
**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

[TRANSFEREE BALANCING AUTHORITY]

**TRANSFERRED FREQUENCY
RESPONSE AGREEMENT**

THIS TRANSFERRED FREQUENCY RESPONSE AGREEMENT

(“AGREEMENT”) is established this ____ day of _____, _____, and is accepted by and between:

[Full legal name] (“Transferee Balancing Authority”), having its registered and principal executive office at [address],

and

California Independent System Operator Corporation (“CAISO or Transferee Balancing Authority”), a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate.

The Transferee Balancing Authority and the CAISO are hereinafter referred to as the “Parties” or individually as “Party.”

Whereas:

- A.** The Parties named above operate Balancing Authority Areas.
- B.** On January 16, 2014, the Federal Energy Regulatory Commission (“FERC”) approved Order No. 794, for the North American Electric Reliability Corporation (“NERC”) reliability standard BAL-003-1.
- C.** NERC uses regional coordinators to implement reliability standards and the entity for the west is the Western Electricity Coordinating Council (“WECC”).
- D.** WECC will determine on an annual basis the Frequency Response Obligation for each Balancing Authority in the Western Interconnection.
- E.** The Parties wish to enter into this Agreement to establish the terms and conditions for Transferred Frequency Response.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

1 Definitions

- 1.1 **BAL-003-1.** A NERC reliability standard, as it may be amended from time to time, which requires each Balancing Authority in NERC to have on average annually a Frequency Response performance calculated in MW/0.1 Hz that meets a minimum Frequency Response Obligation calculated as MW/0.1 Hz, which is its share of the required Frequency Response needed for the reliable operation of an Interconnection.
- 1.2 **Balancing Authority.** The responsible entity that integrates resource plans ahead of time, maintains demand and resource balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
- 1.3 **Balancing Authority Area.** The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.
- 1.4 **Frequency Response Obligation.** The Balancing Authority's share of the required Frequency Response needed for the reliable operation of an Interconnection. This will be calculated as MW/0.1Hz.
- 1.5 **Frequency Response.** The sum of the change in demand, plus the change in generation, divided by the change in frequency, expressed in megawatts per 0.1 Hertz (MW/0.1 Hz).
- 1.6 **Interconnection.** A geographic area in which the operation of Bulk Power System components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain Reliable Operation of the Facilities within their control. When capitalized, any one of the four major electric system networks in North America: Eastern, Western, ERCOT and Quebec.
- 1.7 **Transferred Frequency Response.** A frequency response performance obligation under Applicable Reliability Criteria expressed in MW/0.1 Hz that a receiving Balancing Authority may acquire under an arrangement whereby another Balancing Authority increases its performance obligation by the same amount, or that a delivering Balancing Authority may provide under an arrangement whereby another Balancing Authority reduces its performance obligation by the same amount. . Transferred Frequency Response is a compliance instrument and there is no exchange of physical services between Balancing Authorities. Transferred Frequency Response is reported on applicable NERC/WECC forms, and applied consistently to each reported frequency disturbance event. On these forms, the delivering Balancing Authority increases its performance


obligation and the receiving Balancing Authority decreases its performance obligation by the same amount. Transferred Frequency Response may reflect an aggregate amount from multiple contracts.



2. Term and Termination

2.1 Effective Date and Term

This Agreement shall be effective as of December 1, 2016, unless this Agreement is accepted for filing and made effective by the Federal Energy Regulatory Commission ("FERC") on some other date, and shall continue in effect until November 30, 2017 ("Contract Term") or terminated.

2.2 Termination

2.2.2 Termination by the CAISO. In the event of termination under this section by the CAISO, the CAISO shall be required to pay Transferee Balancing Authority for Transferred Frequency Response pro rata for the effective months of this agreement. 

2.2.3 Termination by Transferee Balancing Authority.  In the event of termination under this section by Transferee Balancing Authority, Transferee Balancing Authority shall be required to provide thirty (30) days written notice to the CAISO and pay any damages as measured by the difference between the Contract Price for the Contract Amount described herein and the cost of a commercially reasonable replacement product plus any incidental expenses.  The replacement cost to be paid by Transferee Balancing Authority may be calculated, as agreed by the Parties prior to the effective date of termination, based on the lesser of : (a) the simple average of transactable quotes for a replacement product for the remaining term of the Agreement; or (b) the actual costs incurred by the CAISO to replace the Transferred Frequency Response product from the date of termination by Transferee Balancing Authority until the date upon which the Agreement would have terminated in the absence of termination under this section; or (c) some other method as mutually agreed to by the CAISO and Transferee Balancing Authority. In no event shall Transferee Balancing Authority be liable for payment of any 1) damages or 2) fines and penalties levied for, or arising from, events that occur after the effective date of a termination under this section. In the event of termination by Transferee Balancing Authority, The CAISO shall

still be obligated to pay Transferee Balancing Authority pro rata for the effective months of this Agreement.

2.2.4 General. For entities subject to FERC jurisdiction, termination will be effective upon acceptance by FERC of notice of termination or thirty (30) days after the date of the notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders. The CAISO shall timely file any required notice of termination with FERC. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination with FERC within sixty (60) days after issuance of the notice of termination by Transferee Balancing Authority; or (2) the CAISO files the notice of termination with FERC in accordance with the requirements of FERC Order No. 2001. Any outstanding financial right or obligation or any other right or obligation that may have arisen under this Agreement, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive such termination until satisfied.

3. Purpose

This Agreement sets forth the terms and conditions for Transferred Frequency Response from the CAISO to the Transferee Balancing Authority.



4. Transferee Balancing Authority Obligations

4.1 Transferee Balancing Authority shall provide the CAISO with _____ MW/0.1 Hz (the "Contract Amount") of Transferred Frequency Response in accordance with terms of the BAL-003-1 during the Contract Term.

4.2 During the performance measurement period associated with the Contract Term, Transferee Balancing Authority shall include the Contract Amount during the Contract Term in Transferee Balancing Authority's NERC Frequency Response standard annual form event-by-event evaluations and reporting as required by BAL-003-1 or equivalent under the Transferred Frequency Response column or equivalent, (as the same may be updated or modified by NERC from time to time). As the Transferee



Balancing Authority, the Contract Amount will be reflected as a positive value.

- 4.3** Transferee Balancing Authority and CAISO shall notify WECC of the Transferred Frequency Response.
- 4.4** Transferee Balancing Authority shall within 30 calendar days of a request from the CAISO, provide the CAISO with FRS Form 1 and FRS Form 2 for every event for the Contract Term to date including a demonstration that Transferee Balancing Authority met its Frequency Response Obligation. FRS Form 1 and FRS Form 2 are found on the NERC website at <http://www.nerc.com/pa/stand/pages/project-2007-12-frequency-response.aspx>. 
- 4.5** Transferee Balancing Authority and the CAISO agree to reasonably cooperate with one another in the event that either Party is subject to NERC regulatory inquiry or audit in connection with the Transferred Frequency Response that is the subject of this Agreement.
- 4.6** Transferee Balancing Authority shall be responsible for all fines or penalties assessed by NERC or FERC for non-compliance with BAL-003-1 based on evaluation of the Transferee Balancing Authority's adjusted Frequency Response Obligation including the Contract Amount during the Contract Term relative to Transferee Balancing Authority's Frequency Response Obligation. 

5 CAISO Obligations

- 5.1** The CAISO shall include the Contract Amount during the Contract Term in its NERC Frequency Response standard form under the Transferred Frequency Response data column. As the Transferee Balancing Authority, the Contract Amount will be reflected as a negative value in the CAISO's annual NERC reporting form during the performance measurement period associated with the Contract Term.
- 5.2** As full consideration to Transferee Balancing Authority for its performance under this Agreement and all costs in connection with such performance, the CAISO shall compensate Transferee Balancing Authority <insert compensation price> ("Contract Price"). Payment shall be made according to the terms described in Section 6.

6 Invoices and Payment

6.1 Invoices

Unless otherwise agreed, Transferee Balancing Authority will invoice CAISO for the Contract Price.

6.2 Payment

Terms

CAISO will pay undisputed Invoices no later than thirty (30) days after receipt thereof. CAISO will notify Transferee Balancing Authority of any Disputed Invoices with thirty (30) days after receipt thereof. Disputed invoices will be paid no later than sixty (60) days after the dispute resolved. All invoices must be submitted to CAISO the earlier of (1) sixty (60) days after the effective date of this Agreement or (2) prior to the January 10, 2017. CAISO is not required to pay late invoices. All invoices must be submitted to the attention of [Accounts Payable], California ISO, to 250 Outcropping Way, Folsom, CA 95630.

6.3 Billing Disputes

6.3.1 If the CAISO disputes any portion of the invoice the CAISO shall provide written notice to Transferee Balancing Authority with a copy of the invoice noting the disputed amount. Notwithstanding whether any portion of the bill is in dispute, the CAISO shall pay the entire bill by the due date.

6.3.2 If the Parties agree, or if after a final determination of a dispute, the CAISO is entitled to a refund of any portion of the disputed amount, then Transferee Balancing Authority shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) divided by 365.

7 FAILURE TO PERFORM

7.1 If Transferee Balancing Authority fails to perform under Section 4 and as a result of that failure NERC/WECC initiate an audit or inquiry into the WECC Balancing Authorities reports to determine why the reported adjustments do not sum to zero across all submitted reports, then the CAISO shall be entitled to damages from incidental expenses and subject to any fines or penalties assessed by NERC/WECC as result of Transferee Balancing Authority's reporting error.

7.2 Should Transferee Balancing Authority fail its adjusted BAL-003-1 Frequency Response Obligation, or fails to perform its obligations under Section 4, and such failure directly results in the CAISO incurring fines or penalties imposed by FERC or NERC for non-compliance with BAL-003-1 on a final basis, and the non-compliance is directly caused by Transferee Balancing Authority's failure to perform its obligation under this agreement including the Transferred Frequency Response Obligation, Transferee Balancing Authority shall be liable for the amount of any such fine. The Parties agree that the CAISO shall not be entitled to recover any other damages, consequential or incidental under this Section, including but not limited to attorney's fees and filing fees required by NERC or FERC. In no circumstances shall Transferee Balancing Authority's liability extend to any regulatory fines described in this Section caused, in whole or in part, by (a) a third party not subject to the terms of this Agreement; (b) the CAISO's failure to perform any of its obligation under this contract, regardless of fault; (c) the CAISO's negligent or intentional conduct; or (d) the declaration of an uncontrollable force declared by either Party to this Agreement pursuant to Section 9.1 of this Agreement. Any disputes involving (a) through (d) shall be subject to Section 11.6 of this Agreement. If dispute resolution pursuant to Section 11.6 of this Agreement is not successful, then the dispute will be resolved as a contract dispute pursuant to the requirements of the Contract Disputes Act (41 U.S.C 601 – 613). However, any appeal or other legal proceeding challenging the amount or legality of the fine or penalty shall be as provided for by applicable law or regulation, as appropriate, depending on whether the fine and/or penalty was imposed by FERC or NERC.

8 REPRESENTATIONS AND WARRANTIES

- 8.1** The CAISO is a California nonprofit public benefit corporation and that it has the full power and authority to execute, deliver and perform its obligations under this Agreement.
- 8.2** Transferee Balancing Authority is a Balancing Authority and has the full power and authority to contract for, execute, deliver and perform obligations under this Agreement.
- 8.3** Both the CAISO and Transferee Balancing Authority mutually represent and warrant that this Agreement has been duly authorized, executed and delivered by or on behalf of Transferee Balancing Authority and the CAISO, respectively, and is, upon execution and delivery, the legal, valid and binding obligation of each Party, enforceable against it in accordance with its terms.

8.4 Transferee Balancing Authority represents that it is capable of increasing its Frequency Response Obligation for the Contract Amount under this Agreement in compliance with all the terms and conditions of the NERC BAL-003-1.

9 Liability

9.1 Uncontrollable Forces

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

Neither the CAISO nor the Transferee Balancing Authority will be considered in default of any obligation under this Agreement or liable to the other for direct, indirect, and consequential damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force. Neither the CAISO nor the Transferee Balancing Authority will be considered in default of any obligation under this Agreement to the extent caused by any act, or failure to act, of any intermediary Balancing Authority.



In the event of the occurrence of an Uncontrollable Force, which prevents either the CAISO or the Transferee Balancing Authority from performing any obligations under this Agreement, the affected entity shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the Uncontrollable Force. The CAISO and the Transferee Balancing Authority shall each use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligations hereunder.

9.2 Transferee Balancing Authority's Indemnity

Each Transferee Balancing Authority, to the extent permitted by law, shall indemnify the CAISO and hold it harmless against all losses, damages, claims, liabilities, costs or expenses (including legal expenses) arising from any act or omission of the Transferee Balancing Authority except to

the extent that they result from the CAISO's default under this Agreement or gross negligence or intentional wrongdoing on the part of the CAISO or of its officers, directors or employees.

9.3 Liability To Third Parties

Except as otherwise expressly provided herein, nothing in this Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of CAISO or the Transferee Balancing Authority.

9.4 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees, or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, or consequential, arising from the Party's performance or nonperformance under this Agreement, except for a Party's gross negligence, or willful misconduct.

10 Miscellaneous

10.1 Notices

Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in writing and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2 and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, (d) upon receipt of confirmation by return e-mail if sent by e-mail or (e) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 2 relating to its address as that information changes. Such changes shall not constitute an amendment to this Agreement.

10.2 Waivers

Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Agreement, shall not constitute or be deemed a waiver of such right.

10.3 Governing Law and Forum

Subject to Section 11.4, this Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement shall be brought in any of the following forums, as appropriate: a court of the State of California or any federal court of the United States of America located in the State of California or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission. No provision of this Agreement shall be deemed to waive the right of any Party to protest, or challenge in any manner, whether this Agreement, or any action or proceeding arising under or relating to this Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

10.4 Consistency with Federal Laws and Regulations

10.4.1 Nothing in this Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with any provision of this Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the CAISO Tariff to the

extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

10.4.2 If any provision of this Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the CAISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Agreement that are not enforceable against the federal entity.

10.5 Dispute Resolution

All disputes arising out of or in connection with this Agreement whereby relief is sought by or from the CAISO shall be settled in accordance with the provisions of Article 13 of the CAISO Tariff, except that references to the CAISO Tariff in such Article 13 of the CAISO Tariff shall be read as references to this Agreement.

10.6 Severability

If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

10.7 Section Headings

Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.

10.8 Amendments

This Agreement and the schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing.

Amendments that are subject to FERC approval shall not take effect until FERC has accepted such amendments for filing and has made them effective. Nothing contained herein shall be construed as affecting in any way the right of the CAISO or the Transferee Balancing Authority to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

10.9 Counterparts

This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date first written above.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[Full legal name of Transferee Balancing Authority]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 2**NOTICES****[Section 11.2]****Transferee Balancing Authority**

Name of Primary
Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative
Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code _____

Email Address: _____

Phone: _____

Fax No: _____

CAISO

Name of Primary

Representative: Regulatory Contracts
Title: N/A
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: RegulatoryContracts@caiso.com
Phone: (916) 351-4400
Fax: (916) 608-5063

Name of Alternative

Representative: Christopher J. Sibley
Title: Manager, Regulatory Contracts
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: csibley@caiso.com
Phone: (916) 608-7030
Fax: (916) 608-5063