

**ATTACHMENT B**

**IMPLEMENTATION OF FIRM TRANSMISSION RIGHTS**

## **9 FIRM TRANSMISSION RIGHTS**

### **9.1 General**

**9.1.1** Commencing in ~~2000~~1999, on the effective date established by the ISO 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 process described in Section 9.4. Proceeds of the auction 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 Characteristics of Firm Transmission Rights**

**9.2.1** Each FTR shall be defined by a transmission path from an originating Zone to a contiguous receiving Zone. Each FTR shall entitle the FTR Holder to a share of Usage Charges attributable to Inter-Zonal Congestion for transfers on that path from the designated originating Zone to the designated receiving Zone in accordance with Section 9.6. An FTR is a right in one direction only. An FTR Holder shall not be entitled to share in (i) Usage Charges attributable to Inter-Zonal Congestion from the designated receiving Zone to the designated originating Zone; or (ii) Usage Charges payable in accordance with Section 7.3.1.5.1 to a Scheduling Coordinator that counter-schedules from the designated originating Zone to the designated receiving Zone.

**9.2.2** The ISO Governing Board shall, from time to time, approve the amount of FTRs to be auctioned for each FTR Market and the ISO shall publish this information on the ISO Home Page at least 30 days prior to the auction. ~~For the initial auction of FTRs in 1999, the ISO will auction an amount of FTRs in each FTR market equal to twenty-five (25) percent of the maximum amount that may be issued pursuant to Section 9.3.~~ The ISO may issue FTRs in one or more auctions in any year so long as the total FTRs for any interface do not exceed the maximum amount permitted in Section 9.3.

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

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

**9.2.3** Each FTR shall be issued in the denomination of 1 MW. ~~The initial release of FTRs and shall have a duration of one year, starting with the hour beginning at 12:00 a.m., on JanuaryFebruary 1, 2000 of the year for which the FTR is issued and ending with the hour beginning at 11:00 p.m., on March 31, 2001. December 31 of the same year, provided, however, that if FTRs are auctioned after the commencement of the calendar year, for that year, those FTRs shall have a duration of the balance of the calendar year.~~ An FTR shall not afford the FTR Holder any right to share in Usage Charges attributable to Inter-Zonal Congestion occurring in any hour before or after the term of the FTR.

**9.2.4** The portion of the Usage Charges to which the FTR Holder is entitled shall be determined in accordance with Section 9.6.

**9.2.5** FTR Holders shall be entitled to priority in the scheduling of Energy in the Day-Ahead Market as specified in Section 9.7.

**9.2.6** Any entity, with the exception of the ISO, shall be eligible to acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, or by purchasing FTRs in secondary markets. To participate in the ISO's auction of FTRs, an entity must either be a certified Scheduling Coordinator or have met financial requirements equivalent to the financial certification criteria required of all Scheduling Coordinators. An entity may not acquire FTRs with a total value that exceeds the financial security proved by that entity to the ISO. In addition, an FTR Bidder must have, or have access to, the necessary technical equipment to participate in the electronic auction.

9.2.7 All entities which acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, 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.

### **9.3 Maximum Number of Firm Transmission Rights**

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

- (i) The WSCC approved path rating of the interface in the direction from the originating zone to the receiving zone or, if the interface has not received a WSCC approved rating, a rating determined by a methodology that is consistent with the WSCC's rating methodology; and
- (ii) The portion of the transfer capability of the interface available for transmission scheduling under Existing Contracts as Existing Rights.

and ensures the ISO's ability to honor all of its FTRs simultaneously under normal operating conditions.

### **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 1999, the primary auction shall be as determined by the ISO 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 ~~calendar~~FTR term defined for the primary auction applicable to the -year during which they were issued.

**9.4.2** The ISO shall conduct the auction of FTRs through the following procedures:

**9.4.2.1** At least thirty (30) days prior to the scheduled start of the auction, the ISO shall post on the ISO Home Page the following information:

- (i) the number of FTRs to be issued for each FTR Market;
- (ii) the starting bid price at which FTRs will be made available in each FTR Market in the first round of the auction, which price will be set in each FTR Market at a level equal to the greater of (a) \$100 per MW-year; ~~or~~ (b) twenty (20) percent of the ratio of the net Usage Charges collected by the ISO with respect to that FTR Market in the most recent twelve-month period for which data are available to the total MW-years of Energy scheduled over the Inter-Zonal Interface in the relevant direction during that period; or (c) twenty (20) percent of the ration of the net Grid Operation Charges (for new Inter-Zonal Interfaces that previously were transmission paths within a Zone) collected by the ISO in the most recent twelve-month period for which data are available to the total MW-years of Energy scheduled over the transmission paths in the relevant direction during that period, provided that, if data are available for only a portion of the twelve-month period, such data shall be used on annualized basis;
- (iii) the formula through which the ISO will determine how much to adjust the price of FTRs in each FTR Market for subsequent rounds of the auction, including the initial coefficients to be used in the formula and the range

over which the coefficients may be adjusted in accordance with Section 9.4.2.3;

- (iv) the date and time prior to the commencement of the auction by which each entity desiring to bid on FTRs must have satisfied the necessary financial requirements as outlined in Section 9.2.6;
- (v) the specifications for the technical equipment necessary to participate in the auction, which will be conducted electronically, the date and time by which bids must be submitted in the first round of the auction, which shall be the same for all FTR Markets, and the form and format in which bids must be submitted; and
- (vi) a schedule for the conduct of subsequent rounds of the auction, including the interval between rounds of the auction and the anticipated duration of the auction.

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## **9.8 Assignment of Firm Transmission Rights**

**9.8.1** An FTR may be assigned, sold, or otherwise transferred by the FTR Holder to any entity eligible to be an FTR Holder in full MW increments, either for the entire term of the FTR or for any portion of that term providing, however, that any such transfer shall be in full hour increments that correspond to the FTR issued to the FTR Holder. Both the FTR Holder of record and the entity to which the FTRs have been transferred shall register the transfer of the FTR with the ISO by notifying the ISO through the form specified for that purpose by the ISO, and within the number of business days following the transfer published by the ISO on the ISO Home Page and WEnet but no later than such time as the ISO shall specify before the deadline applicable to scheduling Energy in the Day-Ahead Market, of (i) the identity of the FTR Holder of record; (ii) the identity of the entity to which the FTRs have been transferred; (iii) the quantity and identification numbers of

the FTRs being transferred and (iviii) the portion of the term of the FTR for which they are transferred. The entity to which the FTRs have been transferred must also notify the ISO of all entities with which the transferee is affiliated that are FTR Holders or Market Participants as defined in the ISO Tariff, pursuant to section 9.2.7. After the ISO receives such notices, the transferee shall be considered the FTR Holder of record with respect to the portion of the term of the FTR that is transferred. In order to use the Scheduling Priority of an FTR, pursuant to section 9.7, an FTR must be registered with the ISO.

**9.8.2** The ISO shall publish on the ISO Home Page such information concerning the concentration of ownership of FTRs in each FTR Market as determined by the ISO Board of Governors from time to time.

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

## Appendix A

### Master Definitions Supplement

#### **Affiliate**

An entity, company or person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the subject entity, company, or person.