2.2.3.2 Each Scheduling Coordinator, UDC or MSS shall either maintain an Approved Credit Rating or provide in favor of the ISO one of the following forms of security for an amount to be determined by the Scheduling Coordinator, UDC or MSS and notified to the ISO under Section 2.2.7.3:

(a) an irrevocable and unconditional letter of credit confirmed by a bank or financial institution reasonably acceptable to the ISO;

(b) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the ISO;

(c) an unconditional and irrevocable guarantee by a company which has and maintains an Approved Credit Rating;

(d) a cash deposit standing to the credit of an interest bearing escrow account maintained at a bank or financial institution designated by the ISO;

(e) a certificate of deposit in the name of the ISO from a financial institution designated by the ISO; or

(f) a payment bond certificate in the name of the ISO from a financial institution designated by the ISO.

Letters of credit, guarantees, surety bonds, payment bond certificates, escrow agreements and certificates of deposit shall be in such form as the ISO may reasonably require from time to time by notice to Scheduling Coordinators, UDCs or MSSs. A Scheduling Coordinator, UDC or MSS which does not maintain an Approved Credit Rating shall be subject to the limitations on trading set out in Section 2.2.7.3.

2.2.3.3 Review of Creditworthiness.

The ISO may review the creditworthiness of any Scheduling Coordinator, UDC or MSS which delays or defaults in making payments due under the ISO Tariff and, as a consequence of that review, may require such Scheduling Coordinator, UDC or MSS, whether or not it has (or is deemed to have) an Approved Credit Rating, to provide credit support in the form of:

(a) an irrevocable and unconditional letter of credit by a bank or financial institution reasonably acceptable to the ISO; or

(b) a cash deposit standing to the credit of an interest-bearing escrow account maintained at a bank or financial institution designated by the ISO.

The ISO may require the Scheduling Coordinator, UDC or MSS to maintain such credit support for at least one (1) year from the date of such delay or default.

* * *

2.2.7.3 Limitation on Trading.

A Scheduling Coordinator ~~which~~, UDC or MSS that does not maintain an Approved Credit Rating shall maintain security in accordance with Section 2.2.3.2. For the avoidance of doubt, the ISO Security Amount is intended to cover the ~~Scheduling Coordinator's~~entity's outstanding liability for Imbalance Energy, Ancillary Services, Grid Management Charge, Grid Operations Charge, Wheeling Access Charge, High Voltage Access Charge, Transition Charge, and Usage Charges. Each Scheduling

Coordinator, UDC or MSS required to provide an ISO Security Amount under Section 2.2.3.2 shall notify the ISO of the initial ISO Security Amount that it wishes to provide at least fifteen (15) days and shall ensure that the ISO has received such ISO Security Amount prior to the date the Scheduling Coordinator commences trading or the UDC or MSS commences receiving bills for the High Voltage Access Charge and Transition Charge. A Scheduling Coordinator, UDC or MSS may at any time increase its ISO Security Amount by providing additional guarantees or credit support in accordance with Section 2.2.3.2. A Scheduling Coordinator, UDC or MSS may reduce its ISO Security Amount by giving the ISO not less than fifteen (15) days notice of the reduction, provided that the Scheduling Coordinator, UDC or MSS is not then in breach of this Section 2.2.7.3. The ISO shall release, or permit a reduction in the amount of, such guarantees or other credit support required to give effect to a permitted reduction in the ISO Security Amount as the Scheduling Coordinator, UDC or MSS may select. Following the date on which a Scheduling Coordinator commences trading, the Scheduling Coordinator shall not be entitled to submit a Schedule to the ISO and the ISO shall reject any Schedule submitted if, at the time of submission, the Scheduling Coordinator's ISO Security Amount is exceeded by the Scheduling Coordinator's estimated aggregate liability for Imbalance Energy, Ancillary Services, Grid Management Charge, Grid Operations Charge, Wheeling Access Charge, and Usage Charges on each Trading Day for which Settlement has not yet been made in accordance with Section 11.3.1 and the Scheduling Coordinator's estimated liability for

High Voltage Access Charge and Transition Charge for which Settlement has not yet been made in accordance with Section 11.3. The ISO shall notify a Scheduling Coordinator if at any time such outstanding liability exceeds 90% of the ISO Security Amount. For the purposes of calculating the Scheduling Coordinator's liability, for any Trading Day for which all relevant Settlement data is not yet available, calculation of the Scheduling Coordinator's liability shall be equal to the gross Energy (in kWh) scheduled for delivery to Gross Load by the Scheduling Coordinator on that Trading Day multiplied by the ISO's estimated average cost for Imbalance Energy, Ancillary Services and Usage Charges per kWh of Energy traded, as such estimated cost is notified by the ISO to Scheduling Coordinators from time to time. Following the date on which a UDC or MSS commences operation, the UDC's or MSS's Scheduling Coordinator shall not be entitled to submit a Schedule to the ISO and the ISO shall reject any Schedule submitted if, at the time of submission, the UDC's or MSS's ISO Security Amount is exceeded by the UDC's or MSS's estimated aggregate liability for High Voltage Access Charges and Transition Charges for which Settlement has not yet been made in accordance with Section 11.3. The ISO shall notify a UDC or MSS if at any time such outstanding liability exceeds 90% of the ISO Security Amount. For the purposes of estimating the UDC's or MSS's aggregate liability for High Voltage Access Charges and Transition Charges, the UDC's or MSS's liability shall be equal to the billed Load (in kWh) for a month in the UDC's or MSS's Service Area (including exports from the Service Area) multiplied by the ISO's estimated High Voltage Access Charge

and Transition Charge for that month, as such estimated cost is notified by the ISO to UDCs and MSSs from time to time.

* * *

~~**2.2.7.6** The ISO shall honor all Existing Operating Agreements in accordance with their terms notwithstanding the provisions of the ISO Tariff and the ISO Tariff.~~

* * *

2.4.4.2 Conversion of Participating TOs' Rights and Obligations Under Existing Contracts.

2.4.4.2.1 ~~For a period of five years from the ISO Operations Date, parties~~Parties who are entitled to transmission service rights under Existing Contracts and who choose to become Participating TOs ~~may,~~must at the time of becoming a Participating TO~~or at any time during the five year period, elect eitherto: (i) continue to exercise those rights as existing rights that have not been converted to ISO transmission service (as Non-Converted Rights) for the five year period from the ISO Operations Date; or (ii)~~ exercise those rights by converting them to Converted Rights, which are described in Section 2.4.4.3. ~~Parties who remain or become Participating TOs after the five year period shall convert all Non-Converted Rights or Existing Rights to Converted Rights.~~ A party who ceases to be a Participating TO at or before the end of the five year period beginning at the ISO Operations Date shall be entitled to resume service under any Existing Contract to which it is then a party, so long as that contract has not expired or been terminated. For the purposes of Sections 2.4.3 and 2.4.4, Pacific Gas & Electric

Company, Southern California Edison Company and San Diego Gas & Electric Company will be deemed to have converted all rights that they may hold under Existing Contracts to Converted Rights as described in Section 2.4.4.3 with effect from the ISO Operations Date. Schedules that utilize Converted Rights shall be submitted by a Scheduling Coordinator that has been certified in accordance with Section 2.2.4.

2.4.4.2.2 ~~Under either of the alternatives~~As part of the conversion referred to in Section 2.4.4.2.1, modifications to an Existing Contract may be needed. Any required modifications must be agreed upon by all parties to the contract. Failure of the parties to reach agreement on the modifications required under Section 2.4.4.2.1 shall be addressed using the dispute resolution provisions of the Existing Contract, including any remedies as are provided by law consistent with the terms of the Existing Contract. The rights of the parties to challenge such changes, under the FPA or as otherwise provided by law, are preserved.

* * *

2.4.4.3.1.3 [Not Used] ~~The recipient of firm transmission service under an Existing Contract that has converted its rights to ISO transmission service shall receive appropriate recognition of its transmission rights for Self-Sufficiency purposes, in accordance with Section 7.1.3.1; provided that, for a period of five years from the ISO Operations Date the recipient of the transmission service shall receive full recognition of its transmission rights for Self-Sufficiency purposes for all firm and conditional firm~~

~~transmission rights provided the Existing Contract granting such rights remains in effect.~~

* * *

2.4.4.4 ISO Treatment of Non-Participating TOs Existing Rights ~~and Non-Converted Rights.~~.

2.4.4.4.1 For the purposes of Section 2.4.4, Existing Rights ~~and Non-Converted Rights~~ fall into one of three general categories: firm transmission service, non-firm transmission service, and conditional firm transmission service. The parties to an Existing Contract shall notify the ISO which Existing Rights ~~and Non-Converted Rights~~ fall into each category, through the operating instructions described in Section 2.4.4.5.1.1. The parties to an Existing Contract shall also be responsible to submit to the ISO any other necessary operating instructions based on their contract interpretations needed by the ISO to enable the ISO to perform its duties.

2.4.4.4.1.1 The ISO will have no role in interpreting Existing Contracts. The parties to an Existing Contract will, in the first instance, attempt jointly to agree on any operating instructions that will be submitted to the ISO. In the event that the parties to the Existing Contract cannot agree upon the operating instructions submitted by the parties to the Existing Contract, the dispute resolution provisions of the Existing Contract, if applicable, shall be used to resolve the dispute; provided that, until the dispute is resolved, and unless the Existing Contract specifies otherwise, the ISO shall implement the Participating TO's operating instructions. If both parties to an Existing

Contract are Participating TOs and the parties cannot agree to the operating instructions submitted by the parties, until the dispute is resolved, and unless the Existing Contract specifies otherwise, the ISO shall implement the operating instructions of the first Participating TO for which the Existing Contract is an Encumbrance.

2.4.4.4.2 The ISO's scheduling protocols will accommodate Existing Rights ~~and Non-Converted~~ Rights ~~and Non-Converted Rights~~ will receive the same priorities (in scheduling, curtailment, assignment and other aspects of transmission system usage) to which they are entitled under their Existing Contracts.

2.4.4.4.3 Scheduling deadlines and operational procedures associated with Existing Rights ~~and Non-Converted~~ Rights will be honored by the ISO.

2.4.4.4.4 All contractual provisions that have been communicated to the ISO in writing in accordance with Section 2.4.4.4.1 by the parties to the Existing Contracts, shall be honored by the ISO and the parties to the Existing Contracts and shall be implemented in accordance with the terms and conditions of the relevant Existing Contracts so notified.

2.4.4.4.4.1 The holders of Existing Rights ~~and Non-Converted Rights~~ will not be responsible for paying Usage Charges related to those rights, nor will they be entitled to receive Usage Charge revenues related to those rights.

2.4.4.4.4.2 Other than any existing rights to such revenues under the Existing Contracts, the holders of Existing Rights ~~and Non-Converted Rights~~ will not be entitled to an allocation of revenues from Wheeling Out or Wheeling Through services on the ISO Controlled Grid, related to those rights.

2.4.4.4.4.3 The holders of Existing Rights ~~and Non-Converted Rights~~ shall continue to pay the providers of the Existing Rights ~~or Non-Converted Rights~~ at the rates provided in the associated Existing Contracts, as they may change from time to time under the terms of the Existing Contracts.

2.4.4.4.4.4 **[Not Used]** ~~A holder of Non-Converted Rights shall receive appropriate recognition of its entitlements for Self-Sufficiency purposes, in accordance with Section 7.1.3.1; provided that, for the five year period from the ISO Operations Date, the recipient of the transmission service shall receive full recognition of its entitlement for Self-Sufficiency purposes for all firm and conditional firm transmission rights provided the Existing Contract granting such rights remains in effect.~~

2.4.4.4.4.5 Parties with Existing Rights ~~or Non-Converted~~ Rights ~~shall~~ continue to pay for Transmission Losses or Ancillary Services requirements in accordance with such Existing Contracts as they may be modified or changed in accordance with the terms of the Existing Contract. Likewise the Participating TOs shall continue to provide Transmission Losses and any other Ancillary Services to the holder of the rights under an Existing Contract as may be required by the Existing Contracts. To the extent that Transmission Losses or Ancillary Service requirements associated with Existing Rights

~~or Non-Converted Rights~~ are not the same as those under the ISO's rules and protocols, the ISO will not charge or credit the Participating TO for any cost differences between the two, but will provide the parties to the Existing Contracts with details of its Transmission Losses and Ancillary Services calculations to enable them to determine whether the ISO's calculations result in any associated shortfall or surplus and to enable the parties to the Existing Contracts to settle the differences bilaterally or through the relevant TO Tariff.

2.4.4.5 ISO Protocols Shall Accommodate Existing Rights ~~and Non-Converted Rights~~.

The ISO will implement the provisions of Section 2.4.4.4 in its Scheduling Protocol. The objective will be to ensure that under the ISO rules and protocols, Existing Rights ~~and Non-Converted Rights~~ will enjoy the same relative priorities vis-à-vis new, ISO-provided transmission uses, as they would under the Existing Contracts and the FERC Order 888 tariffs. Under the ISO Scheduling Protocol:

* * *

2.4.4.5.1.3 To the extent that the operating instructions can not be exercised independently of the ISO and the results forwarded to the ISO (because, for example, they require iteration with the ISO's scheduling process, would unduly interfere with the ISO's real-time management of curtailments or would unduly interfere with the ability of the holder of rights to exercise its rights), the operating instructions will be provided to the ISO for day-to-day implementation. In this case, the ISO shall act as the

scheduling agent for the Participating TOs with regard to Existing Rights ~~and Non-Converted Rights~~.

2.4.4.5.1.4 The ISO shall determine, based on the information provided by the Participating TOs and contract rights holders under Sections 2.4.4.5.1.2 and 2.4.4.5.1.3, the transmission capacities that (i) must be reserved for firm Existing Rights ~~and firm Non-Converted~~ Rights, (ii) may be allocated for use as ISO transmission service (i.e., new firm uses), (iii) must be reserved by the ISO for conditional firm Existing Rights ~~and conditional firm Non-Converted~~ Rights, and (iv) remain for any non-firm Existing Rights ~~and non-firm Non-Converted~~ Rights for which a Participating TO has no discretion over whether or not to provide such non-firm service.

2.4.4.5.1.5 The ISO shall coordinate the scheduling of Existing Rights ~~and Non-Converted Rights~~ with the scheduling of ISO transmission service, using the ISO's Day-Ahead scheduling rules and protocols. In doing so, the ISO shall subtract, from the capacity that is available for the ISO to schedule in the ISO's Day-Ahead scheduling process, an appropriate amount of transmission capacity reflecting the amount and nature of the Existing Rights ~~and Non-Converted~~ Rights.

2.4.4.5.1.6 For those Existing Rights ~~and Non-Converted Rights~~ the use of which has not been scheduled by the rights-holders by the start of the ISO's Hour-Ahead scheduling process, the ISO shall coordinate the scheduling of Existing Rights ~~and Non-Converted Rights~~ with the scheduling of ISO transmission service, using the ISO's Hour-Ahead scheduling protocols. In doing so, the ISO may, at its own discretion,

consider as available for the ISO to schedule in its Hour-Ahead scheduling process, any or all of the transmission capacity associated with Existing Rights ~~and Non-Converted Rights~~ the use of which has not been scheduled by the rights-holders in the ISO's Hour-Ahead scheduling process.

* * *

2.5.20.3 [Not Used] ~~Literal Self Provision by a Metered Subsystem.~~ ~~A MSS operator must be the Scheduling Coordinator or act through a Scheduling Coordinator and must submit the Energy, Ancillary Services, and Adjustment Bids for all End Users within the MSS who are not served by other Scheduling Coordinators.~~

~~The MSS operator may provide its Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve requirements through any combination of Literal Self Provision, In-Kind Self Provision, or purchases from the ISO. A MSS may utilize a System Unit to participate in the procurement processes of the ISO for Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve. A System Unit is defined as one or more resources within a MSS controlled by the MSS operator so as to simulate a single resource for Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve with specified performance characteristics. A System Unit must consist of resources located within the MSS or resources dynamically scheduled into the MSS.~~

~~A MSS may self provide all Ancillary Services eligible for self provision or may meet its requirement for such Ancillary Services by purchases from the ISO. A MSS~~

~~must schedule all its Energy and Ancillary Services for End-Users within the MSS who are not served by other Scheduling Coordinators either as a Scheduling Coordinator or through a Scheduling Coordinator.~~

~~The MSS is not a separate Control Area. The ISO maintains the authority and control necessary to fulfill its responsibilities as the ISO Control Area operator. The ISO shall have the authority to control Ancillary Services provided or self provided by the MSS. The ISO maintains Operational Control of the MSS within the ISO Controlled Grid, and performs Congestion Management within the MSS. The ISO will develop protocols and procedures for the roles, responsibilities and requirements associated with a MSS.~~

* * *

2.5.24 Verification of Performance of Ancillary Services.

Availability of both contracted and self provided Ancillary Services shall be verified by the ISO by unannounced testing of Generating Units, System Units, Loads and System Resources, by auditing of response to ISO Dispatch instructions, and by analysis of the appropriate Meter Data. Participating Generators, owners or operators of Loads, operators of System Units or System Resources and Scheduling Coordinators shall notify the ISO immediately whenever they become aware that an Ancillary Service is not available in any way. All Participating Generators, owners or operators of Loads and operators of System Units or System Resources shall check, monitor and/or test their system and related equipment routinely to assure availability

of the committed Ancillary Services. These requirements apply whether the Ancillary Services are contracted or self provided. For a duration specified by the ISO, the ISO may suspend the technical eligibility certificate of a Scheduling Coordinator for a Generating Unit, System Unit, Load or System Resource, which repeatedly fails to perform. The ISO shall develop measures to discourage repeated non-performance on the part of both bidders and self providers.

~~The ISO shall monitor the performance of a MSS via a Metered Subsystem Regulation Error (MSRE). The MSRE is obtained by comparing the sum of the metered power flows at the MSS interface points to the sum of the MSS's power scheduled or instructed at these same interface points. The ISO may bias the MSRE for purposes of testing or control of Ancillary Services provided by the MSS. The MSRE shall incorporate this bias.~~

~~The MSRE shall be reported to the ISO on a real time basis, and checked at five minute intervals to determine whether the MSS meets specified performance criteria.~~

~~The ISO has authority to suspend MSS control and direct, via communications with the MSS Operator, the operation of Generating Units within the MSS, including Generating Units that may comprise a System Unit, if such control is necessary to maintain ISO Controlled Grid reliability.~~

~~If the MSS Operator does not conform with Good Utility Practice, the ISO may suspend MSS control until the MSS Operator demonstrates the ability and willingness to conform with Good Utility Practice.~~

* * *

2.5.26.1 Penalties for Failure to Pass Tests. A Generating Unit, Curtailable Demand, System Unit or System Resource that fails an availability test, as determined under criteria to be established by the ISO, shall be deemed not to have been available to provide the Ancillary Service concerned or the relevant portion of that service for the entire period the Generating Unit, Curtailable Demand, System Unit or System Resource was committed to provide the service, unless appropriate documentation (i.e., daily test records) confirming the availability of that service during the committed period(s) is presented to the ISO. The "committed period" is defined as the total of all the hours/days the Generating Unit, Curtailable Demand, System Unit or System Resource was scheduled by the ISO to provide the Ancillary Service beginning from: (i) the last successful availability test; or (ii) the last time the Generating Unit, Curtailable Demand, System Unit or System Resource actually provided Energy or reduced Demand as part of the Ancillary Service; whichever results in a shorter committed period. The Scheduling Coordinator for a Generating Unit, Curtailable Demand, System Unit or System Resource that fails an availability test shall not be entitled to payment for the Ancillary Service concerned for the committed period and adjustments to reflect this shall be made in the calculation of payments to the Scheduling Coordinator, provided that any such penalty shall be reduced to reflect any adjustment made over the duration of the committed period under Section 2.5.26.2 or 2.5.26.3.

System Units engaged in ~~Literal S~~s~~s~~elf ~~P~~p~~p~~rovision of Ancillary Services, ~~In-Kind~~

~~Self-Provision of Ancillary Services,~~ or providing Ancillary Services to the ISO are subject to the same testing, compensation, and penalties as are applied to individual Generating Units engaged in ~~In-Kind S~~self ~~P~~provision or provision of Ancillary Services. To perform testing, the ISO will bias the MSS's MSRE to test the responsiveness of the System Unit**.**

* * *

2.5.26.2.1 If the ISO determines that a Scheduling Coordinator has supplied Uninstructed Imbalance Energy to the ISO during a Settlement Period from the capacity of a Generating Unit, System Unit or System Resource that is obligated to supply Spinning Reserve, Non-Spinning Reserve, or Replacement Reserve to the ISO during such Settlement Period, payments to the Scheduling Coordinator representing the Generating Unit, System Unit or System Resource for the Ancillary Service capacity used to supply Uninstructed Imbalance Energy and for Energy supplied from such capacity shall be eliminated to the extent of the deficiency, except to the extent (i) the deficiency in the availability of Ancillary Service capacity from the Generating Unit, System Unit or System Resource is attributable to control exercised by the ISO in that Settlement Period through AGC operation, an RMR Dispatch Notice, or dispatch to avoid an intervention in Market operations or to prevent a System Emergency; or (ii) a penalty is imposed under Section 2.5.26.1 with respect to the deficiency.

* * *

2.5.26.2.5 Payment shall be eliminated first for any Spinning Reserve capacity for

which the Generating Unit, Curtailable Demand, System Unit or System Resource would otherwise be entitled to payment. If the amount of Ancillary Service capacity from which the Generating Unit, System Unit or System Resource has supplied Uninstructed Imbalance Energy exceeds the amount of Spinning Reserve capacity for which it would otherwise be entitled to receive payment, payment shall be eliminated for Non-Spinning Reserve capacity, and then for Replacement Reserve capacity, until payment has been withheld for the full amount of Ancillary Service capacity from which the Generating Unit, Curtailable Demand, System Unit or System Resource supplied Uninstructed Imbalance Energy.

* * *

2.5.26.3 Rescission of Payments When Dispatch Instruction is Not Followed

If the metered output of a Generating Unit, Curtailable Demand, System Unit or System Resource is less than the amount of a dispatch instruction issued in accordance with a bid on Spinning Reserve, Non-Spinning Reserve, or Replacement Reserve in any Settlement Period, then the Ancillary Services capacity payments associated with the difference between the sum of the total scheduled Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve, and the actual output shall be rescinded. If the metered Demand of a Curtailable Demand in any Settlement Period is greater than its scheduled Demand net of dispatch instructions, then the capacity payments associated with the difference between its total scheduled Non-Spinning and Replacement Reserve, and actual load reduction as represented by the difference between its

metered Demand and scheduled Demand, shall be rescinded. If the Generating Unit, Curtailable Demand, System Unit or System Resource is scheduled to provide more than one Ancillary Service in the Settlement Period, then the actual output will be attributed to each in proportion to the dispatch instructions issued by the ISO, and the capacity payments associated with the balance of each Ancillary Service shall be rescinded. If the same Ancillary Service is scheduled in both the Day Ahead and Hour Ahead Markets, than payments shall be rescinded in proportion to the amount of each Ancillary Service scheduled in each market.

* * *

2.5.26.5 If the ISO determines that non-compliance of a Load, Generating Unit, System Unit or System Resource, with an operating order or Dispatch instruction from the ISO, or with any other applicable technical standard under the ISO Tariff, causes or exacerbates system conditions for which the WSCC imposes a penalty on the ISO, then the Scheduling Coordinator of such Load, Generating Unit, System Unit or System Resource shall be assigned that portion of the WSCC penalty which the ISO reasonably determines is attributable to such non-compliance, in addition to any other penalties or sanctions applicable under the ISO Tariff.

* * *

2.5.28.5 Voltage Support. The short term market Voltage Support user rate for Settlement Period t for Zone x shall be calculated as follows:

$$VSSTRate_{xt} = \frac{\sum_{i,j} VSST_{xijt}}{\sum_{j} QChargeVS_{xjt}}$$

$VSST_{xijt}$ = Voltage Support payment to Scheduling Coordinator i in respect of Generating Unit i in Zone x in the short-term market applicable to Settlement Period t.

$QChargeVS_{xjt}$ = charging quantity for Voltage Support for Scheduling Coordinator j for Settlement Period t in Zone x equal to the total metered Demand in Zone x (including exports to neighboring Control Areas and excluding metered Demand inside an MSS) by Scheduling Coordinator j for Settlement Period t.

The monthly long term Voltage Support contract user rate for Settlement Period t for Zone x shall be calculated as follows:

$$VSLTRate_{xm} = \frac{\sum_{i,j} VSLT_{xijm}}{\sum_{jm} QChargeVS_{xjt}}$$

where:

$VSLT_{xijm}$ = long term Voltage Support contract payment to Scheduling Coordinator j for owner of Reliability Must-Run Unit i in Zone x for month m.

The short term market Voltage Support charges for Settlement Period t payable by Scheduling Coordinator j will be calculated as follows:

$$VSSTCharge_{jt} = VSSTRate_t * QCharge VS_{jt}$$

where $VSSTCharge_{jt}$ is the amount payable by Scheduling Coordinator j for short term market Voltage Support for Settlement Period t.

$VSSTRate_t$ is the short term market Voltage Support user rate for Settlement Period t.

The monthly long term Voltage Support contract charge for month m payable by Scheduling Coordinator j will be calculated as follows:

$$VSLTCharge_m = VSLTRate_m * \sum_m QCharge VS_{jt}$$

where $VSLTCharge_m$ is the amount payable by Scheduling Coordinator j for long term Voltage Support for month m.

$VSLTRate_m$ is the monthly long term Voltage Support contract user rate charged by the ISO to Scheduling Coordinators for month m.

2.5.28.6 Black Start.

$QChargeBlackstart_{jt}$ = charging quantity for Black Start for Scheduling Coordinator j for Settlement Period t equal to the total metered Demand (excluding exports to neighboring Control Areas and metered Demand of a MSS in accordance with Section 3.3.4.5) by Scheduling Coordinator j for Settlement Period t.

The Black Start Energy payment user rate for Settlement Period t will be calculated as follows:

$$BSRate_t = \frac{\sum_{i,j} BSEn_{ijt}}{\sum_j QChargeBlackstart_{jt}}$$

where $BSEn_{ijt}$ is the ISO payment to Scheduling Coordinator j for owner of Reliability Must-Run Unit (or to Black Start Generator j, as the case may be) for Generating Unit i providing Black Start Energy in Settlement Period t.

The Black Start Energy user charge for Settlement Period t for Scheduling Coordinator j will be calculated as follows:

$BSCharge_{jt} = BSRate_t * QChargeBlackStart_{jt}$

* * *

3. RELATIONSHIP BETWEEN ISO AND PARTICIPATING TOs.

3.1 Nature of Relationship.

Each Participating TO shall enter into a Transmission Control Agreement with the ISO. In addition to converting Existing Rights in accordance with Section 2.4.4.2, New Participating TOs will be required to turn over Operational Control of all facilities and Entitlements that: (1) satisfy the FERC's functional criteria for determining transmission facilities that should be placed under ISO Operational Control; (2) satisfy the criteria adopted by the ISO Governing Board identifying transmission facilities for which the ISO should assume Operational Control; and (3) is the subject of mutual agreement between the ISO and the Participating TOs. The ISO shall notify Market Participants sixty (60) days in advance of any associated revision of the High Voltage Access Charge and that a New Participating TO has executed the Transmission Control Agreement and the date, either January 1 or July 1, that the revised High Voltage Access Charge shall be effective.

3.1.1 In any year, a Participating TO applicant must declare its intent in writing to the ISO to become a New Participating TO by January 1 or July 1. Applicable agreements will be negotiated and filed with the Federal Energy Regulatory Commission no later

than April 1 or October 1 for the New Participating TO to be effective the following July 1 or January 1, respectively.

3.1.2 With respect to its submission of Schedules to the ISO, a New Participating TO shall become a Scheduling Coordinator or obtain the services of a Scheduling Coordinator that has been certified in accordance with Section 2.2.4, which Scheduling Coordinator shall not be the entity's Responsible Participating TO in accordance with the Responsible Participating Transmission Owner Agreement, unless mutually agreed, and shall operate in accordance with the ISO Tariff and applicable Agreements. The New Participating TO shall assume responsibility for paying all Scheduling Coordinators charges regardless of whether the New Participating TO elects to become a Scheduling Coordinator or obtains the services of a Scheduling Coordinator.

* * *

3.2.7.4 Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the ISO Grid wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F. The Participating TO who is supporting the cost of the New High Voltage Facility shall include such costs in its High Voltage Transmission Revenue Requirement, regardless of which TAC Area the facility is geographically located.

* * *

3.3 Metered Subsystems

3.3.1 General Nature of Relationship Between ISO and MSS

3.3.1.1 A New Participating TO may qualify as a Metered Subsystem and may qualify itself or its designee as a MSS Operator in accordance with the Metered Subsystem Agreement. The ISO shall not be obligated to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from the MSS unless the relevant MSS Operator undertakes in writing to the ISO to comply with all applicable provisions of the ISO Tariff and applicable agreements as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 3.3.

3.3.2 Coordination of Operations. Each MSS Operator shall operate its MSS at all times in accordance with Good Utility Practice and in a manner which ensures safe and reliable operation. All information pertaining to the physical state or operation, maintenance and failure of the MSS affecting the operation of the ISO Control Area that is made available to the ISO by the MSS Operator shall also be made available to Scheduling Coordinators, provided that the ISO shall provide reasonable notice to the MSS Operator. The ISO shall not be required to make information available to the MSS Operator other than information that is made available to Scheduling Coordinators.

3.3.3 Coordinating Maintenance Outages of MSS Facilities. Each MSS Operator shall make appropriate arrangements to coordinate Outages of Generating Units or

transmission facilities forming part of its MSS that will have an effect, or are reasonably likely to have an effect, on any interconnection between the MSS and the system of another Participating TO, prior to the submission by that Participating TO of its Maintenance Outage requirements under Section 2.3.3. The ISO will coordinate Outages of other Participating TOs transmission facilities that may effect the MSS.

3.3.4 MSS Operator Responsibilities.

Recognizing the ISO's responsibility to promote the efficient use and reliable operation of the ISO Controlled Grid and the Control Area consistent with the Applicable Reliability Criteria, each MSS Operator shall:

3.3.4.1 operate and maintain its facilities, in accordance with applicable safety and reliability standards, regulatory requirements, applicable operating guidelines, applicable rates, tariffs, statutes and regulations governing their provision of service to their End-Use Customers and Good Utility Practice so as to avoid any material adverse impact on the ISO Controlled Grid, it being understood that, if the MSS Operator does not so operate and maintain its facilities and the ISO concludes, after notice is provided to the MSS Operator, that such failure impairs or threatens to impair the reliability of the ISO Controlled Grid, the ISO may suspend MSS status, in accordance with this Section 3.3, until the MSS Operator demonstrates the ability and willingness to so operate and maintain its facilities;

3.3.4.2 provide the ISO Outage Coordination Office each year with a schedule of upcoming maintenance of facilities forming part of the MSS that will affect or is

reasonably likely to affect the ISO Controlled Grid in accordance with Section 2.3.3.5;

3.3.4.3 coordinate with the ISO, other Participating TOs and Generators to ensure that ISO Controlled Grid Critical Protective Systems, including relay systems, are installed and maintained in order to function on a coordinated and complementary basis with the protective systems of the MSS, other Participating TOs and Generators;

3.3.4.4 be responsible for any Reliability Must-Run Generation and Voltage Support required for reliability of the MSS, including the responsibility for any costs of such Reliability Must-Run Generation, and Voltage Support and may satisfy this requirement through Generating Units owned by the MSS or under contract to the MSS;

3.3.4.5 be responsible for Black Start requirements for reliability of the MSS, however, if the MSS can self-provide this requirement, the MSS shall not pay its pro rata share of the Black Start requirement in accordance with Section 2.5.28.6; and

3.3.4.6 be responsible for Intra-Zonal Congestion Management and transmission line Outages within or at the boundary of the MSS, and all associated costs and not responsible for Intra-Zonal Congestion Management elsewhere in the Zone except to the extent that a Scheduling Coordinator is delivering Energy to or from the MSS.

3.3.5 Scheduling by a MSS Operator. All Schedules submitted on behalf of a MSS Operator for the delivery of Energy and Ancillary Services to Loads connected to the MSS and for the delivery of Energy and Ancillary Services from Generating Units forming part of the MSS or System Units shall be submitted by a Scheduling Coordinator that complies with all applicable provisions of the ISO Tariff, which

Scheduling Coordinator may be the MSS Operator, provided that the MSS Operator complies with all applicable requirements for Scheduling Coordinators.

3.3.5.1 Without limiting the foregoing, the Scheduling Coordinator for the MSS must submit gross generation information for the System Unit and Generating Unit, and information regarding imports, exports and Gross Loads to the ISO in the format and in accordance with the timelines applicable to other Scheduling Coordinators.

3.3.5.2 The Scheduling Coordinator for the MSS will designate, in discrete quantities and with prices for both Ancillary Services and Energy: (1) Schedules in Day-Ahead and Hour-Ahead Energy markets (including schedules for internal Generation and internal Load within the MSS), (2) bids or self-provided Schedules for Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve capacity and associated bid Energy, (3) Adjustment Bids, (4) Supplemental Energy bids, or (5) any feasible combination thereof.

3.3.6 System Emergencies.

3.3.6.1 In the event a System Emergency occurs or the ISO determines that a System Emergency is threatened or imminent, each MSS Operator shall comply with all directions from the ISO concerning the avoidance, management and alleviation of the System Emergency and shall comply with all procedures concerning System Emergencies set forth in the ISO Tariff.

3.3.6.2 During a System Emergency, the ISO and the MSS Operator shall communicate through their respective control centers and in accordance with

procedures established in the agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff.

3.3.6.3 The ISO has authority to suspend MSS control and direct, via communications with the MSS Operator, the operation of Generating Units within the MSS, including Generating Units that may comprise a System Unit, if such control is necessary to maintain ISO Controlled Grid reliability.

3.3.7 Under Frequency Load Shedding (UFLS).

3.3.7.1 Each agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff shall describe the UFLS program for that MSS. The ISO and MSS Operator shall review the UFLS program periodically to ensure compliance with Applicable Reliability Criteria.

3.3.7.2 The ISO shall perform periodic audits of each MSS's UFLS system to verify that the system is properly configured for each MSS.

3.3.7.3 The ISO will use its reasonable endeavors to ensure that UFLS is coordinated among all MSSs and UDCs so that no MSS or UDC bears a disproportionate share of the ISO's UFLS program.

3.3.7.4 In compiling its UFLS program, the ISO, at its discretion, may also coordinate with other entities, review and audit their UFLS programs and systems as described in Sections 3.3.7.1 to 3.3.7.3 and Sections 4.4.3.1 to 4.4.3.3, inclusive.

3.3.7.5 The ISO shall have the authority to direct a MSS Operator to disconnect Load from the ISO Controlled Grid if necessary to avoid an anticipated System

Emergency or to regain operational control over the ISO Controlled Grid during an actual System Emergency. The ISO shall direct the MSS Operator to shed Load in accordance with the prioritization schedule developed pursuant to Section 2.3.2.6. When ISO Controlled Grid conditions permit restoration of Load, the ISO shall restore Load according to the prioritization schedule developed pursuant to Section 2.3.2.6 hereof. The MSS Operator shall restore Load internal to the MSS.

3.3.8 Electrical Emergency Plan (EEP).

3.3.8.1 The ISO shall in accordance with Section 2.3.2.4 hereof implement the Electrical Emergency Plan in consultation with the MSS Operator or other entities, at the ISO's discretion, when Energy reserve margins are forecast to be at the levels specified in the plan.

3.3.8.2 Each MSS Operator will notify its End-Use Customers connected to the MSS's Distribution System of any voluntary curtailments notified to the MSS Operator by the ISO pursuant to the provisions of the EEP.

3.3.8.3 If a Load curtailment is required to manage System Emergencies, the ISO will determine the amount and location of Load to be reduced and to the extent practicable, will allocate a portion to each MSS based on the ratio of its Demand (at the time of the ISO Control Area annual peak for the previous year) to total ISO Control Area annual peak Demand for the previous year taking into account system considerations and the MSS Operator's curtailment rights. Each MSS Operator shall be responsible for notifying its customers and Generators connected to its system of

curtailments and service interruption.

3.3.9 System Emergency Reports: MSS Obligations.

3.3.9.1 Each MSS Operator shall maintain all appropriate records pertaining to a System Emergency.

3.3.9.2 Each MSS Operator shall cooperate with the ISO in the preparation of an Outage review pursuant to Section 2.3.2.9.

3.3.10 Coordination of Expansion or Modifications to MSS Facilities.

Each MSS Operator and any Participating TO with which its system is interconnected, if applicable, shall coordinate in the planning and implementation of any expansion or modifications of a MSS's or Participating TO's system that will affect their transmission interconnection, the ISO Controlled Grid or the transmission services to be required by the MSS Operator. The MSS Operator and any other Participating TO with which the MSS is interconnected shall be responsible for coordinating with the ISO.

3.3.11 Ancillary Service Obligations for MSS.

3.3.11.1 If the MSS Operator has developed and operates a system that provides its own Regulation in a manner that the ISO determines to meet WSCC Minimum Operating Reliability Criteria, including all Control Area performance criteria, that MSS Operator will have the option of either:

3.3.11.1.1 selling Regulation services to the ISO and purchasing Regulation needs from the ISO or self-providing Regulation to meet its ISO Regulation obligation in accordance with the provisions of the ISO Tariff; or

3.3.11.1.2 continuing to provide the Regulation for its internal system Load using its own system, even though the Regulation provided by that system may not meet all requirements applicable to Regulation under the ISO Tariff, provided that the Regulation meets all applicable WSCC requirements.

3.3.11.2 If the MSS Operator elects to satisfy its Regulation requirements through Section 3.3.11.1.2, the ISO shall not include the internal Load of the MSS whose Regulation requirements are served in this manner in determining the responsibility of the Scheduling Coordinator representing the MSS for Regulation charges. The ISO shall monitor the provision of Regulation by an MSS Operator by monitoring the Metered Subsystem Regulation Error (MSRE) for the MSS and by testing and auditing. The MSRE is obtained by comparing the sum of the metered power flows at the MSS interface points to the sum of the MSS's power scheduled or instructed at these same interface points, and shall incorporate any necessary bias introduced by the ISO for purposes of testing or control of Ancillary Services provided by the MSS. The MSRE shall be reported to the ISO on a real time basis, and checked at five minute intervals to determine whether the MSS meets specified performance criteria. If the ISO determines based on monitoring of MSRE or its tests and audits that the MSS Operator's system is not supplying Regulation in a manner that meets all of the criteria applicable under Section 3.3.11.1, the ISO shall assess Regulation charges on the Scheduling Coordinator representing the MSS. After the second occasion within a twelve (12) month period that an MSS Operator is found not to be supplying Regulation

in a manner that meets all of the criteria applicable under Section 3.3.11.1, (a) the ISO shall assess Regulation charges three times the value of the service on the Scheduling Coordinator representing the MSS; and (b) the MSS Operator shall be barred from self-providing Regulation for the following six months and shall be required to purchase Regulation from the ISO. After the six-month period, the MSS Operator may self-provide Regulation provided it meets the criteria of Section 3.3.11.1.

3.3.11.3 If the MSS has developed and operates a system that carries reserves, the MSS Operator may self-provide Operating Reserve to meet the Operating Reserve obligations allocated to the Scheduling Coordinator representing the MSS with respect to the internal Load of the MSS, in accordance with the provisions of the ISO Tariff, including provisions allowing the ISO to call upon the MSS Operator to supply Energy associated with that Operating Reserve. Alternatively, the Scheduling Coordinator representing the MSS may purchase Operating Reserve from the ISO or third parties to meet all or part of its ISO Operating Reserve obligations.

3.3.12 Information Sharing.

3.3.12.1 System Planning Studies.

The ISO, the MSS Operator and other Participating TOs shall share information such as projected Load growth and system expansions necessary to conduct necessary system planning studies to the extent that these may impact the operation of the ISO Control Area.

3.3.12.2 System Surveys and Inspections.

The ISO and each MSS Operator shall cooperate with each other in performing system surveys and inspections to the extent these relate to the operation of the ISO Control Area.

3.3.12.3 Reports.

3.3.12.3.1 The ISO shall make available to each MSS Operator any public annual reviews or reports regarding performance standards, measurements and incentives relating to the ISO Controlled Grid and shall also make available, upon reasonable notice, any such reports that the ISO receives from other Participating TOs. Each MSS Operator shall make available to the ISO any public annual reviews or reports regarding performance standards, measurements and incentives relating to the MSS's Distribution System to the extent these relate to the operation of the ISO Controlled Grid.

3.3.12.3.2 The ISO and the MSS Operators shall develop an operating procedure to record requests received for Maintenance Outages by the ISO and the completion of the requested maintenance and turnaround times.

3.3.12.3.3 Each MSS Operator shall maintain records that substantiate all maintenance performed on MSS facilities which are under the Operational Control of the ISO. These records shall be made available to the ISO upon receipt of reasonable notice.

3.3.13 Installation of and Rights of Access to MSS Facilities.

3.3.13.1 Installation of Facilities.

3.3.13.1.1 Meeting Service Obligations.

The ISO and each MSS Operator shall each have the right, if mutually agreed, on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property.

3.3.13.1.2 Governing Agreements for Installations.

The ISO and the MSS Operator shall enter into agreements governing the installation of equipment or other facilities containing customary and reasonable terms and conditions.

3.3.13.2 Access to Facilities.

Each MSS Operator shall grant the ISO reasonable access to MSS facilities free of charge for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the MSS's system, provided that the ISO must provide reasonable advance notice of its intent to access MSS facilities. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

3.3.13.3 Access During Emergencies.

Notwithstanding any provision in this Section 3.3, the ISO may have access, without giving prior notice, to any MSS Operator's equipment or other facilities during times of

a System Emergency or where access is needed in connection with an audit function.

3.3.13.4 MSS Facilities under ISO Control.

The ISO and each MSS Operator shall enter into an agreement in relation to the operation and maintenance of the MSS's facilities which are under the ISO's Operational Control.

3.3.14 MSS System Unit

3.3.14.1 A MSS Operator may aggregate one or more Generating Units and/or Loads as a System Unit. Except as specifically provided in the agreement referred to in Section 3.3.1.1, all provisions of the ISO Tariff applicable to Participating Generators and to Generating Units (and, if the System Unit includes a Load, to Participating Loads), shall apply fully to the System Unit and the Generating Units and/or Loads included in it. As required by Section 5, the MSS Operator must undertake in writing to comply with all provisions of the ISO Tariff, as amended from time to time, applicable to the System Unit, including, without limitation, the applicable provisions of Section 5 and Section 2.3.2. In accordance with Section 5.1.3, the ISO will obtain control over the System Unit, not the individual Generating Unit, except for Regulation, to comply with Section 5.

3.3.14.2 Without limiting the generality of Section 3.3.15.1, a MSS Operator that owns or has an entitlement to a System Unit:

3.3.14.2.1 is required to have a direct communication link to the ISO's EMS satisfying the requirements applicable to Generating Units owned by Participating

Generators, or Participating Loads, as applicable, for the System Unit and the individual resources that make up the System Unit;

3.3.14.2.2 shall provide resource-specific information regarding the Generating Units and Loads comprising the System Unit to the ISO through telemetry to the ISO's EMS;

3.3.14.2.3 shall obtain ISO certification of the System Unit's Ancillary Service capabilities in accordance with Section 2.5.6 and 2.5.24 before the Scheduling Coordinator representing the MSS may self-provide its Ancillary Service obligations or bid into the ISO's markets from that System Unit;

3.3.14.2.4 shall provide the ISO with control over the AGC of the System Unit, except as provided in Section 3.3.11, if the System Unit is supplying Regulation to the ISO or is designated to self-provide Regulation; and

3.3.14.2.5 shall install ISO certified meters on each individual resource that is aggregated to a System Unit.

3.3.14.4 Subject to Section 3.3.14.5, the ISO shall have the authority to exercise control over the System Unit to the same extent that it may exercise control pursuant to the ISO Tariff over any other Participating Generator, Generating Unit or, if applicable, Participating Load, but the ISO shall not have the authority to direct the MSS Operator to adjust the operation of the individual resources that make up the System Unit to comply with directives issued with respect to the System Unit.

3.3.14.5 When and to the extent that Energy from a System Unit is scheduled to provide for the needs of Loads within the MSS and is not being bid to the ISO's

Ancillary Service or Supplemental Energy markets, the ISO shall have the authority to dispatch the System Unit only to avert or respond to a circumstance described in the third sentence of Section 5.1.3 or, pursuant to Section 5.6, to a System Emergency.

* * *

5.6.1 All Generating Units, System Units and System Resources that are owned or controlled by a Participating Generator are (without limitation to the ISO's other rights under this ISO Tariff) subject to control by the ISO during a System Emergency and in circumstances in which the ISO considers that a System Emergency is imminent or threatened. The ISO shall, subject to Section 5.6.2, have the authority to instruct a Participating Generator to bring its Generating Unit on-line, off-line, or increase or curtail the output of the Generating Unit and to alter scheduled deliveries of Energy and Ancillary Services into or out of the ISO Controlled Grid, if such an instruction is reasonably necessary to prevent an imminent or threatened System Emergency or to retain Operational Control over the ISO Controlled Grid during an actual System Emergency.

* * *

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay~~an~~ Access Charge~~s~~ in accordance with this Section 7.1. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the ~~The~~ Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise of two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be based on the Transmission Revenue Requirement without any adjustment for revenues associated with Wheeling and Usage Charges (Transmission Revenue Credits). The second component shall be based on the proceeds of the Transmission Revenue Balancing Account (TRBA) which shall be designed to flow through to the Participating TO's Transmission Revenue Credits, which are calculated in accordance with Section 5 of the TO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by the UDC or MSS delivering the Energy for the supply of Gross Load and by Scheduling Coordinators serving Gross Load of End-Use Customers not directly connected to the facilities of a UDC or MSS and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low

Voltage Access Charges shall comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the Transmission Revenue Requirement without any adjustment for revenues associated with Wheeling and Usage Charges (Transmission Revenue Credits), but including credits for Standby Transmission Revenues. The second component shall be based on the proceeds of the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits. To the extent necessary, the Original Participating TO shall make conforming changes to their TO Tariff.

The High Voltage Access Charge and the Transition Charge shall be paid to the ISO based on all Energy delivered for the supply of Gross Load directly from a High Voltage Transmission Facility. The High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid on all Energy delivered to all other Gross Load. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein. The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO

Tariff. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO. Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

7.1.1 Publicly Owned Electric Utilities Access Charge

Local Publicly Owned Electric Utilities ~~and federal power marketing agencies~~ whose transmission facilities are under ISO Operational Control ~~shall file with the ISO their proposed Access Charge and shall file with the ISO, at least 60 days in advance, any change to their Access Charge. If~~ shall, if subject to the transmission ratemaking jurisdiction of the FERC, file with the FERC their proposed High Voltage Transmission Revenue Requirement, and any proposed changes thereto, under procedures determined by the FERC to be applicable to such filings and shall give notice to the ISO and to all Scheduling Coordinators of any such filing. Any Local Publicly Owned Electric Utility whose transmission facilities are under ISO Operational Control, and which is not subject to FERC's transmission ratemaking jurisdiction, shall submit its proposed High Voltage Transmission Revenue Requirement to the ISO in accordance with the procedures set forth in Schedule 3 of Appendix F. A New Participating TO that is a Local Publicly Owned Electric Utility shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC, if applicable, and to the ISO, as applicable, at the time the Local Publicly Owned Electric Utility submits its application

to become a New Participating TO in accordance with the Transmission Control Agreement. To enable filings to be made on a comparable basis, the ISO will develop and post on the ISO Home Page a procedure for uniform accounting for all such High Voltage Transmission Facilities that is consistent with the FERC Uniform System of Accounts. If the High Voltage Transmission Revenue Requirement is submitted to the ISO and an objection to the submission is raised and cannot be resolved, the justness and reasonableness of the requirement will be evaluated by the Revenue Review Panel in accordance with standards established by FERC pursuant to the Federal Power Act and, if applicable, standards established by the ISO Governing Board. The role and responsibilities of the Revenue Review Panel shall be developed and approved by the ISO Governing Board. Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirement pursuant to applicable federal laws and regulations. The procedures for public participation in a federal power marketing agency's ratemaking process are posted on the federal power marketing agency's website. The federal power marketing agency's shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. At the time the federal power marketing agency submits its application to become a New Participating TO in accordance with the Transmission Control Agreement, it shall submit its first proposed High Voltage Transmission Revenue Requirement to the

FERC, if applicable, and to the ISO. ~~requested, the ISO Board shall consider assertions that an Access Charge has been set so high that competition in the Energy or Ancillary Services markets, for which access to the ISO Controlled Grid is requested, is likely to be adversely affected. If after review of the Access Charge, the ISO Board finds the assertion to be substantiated, the ISO Board will request that the appropriate Local Regulatory Authority or supervisory regulatory authority for a federal power marketing agency review the Access Charge. To enable filings to be made on a comparable basis the ISO will develop and publish a uniform accounting system for all such transmission facilities applicable until a new rate methodology for Access Charges is implemented pursuant to Section 7.1.~~

~~7.1.2 Self-Sufficient Participating TO.~~

~~A Self-Sufficient Participating TO shall bear no responsibility for the Access Charge of any other Participating TO. A Self-Sufficient Participating TO shall continue to be responsible for any payments it is contractually obligated to make under Existing Contracts.~~

~~7.1.3 Dependent Participating TO.~~

~~A Dependent Participating TO shall pay to the Participating TO to which it is physically interconnected, an Access Charge equal to: (i) the product of the Non Self-Sufficient Contract Demand rate of that Participating TO and the Non Self-Sufficient Contract Demand of that Dependent Participating TO; plus (ii) the TRBA adjustment charges as provided in Section 5.5 of the TO Tariff. The Non Self-Sufficient Contract Demand rate~~

~~of a Participating TO shall be calculated by dividing its Base Transmission Revenue Requirement by the sum of the highest hourly system demand delivered by the Participating TO to End-Use Customers connected to its transmission and distribution facilities for each month of the year used by that Participating TO for rate development. The Non Self-Sufficient Contract Demand of a Dependent Participating TO shall be (i) the sum of the amount in megawatts for each month of the Self-Sufficiency Test Period by which that Dependent Participating TO's Dependable Generation plus its Firm Import Interconnection Transmission Capacity (FIITC) is less than its monthly peak Demand (ii) divided by 12. The megawatt amounts for those months in which that Dependent Participating TO's Dependable Generation plus its FIITC exceeds its monthly peak Demand shall not be considered in the calculation of its Non Self-Sufficient Contract Demand.~~

~~**7.1.3.1 Determination of Self-Sufficiency.** If the sum of the Dependable Generation connected to a Participating TO's transmission system or Distribution System and the FIITC included for the purposes of calculating the Access Charge of the Participating TO is greater than or equal to the monthly peak Demand for a Participating TO for each month of the Self-Sufficiency Test Period, the Participating TO shall be considered to be a Self-Sufficient Participating TO. To the extent a Participating Transmission Owner has Existing Contracts for the delivery of its Energy requirements, that Participating Transmission Owner has satisfied the Self-Sufficiency test until such time as those contracts have been terminated. No later than two years~~

~~after the initial operation of the ISO, the ISO shall review the criteria for determining Self-Sufficiency. Subject to Section 7.1.3.2, all Participating TO's that satisfied the criteria for determining Self-Sufficiency for the initial Self-Sufficiency Test Period will be deemed to be Self-Sufficient until there is any change in the criteria for determining Self-Sufficiency as a result of the ISO's review.~~

~~**7.1.3.2 Re-Determination of Self-Sufficiency.** If there are significant changes in Dependable Generation or load after two (2) years from the ISO Operations Date or an Existing Contract for transmission to which a Participating TO is a party is terminated or modified in a manner that reduces the FIITC of that Participating TO, then that Participating TO shall be subject to a new Self-Sufficiency determination in accordance with Section 7.1.3.1. The new Self-Sufficiency determination shall reflect the resulting reduction in FIITC. Any resulting changes in Self-Sufficiency status or Non Self-Sufficient Contract Demand of the Participating TO shall be effective on the first day of the month following the month in which the Existing Contract was terminated or modified in a manner which reduced the Participating TO's FIITC or changes the Dependable Generation or Load.~~

~~**7.1.3.3 Self-Sufficiency Test Period.** For the initial Self-Sufficiency determination for a Participating TO, the Self-Sufficiency Test Period shall be the twelve month period ending December 31, 1996. The Self-Sufficiency Test Period for a Participating TO undergoing a new Self-Sufficiency determination as a result of the termination or modification of an Existing Contract as referred in Section 7.1.3.2 shall~~

~~be the twelve-month period ending in the month prior to the month that the Existing Contract was terminated or modified.~~

~~**7.1.3.4 Self-Sufficiency Test Procedures.** Each Participating TO shall perform an evaluation of its own Self-Sufficiency status in accordance with Section 7.1.3.1, and shall provide the ISO with the results of its self evaluation no later than ninety days before the date the TO becomes a Participating TO. Pursuant to Section 7.1.3.3, the self evaluation shall include Dependable Generation, FIITC, and monthly peak Demand for each month of the applicable Self-Sufficiency Test Period. The ISO shall review the Participating TO's self evaluation and shall advise the Participating TO of its Self-Sufficiency status no later than sixty days before the date on which the TO becomes a Participating TO.~~

~~**7.1.3.5 Disputes Regarding the Self-Sufficiency Test.** Disputes regarding the application of the Self-Sufficiency test to a Participating TO shall be resolved through the ISO ADR Procedure.~~

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs, MSSs and Scheduling Coordinators shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and all Energy delivered for the supply of Gross Load connected to the facilities of the UDC or MSS, or for a Scheduling Coordinator with respect to the Gross

Load of End-Use Customers not directly connected to the facilities of a UDC or MSS, all Energy delivered to such Gross Load. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. A UDC or an MSS that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

7.1.3 Disbursement of High Voltage Access Charge Revenues.

The ISO shall collect and pay, on a monthly basis, to Participating TOs all High Voltage Access Charge revenues at the same time as other ISO charges and payments are settled. High Voltage Access Charge revenues received with respect to the High Voltage Access Charge shall be distributed to Participating TOs based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all the Participating TOs' High Voltage Transmission Revenue Requirements reflected in the High Voltage Access Charge.

7.1.3.1 [Not Used]

7.1.3.2 [Not Used]

7.1.3.3 [Not Used]

7.1.3.4 [Not Used]

7.1.3.5 [Not Used]

* * *

7.1.4.1 Wheeling Access Charge. The Wheeling Access Charge ~~for each Participating TO~~ shall be ~~its Base Transmission Revenue Requirement divided by the annual kilowatt-hour deliveries by the Participating TO or End-Use Customers connected to its transmission and distribution facilities plus Participating TO's TRBA adjustment as set forth in Section 5 of the TO Tariff. The Wheeling Access Charge for transmission service will be the TO-specific Wheeling Access Charge at the point in the ISO Controlled Grid where Energy is scheduled to exit the ISO Controlled Grid.~~ determined by the TAC Area and transmission ownership or Entitlement associated with the Scheduling Point at which the Energy exits the ISO Controlled Grid. The Wheeling Access Charge for Scheduling Points contained within a single TAC Area, that are not Joint Facilities, shall be equal to the High Voltage Access Charge for the applicable TAC Area in accordance with Section 3 of Appendix F plus the applicable Low Voltage Access Charge if the Scheduling Point is on a Low Voltage Transmission Facility. 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.

7.1.4.2 Wheeling Over Joint Facilities. To the extent that more than one Participating TO owns or has firm entitlement to transmission capacity exiting the ISO Controlled Grid at a Scheduling Point, the Scheduling Coordinator shall pay the ISO each month a rate for Wheeling at that Scheduling Point which reflects an average of the Wheeling Access Charge ~~of~~applicable to those Participating TOs, weighted by the relative share of such ownership or ~~firm e~~Entitlement to transmission capacity at such Scheduling Point. If the Scheduling Point is located at High Voltage Transmission Facilities, the Wheeling Access Charge will consist of a High Voltage Wheeling Access Charge component. Additionally, if the Scheduling Point is located at Low Voltage Transmission Facilities, the applicable Low Voltage Wheeling Access Charge component will be added to the Wheeling Access Charge. The methodology for developing the weighted average rate for Wheeling at each Scheduling Point is set forth in Appendix H.

7.1.4.3 Disbursement of Wheeling Revenues. The ISO shall collect and pay to Participating TOs all Wheeling revenues at the same time as other ISO charges and payments are settled. Wheeling revenues shall be disbursed by the ISO to Participating TOs based on the following:

7.1.4.3.1 Scheduling Point with All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of High Voltage Wheeling Access Charges for Wheeling to a Scheduling Point at which all of the facilities and Entitlements are owned by Participating TOs in the same TAC Area, Wheeling

revenues shall be disbursed to each such Participating TO based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement ~~as set forth in Section 5.4 of the TO Tariff,~~ (less the Transmission Revenue Requirement associated with ~~Non-Converted Rights and~~ Existing Rights) to the sum of all such Participating TO's High Voltage Transmission Revenue Requirements (less the Transmission Revenue Requirement associated with ~~Non-Converted Rights and~~ Existing Rights). If the Scheduling Point is located at a Low Voltage Transmission Facility, revenues received with respect to a Low Voltage Wheeling Access Charges for Wheeling to that Scheduling Point shall be disbursed to the Participating TOs that own facilities and Entitlements making up the Scheduling Point in proportion to their Low Voltage Transmission Revenue Requirements.

7.1.4.3.2 Scheduling Point without All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of Wheeling Access Charges for Wheeling to a Scheduling Point at which the facilities and Entitlements are owned by Participating TOs in different TAC Areas, Wheeling revenues shall be disbursed to such Participating TOs as follows. First, the revenues shall be allocated between such TAC Areas in proportion to the ownership and Entitlements of transmission capacity at the Scheduling Point of the Participating TOs in each such TAC Area. Second, the revenues thus allocated to each TAC Area shall be disbursed among the Participating TOs in the TAC Area in accordance with Section 7.1.4.3.1.

* * *

7.1.5 Unbundled Retail Transmission Rates.

~~Except for the TRBA adjustment provided in Section 5.5 of the TO Tariff, the~~ The Access Charge for unbundled retail transmission service provided to End-Users by a FERC-jurisdictional electric utility Participating TO shall be ~~, for an initial period,~~ determined by the FERC and submitted to the ISO for information only. ~~Local Regulatory Authority. Such rates for FERC-jurisdictional utilities shall be based on the Base Transmission Revenue Requirements authorized by FERC. In addition, all customers of a FERC-jurisdictional Participating TO shall be subject to the FERC-authorized TRBA adjustment.~~ For a Local Publicly Owned Electric Utility, ~~such~~ retail transmission service rates shall be determined by the Local Regulatory Authority and submitted to the ISO for information only. ~~In addition, all customers of a Local Publicly Owned Electric Utility shall be subject to the Local Regulatory Authority authorized TRBA, which shall also be submitted to the ISO.~~

7.1.6 [Not Used] ~~ISO Filed Access Charge Methodology.~~

~~No later than two years after the ISO Operations Date, the ISO Governing Board shall recommend to FERC a rate methodology for Access Charges. The ISO Governing Board shall base its decision on such principles it approves (including, but not limited to, the introduction of off-peak transmission rates and an equitable balance of costs and benefits and shall define the transmission facility costs, if any, which shall be borne equally by all Market Participants and those transmission facility costs, if any, which should be specifically assigned to specific Market Participants or category of Market~~

~~Participants. If the ISO Governing Board has made no such decision, the rate methodology for Access Charges shall be determined pursuant to the ISO ADR Procedure. If no decision is rendered under the ISO ADR Procedure, then the default rate methodology for calculating the Access Charge shall be a uniform regional Access Charge and a utility specific local Access Charge, provided that the default rate methodology shall be filed with FERC by the ISO Governing Board as its recommendation for implementation upon termination of the cost recovery plan set forth in Section 368 of the California Public Utilities Code (as added by AB 1890) or no later than two years after the ISO Operations Date, whichever is later. "Regional" transmission facilities for purposes of this Section, are defined as transmission facilities operating at or above 200 kilovolts plus an appropriate percentage of transmission facilities operating below 230 kilovolts; all other transmission facilities are defined as "local." The appropriate percentage of transmission facilities described above shall be consistent with the guidelines in FERC Order No. 888 and any exceptions to Order No. 888 which are approved by FERC.~~

7.1.6.1 Tracking Account. If the Access Charge rate methodology implemented pursuant to Section 7.1 ~~Section 7.1.6~~results in Access Charge rates for any Participating TO which are different from those in effect prior to the ISO Operations Date,~~application of Section 7.1.6,~~ an amount equal to the difference between the new rates and the prior rates for the remainder of the period, if any, during which a cost recovery plan established pursuant to Section 368 of the California Public Utilities

Code (as added by AB 1890) is in effect for such Participating TO shall be recorded in a tracking account. The balance of that tracking account will be recovered from customers and paid to the appropriate Participating TO after termination of the cost recovery plan set forth in Section 368 of California Public Utilities Code (as added by AB 1890). The recovery and payments shall be based on an amortization period not exceeding three years in the case of electric corporations regulated by the CPUC or five years for Local Publicly Owned Electric Utilities.

* * *

7.2.7.2.1 If over a 12-month period, the ISO finds that within a Zone the cost to alleviate the Congestion on a path is equivalent to at least 5 percent of the product of the rated capacity of the path and the weighted average High Voltage Access Charge and Low Voltage Access Charge, as applicable, of the Participating TOs, the ISO may announce its intention to create a new Zone. In making this calculation, the ISO will only consider periods of normal operations. A new Zone will become effective 90 days after the ISO Governing Board has determined that a new Zone is necessary.

* * *

7.2.7.2.3 **[Not Used]**~~During the initial 6 months following the ISO Operations Date, the ISO may create new Zones if within an existing Zone the cost to alleviate the Congestion on a path is equivalent to at least 10 percent of the product of the rated capacity of the path and the weighted average Access Charge of all the Participating TOs.~~

* * *

7.3.2 Grid Operations Charge for Intra-Zonal Congestion.

Scheduling Coordinators whose resources are redispatched by the ISO, in accordance with Intra-Zonal Congestion Management, will be paid or charged based on the Adjustment Bids or Supplemental Energy bids that they have provided to the ISO. The net redispatch cost will be recovered for each Settlement Period through the Grid Operations Charge, which shall be paid to the ISO by all Scheduling Coordinators in proportion to their metered Demands within the Zone with Intra-Zonal Congestion, and scheduled exports from the Zone with Intra-Zonal Congestion to a neighboring Control Area, provided that, with respect to Demands within an MSS in the Zone and scheduled exports from the MSS to a neighboring Control Area, a Scheduling Coordinator shall be required to pay Grid Operations Charges only with respect to Intra-Zonal Congestion, if any, that occurs on an interconnection between the MSS and the ISO Controlled Grid, and with respect to Intra-Zonal Congestion that occurs within the MSS, to the extent the Congestion is not relieved by the MSS Operator.

* * *

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to the sum annually, for all New Participating TOs, of: (a) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges in

accordance with Schedule 1 of Appendix F; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges if the participant had not become a New Participating TO; reduced by (b) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F; or increased by (c) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in accordance with Schedule 3 to Appendix F. Amounts payable by Original Participating TOs under this section shall be recoverable as part of the Transition Charge calculated in accordance with Schedule 3 of Appendix F. Amounts received by the ISO under this section shall be disbursed to New Participating TOs based on the ratio of each New Participating TO's net increase in costs in the categories described in the first sentence of this section, to the sum of the net increases in such costs for all New Participating TOs.

* * *

9. FIRM TRANSMISSION RIGHTS

9.1 General

9.1.1 Commencing in 2000, on the effective date established by the ISO Governing Board ~~of Governors~~, 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 ~~auction~~ processes described in Section 9.4. Proceeds of the ISO's auction of FTRs shall be distributed as described in Section 9.5. 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 9.7. For the purpose of Section 9 ~~of this Tariff~~, the term "Zone" shall be construed to mean both "Zone" and "Scheduling Point."

* * *

9.2.7 All entities which acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, directly from the ISO pursuant to Section 9.4.3, or by purchasing FTRs in secondary markets, must register as an FTR Holder with the ISO. To complete this registration, the FTR Holder must notify the ISO, through the form specified for that purpose by the ISO, of all Affiliates of the FTR Holder that are themselves FTR Holders or Market Participants. The requirement that an FTR Holder notify the ISO of all Affiliates that are FTR Holders or Market Participants is continuing for as long as the FTR Holder owns FTRs, and FTR Holders must provide the ISO with supplemental notification concerning FTR Holders and/or Market Participants that

become affiliated with the FTR Holder or Affiliates that subsequently become FTR Holders or Market Participants in order to satisfy this requirement.

* * *

9.4 Issuance of Firm Transmission Rights by the ISO~~by Auction~~

9.4.1 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; provided, however that for the initial FTR release, the primary auction shall be as determined by the ISO Governing Board ~~of Governors~~. The auction of FTRs shall be a simultaneous multi-round, clearing price auction conducted separately and independently, as set forth in Section 9.4.2, for each FTR Market. In addition, if the ISO Governing Board decides to make available, between annual auctions, FTRs in addition to those that were purchased in the last annual auction, the ISO may conduct additional auctions of such FTRs in accordance with Section 9.4.2. The term of such FTRs shall only be for the remaining duration of the FTR term defined for the primary auction applicable to the year during which they were issued.

* * *

9.4.3 For the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, a New Participating TO shall receive FTRs for Inter-Zonal Interfaces to which the transmission facilities and Converted Rights for Inter-Zonal Interfaces that the New Participating TO turns over to the ISO's Operational Control give it transmission rights. The amount of FTRs will be determined when the Transmission

Control Agreement is executed and shall be commensurate with the transmission capacity the New Participating TO is turning over to ISO Operational Control. FTRs issued in accordance with this section shall entitle the FTR Holder to receive Usage Charge revenues and to priority in the scheduling of Energy in the Day-Ahead Market in accordance with the provisions of the ISO Tariff. FTRs associated with Converted Rights shall terminate on the earlier of termination of the Existing Contract or the end of the ten-year transition period.

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 and paid by the ISO to the Participating TO that is entitled in accordance with Section 7.3.1.6 to receive Usage Charge revenues with respect to the corresponding Inter-Zonal Interface. Each Participating TO shall credit its FTR auction proceeds against its ~~Access Charge.~~ high voltage TRBA if the FTR is for a High Voltage Transmission Facility or against its low voltage TRBA if the FTR is for a Low Voltage Transmission Facility.

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 who auction FTRs in proportion to ~~their Converted Rights~~the FTRs

associated with ~~the~~ their Inter-Zonal Interface as of the date of the FTR auction compared to all FTRs auctioned for such Inter-Zonal Interface.

* * *

9.6.3 When the Day Ahead scheduling capability of an Inter-Zonal Interface and direction is less than its scheduling capacity, determined in accordance with Section 9.3, prior to the Day-Ahead Market, the entitlements of FTR Holders associated with that FTR Market to Usage Charge revenues shall not be reduced until and unless the entitlements of Participating TOs associated with that FTR Market to Usage Charge revenues in accordance with Section 7.3.1.6 have 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 holders of the remaining FTRs ~~Holders~~ divided by the number of such FTRs. When the Day Ahead scheduling capability of an Inter-Zonal Interface and direction is greater than its scheduling capacity, determined in accordance with Section 9.3, prior to the Day-Ahead Market, the entitlements of FTR Holders associated with that FTR market to Usage Charge revenues shall not be increased.

* * *

11.1.6 The ISO shall settle the following charges in accordance with Section 11.2 of this ISO Tariff:

(1) Grid Management Charge;

(2) Grid Operations Charge;

(3) Ancillary Services charges;

(4) Imbalance Energy charges;

(5) Usage Charges;

(6) ~~Wheeling Access~~High Voltage Access Charges and Transition Charges;

(7) Wheeling Access Charges;

~~(7)~~(8) Voltage Support and Black Start charges; and

~~(8)~~(9) Reliability Must-Run Charges.

* * *

11.2.4.1 Net Settlements for Uninstructed Imbalance Energy

* * *

Unaccounted for Energy Charge

The hourly Unaccounted for Energy Charge on Scheduling Coordinator *j* for Settlement Period *t* for each relevant Zone is calculated in the following manner:

The UFE for each utility service territory *k* (referring to the Service Area of a UDC or MSS) is calculated as follows,

* * *

11.2.4.4 High Voltage Access Charges and Transition Charges will be levied in accordance with Section 7.1 of this ISO Tariff and Appendix F, Schedule 3. **~~[Not Used]~~**

* * *

11.2.9.1 The total charges levied under Section 11.2.9 shall not exceed $0.095/MWh, applied to Gross Loads in the ISO Control Area and total exports from

the ISO Controlled Grid, unless: (a) the ISO Governing Board reviews the basis for the charges above that level and approves the collection of charges above that level for a defined period; and (b) the ISO provides at least seven days' advance notice to Scheduling Coordinators of the determination of the ISO Governing Board.

* * *

MASTER DEFINITIONS SUPPLEMENT

Access Charge

A charge paid by all ~~Market Participants withdrawing Energy from the ISO Controlled Grid,~~UDCs, MSSs and, in certain cases, Scheduling Coordinators, delivering Energy to Gross Load, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover~~that portion of~~ the Participating TOs' Transmission Revenue Requirement ~~not recovered through Transmission Revenue Credits.~~ in accordance with Appendix F, Schedule 3. A Participating TO that has no transmission customers need not develop an Access Charge.

* * * * *

~~Dependable Generation~~ ~~The sum of the maximum amount of generating capacity, in MW, from Generating Units interconnected with the Participating TO's transmission or distribution system, that a Participating TO reasonably believes could be delivered to serve Load, regardless of ownership of the Generation capacity or whether a contract exists for the purchase of the output from the Generator.~~

~~Dependent Participating TO~~ ~~A Participating TO that is not Self-Sufficient~~

* * * * *

~~Existing Operating Agreement~~ ~~The agreement between the ISO and an Existing Operating Entity entered into prior to the ISO Operations Date relating to the operation of a subsystem of that Existing Operating Entity.~~

~~Existing Operating Entity~~~~The entity which owns and operates a MSS (Metered Subsystem).~~

* * * * *

~~FIITC (Firm Import Interconnection~~ **~~Transmission Capacity)~~** ~~The amount of firm transmission capacity in MW associated with transmission facilities owned by a Participating TO or contracted to the Participating TO under an Existing Contract, which allows Generating Units that are not directly interconnected with that Participating TO's transmission or distribution system to deliver Energy to that Participating TO. For each month of the Self-Sufficiency Test Period, FIITC shall include 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.~~

* * * * *

Gross Load	All Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through over-the-fence arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the

	Public Utility Regulatory Policies Act of 1978; (c) was serving the customer's Load on or before March 31, 2000; and (d) secured Standby Service from a Participating TO under terms approved by a Local Regulatory Authoriy or FERC, as applicable, as of March 31, 2000 and continues to secure Standby Service from the Participating TO or can be curtailed concurently with an outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.
High Voltage Access Charge	The Access Charge applicable under Section 7.1 to recover the High Voltage Transmission Revenue Requirements of each Participating TO in a TAC Area.
High Voltage Transmission Facility	A transmission facility that is owned by a Participating TO or to which a

	Participating TO has an Entitlement that is represented by a Converted Right and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.
High Voltage Transmission Revenue Requirement	The portion of a Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities.
High Voltage Transmission Standby Service	Service provided by a Participating TO which allows a Standby Service Customer to utilize the Participating TO's High Voltage Transmission Facilities as a backup to ensure that Energy may be reliably delivered to the Standby Service

	Customer in the event of an outage of a Generating Unit located on or near the customer's premise.
High Voltage Wheeling Access Charge	The Wheeling Access Charge associated with the recovery of a Participating TO's High Voltage Transmission Revenue Requirements in accordance with Section 7.1.
	* * * * *
~~In-Kind Self Provision:~~	~~A Scheduling Coordinator's provision of any portion of its Ancillary Services allocation to the ISO from specified individual resources.~~
	* * * * *
ISO Creditor	(i) A Scheduling Coordinator to which amounts are payable pursuant to the terms of the ISO Tariff with respect to the amounts standing to the credit of its account; or amounts owing to it by another Scheduling Coordinator; or (ii) a Participating TO to which amounts are

payable pursuant to the terms of the ISO Tariff with respect to Access Charges or Wheeling Access Charges.

* * * * *

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.

* * * * *

~~**Literal Self Provision**~~

~~A Scheduling Coordinator's provision of any portion of its Ancillary Services allocation from a System Unit via a Metered Subsystem.~~

* * * * *

Local Publicly Owned Electric Utilities

A municipality or municipal corporation operating as a public utility furnishing electric service, a municipal utility district furnishing electric service, a public utility district furnishing electric services, an irrigation district furnishing electric services, a state agency or subdivision

	furnishing electric services, a rural cooperative furnishing electric services, or a joint powers authority that includes one or more of these agencies and that owns Generation or transmission facilities, or furnishes electric services over its own or its members' electric Distribution System,
Low Voltage Access Charge	The Access Charge applicable under Section 7.1 to recover the Low Voltage Transmission Revenue Requirement of a Participating TO.
Low Voltage Transmission Facility	A transmission facility owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, which is not a High Voltage Transmission Facility.

Low Voltage Transmission Revenue Requirement	The portion of a Participating TO's TRR associated with and allocable to the Participating TO's Low Voltage Transmission Facilities and Converted Rights associated with Low Voltage Transmission Facilities.
Low Voltage Wheeling Access Charge	The Wheeling Access Charge associated with the recovery of a Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 7.1.
	* * * * *
MSS (Metered Subsystem)	A geographically contiguous system of a New Participating TO, located within a single Zone ~~an Existing Operating Entity as at the ISO Operations Date~~ which has been operating for a number of years

	prior to the ISO Operations Date subsumed within the ISO ~~Controlled Grid~~ Control Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO certified revenue quality meters on all Generating Units internal to the system, which is operated in accordance with ~~Existing Contracts and an Existing Operating Agreement~~ an agreement described in Section 3.3.1.
MSS Operator	An entity that owns an MSS and has executed an agreement described in Section 3.3.1.
	* * * * *
New High Voltage Facility	A High Voltage Transmission Facility of a Participating TO that enters service after the beginning of the transition period described in Section 4 of

	Schedule 3 of Appendix F, or a capital addition made after the beginning of the transition period described in Section 4.1 of Schedule 3 of Appendix F to an Existing High Voltage Transmission Facility.
New Participating TO	A Participating TO that is not an Original Participating TO.
	* * * * *
~~Non-Converted Rights~~	~~Those transmission service rights as defined in Section 2.4.4.2.1 of the ISO Tariff.~~
	* * * * *
~~**Non-Self-Sufficient Contract Demand**~~	~~The sum of the amounts in MW for each month of the Self-Sufficiency Test Period by which that Dependent Participating TO's Dependable Generation plus its FIITC is less than its monthly peak hourly Demand divided by 12. The MW amounts for those months in which that~~

~~Dependent Participating TO's Dependable Generation plus its FIITC exceeds its monthly peak Demand shall not be considered in the calculation of Non-Self Sufficient Contract Demand.~~

~~* * * * *~~

~~Operating Reserve Multiplier~~ ~~The Operating Reserve Multiplier is initially 1.07 times the amount of Dependable Generation and FIITC that is not associated with hydro-electric Generation, plus 1.05 times the amount of Dependable Generation and FIITC that is associated with the hydro-electric Generation, divided by Dependable Generation and FIITC, based on the current WSCC operating reserve criteria of 7% for thermal generation and 5% for hydro-electric Generation. If the WSCC changes the operating reserve criteria or the ISO Governing Board establishes a higher reserve margin for purposes of~~

	~~system reliability and integrity, the Operating Reserve Multiplier shall be changed accordingly.~~
Original Participating TO	A Participating TO that was a Participating TO as of January 1, 2000.
	* * * * *
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. A Participating TO may be an Original Participating TO or a New Participating TO.
	* * * * *

Revenue Review Panel	The panel established by the ISO Governing Board to review the Transmission Revenue Requirement of non-FERC jurisdictional Participating TOs.
	* * * * *
~~**Self-Sufficiency or Self-Sufficient**~~	~~A Participating TO for which the sum of its Dependable Generation and its FIITC is greater than or equal to its Monthly Peak Load.~~
	* * * * * *
Standby Rate	Means a rate assessed a Standby Service Customer by the Participating TO, as approved by the Local Regulatory Authority, or FERC, as applicable, for Standby Service which compensates the Participating TO, among other things, for costs of High Voltage Transmission Facilities.

Standby Service	Service provided by a Participating TO which allows a Standby Service Customer, among other things, access to High Voltage Transmission Facilities for the delivery of backup power on an instantaneous basis to ensure that Energy may be reliably delivered to the Standby Service Customer in the event of an outage of a Generating Unit serving the customer's Load.
Standby Service Customer	A retail End-Use Customer of a Participating TO that receives Standby Service and pays a Standby Rate.
Standby Transmission Revenue	The transmission revenues, with respect to cost of both High Voltage Transmission Facilities and Low Voltage Transmission Facilities, collected directly

	from Standby Service Customers through charges for Standby Service.
	* * * * *
System Unit	One or more ~~resources~~ individual Generating Units and/or Loads within a Metered Subsystem controlled so as to simulate a single resource with specified performance characteristics, as mutually determined and agreed to by the MSS Operator and the ISO. The Generating Units and/or Loads making up a System Unit must be in close physical proximity to each other such that the operation of the resources comprising the System Unit does not result in significant differences in flows on the ISO Controlled Grid.
TAC Area	A portion of the ISO Controlled Grid with respect to which Participating TOs' High Voltage Transmission Revenue Requirements are recovered through a

	High Voltage Access Charge. TAC Areas are listed in Schedule 3 of Appendix F.
	* * * * *
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 enacted on February 24, 1995~~ component of the Access Charge collected by the ISO with the High Voltage Access Charge in accordance with Section 5.7 of Appendix F, Schedule 3.
	* * * * *

Transmission Revenue Credit	The proceeds received by the Participating TO from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights ~~or Non-Converted Rights~~ and the ISO's rules and protocols
TRBA (Transmission Revenue Balancing Account)	A mechanism to be established by each Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6 and 8 of Appendix F, Schedule 3, flow through to ~~its~~ transmission customers.

TRR (Transmission Revenue Requirement)

The TRR is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO that has transmission customers., ~~and for which FERC jurisdictional entities are permitted to include in~~ The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes the costs of ~~their Access Charges for recovery from customers, or in the case of non-FERC jurisdiction entities, the equivalent revenue amount authorized by the appropriate jurisdictional regulatory authority~~ transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby

Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.

* * * * *

Wheeling Access Charge The charge assessed by the ISO that is paid by a Scheduling Coordinator for Wheeling in accordance with Section 7.1. 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. The Wheeling Access Charge may consist of a High Voltage Wheeling Access Charge and a Low Voltage Wheeling Access Charge.

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 Load located outside the transmission and distribution system of a Participating TO.
Wheeling Through	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 resource located outside the ISO Controlled Grid to serve a Load located outside the transmission and distribution system of a Participating TO.

ISO Tariff Appendix F

Schedule 1

Grid Management Charge

Part A – Monthly Calculation of Grid Management Charge (GMC)

The Grid Management Charge (ISO Tariff Section 8.0) is a formula rate designed to recover the ISO's administrative and operating costs, including costs incurred in establishing the ISO before its operations began. The Grid Management Charge also includes costs associated with Scheduling, System Control and Dispatch Service as described in Order No. 888.

The Grid Management Charge will be $0.7831/MWh, as of March 31, 1998.

The Grid Management Charge will be levied monthly in arrears on all Scheduling Coordinators by charging each Scheduling Coordinator the product of the Grid Management Charge rate, as calculated under section 8.4 of the ISO Tariff, and the Monthly Metered Consumption, all as expressly set forth in the following formula; provided, however, that (i) Existing Contract Deliveries shall be multiplied by a factor of 0.5 before application of the GMC; (ii) loads in a given hour served by Other Volumes shall be exempt from the GMC; (iii) Qualified Loads shall be exempt from the GMC; and (iv) all New Uses, including those by Existing Contract Entities and QFs, are subject to the full GMC. The formula through December 31, 2000, is as follows:

$$\text{Monthly Bill}_{SCi} = [\text{GMC} \times (\text{ECD}_{SCi} \times 0.50)] + [\text{GMC} \times \text{OMC}_{SCi}]$$

Where:

SC*i* = the applicable Scheduling Coordinator

ECD = Existing Contract Deliveries

OMC = Other Metered Consumption

For purposes of this Schedule 1, capitalized terms not included in the Master Definitions Supplement shall be defined as follows through

December 31, 2000:

Existing Contract Deliveries shall mean scheduled deliveries or metered consumption under an Existing Contract to an Existing Contract Entity, calculated in MWh, in accordance with the method historically used by the parties to the Existing Contract.

Existing Contract Entities shall mean entities receiving energy under Existing Contract rights as defined in the ISO Tariff, as it exists on April 1, 1998, provided that, for purposes of this definition, Existing Contract rights shall not include Converted Rights, as defined in the ISO Tariff and a Participating Transmission Owner shall not qualify as an Existing Contract Entity.

Monthly Metered Consumption shall mean the aggregate of Other Metered Consumption and Existing Contract Deliveries.

New Uses shall mean volumes transported over the ISO Controlled Grid pursuant to an agreement that is not an Existing Contract under the ISO Tariff, and shall not include Qualified Loads.

Other Metered Consumption shall mean the sum of (i) total load of the Scheduling Coordinator within the ISO Control Area and (ii) total export of the Scheduling Coordinator outside of the ISO Control Area (including Wheeling Out and Wheeling Through the ISO Control Area; and (iii) excluding Existing Contract Deliveries, Other Volumes and Qualified Loads. Other Metered Consumption includes New Uses.

Other Volumes for a given hour shall mean (i) the energy produced in that hour from any generating unit located within an Existing Contract Entity's service area or directly connected to transmission owned by such Existing Contract Entity and/or (ii) any volumes transported through a path that does not include facilities in the ISO Controlled Grid other than volumes transported to serve Load in the service area of a Participating TO or for export from the Service Area of a Participating TO. Other Volumes does not include New Uses.

Qualified Loads means load served by QF energy that is generated on or distributed by the QF generator through private property or over distribution facilities that are dedicated to the QF through either an arrangement with the UDC in whose service territory the QF is located, or another entity that provides distribution level service, solely for its own use or the use of its tenants or two other corporations located on the real property on which the electricity is generated or on immediately adjacent real property and not for sale or transmission to others.

ATTACHMENT B

Schedule 2

Other Charges

* * *

Access Charges

The ~~Access~~High Voltage Access Charge and Transition Charge is set forth in ISO Tariff ~~Section 7.1~~Schedule 3 of Appendix F. The Low Voltage Access Charge of each Participating TO is set forth in that Participating TO's TO Tariff or comparable document.

* * *

Wheeling Access Charges

The Wheeling Access Charge for transmission service is set forth in Section 7.1.4.1 of the ISO Tariff and Appendix II of the TO Tariffs.

* * *

ISO Tariff Appendix F

Schedule 3

High Voltage Access Charges

1. Objectives and Definitions

1.1 Objectives

(a) The Access Charge will remain utility-specific until a New Participating TO executes the Transmission Control Agreement, at which time the Access Charge will change as discussed below.

(b) The Access Charge is the charge assessed for using the ISO Controlled Grid. It consists of three components, the High Voltage Access Charge (HVAC), the Transition Charge and the Low Voltage Access Charge (LVAC).

(c) The HVAC ultimately will be based on one ISO Grid-wide rate. Initially, the HVAC will be based on TAC Areas, which will transition 10% per year to ISO Grid-wide. In the first year after the Transition Date described in Section 4.2 of this Schedule 3, the HVAC will be a blend based on 10% ISO Grid-wide and 90% TAC Area.

(d) New High Voltage Transmission Facility additions and capital additions to existing High Voltage Transmission Facilities will be immediately included in the ISO Grid-wide component of the HVAC.

(e) The LVAC will remain utility-specific and will be determined by each Participating TO.

(f) The cost-shift associated with transitioning from utility-specific rates to one ISO Grid-wide rate will be mitigated in accordance with the ISO Tariff, including this Schedule.

1.2 Definitions

(a) Master Definition Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definition Supplement shall have the same meaning where used in this Schedule 3.

(b) Special Definitions for this Appendix

When used in this Schedule 3 with initial capitalization, the following terms shall have the meanings specified below.

"Existing High Voltage Transmission Facility" means a High Voltage Transmission Facility of a Participating TO that is not a New High Voltage Transmission Facility.

"TAC Benefit" means (a) the amount, if any, for each year by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of, or directly served by, the New Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F; reduced by (b) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges had the participant not been a New Participating TO. The TAC Benefit of a New Participating TO shall not be less than zero.

2. Assessment of High Voltage Access Charge and Transition Charge.

All UDCs or MSSs providing Energy delivered for the supply of all Gross Loads directly connected to the transmission facilities or Distribution System of the UDC or MSS, and all Scheduling Coordinators providing Energy delivered for the supply of all Gross Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC or a MSS that is also a Participating

TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the Service Area of Pacific Gas and Electric Company and the Service Area of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the Service Area of Southern California Edison Company and the Service Area of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the Service Area of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited Service Areas are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its Service Area will form a fourth TAC Area, the West Central Area.

3.3 If any of the following entities becomes a Participating TO, its Service Area will become part of the Northern Area: Sacramento Municipal Utility District, Western Area Power Administration - Sierra Nevada Region, Northern California Power Agency, City of Redding, Silicon Valley Power, City of Palo Alto, City and County of San Francisco, Alameda Bureau of Electricity, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc Utility Department, Modesto Irrigation District, Turlock Irrigation District, Plumas County Water Agency, City of Roseville Electric Department, City of Shasta Lake, and City of Ukiah or any other entity owning or having contractual rights to High Voltage or Low Voltage

Transmission Facilities in Pacific Gas and Electric Company's Control Area prior to the ISO Operations Date.

3.4 If any of the following entities becomes a Participating TO, its Service Area will become part of the East Central Area: City of Anaheim Public Utility Department, City of Riverside Public Utility Department, City of Azusa Light and Water, City of Banning Electric, City of Colton, City of Pasadena Water and Power Department, The Metropolitan Water District of Southern California and City of Vernon or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Southern California Edison Company's Control Area prior to the ISO Operations Date.

3.5 If the California Department of Water Resources becomes a Participating TO, its High Voltage Transmission Revenue Requirements associated with High Voltage Transmission Facilities in the Northern Area would become part of the High Voltage Transmission Revenue Requirement for the Northern Area while the remainder would be included in the East Central Area.

3.6 If the City of Burbank Public Service Department (Burbank) and/or the City of Glendale Public Service Department (Glendale) become Participating TOs after or at the same time as the Los Angeles Department of Water and Power becomes a Participating TO, then the Service Area of Burbank and/or Glendale would become part of the West Central Area. Otherwise, if Burbank or Glendale becomes a Participating TO, prior to Los Angeles, its Service Area will become part of the East Central Area. Once either Burbank or Glendale are part of the East Central Area, they will not move to the West Central Area if such area is established.

3.7 If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO, the ISO Governing Board will review the reasonableness of integrating the entity into one of the existing TAC Areas. If

the entity cannot be integrated without the potential for significant cost shifts, the ISO Governing Board may establish a separate TAC Area.

4. Transition Date

4.1 New Participating TOs shall provide the ISO with a notice of intent to join and execute the Transmission Control Agreement by either January 1 or July 1 of any year.

4.2 The transition shall begin on either January 1 or July 1 after the date the first New Participating TO's execution of the Transmission Control Agreement takes effect (Transition Date). The Transition Date shall be the same for the Northern Area, East Central Area and the Southern Area. The 10-year transition defined in Section 5.8 of Schedule 3 shall start from that date.

4.3 Application to Additional TAC Areas. For any TAC Areas created after the Transition Date, the applicable High Voltage Transmission Charge shall be transitioned over a period of 10 years in accordance with Section 5.8 of this Schedule 3, which transition period shall start either the first January 1 or July 1 after the New Participating TO in such new TAC Area has executed the Transmission Control Agreement and it has become effective.

4.4 Application to Wheeling Access Charges. The transition described in this Section 4 shall also apply, on the same schedule, to High Voltage Wheeling Access Charges.

5. Determination of the Access Charge.

5.1 The Access Charge consists of a High Voltage Access Charge (HVAC) that is based on a TAC Area component and an ISO Grid-wide component, a Transition Charge, and a Low Voltage Access Charge (LVAC) that is based on a utility-specific rate established by each Participating TO.

5.2 Each Participating TO will develop, in accordance with Section 6 of this Schedule 3, a High Voltage Transmission Revenue Requirement ($HVTRR_{PTO}$) consisting of a Transmission Revenue Requirement for Existing High Voltage

Transmission Facility ($EHVTRR_{PTO}$) and a Transmission Revenue Requirement for New High Voltage Transmission Facility ($NHVTRR_{PTO}$). The $HVTRR_{PTO}$ deducts Transmission Revenue Credits.

5.3 Gross Load forecasts, that are consistent with each Participating TO's filed Transmission Revenue Requirement, will be determined by the ISO based on information provided by Participating TOs (GL_{PTO}).

5.4 The HVAC applicable to each UDC, MSS and Scheduling Coordinator, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

5.5 The Existing Transmission Revenue Requirement for the TAC Area component ($ETRR_A$) is the summation of each Participating TO's $EHVTRR_{PTO}$ in that TAC Area. The Gross Load in the TAC Area (GL_A) is the summation of each Participating TO's Gross Load in that TAC Area (GL_{PTO}). The TAC Area component will be based on the product of Existing Transmission Revenue Requirement for the TAC Area ($ETRR_A$) and the applicable annual transition percentage (%TA) in Section 5.8 of this Schedule 3, divided by the Gross Load in the TAC Area (GL_A).

$$ETRR_A = \Sigma\ EHVTRR_{PTO}$$

$$GL_A = \Sigma\ GL_{PTO}$$

$$HVAC_A = (ETRR_A * \%TA) / GL_A$$

5.6 The Existing Transmission Revenue Requirement for the ISO Grid-wide component ($ETRR_I$) will be the summation of all TAC Areas' $ETRR_A$ multiplied by the applicable annual transition percentage (%IGW) in Section 5.8 of this Schedule 3. The New Transmission Revenue Requirement (NTRR) is the summation of each Participating TO's $NHVTRR_{PTO}$. The ISO Grid-wide component will be based on the $ETRR_I$ plus the NTRR, divided by the summation of all Gross Loads in the TAC Areas (GL_A).

$$ETRR_I = \Sigma\ ETRR_A * \%IGW$$

$$HVAC_I = (ETRR_I + NTRR) / \Sigma\ GL_A$$

The foregoing formulas will be adjusted, as necessary, to take account of new TAC Areas.

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the Service Area of the Participating TO, including UDCs and MSSs. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge.

5.8 The High Voltage Access Charge shall transition over a 10-year period from TAC Area to ISO Grid-wide. The transition percentage to be used for each year will be based on the following:

Year	**TAC Area High Voltage (%TA)**	**ISO Grid-Wide High Voltage (%IGW)**
1	90%	10%
2	80%	20%
3	70%	30%
4	60%	40%

5	50%	50%
6	40%	60%
7	30%	70%
8	20%	80%
9	10%	90%
10	0%	100%

5.9 After the completion of the transition period applicable to a TAC Area, the High Voltage Access Charge for all such TAC Areas which have completed the transition shall be equal to the sum of the High Voltage Transmission Revenue Requirements of all Participating TOs, divided by the sum of the Gross Loads of all Participating TOs.

6 High Voltage Transmission Revenue Requirement.

6.1 The High Voltage Transmission Revenue Requirement of a Participating TO will be determined consistent with ISO procedures posted on the ISO Home Page and shall be the sum of:

(a) the Participating TO's High Voltage Transmission Revenue Requirement (including costs related to Existing Contracts associated with transmission by others and deducting transmission revenues actually expected to be received by the Participating TO related to transmission for others in accordance with Existing Contracts, less the sum of the Standby Transmission Revenues); and

(b) the annual TRBA adjustment, which shall be calculated as a dollar amount based on (i) the projected Transmission Revenue Credits as adjusted for the true up of the prior calendar year's difference between projected and actual credits; and (ii) to the extent not reflected in

paragraph (a), the amount, if any, by which the Participating TO's High Voltage Transmission Revenue Requirement would be reduced if the Participating TO's TAC Benefit, net of any Transition Charges, during years prior to the year for which the calculation is being made, were applied to amortize the Participating TO's investment in High Voltage Transmission Facilities.

7. Limitation

(a) During each year of the transition period described in Section 4 of this Schedule 3, the increase in the total payment responsibility applicable to deliveries of Energy to Gross Loads in the Service Area of an Original Participating TO attributable to the total for the year of (i) the amount applicable for the Original Participating TO under Section 8.6 of the ISO Tariff; plus (ii) the amount applicable to the implementation of the High Voltage Access Charge; less (iii) the amount by which the GMC payable with respect to deliveries of Energy to Gross Loads in the Service Area of the Original Participating TO is reduced due to the inapplicability to New Participating TOs of the exclusion of certain volumes in the calculation of GMC responsibility in accordance with Schedule 1 to this Appendix F, shall not exceed the amount specified in paragraph (b), below. This limitation shall be calculated individually for each Original Participating TO, provided that, if the net effect of items (i), (ii) and (iii) above is positive for one or more Original Participating TOs for any year, the combined net effect shall be allocated among all Original Participating TOs in proportion to the amounts specified in paragraph (b). This limitation shall be applied by the ISO's calculation annually of amounts payable by New Participating TOs to Original Participating TOs such that the combined effect of items (i), (ii), and (iii) above, and the payments received by each Original Participating TO shall not exceed the amounts

specified in paragraph (b). The amount receivable by the Original Participating TO from the New Participating TOs to implement the limitation in paragraph (b) below, shall be credited through the Transition Charge established pursuant to Section 5.7 of this Schedule 3. Payment responsibility under this section, if any, shall be allocated among New Participating TOs in proportion to their positive TAC Benefits.

(b) The maximum annual amounts for Original Participating TO shall be as follows:

(i) For Pacific Gas and Electric Company and Southern California Edison Company, the maximum annual amount shall be thirty-two million dollars ($32,000,000.00) each; and

(ii) For San Diego Gas & Electric Company, the maximum annual amount shall be eight million dollars ($8,000,000.00).

8. Updates to High Voltage Access Charges.

8.1 High Voltage Access Charges shall be adjusted effective January 1 and July 1 of each year to reflect: (1) the addition of any New Participating TO during the preceding six months and (2) changes to the High Voltage Transmission Revenue Requirements of any Participating TO that were accepted by the FERC or the ISO during the preceding six months. Additionally, differences between the High Voltage Transmission Revenue Requirement of a Participating TO approved by FERC or the ISO and the High Voltage Revenue Requirement of the Participating TO reflected in the High Voltage Access Charge shall be trued-up on an annual basis each July 1.

8.2 Any refund associated with a Participating TO's Transmission Revenue Requirement that has been accepted by FERC, subject to refund, shall be included in the Transmission Revenue Balancing Account.

9. Approval of Updated High Voltage Revenue Requirements

9.1 Participating TOs that are FERC-jurisdictional entities will make the appropriate

filings at FERC to establish their Transmission Revenue Requirements for their Low Voltage Access Charges and the applicable High Voltage Access Charges, and to obtain approval of any changes thereto. All such filings with the FERC will include appropriate Gross Load data and other information required by the FERC to support the Access Charges. The Participating TO will provide a copy of its filing to the ISO.

9.2 If the Participating TO is not FERC jurisdictional, the Participating TO shall submit to the ISO its Transmission Revenue Requirement for those facilities and Entitlements under the Operational Control of the ISO, and the ISO shall publish such submission on the ISO Home Page. The Transmission Revenue Requirement shall be submitted in a format and supported by information that substantially follows the FERC requirement for Transmission Revenue Requirement submissions or reconciles major differences in format. If, within 60 days of publication of such submission, the ISO does not raise an objection with the Participating TO, and no affected party raises an objection by written notification to the ISO and the Participating TO, the Transmission Revenue Requirement shall be accepted as submitted. If an objection is raised, the ISO will convene a meeting the objective of which will be to achieve agreement over the Participating TO's TRR, applying, to the extent practicable, the guidelines and rulings of the FERC applicable to the determination of the TRR of Participating TOs that are FERC jurisdictional. If the ISO determines that a consensual resolution is unlikely, it will so notify the Participating TO and the dispute shall be submitted to a Revenue Review Panel established by the ISO for resolution of the just and reasonable TRR of the Participating TO. The Revenue Review Panel shall consist of three individuals with substantial experience in the establishment of unbundled transmission rates for public utilities. Members of the panel may not have a financial stake in any participant in the California electricity market. The ISO shall establish, modify as necessary

and appropriate from time to time, and post on the ISO Home Page rules of procedure for proceedings before the Revenue Review Panel, which rules shall afford the ISO and interested Market Participants the opportunity to participate and to submit information to the panel. In deciding upon a just and reasonable TRR for the Participating TO, the Revenue Review Panel shall, to the extent practicable, apply the guidelines and rulings of the FERC applicable to the determination of the TRR of a Participating TO that is FERC jurisdictional. The decision of the panel shall be final and not subject to further review in accordance with Section 13 of the ISO Tariff.

9.3 Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirement pursuant to applicable federal laws and regulations, including filing with FERC. The procedures for public participation in a federal power marketing agency's ratemaking process shall be posted on the federal power marketing agency's website. The federal power marketing agency's shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement.

ATTACHMENT B

ISO Tariff Appendix H

Methodology for Developing the Weighted Average

Rate for Wheeling Service

* * * * *

The weighted average rate payable for Wheeling over joint facilities at each Scheduling Point shall be calculated as follows, applying the formula separately to the applicable Wheeling Access Charges:

$$WBAC = \sum\left(P_n \times \frac{Q_n}{\Sigma Q_n}\right)$$

Where:

WBAC	=	Weighted-average Wheeling Access Charge for each ISO Scheduling Point
P_n	=	The applicable Wheeling Access Charge rate for a TAC Area or Participating TO_n in $/kWh as set forth in Section 7.1.4 and Section 5 of the TO Tariff.
Q_n	=	The Available Transfer Capacity (in MW), whether from transmission ownership or contractual entitlements, of each Participating TO_n for each ISO Scheduling Point which has been placed within the ISO Controlled Grid. Available Transfer Capacity shall not include capacity associated with ~~Non-Converted Rights and~~ Existing Rights of a Participating TO as defined in Section 2.4.4 of the ISO Tariff.
n	=	the number of Participating TOs from 1 to n

* * *

ASRP 1.2.2 Special Definitions for this Protocol

In this Protocol, the following expression shall have the meaning set opposite it:

"Area Control Error (ACE)" means the sum of the instantaneous difference between the actual net interchange and the scheduled net interchange between the ISO Control Area and all adjacent Control Areas and the ISO Control Area's frequency correction and time error correction obligations.

"Dynamic Schedule" means a telemetered reading or value which is updated in real time and which is used as a schedule in the ISO EMS calculation of ACE and the integrated value of which is treated as a schedule for interchange accounting purposes.

~~**"EOE"** means an Existing Operating Entity operating under an Existing Operating Agreement.~~

"ISO Home Page" means the ISO internet home page at www.caiso.com~~/iso~~ or such other internet address as the ISO shall publish from time to time.

* * *

ASRP 1.3.1 Scope of Application to Parties

This Protocol applies to the ISO and to the following:

(a) Participating Generators

(b) Operators

(c) UDCs

(d) Providers of Curtailable Demand

(e) Scheduling Coordinators

~~(f) an existing entity operating under an EOA~~Metered Subsystem Operators.

* * *

ASRP 4.5.2 Certification and Testing Requirements

Each Generating Unit and ~~Generating Units which an EOE intends to include in any~~ System Unit used to bid Regulation or used to self provide Regulation must have been certified and tested by the ISO using the process defined in Appendix A to this Protocol.

* * *

ASRP 5.8.3 Spinning Reserve Certification and Testing Requirements

Spinning Reserve may only be provided from

(1) Generating Units;

(2) System Resources from external imports; or

(3) ~~Generating Unit which an EOE intends to include in any~~ System Units;

which have been certified and tested by the ISO using the process defined in Appendix B to this Protocol.

ASRP 5.8.4 Non-Spinning Reserve Certification and Testing Requirements

Non-Spinning Reserve may only be provided from resources including

(1) Loads;

(2) Generating Units;

(3) System Resources from external imports; and

(4) ~~Generating Units which an EOE intends to include in any~~ System Units;

which have been certified and tested by the ISO using the process defined in Appendix C to this Protocol.

* * *

ASRP 6.5.4 Certification and Testing Requirements

Replacement Reserve may only be provided from resources including

(1) Loads;

(2) Generating Units;

(3) System Resources from external imports; and

(4) ~~Generating Unit which an EOE intends to include in any~~ System Units;

which have been certified and tested by the ISO using the process defined in Appendix C to this Protocol.

* * *

ASRP 7.5.2 Certification and Testing Requirements

Voltage Support may only be provided from resources including Loads, Generating Units and ~~Generating Unit which an EOE intends to include in any~~ System Units which have been certified and tested by the ISO using the process defined in Appendix E to this Protocol.

*** * ***

DP 1.2.2 Special Definitions for this Protocol

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

"Backup ISO Control Center" means the ISO Control Center located in Alhambra, California.

"BEEP" means the Balancing Energy and Ex-Post Pricing software referred to in SP 11.2 which is used to determine the merit order stack.

"Control Area Operator" means the person responsible for managing the real time operations of a Control Area.

"Dispatch Instruction" means an operating order that is issued by the ISO to a Participant pertaining to real time operations.

"GCC" means the single point of contact at the grid control center of Southern California Edison Company.

~~**"EOE"** means an Existing Operating Entity operating under an Existing Operating Agreement.~~

"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.

"Primary ISO Control Center" means the ISO Control Center located in Folsom, California.

"Participant" means any of those entities referred to in DP 1.3.1(a)-(f).

"Power System Stabilizer (PSS)" means an electronic control system applied on a Generating Unit that helps to damp out dynamic oscillations on a power system. The PSS senses Generator variables, such as voltage, current and shaft speed, processes this information and sends control signals to the Generator voltage regulator.

"Qualifying Facility" means a qualifying co-generation or small power production facility recognized by FERC.

"Security Coordinator" means the person responsible for Security Monitoring in real time for the California Area.

"TOC" means the single point of contact at the transmission operations center of Pacific Gas & Electric Company.

"Total Transfer Capability (TTC)" means the amount of power that can be transferred over an interconnected transmission network in a reliable manner while meeting all of a specific set of defined pre-contingency and post-contingency system conditions.

"Western Interconnection" means a network of transmission lines

embodied within the WSCC Region.

* * *

DP 1.3.1 Scope of Application to Parties

This Protocol applies to the ISO and to the Participants:

(a) Scheduling Coordinators (SCs);

(b) Utility Distribution Companies (UDCs);

(c) Participating Transmission Owners (PTOs);

(d) Participating Generators;

(e) Control Area Operators; and

(f) ~~Existing Operating Entities~~Metered Subsystem (MSS) Operators.

* * *

DP 3.4.2 Generator or Interconnection Schedule Change

Each SC shall keep the ISO apprised of any change or potential change in the current status of all Generating Units, Interconnection schedules and Inter-Scheduling Coordinator Energy Trades. This will include any changes in Generating Unit capacity that could affect planned Dispatch and conditions that could affect the reliability of a Generating Unit. Each SC shall immediately pass to the ISO any information which it receives from a Generator which the Generator provides to the SC pursuant to DP 3.7. Each SC shall immediately pass to the ISO any information it

receives from ~~an EOE~~ a MSS Operator which the ~~EOE~~ MSS Operator provides to the SC pursuant to DP 3.9.

* * *

DP 3.9 Information to be Supplied by MSS Operators~~EOEs Operating Under an Existing Operating Agreement~~

DP 3.9.1 Transmission Status Change

Each ~~EOE~~ MSS Operator shall report any change or potential change in equipment status of the ~~EOE~~ MSS's transmission assets immediately to the ISO (this will include line and station equipment, line protection, remedial action schemes and communication problems). Each ~~EOE~~ MSS Operator shall also keep the ISO immediately informed as to any changes or potential changes in the ~~EOE's~~ MSS's transmission system that could affect the reliability of the ISO Controlled Grid. This would include adverse weather conditions, fires, bomb threats, etc.

DP 3.9.2 Transmission Outage Scheduling

Each ~~EOE~~ MSS Operator shall schedule all Outages of its lines and station equipment which could affect the reliability of the ISO Controlled Grid in accordance with the appropriate procedure under the OCP.

DP 3.9.3 ~~EOE~~ MSS Operator Emergency Outage Scheduling

Each ~~EOE~~ MSS Operator shall coordinate any request for or responses to Forced Outages on its transmission lines or station equipment which

could affect the reliability of the ISO Controlled Grid directly with the appropriate ISO Control Center as defined in DP 6.2.

DP 3.9.4 Generator Status Change

Each ~~EOE~~ MSS Operator shall inform the ISO, through its respective SC, immediately of any change or potential change in the current status of any Generating Units that are under the Dispatch control of the ISO. This will include, but not be limited to, any change in status of equipment that could affect the maximum output of a Generating Unit, the minimum load of a Generating Unit, the ability of a Generating Unit to operate with automatic voltage regulation, operation of the PSS (whether in or out of service), the availability of a Generating Unit governor, or a Generating Unit's ability to provide Ancillary Services as required. Each ~~EOE~~ MSS Operator shall immediately report to the ISO, through its SC any trouble on Generating Unit direct digital control equipment, Generating Unit voltage control equipment, or any other equipment that may impact the reliable operation of the ISO Controlled Grid.

DP 3.9.5 Generator or Interchange Schedule Change

Each ~~EOE~~ MSS Operator shall inform the ISO, through its respective SC, of any change or potential change in the current status of all Generating Units, Interconnection schedules and Inter-Scheduling Coordinator Energy Trades. This will include any changes in Generating Unit capacity

that could affect planned dispatch and conditions that could affect the reliability of a Generating Unit. Each ~~EOE~~ MSS Operator shall immediately pass to the ISO, through its respective SC, any information which it receives from a Generator which the Generator provides to the ~~EOE~~ MSS Operator pursuant to DP 3.9.

* * *

OCP 1.2.2 Special Definitions for this Protocol

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

"Final Approval" means a statement of consent by the ISO Control Center to initiate a scheduled Outage.

~~**"EOE"** means an Existing Operating Entity operating under an Existing Operating Agreement.~~

"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.

* * * * *

OCP 5.2 Adjacent Control Areas

The ISO will coordinate the scheduling of ISO Controlled Grid facilities and approvals, as necessary, with the operators of adjacent Control Areas ~~and EOEs~~.

* * *

SBP 3.1.1 Existing Rights ~~and Non-Converted Rights~~

The provisions of Sections 2.4.3 and 2.4.4 of the ISO Tariff shall, with respect to the exercise of Existing Rights ~~and Non-Converted~~ Rights, following the ISO Operations Date, be implemented in accordance with this SBP 3 and such other operational protocols as may be developed on a case by case basis pursuant to these sections. The objective of this SBP 3 is to properly treat Existing Rights ~~and Non-Converted~~ Rights in accordance with the ISO Tariff and to minimize the need for other operational protocols.

* * *

SBP 3.2 Responsible Participating Transmission Owners

For each Existing Contract, the party providing transmission service (the "Responsible PTO") shall be responsible for the submission of transmission rights/curtailment instructions ("instructions") to the ISO under this SBP on behalf of the holders of Existing Rights ~~and/or Non-Converted~~ Rights, unless the parties to the Existing Contract agree otherwise. For the purposes of this Protocol, such otherwise agreed party will be acting in the role of Responsible PTO. In accordance with the ISO Tariff, the parties to Existing Contracts will attempt to jointly develop and agree on any instructions that will be submitted to the ISO. To the extent

there is more than one PTO providing transmission service under an Existing Contract or there is a set of Existing Contracts which are interdependent from the point of view of submitting instructions to the ISO involving more than one PTO, the relevant PTOs will designate a single PTO as the Responsible PTO and will notify the ISO accordingly. If no such Responsible PTO is designated by the relevant PTOs or the ISO is not notified of such designation, the ISO shall designate one of them as the Responsible PTO and notify the relevant PTOs accordingly.

SBP 3.3 Instructions Defining Transmission Service Rights

SBP 3.3.1 Data Requirements

The Responsible PTO with respect to an Existing Contract or set of interdependent Existing Contracts is required to submit to the ISO, in accordance with the timing requirements of SBP 3.3.5, the instructions that are necessary to implement the exercise of the Existing Rights ~~and/or the Non-Converted Rights~~ in accordance with the ISO Tariff. These instructions will be submitted to the ISO electronically, by the Responsible PTO, utilizing a form provided by the ISO in a format similar to the one set out in the Appendix to this Protocol (the "Transmission Rights/Curtailment Instructions Template"). The instructions will include the following information at a minimum and such other information as the ISO may reasonably require to enable it to carry out its functions under the ISO

Tariff and ISO Protocols (the letters below correspond with the letters of the instructions template in the Appendix to this Protocol):

(a) a unique contract reference number~~a unique~~ (Existing Contract reference number that will be assigned by the ISO and communicated to the Responsible PTO on the completed instruction and that references a single Existing Contract or a set of interdependent Existing Contracts; the provisions of SBP 3.4 will apply to the validation of scheduled uses of Existing Contract transmission rights);

(b) whether the instruction can be exercised independent of the ISO's day-to-day involvement (Yes/No);

(c) name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Responsible PTO;

(d) name(s) and number(s) of Existing Contract(s);

(e) path name(s) and location(s) (described in terms of the Zones in which the point(s) of receipt and point(s) of delivery are located);

(f) names of the party(ies) to the Existing Contract(s);

(g) SC ID code: the ID number of the SC who will submit Schedules which make use of the Existing Contract(s) for the party(ies) indicated in (f);

(h) type(s) of rights, by rights holder, by Existing ~~Contract (Existing~~ Rights ~~or Non-Converted Rights)~~;

(i) type(s) of service, by rights holder, by Existing Contract (firm, conditional firm, or non-firm), with priorities for firm and conditional firm transmission services indicated in Schedules using Adjustment Bids as described in the SP;

(j) amount of transmission service, by rights holder, by Existing Contract expressed in MW;

(k) for Day-Ahead scheduling purposes, the time of the day preceding the Trading Day at which the SC submits Schedules to the ISO referencing the Existing Contract(s) identified in the instructions;

(l) for Hour-Ahead or real time scheduling purposes, the number of minutes prior to the start of the Settlement Period of delivery at which the SC may submit Schedule adjustments to the ISO regarding the Existing Rights ~~or Non-Converted Rights~~ under the Existing Contract(s) identified in the instructions;

(m) whether or not real time modifications to Schedules associated with Existing Rights ~~or Non-Converted Rights~~ are allowed at any time during the Settlement Period;

(n) Service period(s) of the Existing Contract(s);

(o) any special procedures which would require curtailments to be implemented by the ISO in any manner different than that specified in SBP 3.3.2. Any such instructions submitted to the ISO must be clear, unambiguous, and not require the ISO to make any judgments or interpretations as to the meaning, intent, results, or purpose of the curtailment procedures or the Existing Contract (otherwise, they will not be accepted by the ISO); and

(p) any special procedures relating to curtailments during emergency conditions. Any such instructions submitted to the ISO must be clear, unambiguous, and not require the ISO to make any judgments or interpretations as to the meaning, intent, results, or purpose of the curtailment procedures or the Existing Contract (otherwise, they will not be accepted by the ISO).

SBP 3.3.2 Curtailment under Non-Emergency Conditions

Unless otherwise specified by the Responsible PTO in the instructions that it submits to the ISO under SBP 3.3.1, the ISO will allocate any necessary curtailments under non-emergency conditions, *pro rata*, among holders of Existing Rights ~~or Non-Converted~~ Rights, at particular Scheduling Points and/or on particular contract paths, in the order of: (1) non-firm, (2) each priority of conditional firm, and (3) each priority of

firm rights. Priorities for firm and conditional firm transmission service are indicated using Adjustment Bids, as described in the SP.

* * *

SBP 3.3.4 Instructions that cannot be Exercised Independent of the ISO's Day-to-Day Involvement

Those instructions that define the transmission rights within which uses may be scheduled or curtailed and that cannot be exercised independent of the ISO's day-to-day involvement must be submitted to the ISO in accordance with SBP 3.3.1. These instructions will be provided by the Responsible PTO to the ISO for implementation unless the parties to the Existing Contracts otherwise agree that the rights holder will do so. For these instructions, the SCs representing the holders of Existing Rights ~~and/or Non-Converted Rights~~ will submit their Schedules to the ISO for implementation in accordance with the instructions.

SBP 3.3.5 Timing of Submission of Instructions to ISO

SBP 3.3.5.1 Initial Submittal of Instructions

The Responsible PTOs shall submit instructions to the ISO associated with Existing Contracts or sets of interdependent Existing Contracts thirty (30) days prior to either (a) the ISO Operations Date or (b) the date on which the scheduling or curtailment of the use of the Existing Rights ~~or~~

~~Non-Converted Rights~~ is to commence pursuant to Sections 2.4.3 or 2.4.4 of the ISO Tariff.

* * *

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 prevail to the extent of the inconsistency. ~~If the provisions of this SP and an Existing Operating Agreement conflict, the provisions of the Existing Operating Agreement will prevail.~~ 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) References to time are references to the prevailing Pacific time.

* * *

SP 3.1.4 Suggested Adjusted Schedules

If the sum of SC's Preferred Schedules would cause Congestion across any Inter-Zonal Interface, the ISO shall issue Suggested Adjusted Schedules to all SCs in the Day-Ahead Market only. These Suggested Adjusted Schedules will not apply to uses of transmission owned by non-participating transmission owners nor to uses of ~~either~~ Existing Rights ~~or Non-Converted Rights under Existing Contracts~~. A modification flag, set by the ISO, will indicate whether the scheduled output in a Settlement Period has been modified as a result of Congestion Management. The ISO will publish as public information, via the WEnet, estimated Usage Charges for Energy transfers between Zones.

* * *

SP 7.1.1 Participating Transmission Owners

Prior to the ISO accepting Schedules which include the use of Existing Rights ~~or Non-Converted Rights under Existing Contracts~~, the Responsible PTO (as defined in the SBP) must have provided the ISO with the information required in the Transmission Control Agreement and the SBP, including transmission rights/curtailment instructions (instructions) supplied in a form and by means of communication specified by the ISO.

SP 7.1.2 Scheduling Coordinators

The ISO will accept valid Schedules from a Responsible PTO that is the SC for the Existing Contract rights holders, or from Existing Contract rights holders that are SCs, or that are represented by a SC other than the Responsible PTO. Schedules submitted by SCs to the ISO which include the use of Existing Rights ~~or Non-Converted Rights under Existing Contracts~~ must be submitted in accordance with the SBP and this SP.

* * *

SP 7.2.1 Categories of Transmission Capacity

As used in this SP, references to new firm uses shall mean any use of ISO transmission service, except for uses associated with Existing Rights ~~and Non-Converted Rights under Existing Contracts~~. Prior to the start of the Day-Ahead scheduling process, for each Inter-Zonal Interface, the ISO will allocate the forecasted total transfer capability of the Interface to four categories. This allocation will represent the ISO's best estimates at the time, and is not intended to affect any rights provided under Existing Contracts, except as provided in SP 7.4. The ISO's forecast of total transfer capability for each Inter-Zonal Interface will depend on prevailing conditions for the relevant Trading Day, including, but not limited to, the effects of parallel path (unscheduled) flows and/or other limiting operational conditions. This information will be posted on WEnet by the

ISO in accordance with SP 3.2.1. In accordance 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 7.3.1 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.

* * *

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~~s~~. 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 firmNon-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 7.4.1 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 7.4.3 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 Schedules in terms of near-zero priced Adjustment Bids as described in SP 7.2.2 (c)) to the extent necessary;

(c) if Congestion still exists after curtailing all 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), 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 Schedules in terms of high priced Adjustment Bids 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 real-time processes to the extent that such flexibilities do not interfere with or jeopardize the safe and reliable operation of the ISO Controlled Grid or Control Area operations. The real-time processes described in SP 7.5.1 and SP 7.5.2 will occur during the three hours following the ISO's receipt of Preferred Hour-Ahead Schedules (that is, from two hours ahead of the start of the Settlement Period through the end of such Settlement Period).

SP 7.5.1 Inter-Control Area Changes to Schedules that Rely on Existing Rights

Changes to Schedules that occur during the ISO's real-time processes that involve changes to ISO Control Area imports or exports with other Control Areas (that is, inter-Control Area changes to Schedules) will be allowed and will be recorded by the ISO based upon notification received from the SC representing the holder of the Existing Rights ~~or Non-Converted~~ Rights~~.~~ The ISO must be notified of any such changes to external import/export schedules. The ISO will receive notification of real time changes to external import/export schedules, by telephone, from the SC representing the holder of the Existing Rights ~~or Non-Converted~~

~~Rights~~. The timing and content of any such notification must be consistent with the instructions previously submitted to the ISO by the Responsible PTO in accordance with the SBP. The ISO will manually adjust the SC's schedule to conform with the other Control Area's net schedule in real time, and the notifying SC will be responsible for and manage any resulting Energy imbalance. These Imbalance Energy deviations will be priced and accounted to the SC representing the holder of Existing Rights ~~or Non-Converted Rights~~ in accordance with the SABP.

SP 7.5.2 Intra-Control Area Changes to Schedules that Rely on Existing Rights

Changes to Schedules that occur during the ISO's real-time processes that do not involve changes to ISO Control Area imports or exports with other Control Areas (that is, intra-Control Area changes to Schedules) will be allowed and will give rise to Imbalance Energy deviations. These Imbalance Energy deviations will be priced and accounted to the SC representing the holder of Existing Rights ~~or Non-Converted Rights~~ in accordance with the SABP.

* * *

SABP 1.1 Objectives

The objective of this Protocol (and of Annex 1) is to inform Scheduling Coordinators, Participating TOs, Utility Distribution Companies, Metered

Subsystems, 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 1.3.1 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;

(d) Utility Distribution Companies; and

(e) Metered Subsystems.

The settlement, billing and payment process between the ISO, Scheduling Coordinators, Participating TOs, ~~and~~ Black Start Generators, Utility Distribution Companies, and Metered Subsystems 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 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 O 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 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 0 in accordance with Appendix G.

(k) the amount due from each UDC or MSS, or from a Scheduling Coordinator delivering Energy for the supply of Gross Load not directly connected to the facilities of a UDC or MSS, for the High Voltage Access Charge and Transition Charge in accordance with operating procedures posted on the ISO Home Page. These charges shall accrue on a monthly basis.

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 Appendices

E.2.1 ISO Usage Charges on Scheduling Coordinators

Each Scheduling Coordinator j whose Final Schedule includes the transfer of Energy scheduled across one or more Congested Inter-Zonal Interfaces shall (save to the extent that the transfer involves the use of transmission capacity represented by Existing Rights ~~and/or Non-Converted~~ Rights) pay, or be paid, Usage Charges in Trading Interval t calculated in accordance with the following formulae:

{no change to formula}

* * *

E.2.2 Payments of Usage Charges to Scheduling Coordinators

Each Scheduling Coordinator j whose Final Schedule includes the transfer of Energy from one Zone to another in a direction opposite that of Congestion shall (save to the extent that the transfer involves the use of transmission capacity represented by Existing Rights ~~and/or Non-Converted Rights~~) receive a Usage Charge payment from the ISO calculated in accordance with the formulae described in ~~section~~Section E 2.1.

* * *

F 2.1.1 Wheeling Access Charge

The Wheeling Access Charge for each Participating TO shall be as specified in section 7.1.4 of the ISO Tariff. ~~is its base Transmission Revenue Requirement (TRR) divided by the annual kWh deliveries by the Participating TO or End-Use Customers connected to its transmission and distribution facilities plus the Participating TO's Transmission Revenue Balancing Account (TRBA) adjustment as set forth in Section 5 of the TO Tariff. The Wheeling Access Charge for transmission service will be the TO-specific Wheeling Access Charge at the point in the ISO Controlled Grid where the Energy is scheduled to exit the ISO Controlled Grid.~~

~~To the extent that more than one Participating TO owns, or has firm entitlement to,~~

~~transmission capacity exiting the ISO Controlled Grid at a Scheduling Point, the ISO will charge Scheduling Coordinators for each Trading Interval a rate for Wheeling at that Scheduling Point which reflects an average of the Wheeling Access Charge of those Participating TOs, weighted by the relative share of such ownership or firm entitlements to transmission capacity. The Weighted Average Rate for Wheeling for Scheduling Point q is calculated using the following formula; note if there is only one Participating TO owning, or having firm entitlement to, transmission capacity at Scheduling Point q then this formula gives the TO-specific Wheeling Access Charge:~~

~~$WABC_q = \Sigma (P_n * Q_n / \Sigma Q_n)$~~

F 2.1.2 ~~Wheeling Charge~~[Not Used]

~~The Wheeling Charge by the ISO on Scheduling Coordinator j for Scheduling Point q for each Trading Interval is calculated by the product of (i) the weighted average rate for Wheeling at Scheduling Point q, and (ii) the summation of kWh wheeled over that Scheduling Point in Trading Interval t using the following formula:~~

~~$WChg_{jq} = WABC_q * QChargeW_{jqt}$~~

~~The total Wheeling Charges by the ISO on Scheduling Coordinator j for all Scheduling Points in Trading Interval t is calculated using the following formula:~~

~~$TotalWChg_j = \Sigma_q WChg_{jq}$~~

F.2.2 ISO Payments to Transmission Owners for Wheeling

The ISO will pay all Wheeling revenues to Participating TOs on the basis of the ratio of each Participating TO's Transmission Revenue Requirement ("TRR") (less the TRR associated with ~~Non-Converted Rights and~~ Existing Rights) to the sum of all Participating TOs' TRRs (less the TRRs associated with ~~Non-Converted Rights and~~ Existing Rights) as specified in Section 7.1.4.3 of the ISO Tariff. The Low Voltage Wheeling Access Charge shall be disbursed to the appropriate Participating TO.

The sum to be paid to Participating TO for a Trading Interval is calculated as follows:

~~**{no change to formula}**~~

* * *

F 3.2 P_n ($/kWh)

The applicable Wheeling Access Charge rate for TAC Area or Participating TO $_n$ in $/kWh as set forth in Section 7.1.4 of the ISO Tariff and Section 5 of the TO Tariff.

F 3.3 Q_n (MW)

The Available Transfer Capacity, whether from transmission ownership or contractual entitlements, of each Participating TO $_n$ for each ISO Scheduling Point which has been placed within the ISO Controlled Grid. Available Transfer Capacity does not include capacity associated with

~~Non-Converted Rights and~~ Existing Rights of a Participating TO as defined in Section 2.4.4 of the ISO Tariff.

* * * * *

~~F 3.6 TotalWChg$_j$ ($)~~

~~The total Wheeling Charges payable by Scheduling Coordinator j to the ISO for all Scheduling Points over which it has Wheeling transactions in Trading Interval t. Both Wheeling Out and Wheeling Through transactions are included in this term.~~

~~F 3.7 PayTO$_n$ ($)~~

~~The Trading Interval payment of Wheeling Out and Through Revenues from the ISO to Participating TO n.~~

~~F 3.8 TRR$_n$~~

~~The Transmission Revenue Requirement of Participating TO$_n$.~~