

SCHEDULING PROTOCOL (SP)

SP 1 OBJECTIVES, DEFINITIONS AND SCOPE

SP 1.1 Objectives

The objectives of this Protocol are:

- (a) to process the scheduling input data (submitted to the ISO under the Ancillary Service Requirements Protocol (ASRP), the Demand Forecasting Protocol (DFP), and the Schedules and Bids Protocol (SBP)) in order to develop Final Schedules for the Day-Ahead and Hour-Ahead Markets (real time management of the ISO Controlled Grid is addressed in the Dispatch Protocol (DP));
- (b) to provide for the scheduling of the use of Firm Transmission Rights and use of transmission service rights under Existing Contracts;
- (c) to assist the ISO in purchasing Ancillary Services; and
- (d) to manage Congestion.

SP 1.2 Definitions

SP 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 or an Appendix is to a Section or an Appendix of the ISO Tariff. References to SP are to this Protocol or to the stated paragraph of this Protocol.

SP 1.2.2 Special Definitions for this Protocol

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

“**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.

SP 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

- (d) an estimate of the Ancillary Services requirements for the ISO Control Area (see the ASRP for the details on these requirements);
- (e) a forecast of Loop Flows over interfaces with other Control Areas;
- (f) a forecast of the potential for Congestion conditions;
- (g) a forecast of total and Available Transfer Capacity over certain rated transmission paths and Inter-Zonal Interfaces.

SP 3.2.2 By 6:00 am, One Day Ahead

By 6:00 am on the day ahead of the Trading Day (for example, by 6:00 am on Tuesday for the Wednesday Trading Day), the following information flows for each Settlement Period of the Trading Day will be required to take place:

- (a) SCs will provide, via WEnet, the ISO with forecasts of their Direct Access Demand by UDC Service Area ;
- (b) the ISO will publish, via WEnet, an updated forecast of system Demands and of the Ancillary Services requirements; and
- (c) the ISO will validate (in accordance with the SBP) the information submitted above by SCs and UDCs.

SP 3.2.3 By 6:30 am, One Day Ahead

By 6:30 am on the day ahead of the Trading Day (for example, by 6:30 am on Tuesday for the Wednesday Trading Day) and for each Settlement Period of the Trading Day: the ISO will provide to UDCs, via WEnet, the sum of the SCs' Direct Access Demand forecasts by UDC Service Area; and

SP 3.2.4 By 8:00 am, One Day Ahead

By 8:00 am on the day ahead of the Trading Day (for example, by 8:00 am on Tuesday for the Wednesday Trading Day), and for each Settlement Period of that Trading Day, Firm Transmission Rights owners will notify the ISO, via the Secondary Registration System or other means established by the ISO, of any transaction of Firm Transmission Rights and of any changes in SCs' rights to schedule the use of Firm Transmission Rights at particular Inter-Zonal Interfaces.

SP 3.2.5 By 8:30 am, One Day Ahead

By 8:30 am on the day ahead of the Trading Day (for example, by 8:30 am on Tuesday for the Wednesday Trading Day), and for each Settlement Period of that Trading Day, Participating Transmission Owners will notify the ISO, via e-mail of an electronic spreadsheet or other means established by the ISO, of the amounts of transmission capacity to reserve for its transmission service customers under Existing Contracts at particular Inter-Zonal Interfaces. Upon receiving this information, the ISO will, by 9:00 am, calculate the Firm Transmission Rights available on each Inter-Zonal Interface after taking into account transfer capabilities and Existing Contract transmission capacity reservations, and then publish adjusted scheduling rights for SCs scheduling the use of Firm Transmission Rights and Existing Contract rights. After publishing the adjusted scheduling rights for Existing Contract rights and Firm Transmission Rights, SCs may submit contract usage templates (in accordance with the SBP) for validation by the ISO prior to the ISO's deadline for receiving Preferred Day-Ahead Schedules.

SP 3.2.6 By 10:00 am, One Day Ahead

SP 3.2.6.1 Actions by SCs and the ISO

By 10:00 am on the day ahead of the Trading Day (for example, by 10:00 am on Tuesday for the Wednesday Trading Day) and for each Settlement Period of that Trading Day (see SP 3.2.6.2 for information on the pre-validation performed at ten (10) minutes prior to the 10:00 am deadline):

- (a) SCs will submit their Preferred Day-Ahead Schedules to the ISO in accordance with the SBP;
- (b) SCs will submit, as part of their Preferred Day-Ahead Schedules, their Adjustment Bids, if any, to the ISO in accordance with the SBP;
- (c) SCs will submit their Ancillary Services bids, if any, to the ISO in accordance with the SBP and SP 9;
- (d) SCs will submit their schedules for self-provided Ancillary Services, if any, to the ISO in accordance with the SBP and SP 9;
- (e) the ISO will validate (in accordance with the SBP) all SC submitted Preferred Day-Ahead Schedules for Energy and Adjustment Bids and may assist SCs to resolve mismatches in scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades in accordance with the procedure described in SP 3.2.6.4;
- (f) the ISO will validate (in accordance with the SBP) all SC submitted schedules for self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids which were part of their Preferred Day-Ahead Schedules;
- (g) the ISO will validate (in accordance with the SBP) all contract usage templates received from SCs for scheduled uses of Existing Contract rights and Firm Transmission Rights;
- (h) the ISO will start the first iteration of Inter-Zonal Congestion Management process as described in SP 10;
- (i) the ISO will start the Ancillary Services bid evaluation process as described in SP 9; and
- (j) the ISO will notify SCs of any Reliability Must-Run Units which have not been included in Preferred Day-Ahead Schedules but which the ISO requires to run in the Trading Day, except in those instances where a Reliability Must-Run Unit requires more than one day's notice, in which case the ISO may notify the applicable SC more than one day in advance of the Trading Day and except for those Reliability Must-Run Units that the ISO may subsequently call upon for Ancillary Services capacity pursuant to Section 5.2 of the Tariff.

SP 3.2.6.2 Pre-validation

At 10 minutes prior to the deadline for submittal of the Preferred Day-Ahead Schedules, Adjustment Bids, schedules for self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids (the "submittal"), the ISO shall conduct a pre-validation of the stage two validation described in the SBP. The purpose of this is to allow the SCs,

particularly those involved in the Inter-Scheduling Coordinator Energy Trades, to identify and resolve any validation problems. The ISO will immediately communicate the results of each SC's pre-validation to that SC via WEnet.

SP 3.2.6.3 Invalidation

Except with respect to invalidated contract usage associated with Existing Contract rights or Firm Transmission Rights, invalidation of the submittal for any Settlement Period results in rejection of the submittal for all Settlement Periods of the relevant Trading Day. SCs will be notified of any invalid contract usage via an invalidated contract usage template issued, via the WEnet, by the ISO. Invalidation of contract usage will not cause the rejection of the SC's submittal; instead, invalid contract usage will be treated as new firm uses of ISO transmission service without the priorities and protections afforded the scheduled use of Existing Contract rights and Firm Transmission Rights. During the initial operations of the ISO, the ISO may assist SCs to resolve mismatches in the scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades contained in their Preferred Schedules in accordance with SP 3.2.6.4. Except with respect to contract usage templates (for which SCs can check whether or not their submittal will pass the ISO's validation checks between 9:00 am and 10:00 am), SCs may check at any time prior to 10:00 am whether or not their submittal will pass the ISO's validation checks at 10:00 am. It is the responsibility of the SCs to perform such checks since Preferred Day-Ahead Schedules, Adjustment Bids, Schedules of self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids which are invalidated cannot be resubmitted after 10:00 am for the Day-Ahead Market, except that, during the initial period of ISO operations, the ISO will allow resubmission of Preferred Schedules which have mismatches in the scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades. The ISO will immediately communicate the results of each SC's 10:00 am validation to that SC via WEnet.

SP 3.2.6.4 Inter-Scheduling Coordinator Energy Trades - Mismatches

During the initial period of ISO operations, if the ISO detects a mismatch in the scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades, the ISO will promptly notify both the receiving and sending SCs that a mismatch exists and will specify the time, which will allow them approximately one half-hour, by which they may submit modified Schedules which resolve the mismatch. If the SCs are unable to resolve the mismatch as to quantities in the allotted time and provided there is no dispute as to

whether the trade occurred or over its location, then the ISO may adjust the SCs' Schedules in accordance with the following procedure:

- (a) The ISO will determine which Schedule contains the higher scheduled quantity of Energy for the Inter-Scheduling Coordinator Energy Trade and will reduce it so that it is equal to the lower scheduled quantity. However, if the Schedule specifying the higher scheduled quantity of Energy contains only Inter-Scheduling Coordinator Energy Trades, the ISO will increase the Schedule specifying the lower quantity of

Energy so that it is equal to the higher scheduled quantity of Energy.

- (b) If there is a dispute between the SCs as to whether the trade occurred or over its location, the ISO will remove the disputed trade from the Schedules in which it appears.
- (c) As a consequence of the adjustments under (a) or (b) above, the SCs whose Schedules have been adjusted will no longer have a Balanced Schedule. The ISO will adjust their resources based on the following priority: Demands, exports, imports, Generation, and other Inter-Scheduling Coordinator Energy Trades.
- (d) The adjustments to each SC's portfolio will be based on the Adjustment Bids provided by the SC.
- (e) The ISO will notify each SC whose Schedule has been adjusted as to the adjustment in its Schedule.

SP 3.2.7 By 11:00 am, One Day Ahead

By 11:00 am on the day ahead of the Trading Day (for example, by 11:00 am on Tuesday for the Wednesday Trading Day) and for each Settlement Period of that Trading Day:

- (a) the ISO will complete the first iteration of the Inter-Zonal Congestion Management process described in SP 10 (if Inter-Zonal Congestion does not exist in any Settlement Period of the Trading Day, the scheduling process will continue with the steps at SP 3.2.9);
- (b) the ISO will provide, via WEnet, Suggested Adjusted Day-Ahead Schedules for Energy to all SCs which submitted Preferred Day-Ahead Schedules at 10:00 am, including the SCs which it is proposed should, as a result of Inter-Zonal Congestion Management, have their Preferred Day-Ahead Schedules modified;
- (c) the ISO will publish on WEnet the estimated Day-Ahead Usage Charge rate (in \$/MWh of scheduled flow) for Energy transfers between Zones;
- (d) the ISO will provide, via WEnet, along with the Suggested Adjusted Day-Ahead Schedules, schedules for Ancillary Services to the SCs which either:
 - (i) submitted Ancillary Services bids and which, as a result, are proposed to supply Ancillary Services; or

- (ii) submitted schedules to self-provide Ancillary Services and which schedules have been accepted by the ISO;
- (e) the ISO will provide, via WEnet, the available contract capacity template associated with the SC's scheduled use of any Existing Contract rights or Firm Transmission Rights. If any derate of an Inter-Zonal Interface has occurred, the ISO will provide, via WEnet, the invalidated usage information template.

SP 3.2.8 By 12:00 Noon, Day Ahead

By 12:00 noon on the day ahead of the Trading Day (for example, by 12:00 noon on Tuesday for the Wednesday Trading Day) and for each Settlement Period of that Trading Day (except where Inter-Zonal Congestion does not exist, in which case, the scheduling process will omit this step):

SP 3.2.8.1 Actions by SCs and the ISO

- (a) SCs will submit Revised Day-Ahead Schedules to the ISO, in response to the ISO's Suggested Adjusted Day-Ahead Schedules, in accordance with the SBP;
- (b) SCs will submit, as part of their Revised Day-Ahead Schedules, revised Adjustment Bids (allowing the range of usage to change, but not the prices), if any, to the ISO in accordance with the SBP;
- (c) SCs will submit revised Ancillary Services bids, if any, to the ISO in accordance with the SBP and SP 9;
- (d) SCs will submit their schedules for self-provided Ancillary Services, if any, to the ISO in accordance with the SBP and SP 9;
- (e) the ISO will validate (in accordance with the SBP) all SC submitted Revised Day-Ahead Schedules for Energy and Adjustment Bids and may assist SCs to resolve mismatches in scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades in accordance with the same procedure described in SP 3.2.8.4;
- (f) the ISO will validate (in accordance with the SBP) all SC submitted schedules for self-provided Ancillary Services and Ancillary Services bids which were part of their Revised Day-Ahead Schedules;

- (g) the ISO will validate (in accordance with the SBP) all contract usage templates received from SCs for scheduled uses of Existing Contract rights and Firm Transmission Rights;
- (h) the ISO will start the second (and final) iteration of the Inter-Zonal Congestion Management process as described in SP 10;
- (i) the ISO will start the second (and final) iteration of the Ancillary Services bid evaluation process as described in SP 9; and

- (j) the ISO will use the SC's Preferred Day-Ahead Schedule in the event the SC does not submit a Revised Day-Ahead Schedule. If a SC desires to revise only part of its Preferred Day-Ahead Schedule, those portions of the Revised Day-Ahead Schedule must be submitted, including both the removal of any resources in the Preferred Day-Ahead Schedule which are not to be included in the Revised Day-Ahead Schedule and the addition of any resources that were not included in the Preferred Day-Ahead Schedule but that are to be included in the Revised Day-Ahead Schedule. A SC's failure to remove such resources will cause the Revised Schedule to be unbalanced, and rejected as such in the ISO's validation process.

SP 3.2.8.2 Pre-validation

At 10 minutes prior to the deadline for submittal of the Revised Day-Ahead Schedules, Adjustment Bids, schedules for self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids (the "submittal"), the ISO shall conduct a pre-validation of the stage two validation described in the SBP. The purpose of this is to allow the SCs, particularly those involved in Inter-Scheduling Coordinator Energy Trades, to identify and resolve any validation problems. The ISO will immediately communicate the results of the pre-validation of each SC's submittal to that SC via WEnet.

SP 3.2.8.3 Invalidation

Except with respect to invalidated contract usage associated with Existing Contract rights or Firm Transmission Rights, invalidation of the submittal for any Settlement Period results in rejection of the submittal for all Settlement Periods of the relevant Trading Day. SCs will be notified of any invalid contract usage via an invalidated contract usage template issued, via the WEnet, by the ISO. Invalidation of contract usage will not cause the rejection of the SC's submittal; instead, invalid contract usage will be treated as new firm uses of ISO transmission service without the priorities and protections afforded the scheduled use of Existing Contract rights and Firm Transmission Rights. During the initial operations of the ISO, the ISO may assist SCs to resolve mismatches in the scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades in accordance with 3.2.8.4. Except with respect to contract usage templates, SCs may check at any time prior to 12:00 noon whether or not their submittal will pass the ISO's validation checks (which are undertaken at 12:00 noon). It is the responsibility of the SCs to perform such checks since Revised Day-

Ahead Schedules, Adjustment Bids, schedules of self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids which are invalidated cannot be resubmitted after 12:00 noon for the Day-Ahead Market, except that during the initial period of operations, the ISO will allow resubmission of Schedules to resolve mismatches in the scheduled quantities and locations for Inter-Scheduling Coordinator Energy Trades. The ISO will immediately communicate the results of each SC's 12:00 noon validation to that SC via WEnet.

Periods of the Trading Day (but only between 1:00 pm and 12:00 midnight the day before).

- (c) For each Hour-Ahead Market of the Trading Day the ISO's validation of SC's contract usage templates, associated with Existing Contract rights or Firm Transmission Rights, will be performed. If a derate of an Inter-Zonal Interface has occurred which affects an SC's Final Day-Ahead Schedule or Ancillary Service commitments, the ISO will notify the SC, via the WEnet, of its available contract capacity. Additionally, the ISO will validate SCs' scheduled usage against SCs' contract usage templates and notify SCs of any invalidated usage. Such validations and notifications associated with contract usage, available contract capacities and invalidated contract usage will occur during the two hours prior to the ISO's deadline for receiving Preferred Hour-Ahead Schedules.

SP 3.3.1 By Two Hours Ahead

By two hours ahead of the Settlement Period (for example, by 10:00 am for the Settlement Period starting at 12:00 noon [or hour ending 1300]) and with respect to that Settlement Period:

SP 3.3.1.1 Actions by SCs and the ISO

- (a) SCs will submit their Preferred Hour-Ahead Schedules to the ISO in accordance with the SBP;
- (b) SCs will submit, as part of their Preferred Hour-Ahead Schedules, their Adjustment Bids, if any, to the ISO in accordance with the SBP;

- (c) SCs will submit their Ancillary Services bids, if any, to the ISO in accordance with the SBP and SP 9;
- (d) SCs will submit their Schedules for self-provided Ancillary Services and Inter-Scheduling Coordinator Ancillary Service Trades, if any, to the ISO in accordance with the SBP and SP 9;
- (e) the ISO will validate (in accordance with the SBP) all SC submitted Preferred Hour-Ahead Schedules for Energy and Adjustment Bids;
- (f) SCs will submit contract usage templates for scheduled uses of Existing Contract Rights and Firm Transmission Rights in accordance with the Hour-Ahead Market schedule, including usage template changes needed in response to line derations;
- (g) the ISO will validate (in accordance with the SBP) all contract usage templates received from SCs for scheduled uses of Existing Contract rights and Firm Transmission Rights;
- (h) the ISO will validate (in accordance with the SBP) all SC submitted Schedules for self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids which were part of their Preferred Hour-Ahead Schedules;
- (i) the ISO will start the Inter-Zonal Congestion Management process as described in SP 10; and
- (j) the ISO will start the Ancillary Services bid evaluation process as described in SP 9.

SP 3.3.1.2 Pre-validation

At 10 minutes prior to the deadline for submittal of the Preferred Hour-Ahead Schedules, Adjustment Bids, schedules for self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades, and Ancillary Services bids (the "submittal"), the ISO shall conduct a pre-validation of the stage two validation described in the SBP. The purpose of this is to allow the SCs, particularly those involved in the Inter-Scheduling Coordinator Energy Trades, to identify and resolve any validation problems. The ISO will immediately communicate the results of the pre-validation of each SC's submittal to that SC via WEnet.

SP 3.3.1.3 Invalidation

Except with respect to invalidated contract usage associated with Existing Contract rights or Firm Transmission Rights, invalidation of the submittal results in rejection of the submittal. SCs will be notified of any invalid contract usage via an invalidated contract usage template issued, via the WEnet, by the ISO. Invalidation of contract usage will not cause the rejection of the SC's submittal;

instead, invalid contract usage will be treated as new firm uses of ISO transmission service without the priorities and protections afforded the scheduled use of Existing Contract rights and Firm Transmission Rights. SCs may check at any time prior to two hours ahead of the relevant Settlement Period whether or not their submittals will pass the ISO's validation checks (which are undertaken at two hours ahead of the Settlement Period). It is the responsibility of SCs to perform such checks since Preferred Hour-Ahead Schedules, Adjustment Bids, schedules of self-provided Ancillary Services, Inter-Scheduling Coordinator Ancillary Service Trades and Ancillary Services bids which are invalidated cannot be resubmitted for the Hour-Ahead Market after two hours ahead of the relevant Settlement Period. The ISO will immediately communicate the results of each SC's two hour ahead validation to that SC via WEnet. If the usage or sum of the usages associated with an Existing Transmission Contract results in the contract being over-scheduled, the usages will be adjusted such that a usage in excess of the ETC rights will be considered a New Firm Use (NFU) and will be exposed to Congestion charges.

next Trading Day. Each day, at 6:00 pm, the ISO will calculate and publish, via WEnet, the GMMs applicable to the Day-Ahead Markets and the Hour-Ahead Markets for the eighth (8th) Trading Day forward. In other words, if the current Trading Day is day 0, the ISO will publish at 6:00 pm today, via WEnet, the GMMs for Trading Days 2 through 8. On Trading Day 1, at 6:00 pm, the ISO will drop the GMMs for Trading Day 1 and add the newly calculated GMMs for Trading Day 9, with the GMMs for Trading Days 3 through 8 remaining the same.

SP 4.2 Generator Meter Multipliers (GMMs)

SP 4.2.1 Derivation of GMMs

- (a) The ISO will utilize the Power Flow Model to determine the GMMs which will be used to allocate, to each Generating Unit and external import, scheduled and Ex Post Transmission Losses.
- (b) For each Settlement Period, the GMMs will be first calculated before SCs submit Day-Ahead Preferred Schedules. Prior to the time when SCs are required to submit their Day-Ahead Preferred Schedules, the ISO will forecast the total Control Area Demand. This forecast, along with the ISO forecast of Generation and Demand patterns throughout the ISO Control Area, will be used to develop estimated GMMs for each Generating Unit and each external import. The ISO will calculate and publish (in accordance with SP 3.2.1) GMMs for each Settlement Period to reflect different expected Generation and Demand patterns and expected operations and maintenance requirements, such as line Outages, which could affect Transmission Loss determination and allocation.
- (c) The ISO will utilize the real time Power Flow Model to calculate Ex Post GMMs to allocate Ex Post Transmission Losses to each Generating Unit and each external import. This run of the Power Flow Model will use metered Generation and Demand. Any difference between scheduled and Ex Post Transmission Losses will be considered as an Imbalance Energy deviation and will be purchased or sold in the Real Time Market at the Hourly Ex Post Price.

with Section 2.4.4.5.1.4 of the ISO Tariff, the four categories are as follows:

- (a) transmission capacity that must be reserved for firm Existing Rights and firm Non-Converted Rights;
- (b) transmission capacity that may be allocated for use as ISO transmission service (i.e., "new firm uses");
- (c) transmission capacity that may be allocated by the ISO for conditional firm Existing Rights and conditional firm Non-Converted Rights; and
- (d) transmission capacity that may remain for any other uses, such as non-firm Existing Rights and non-firm Non-Converted Rights for which the Responsible PTO has no discretion over whether or not to provide such non-firm service.

SP 7.2.2 Prioritization of Transmission Uses

The following rules are designed to enable the ISO to honor Existing Contracts in accordance with Sections 2.4.3 and 2.4.4 of the ISO Tariff, except as may be limited by the operation of SP 7.4. Regardless of the success of the application of such rules, it is intended that the rights under Existing Contracts will be honored as contemplated by the ISO Tariff except as may be limited by the operation of SP 7.4. In each of the categories described in SP 7.2.1, the terms and conditions of service may differ among transmission contracts. These differences will be described by each Responsible PTO in the instructions submitted to the ISO in advance of the scheduling process in accordance with the SBP. In addition, Generation, Inter-Scheduling Coordinator Energy Trade imports or external imports in one Zone must be matched by an equal magnitude of Demand, Inter-Scheduling Coordinator Energy Trade exports or external exports in an adjacent Zone (see SP 7.2.3 for a summary of allowable linkages). Scheduling and curtailment priorities associated with each category will be defined by SCs through the use of contract usage templates submitted as part of their Schedules as described in the SBP.

- (a) Transmission capacity for Schedules will be made available to holders of firm Existing Rights and firm Non-Converted Rights in accordance with this SP and the terms and conditions of their Existing Contracts. In the event that the firm uses of these rights must be curtailed, they will be

curtailed on the basis of priority expressed in contract usage templates. So as not to be curtailed before any other scheduled use of Congested Inter-Zonal Interface capacity, the ISO's Congestion Management software will assign high priced Adjustment Bids to the scheduled uses (for example, a difference of \$130,000/MWh to \$140,000/MWh for Demand or external exports and a difference of -\$130,000/MWh to -\$140,000/MWh for Generation or external imports). This range will be reserved strictly for use in association with the prioritization of firm Existing Rights and firm Non-Converted Rights to use available Inter-Zonal Interface transmission capacity. These high priced Adjustment Bids are only for the ISO's use, in the context of Congestion Management, in recognizing the various levels of priority that may exist among the scheduled uses of firm transmission service. These high priced Adjustment Bids will not affect any other rights under Existing Contracts. To the extent that the MW amount exceeds the MW amount specified in the Existing Contract, the excess scheduled amount will be treated as a new firm use of ISO transmission services as described in (b) below. Note that, in some instances, for a particular Inter-Zonal Interface, there may be multiple SCs submitting Schedules under several different Existing Contracts on behalf of several Existing Contract rights holders. In these circumstances, and to the extent the rights holders desire to coordinate the prioritization of their firm uses of the Inter-Zonal Interface, their SCs will make the arrangements among themselves ahead of the ISO's scheduling process. In the absence of a valid contract usage template associated with Existing Contract rights, the ISO will treat the scheduled use of transmission service as a "price-taker" of ISO transmission service subject to Usage Charges.

- (b) ISO transmission service (i.e., "new firm uses") will be priced in accordance with the ISO Tariff. Usage Charges associated with the ISO's Congestion Management procedures, as described in SP 10, will be based on Adjustment Bids. In the absence of an Adjustment Bid, the ISO will treat the scheduled "new firm use" of ISO transmission service as a price taker paying the Usage Charge established by the highest valued use of transmission capacity between the relevant Zones.

- (c) Transmission capacity will be made available to holders of conditional firm Existing Rights and conditional firm Non-Converted Rights in a manner similar to that done prior to the ISO Operations Date; that is, allocated, as available, based on the agreed priority. The levels of priority will be expressed in the contract usage templates associated with the Schedules. To the extent that the MW amount in a schedule exceeds the MW amount specified in the contract usage template, the excess scheduled amount will be treated as a new firm use of ISO transmission services as described in (b) above. Note that, in some instances, for a particular Inter-Zonal Interface, there may be multiple SCs submitting Schedules under several different Existing Contracts on behalf of several Existing Contract rights holders. In these circumstances, and to the extent the rights holders desire to coordinate the prioritization of their conditional firm uses of the Inter-Zonal Interface, their SCs will make the arrangements among themselves ahead of the ISO's scheduling process. In the absence of a valid contract usage template associated with Existing Contract rights, the ISO will treat the scheduled use of transmission service as a "price-taker" of ISO transmission services subject to Usage Charges.
- (d) Transmission capacity will be made available to holders of non-firm Existing Rights and non-firm Non-Converted Rights in a manner similar to that done prior to the ISO Operations Date; that is, treated as the lowest valued use of available transmission capacity. Non-firm uses of transmission capacity under Existing Contracts will be indicated in

Schedules submitted by SCs as \$0.00/MWh Adjustment Bids. Therefore, there will be no contract reference number associated with non-firm Existing Contract rights.

SP 7.2.3 Allowable Existing Contract Linkages

As indicated in SP 7.2.2, Generation, Inter-Scheduling Coordinator Energy Trade imports or external imports in one Zone must be matched by an equal magnitude of Demand, Inter-Scheduling Coordinator Energy Trade exports or external exports in the same Zone or in an adjacent Zone. The table below summarizes the allowable linkages.

Generation	Demand
Generation	External Export
Generation	Inter-SC Energy Trade Export
External Import	Demand
External Import	External Export
External Import	Inter-SC Energy Trade Export
Inter-SC Energy Trade Export	Demand
Inter-SC Energy Trade Export	External Export
Inter-SC Energy Trade Export	Inter-SC Energy Trade Export
Inter-SC Ancillary Service Trade	Inter-SC Ancillary Service Trade

SP 7.3 The Day-Ahead Process

SP 7.3.1 Validation

The ISO will coordinate the scheduling of the use of Existing Rights and Non-Converted Rights with new firm uses in the Day-Ahead process. The ISO will validate the Schedules submitted by SCs on behalf of the rights holders for conformity with the instructions previously provided by the Responsible PTO in accordance with the SBP. Invalid Schedules will be rejected and the ISO will immediately communicate the results of each SC's validation to that SC via WEnet.

release these unused rights as available for new firm uses (not subject to recall).

SP 7.3.3 Reservation of Firm Transmission Capacity

As an initial step in performing its Day-Ahead Congestion Management analysis, the ISO will determine the amount of transmission capacity that is available and subject to its Protocols by subtracting, from the total transfer capability of the Inter-Zonal Interface, the unused portions of capacity applicable to firm Existing Rights and firm Non-Converted Rights. For purposes of Congestion Management, the total transfer capability of the Inter-Zonal Interface is therefore adjusted downward by an amount equal to the unused portions of firm Existing Rights and firm Non-Converted Rights. By reserving these blocks of unused transmission capacity, Existing Contracts rights holders are able to schedule the use of their transmission service on the timelines provided in their Existing Contracts after the deadline of the ISO's Day-Ahead scheduling process (in other words, after 1:00 pm on the day preceding the Trading Day), but prior to the deadline of the ISO's Hour-Ahead scheduling process (in other words, two hours ahead of the Settlement Period).

SP 7.3.4 Allocation of Inter-Zonal Interface Capacities

In the ISO's Congestion Management analysis of the Day-Ahead Market, for each Inter-Zonal Interface:

- (a) if all scheduled uses of transmission service fit within the adjusted total transfer capability, all are accepted (in other words, there is no Congestion);
- (b) if all scheduled uses of transmission service do not fit within the adjusted total transfer capability, scheduled uses of non-firm Existing Rights and non-firm Non-Converted Rights will be curtailed, pro rata, to the extent necessary. If the remaining scheduled uses of transmission service still do not fit within the adjusted total transfer capability, uses of conditional firm Existing Rights and conditional firm Non-Converted Rights will be curtailed (based upon the levels of priority expressed in the contract usage templates for Schedules as described in SP 7.2.2 (c)) to the extent necessary;
- (c) if Congestion still exists after curtailing all lower priority schedules (e.g. requesting non-firm and conditional firm uses of transmission service under Existing Contracts), the remaining transmission capacity (that is not already reserved as firm Existing Rights and firm Non-

Converted Rights) is priced based upon Adjustment Bids. To the extent there are insufficient Adjustment Bids to fully mitigate the remaining Congestion, the default Usage Charge will apply and the ISO will curtail ISO transmission service (in other words, new firm uses other than Firm Transmission Rights uses evaluated in the Day-Ahead process), *pro rata*, to the extent necessary;

- (d) If congestion still exists after curtailing all new firm uses (other than Firm Transmission Rights uses) in the Day-Ahead scheduling process, scheduled uses of Firm Transmission Rights are then curtailed, *pro rata*, to the extent necessary; and
- (e) if Congestion still exists after curtailing ISO new firm uses and uses of Firm Transmission Rights, scheduled uses of firm Existing Rights and firm Non-Converted Rights are then curtailed (based upon the priorities expressed in the contract usage templates associated with the Schedules as described in SP 7.2.2 (a)) to the extent necessary.

SP 7.4 The Hour-Ahead Process

SP 7.4.1 Validation

The ISO will coordinate the scheduling of the use of Existing Rights and Non-Converted Rights with new firm uses, in the Hour-Ahead process. The ISO will validate the submitted Schedules for conformity with the instructions provided by the Responsible PTOs, in accordance with the SBP. Invalid schedules will be rejected and the ISO will immediately communicate the results of each SC's validation to that SC via WEnet.

SP 7.4.2 Scheduling Deadlines

Those rights holders who must schedule the use of their rights by the deadline for the submission of Schedules in the Hour-Ahead Market must do so. After this time, the ISO will release these unused rights as available for new firm uses (not subject to recall).

SP 7.4.3 Acceptance of Firm Transmission Schedules

Before allocating any remaining transmission capacity under the following provisions of this SP 7, the ISO will accept Schedules associated with firm Existing Rights and firm Non-Converted Rights (subject to validation under SP 7.4.1), allocating transmission capacity for use by these rights holders.

SP 7.4.4 Reservation of Firm Transmission Capacity

The ISO will adjust the total transfer capabilities of Inter-Zonal Interfaces with respect to firm Existing Rights and firm Non-Converted Rights as it does in its Day-Ahead process described in this SP 7.3.3. Therefore, holders of Existing Rights and Non-Converted Rights are still able to exercise whatever scheduling

flexibility they may have under their Existing Contracts after the Schedules and bids submittal deadline of the ISO's Hour-Ahead scheduling process, as described further in SP 7.5.

SP 7.4.5 Allocation of Inter-Zonal Interface Capacities

In the ISO's Congestion Management analysis of the Hour-Ahead Market, for each Inter-Zonal Interface:

- (a) if all scheduled uses of transmission service fit within the total transfer capability, all are accepted (in other words, there is no Congestion);
- (b) if all scheduled uses of transmission service do not fit within the total transfer capability, scheduled uses of non-firm Existing Rights and non-firm Non-Converted Rights will be curtailed, pro rata, to the extent necessary. If the remaining scheduled uses of transmission service still do not fit within the total transfer capability, scheduled uses of conditional firm Existing Rights and conditional firm Non-Converted Rights will be curtailed (based upon the levels of priority expressed in the contract usage templates for the Schedules as described in SP 7.2.2 (c)) to the extent necessary;
- (c) if Congestion still exists after curtailing all lower priority schedules (e.g. representing non-firm and conditional firm uses of transmission service under Existing Contracts), the remaining transmission capacity (the subject of firm Existing Rights and firm Non-Converted Rights) is priced based upon Adjustment Bids. To the extent there are insufficient Adjustment Bids to fully mitigate the remaining Congestion, the default Usage Charge will apply and the ISO will curtail ISO transmission service (in other words, new firm uses including new firm uses of Firm Transmission Rights), pro rata, to the extent necessary; and
- (d) if Congestion still exists after curtailing ISO new firm uses, scheduled uses of firm Existing Rights and firm Non-Converted Rights will be curtailed (based upon the priorities expressed in the contract usage templates associated with the Schedules as described in SP 7.2.2 (a)) to the extent necessary.

SP 7.5 The ISO's Real-Time Process

Consistent with SP 7.4.4, the ISO will honor those scheduling flexibilities that may be exercised by holders of Existing Rights and Non-Converted Rights through their respective SCs during the ISO's