Home Page

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 Market

Any of the markets administered by the ISO under the ISO Tariff, including, without limitation, Imbalance Energy, Ancillary Services, and FTRs.

ISO Memorandum Account

The memorandum account established by each California IOU pursuant to California Public Utility Commission Order D. 96-08-038 date August 2, 1996 which records all ISO startup and development costs incurred by that California IOU.

Issued by: N. Beth Emery, General Counsel and Vice President
Issued on:

Effective: Upon approval of settlement

may be otherwise derived by the use of Approved Load Profiles.

Meter Points

Locations on the ISO Controlled Grid at which the ISO requires the collection of Meter Data by a metering device.

Metered Quantities

For each Direct Access End-User, the actual metered amount of MWh and MW; for each Participating Generator the actual metered amounts of MWh, MW, MVA_r and MVA_rh.

Monthly Peak Load

The maximum hourly Demand on a Participating TO's transmission system for a calendar month, multiplied by the Operating Reserve Multiplier.

MSS (Metered Subsystem)

A system of an Existing Operating Entity as at the ISO Operations Date which has been operating for a number of years subsumed within the ISO Controlled Grid and encompassed by revenue quality meters at each interface point with the ISO Controlled Grid which is operated in accordance with Existing Contracts.

Municipal Tax Exempt Debt

An obligation the interest on which is excluded from gross income for federal tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986 or

Municipal Tax Exempt TO

the corresponding provisions of prior law without regard to the identity of the holder thereof. Municipal Tax Exempt Debt does not include Local Furnishing Bonds.

A Transmission Owner that has issued Municipal Tax Exempt Debt with respect to any transmission facilities, or rights associated therewith, that it would be required to place under the ISO's Operational Control pursuant to the Transmission Control Agreement if it were a Participating TO.

NERC

The North American Electric Reliability Council or its successor.

Nomogram

A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet NERC and WSCC operating criteria.

Non-Converted Rights

Those transmission service rights as defined in Section 2.4.4.2.1 of the ISO Tariff.

Non-ISO Transmission Facilities

Transmission facilities, either inside or outside the State of California, over which the ISO does not exert Operational Control.

Non-Participating Generator

A Generator that is not a Participating Generator.

discriminatory Transmission Services by Public Utilities;

Recovery of Stranded Costs by Public Utilities and Transmitting Utilities," 61 Fed. Reg. 21,540 (May 10, 1996), FERC Stats. & Regs., Regulations Preambles [1991-1996] ¶ 31,036 (1996), Order on Rehearing, Order No. 888-A, 78 FERC ¶ 61,220 (1997), as it may be amended from time to time.

Order No. 889

The final rule issued by FERC entitled "Open Access Same-Time Information System (formerly Real Time Information Networks) and Standards of Conduct," 61 Fed. Reg. 21,737 (May 10, 1996), FERC Stats. & Regs., Regulations Preambles [1991-1996] ¶ 31,035 (1996), Order on Rehearing, Order No. 889-A, 78 FERC ¶ 61,221 (1997), as it may be amended from time to time.

Outage

Disconnection or separation, planned or forced, of one or more elements of an electric system.

Overgeneration

A condition that occurs when total Generation exceeds total Demand in the ISO Control Area.

Participating Buyer

A Direct Access End-User or a wholesale buyer of Energy or Ancillary Services through Scheduling Coordinators.

Participating Load

An entity providing Curtailable Demand, Dispatchable Load or both, which has undertaken in writing to comply with all applicable provisions of the ISO Tariff, as they may be amended from time to time.

**Participating Seller or
Participating Generator**

A Generator or other seller of Energy or Ancillary

Services through a Scheduling Coordinator over the ISO Controlled Grid, which has undertaken to be bound by the terms of the ISO Tariff, in the case of a Generator through a Participating Generator Agreement.

Participating TO

A party to the TCA whose application under Section 2.2 of the TCA has been accepted and who has placed its transmission assets and Entitlements under the ISO's Operational Control in accordance with the TCA.

Payment Date

The date by which invoiced amounts are to be paid under the terms of the ISO Tariff.

PBR (Performance-Based Ratemaking)

Regulated rates based in whole or in part on the achievement of specified performance objectives.

Physical Scheduling Plant

A group of two or more related Generating Units, each of which is individually capable of producing Energy, but which either by physical necessity or operational design must be operated as if they were a single Generating Unit and any Generating Unit or Units containing related multiple generating components which meet one or more of the following criteria:

- i) multiple generating components are related by a common flow of fuel which cannot be interrupted without a substantial loss of efficiency of the combined output of all components;
- ii) the Energy production from one component

Regulation

The service provided by Generating Units equipped and operating with AGC which will enable such units to respond to the ISO's direct digital control signals in an upward and downward direction to match, on a real time basis, Demand and resources, consistent with established NERC and WSCC operating criteria. Regulation is used to control the power output of electric generators within a prescribed area in response to a change in system frequency, tieline loading, or the relation of these to each other so as to maintain the target system frequency and/or the established interchange with other areas within the predetermined limits. Regulation includes both the increase of output by a Generating Unit ("Regulation Up") and the decrease in output by a Generating Unit ("Regulation Down"). Regulation Up and Regulation Down are distinct capacity products, with separately stated requirements and Market Clearing Prices in each Settlement Period.

Regulation Energy Payment Adjustment
Regulatory Must-Run Generation

The additional value of regulating Energy.

Hydro Spill Generation and Generation which is required to run by applicable Federal or California laws, regulations, or other governing jurisdictional authority.

Such requirements include but are not limited to hydrological flow requirements, environmental requirements, such as minimum fish releases, fish pulse releases and water quality requirements, irrigation and water supply requirements of solid waste Generation, or other Generation contracts

Severance Fee

The charge or periodic charge assessed to customers to recover the reasonable uneconomic portion of costs associated with Generation-related assets and obligations, nuclear decommissioning, and capitalized Energy efficiency investment programs approved prior to August 15, 1996 and as defined in the California Assembly Bill No. 1890 approved by the Governor on September 23, 1996.

Spinning Reserve

The portion of unloaded synchronized generating capacity that is immediately responsive to system frequency and that is capable of being loaded in ten minutes, and that is capable of running for at least two hours.

Suggested Adjusted Schedule

The output of the ISO's initial Congestion Management for each Scheduling Coordinator for the Day-Ahead Market ("Suggested Adjusted Day-Ahead Schedule") or for the Hour-Ahead Market ("Suggested Adjusted Hour-Ahead Schedule"). These Schedules will reflect ISO suggested adjustments to each Scheduling Coordinator's Preferred Schedule to resolve Inter-Zonal Congestion on the ISO Controlled Grid, based on the Adjustment Bids submitted. These schedules will be balanced with respect to Generation, Transmission

hour ending 0100 and ending at the end of the hour ending 2400 daily, except where there is a change to and from daylight savings time.

Transfer Schedule

A Schedule for Energy that is delivered from one Scheduling Coordinator to another. Each Transfer Schedule must originate and terminate completely within the ISO Control Area and may not involve more than two (one sending and one receiving) Scheduling Coordinators.

Transition Charge

The charge or periodic charge assessed to customers to recover the reasonable uneconomic portion of costs associated with Generation-related assets and obligations, nuclear decommissioning, and capitalized Energy efficiency investment programs approved prior to August 15, 1996 and as defined in the California Assembly Bill No. 1890 approved by the Governor on September 23, 1996.

Transition Period

The period of time established by the California Legislature and CPUC to allow IOUs and Local Publicly Owned Electric Utilities an opportunity to recover Transition Costs or Severance Fees.

Transmission Losses

Energy that is lost as a natural part of the process of transmitting Energy from Generation to Load delivered

relating to the Ex Parte Interim Approval of a Loan Guarantee and Trust Mechanism to Fund the Development of an Independent System Operator (ISO) and a Power Exchange (PX) pursuant to Decision 95-12-063 as modified.

UDC (Utility Distribution Company)

An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.

Unaccounted for Energy (UFE)

UFE is the difference in Energy, for each UDC Service Area and Settlement Period, between the net Energy delivered into the UDC Service Area, adjusted for UDC Service Area Transmission Losses (calculated in accordance with Section 7.4.2), and the total metered Demand within the UDC Service Area adjusted for distribution losses using Distribution System loss factors approved by the Local Regulatory Authority. This difference is attributable to meter measurement errors, power flow modeling errors, energy theft, statistical

Load profile errors, and distribution loss deviations.

Uncontrollable Force

Any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of the ISO or Market Participant which could not be avoided through the exercise of Good Utility Practice.

Uninstructed Imbalance Energy

The real time change in Generation or Demand other than that instructed by the ISO or which the ISO Tariff provides will be paid at the price for Uninstructed Imbalance Energy.

Unit Commitment

The process of determining which Generating Units will be committed (started) to meet Demand and provide Ancillary Services in the near future (e.g., the next Trading Day).

Usage Charge

The amount of money, per 1 kW of scheduled flow, that the ISO charges a Scheduling Coordinator for use of a specific congested Inter-Zonal Interface during a given hour.

Voltage Limits

For all substation busses, the normal and post-contingency Voltage Limits (kV). The bandwidth for normal Voltage Limits must fall within the bandwidth of the post-contingency Voltage Limits. Special voltage limitations for abnormal operating conditions such as heavy or light Demand may be specified.

Voltage Support

Services provided by Generating Units or other equipment such as shunt capacitors, static var compensators, or synchronous condensers that are required to maintain established grid voltage criteria. This service is required under normal or system emergency conditions.

Warning Notice

A Notice issued by the ISO when the operating requirements for the ISO Controlled Grid are not met in the Hour-Ahead Market, or the quantity of Regulation, Spinning Reserve, Non-Spinning Reserve, Replacement Reserve and Supplemental Energy available to the ISO does not satisfy the Applicable Reliability Criteria.

WENet (Western Energy Network)

An electronic network that facilitates communications and data exchange among the ISO, Market Participants and the public in relation to the status and operation of the ISO Controlled Grid.

Wheeling

Wheeling Out or Wheeling Through.

Wheeling Access Charge

The charge assessed by the ISO that is paid by a Scheduling Coordinator for Wheeling. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996.

Wheeling Out

Except for Existing Rights and Non-Converted Rights exercised under an Existing Contract in accordance with Sections 2.4.3 and 2.4.4, the use of the ISO Controlled Grid for the transmission of Energy from a Generating Unit located within the ISO Controlled Grid to serve a

