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16.2.1.2 If a Participating TO is a party to an Existing Contract under which Existing Rights are provided, the Participating TO shall attempt to negotiate changes to the Existing Contract to align the contract's scheduling and operating provisions with the ISO's scheduling and operational procedures, rules and protocols, to align operations under the contract with ISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations as defined in Section 16.2.2.

In addition, the Participating TO shall attempt to negotiate changes to provisions in the Existing Contract to ensure that whenever transmission services under the Existing Contract are used to deliver power to a Market Participant that is subject to Access Charges under this Tariff, no duplicative charge for access to the ISO Controlled Grid will be charged under the Existing Contract. For purposes of such negotiations, there shall be a presumption that any charges in an Existing Contract that were designed to recover the embedded cost of transmission facilities within the ISO Controlled Grid will be fully recovered through the Access Charges established under Section 26.1 of this Tariff.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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16.2.3.4.5 Parties with Existing 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 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. Each Participating TO will be responsible for recovering any deficits or crediting any surpluses associated with differences in assignment of Transmission Loss requirements and/or Ancillary Services requirements, through its bilateral arrangements or its Transmission Owner's Tariff.

16.2.4 ISO Protocols Shall Accommodate Existing Rights.

The ISO will implement the provisions of Section 16.2.3. The objective will be to ensure that under the ISO T~~t~~ariff, Existing 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 ~~t~~Tariff:

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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16.2.4A.1 The r~~R~~esponsible Participating TO 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 Section 16.2.4A.2 and 16.2.4A.3, the instructions that are necessary to implement the exercise of Existing Rights in accordance with the ISO Tariff. The operating 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 Standard Template – Transmission Rights/Curtailment Instructions in Appendix M. 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 Standard Template – Transmission Rights/Curtailment Instructions in Appendix M:

(a) a unique contract reference number (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 Section 30.4.2 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) Scheduling Coordinator ID code: the ID number of the Scheduling Coordinator 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 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~~this ISO Tariff;

(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 Scheduling Coordinator 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 Scheduling Coordinator may submit Schedule adjustments to the ISO regarding the Existing Rights under the Existing Contract(s) identified in the instructions;

(m) whether or not real-time modifications to Schedules associated with Existing 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 Section 7.4.12. 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).

16.2.4A.2 The Responsible PTOs shall submit the operating 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 is to commence pursuant to Sections 16.1 or 16.2. The ISO will not accept Schedules which include the use of Existing Rights, unless the Responsible PTO has provided the ISO with the information required in the Transmission Control Agreement and this Section ~~2.4~~16.2.4, including transmission rights/curtailment instructions supplied in a form and by means of communication specified by the ISO.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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16.2.4F For those Existing 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 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 the use of which has not been scheduled by the rights-holders in the ISO's Hour-Ahead scheduling process. ~~The provisions shall apply to real-time changes in Interconnection schedules under Existing Contracts.~~

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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16.2.4.1.1~~2~~ Prioritization of Transmission Uses.

The following rules are designed to enable the ISO to honor Existing Contracts in accordance with Sections 16.1 and 16.2 of the ISO Tariff. 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. In each of the categories described in Section 23, 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 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 Section ~~16.2.4.3~~16.2.4.1.2 for a summary of allowable linkages). Scheduling and curtailment priorities associated with each category will be defined by Scheduling Coordinators through the use of contract usage templates submitted as part of their Schedules.

(a) Transmission capacity for Schedules will be made available to holders of firm Existing Rights in accordance with this Section 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 to use available Inter-Zonal Interface transmission capacity. These high priced Adjustment Bids are only for the ISO's use, in the context of Inter-Zonal 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 Scheduling Coordinators 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 Scheduling Coordinators 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 Section 27.1.1.5, 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 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 Scheduling Coordinators 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 Scheduling Coordinators 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 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 Scheduling Coordinators as $0.00/MWh Adjustment Bids. Therefore, there will be no contract reference number associated with non-firm Existing Contract rights.

16.2.4.1.2~~3~~ Allowable Linkages.

As indicated in Section ~~16.2.4.2~~16.2.4.1.1, Generation, Inter-Scheduling Coordinator Energy Trade imports or external imports in one Zone must be matched by an equal magnitude of Demand, Inter-Scheduling Coordinator Energy Trade exports or external exports in the same Zone or in an adjacent Zone.

16.2.4.2~~5~~ The Day-Ahead Process.

16.2.4.2.1~~5.1~~ Validation.

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

16.2.4.2.2~~5.2~~ Scheduling Deadlines.

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

16.2.4.2.3~~5.3~~ 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 by subtracting, from the total transfer capability of the Inter-Zonal Interface, the unused portions of capacity applicable to firm Existing Rights. For purposes of Congestion Management, the total transfer capability of the Inter-Zonal Interface is therefore adjusted downward by an amount equal to the unused portions of firm Existing Rights. 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).

16.2.4.2.4~~5.4~~ 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 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 will be curtailed (based upon the levels of priority expressed in the contract usage templates for Schedules as described in Section ~~16.2.4.2~~16.2.4.1.1) 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) 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 are then curtailed (based upon the priorities expressed in the contract usage templates associated with the Schedules as described in Section ~~16.2.4.2~~16.2.4.1.1) to the extent necessary.

16.2.4.3~~6~~ The Hour-Ahead Process.

16.2.4.3.1~~6.1~~ Validation.

The ISO will coordinate the scheduling of the use of Existing 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. Invalid schedules will be rejected and the ISO will immediately communicate the results of each Scheduling Coordinator's validation to that Scheduling Coordinator via WEnet.

16.2.4.3.2~~6.2~~ Scheduling Deadlines.

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

16.2.4.3.3~~6.3~~ Acceptance of Firm Transmission Schedules.

Before allocating any remaining transmission capacity under the following provisions of this Section 16.2, the ISO will accept Schedules associated with firm Existing Rights (subject to validation under ~~16.2.6.1~~16.2.4.3.1), allocating transmission capacity for use by these rights holders.

16.2.4.3.4~~6.4~~ Reservation of Firm Transmission Capacity.

The ISO will adjust the total transfer capabilities of Inter-Zonal Interfaces with respect to firm Existing Rights as it does in its Day-Ahead process described in this Section 16.2. Therefore, holders of Existing 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 Section ~~16.2.7~~16.2.4.4.

16.2.4.3.5~~6.5~~ 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 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 will be curtailed (based upon the levels of priority expressed in the contract usage templates for the Schedules as described in Section ~~16.2.4.2~~16.2.4.1.1) to the extent necessary;

(c) if Congestion still exists after curtailing all lower priority schedules (e.g. representing non-firm and conditional firm uses of transmission service under Existing Contracts), the remaining transmission capacity (the subject of firm Existing Rights) is priced based upon Adjustment Bids. To the extent there are insufficient Adjustment Bids to fully mitigate the remaining Congestion, the default Usage Charge will apply and the ISO will curtail ISO transmission service (in other words, new firm uses including new firm uses of Firm Transmission Rights), pro rata, to the extent necessary; and

(d) if Congestion still exists after curtailing ISO new firm uses, scheduled uses of firm Existing Rights will be curtailed (based upon the priorities expressed in the contract usage template associated with the Schedules as described in Section ~~16.2.4.2~~16.2.4.1.1) to the extent necessary.

16.2.~~7~~4.4 The ISO's Real-Time Process.

Consistent with Section ~~16.2.6.4~~16.2.4.3.4, the ISO will honor those scheduling flexibilities that may be exercised by holders of Existing Rights through their respective Scheduling Coordinators 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 Sections ~~16.2.7.1~~16.2.4.4.1 and ~~16.2.7.2~~16.2.4.4.2 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).

16.2.4.4.1~~7.1~~ 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 Scheduling Coordinator representing the holder of the Existing 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 Scheduling Coordinator representing the holder of the Existing Rights. The timing and content of any such notification must be consistent with the instructions previously submitted to the ISO by the Responsible PTO. The ISO will manually adjust the Scheduling Coordinator's schedule to conform with the other Control Area's net schedule in real time, and the notifying Scheduling Coordinator will be responsible for and manage any resulting Energy imbalance. These Imbalance Energy deviations will be priced and accounted to the Scheduling Coordinator representing the holder of Existing Rights in accordance with the Section 11.

16.2.4.4.2~~7.2~~ 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 Scheduling Coordinator representing the holder of Existing Rights in accordance with the Section 11.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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19.3.1 Advisory Control Area Demand Forecasts.

The ISO will publish on the ISO Website and supply to the Scheduling Coordinators advisory Control Area Demand Forecasts comprised of Hourly Demand Forecasts for each Congestion Zone for each Settlement Period of the relevant Trading Day. The ISO will publish this information in accordance with the timing requirements set forth in this ISO Tariff~~the SP~~.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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20.2 Confidential Information.

The following information provided to the ISO by Scheduling Coordinators shall be treated by the ISO as confidential:

(a) individual bids for Supplemental Energy;

(b) individual Adjustment Bids for Congestion Management which are not designated by the Scheduling Coordinator as available;

(c) individual bids for Ancillary Services;

(d) transactions between Scheduling Coordinators;

(e) individual Generator Outage programs unless a Generator makes a change to its Generator Outage program which causes Congestion in the short term (i.e. one month or less), in which case, the ISO may publish the identity of that Generator.

(f) Demand Forecast and other hourly data provided by Scheduling Coordinators to the ISO pursuant to Section ~~2.2.12.3~~31.1.4.

[New language in Section 20.2 added by Amendment No. 72 in Docket No. ER05-1502 as accepted by the Commission on November 21, 2005 with cross references updated to conform to Simplified and Reorganized Tariff in Docket No. ER05-1501]

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23 CATEGORIES OF TRANSMISSION CAPACITY.

References to new firm uses shall mean any use of ISO transmission service, except for uses associated with Existing Rights. 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 Section ~~16.2.6~~16.2.4.3. 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 Appendix Y. In accordance with Section 16.2.4D of the ISO Tariff, the four categories are as follows:

(a) transmission capacity that must be reserved for firm Existing 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

(d) transmission capacity that may remain for any other uses, such as non-firm Existing Rights for which the Responsible PTO has no discretion over whether or not to provide such non-firm service.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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27.1.1.4.1.3 The ISO shall use Energy Bids from Generating Units and from other resources in the ISO's real-time system operation, for increasing resources' output for Intra-Zonal Congestion Management and to decrement Generation in order to accommodate Overgeneration conditions, including Reliability Must-Run Generation which the ISO requests under Reliability Must-Run Contracts.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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27.1.1.5.2.6 If inadequate Adjustment Bids have been submitted to schedule Inter-Zonal Interface capacity on an economic basis and to the extent that scheduling decisions cannot be made on the basis of economic value, the ISO will allocate the available Inter-Zonal Interface capacity to Scheduling Coordinators in proportion to their respective proposed use of that capacity as indicated in their

Schedules and shall curtail scheduled Generation and Demand to the extent necessary to ensure that each Scheduling Coordinator's Schedule remains balanced, except for those uses of transmission service under Existing Contracts, which are curtailed in accordance with Sections ~~16.2.5~~16.2.4.2 and ~~16.2.6~~16.2.4.3.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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27.1.1.6.1.1 Decremental Bid Reference Levels. Decremental bid reference levels shall be determined for use in managing Intra-Zonal Congestion as set forth above in Section 27.1.1.6.1.

(a) Determination. Decremental bid reference levels shall be determined by applying the following steps in order as needed:

1. Excluding proxy bids, mitigated bids, and bids used out of merit order for managing Intra-Zonal Congestion, the accepted decremental bid, or the lower of the mean or the median of a resource's accepted decremental bids if such a resource has more than one accepted decremental bid in competitive periods over the previous 90 days for peak and off-peak periods, adjusted for daily changes in fuel prices using gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Edison Company, or Pacific Gas and Electric Company), or, if the resource is not served from one of those three Service Areas, from the nearest of those three Service Areas. There will be a six-day time lag between when the gas price used in the daily gas index is determined and when the daily gas index based on that gas price can be calculated. For the purposes of this Section 27.1.1.6.1, to determine whether accepted decremental bids over the previous 90 days were accepted during competitive periods, the independent entity responsible for determining reference prices will apply a test to the prior 90-day period. The test will require that the ratio of a unit's accepted out-of-sequence decremental bids~~.~~ (MWh) for the prior 90 days to its total accepted decremental bids (MWh) for the prior 90 days be less than 50 percent. If this ratio is greater or equal to 50%, accepted decremental bids will be determined to have

been accepted in non-competitive periods and cannot be used to determine the decremental reference price. This test would be applied each day on a rolling 90-day basis. One ratio would be calculated for each unit with no differentiation for various output segments on the unit. Accepted and justified decremental bids below the applicable soft cap, as set forth in Section 39.3 of this Tariff, will be included in the calculation of reference prices;

2. A level determined in consultation with the Market Participant submitting the bid or bids at issue, provided such consultation has occurred prior to the occurrence of the conduct being examined, and provided the Market Participant has provided sufficient data in accordance with specifications provided by the independent entity responsible for determining reference prices;

3. 90 percent of the unit's default Energy Bid determined monthly as set forth in Section 40.1.5 (based on the incremental heat rate submitted to the independent entity responsible for determining reference prices, adjusted for gas prices, determined according to paragraph (a)(1) above, and the variable O&M cost on file with the independent entity responsible for determining reference prices, or the default O&M cost of $6/MWh);

4. 90 percent of the mean of the economic Market Clearing Prices for the units' relevant location during the lowest-priced 25 percent of the hours that the unit was dispatched or scheduled over the previous 90 days for peak and off-peak periods, adjusted for changes in fuel prices determined according to paragraph (a)(1) above; or

5. If sufficient data do not exist to calculate a reference level on the basis of the first, second, or fourth methods and the third method is not applicable or an attempt to determine a reference level in consultation with a Market Participant has not been successful, the independent entity responsible for determining reference prices shall determine a reference level on the basis of:

i. the independent entity's estimated costs of an electric facility, taking into account available operating costs data, opportunity cost, and appropriate input from the Market Participant, and the best information available to the independent entity; or

ii. an appropriate average of competitive bids of one or more similar electric Facilities.

(b) Monotonicity. The decremental bid reference levels ($/MWh bid price) for the different bid segments of each resource shall be made monotonically non-decreasing by the independent entity responsible for determining reference prices by proceeding from the highest MW bid segment moving through each lower MW bid segment. The reference level of each succeeding bid segment, moving from right to left in order of decreasing operating level, shall be the lower of the reference level of the preceding bid segment or the reference level determined according to paragraph (a) above.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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27.1.2.1.5.2 If a Scheduling Coordinator fails to provide the scheduled flows in a counter direction, it must reimburse the ISO for the ISO's costs of buying or selling Imbalance Energy in each of the Zones affected by the non-provided scheduled flows in a counter direction, at the ISO's Zonal Imbalance Energy prices. That is, ~~for~~ any Scheduling Coordinator that does not produce, in real time, the amount of Energy scheduled in the Day-Ahead Market or Hour-Ahead Market will be deemed to have purchased/sold the amount of Energy under/over produced in the real-time imbalance market at the real-time price.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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30.2.6.14 Complete ~~WECC~~ NERC tag;

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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31.1.4.1 Daily Information. By ~~6~~10:00 a.m. on the day preceding the Trading Day, each Scheduling Coordinator shall provide to the ISO a Demand Forecast specified by UDC Service Area for which it will schedule deliveries for each of the Settlement Periods of the following Trading Day. The ISO shall aggregate the Demand information by UDC Service Area and transmit the aggregate Demand information to each UDC serving such aggregate Demand.

31.1.4.1 Preliminary Weekly Information. Each Scheduling Coordinator shall provide to the ISO, no later than seven (7) days after the end of each week, which shall end at Sunday HE 24, data for the previous week (Monday through Sunday), in electronic format, comparing, for each hour of that week: (1) the Scheduling Coordinator's total Day-Ahead scheduled Demand by UDC Service Area, as submitted pursuant to Section ~~2.2.7.2~~4.5.4.2, (2) the Scheduling Coordinator's total Day-Ahead Demand Forecast by UDC Service Area, as submitted pursuant to Section ~~2.2.12.3.1~~31.1.4.1, and (3) an estimate of the Scheduling Coordinator's actual Demand by UDC Service Area.

[Changes pursuant to Amendment No. 72 in Docket No. ER05-1502 with cross references updated to reflect Simplified and Reorganized Tariff in Docket No. ER05-1501]

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36.2.3 Each FTR shall be issued in the denomination of 1 MW. The annual ~~initial~~ release of FTRs shall start with the hour beginning at 12:00 a.m., on ~~February 1, 2000~~April 1 and end with the hour beginning at 11:00 p.m., on March 31~~, 2001~~ of the following 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.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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37.1.4 FERC Authority.

In addition to any authority afforded Market Monitoring Unit in this Section 37, FERC shall have the authority to assess the sanctions, and otherwise to enforce the rules as set forth and described in this Section 37. FERC shall have authority to remedy a violation under this Section 37 from the date of the violation. Nothing in this Section 37 shall be deemed to be a limitation or condition on the authority of FERC or other entities under current law or regulation.

37.1.5 Administration.

The Marketing Monitor Unit will administer the Rules of Conduct specified herein, except for Section 37.7, which shall be administered by FERC, and except as provided in Section 37.2.5 and Section 37.4.4 . Nothing in this ISO Tariff limits or should be construed to limit the ability of components of the ISO organization other than the Market Monitoring Unit to analyse data and refer matters to the Market Monitoring Unit for enforcement.

[Shading removed pursuant to Amendment No. 55 in Docket No. ER03-1102 as accepted by Letter Order in the same docket on December 19, 2005]

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37.2.1.2 Sanctions.

The Sanction for a violation of this Section shall be the greater of the quantity of Energy non-performance multiplied by the applicable Hourly Ex Post Price ~~Dispatch/Settlement Internal Locational Marginal Price~~ or the following: for the first violation in a rolling twelve (12) month period, $5,000; for the second and subsequent violations in a rolling twelve (12) month period, $ 10,000. Sanctions under Section 37.2.1 will not be greater than $10,000 per violation and will be subject to the limitation stated in Section 37.2.6. If a quantity of energy cannot be objectively determined, then the financial sanctions specified above will apply. A Market Participant may incur Sanctions for more than one violation per day.

[Revised as agreed to by CAISO in the Simplified and Reorganized Tariff Docket No. ER05-1501 as accepted by the Commission in 114 FERC ¶ 61,199]

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37.8.2 Referrals to FERC.

Section 37.7 shall be enforced by FERC, in accordance with FERC's rules and procedures. The Market Monitoring Unit shall refer to FERC and its staff all matters in which it has formed a reasonable belief that a violation of Section 37.7 may have occurred. Although Sections 37.2 through 37.6 will generally be enforced by the Market Monitoring Unit, the Market Monitoring Unit shall refer to FERC any matter for which the particular circumstances preclude the objective determination of a Rules of Conduct violation, and shall refer to FERC any Sanction that it believes should be modified in accordance with Sections 37.2.5, 37.4.4, or 37.9.1. The time limitation contained in Section 37.10.1 to assess a Sanction under this Protocol shall be determined as of the date that a Sanction is initially assessed by the ISO, excluding the time required for FERC to investigate a potential Rules of Conduct violation and/or determine a Sanction in accordance with this section, Sections 37.2.5, 37.4.4, or 37.9.1.

37.8.3 Investigation.

The Market Monitoring Unit shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential Rules of Conduct violation.

37.8.4 Notice.

The Market Monitoring Unit shall provide notice of the investigation in sufficient detail to allow for a meaningful response to the Scheduling Coordinator and, as limited below, to all Market Participants the Scheduling Coordinator represents that are the subject(s) of the investigation. The Market Monitoring Unit shall contact the Market Participant(s) that may be involved, so long as the ISO has sufficient objective information to identify and verify the role of the Market Participant(s) in the potential Rules of Conduct violation. Such Market Participant(s) will likely have an existing contractual relationship with the ISO (e.g., UDC, MSS, ISO Metered Entity, Participating Transmission Owner, Participating Generator, or

Participating Load).

37.8.5 Opportunity to Present Evidence.

The Market Monitoring Unit shall provide an opportunity to the Market Participant(s) that are the subject(s) of the investigation to present any issues of fact or other information relevant to the potential Rules of Conduct violation being investigated. The Market Monitoring Unit shall consider all such information or data presented.

37.8.6 Results of Investigation.

The Market Monitoring Unit shall notify the Market Participant(s) that are the subject(s) of the investigation of the results of the investigation. The Market Participant(s) shall have 30 days to respond to the findings of the Market Monitoring Unit before the Market Monitoring Unit makes a determination of whether a Sanction is required by this ISO Tariff.

37.8.7 Statement of Findings and Conclusions.

Where the investigation results in a Sanction, the Market Monitoring Unit shall state its findings and conclusions in writing, and will make such writing available to the Scheduling Coordinator and, as provided in Section 37.8.4, to the Market Participant(s) that are the subject(s) of the investigation.

37.8.8 Officer Representative.

Where an investigation results in a Sanction by the Market Monitoring Unit, the Market Monitoring Unit shall direct its notice of such result to a responsible representative of the Scheduling Coordinator and, as provided in Section 37.8.4, to the Market Participant(s) that are the subject(s) of the investigation at the officer level.

37.8.9 Record of Investigation.

Where an investigation results in a Sanction, the Market Monitoring Unit will maintain a record of the investigation until its decision has been finally reviewed, if review is sought, or until the period for seeking review has expired.

37.8.10 Review of Determination.

A Market Participant that receives a Sanction may obtain immediate review of the Market Monitoring Unit's determination by directly appealing to FERC, in accordance with FERC's rules and procedures. In such case, the applicable Scheduling Coordinator shall also dispute the Preliminary Settlement Statement containing the financial penalty, in accordance with Section 11 of the ISO Tariff. The Preliminary Settlement Statement dispute and appeal to FERC must be made in accordance with the timeline for raising disputes specified in Section 11.7.2 of the ISO Tariff. The penalty will be tolled until FERC renders its decision on the appeal. The disposition by FERC of such appeal shall be final, and no separate dispute of such Sanction may be initiated under Section 13 of the ISO Tariff, except as provided in Section 37.9.3.4. For the purpose of applying the time limitations set forth in Section 37.10.1, a sanction will be considered assessed when it is included on a Preliminary Settlement Statement, whether or not the ISO accepts a Scheduling Coordinator's dispute of such Preliminary Settlement Statement pending resolution of an appeal to FERC in accordance with this section or Section 37.9.3.3.

37.9 Administration of Sanctions

37.9.1 Assessment; Waivers and Adjustments. Penalty amounts for violation of these Rules of Conduct shall be calculated as specified in Section 37.2 through Section 37.7. A Sanction specified in this Section 37 may be modified by FERC when it determines that such adjustment is just and reasonable. The ISO may make a recommendation to FERC to modify a Sanction. An adjustment generally shall be deemed appropriate if the prescribed Sanction appears to be insufficient to deter the prohibited behavior, or if the circumstances suggest that the violation was inadvertent, unintentional, or some other mitigating circumstances exist.

[Shading removed pursuant to Amendment No. 55 in Docket No. ER03-1102 as accepted by Letter Order in the same docket on December 19, 2005]

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37.9.3.1 Settlement Statements.

The ISO will administer any penalties issued under this Enforcement Protocol through Preliminary Settlement Statements, and Final Settlement Statements issued to the responsible Scheduling Coordinator by the ISO. Before invoicing a financial penalty through the Settlement process, the ISO will provide a description of the penalty to the responsible Scheduling Coordinator and all Market Participants the Scheduling Coordinator represents that are liable for the penalty, when the ISO has sufficient objective information to identify and verify responsibility of such Market Participants. The ISO shall specify whether such penalty is modified pursuant to Section 37.2.5, Section 37.4.4 or Section 37.9.1. The description shall include the identity of the Market Participant that committed the violation and the amount of the penalty. Where FERC has determined the Sanction, the ISO will provide such of the above information as is provided to it by FERC. The ISO also may publish this information under the ISO Home Page after Final Settlement Statements are issued.

[Shading removed pursuant to Amendment No. 55 in Docket No. ER03-1102 as accepted by Letter Order in the same docket on December 19, 2005]

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39.2 Maximum Bid Level.

The maximum bid level in the ISO's Energy markets shall be $400/MWh. Market Participants may submit bids in the ISO's Energy markets above $400/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

The maximum bid level applicable to Adjustment Bids used in the ISO's Congestion Management markets shall be $400/MWh, and the ISO shall not accept Adjustment Bids in excess of that bid level.

The maximum bid level in the ISO's Ancillary Service capacity markets shall be $250/MWh. Market Participants may submit bids in the ISO's Ancillary Serivce capacity markets above $250/MWh, however, any accepted bids above this cap are not eligible to set the Market Clearing Price and are subject to cost-justification and refund.

[Changes pursuant to Amendment No. 73 Docket No. ER06-354 as accepted by the Commission on Janauary 13, 2006]

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