

12 CREDITWORTHINESS.

12.1 Credit Requirements.

The creditworthiness requirements in this section apply to the CAISO's acceptance of Bids, Inter-SC Trades, and to CRR Holders or Candidate CRR Holders, and to all transactions in any CAISO Market. Each Scheduling Coordinator, CRR Holder, UDC or MSS shall either maintain an Approved Credit Rating (which may differ for different types of transactions with the CAISO) or provide in favor of the CAISO one of the following forms of security for an amount to be determined by the Scheduling Coordinator, CRR Holder, UDC or MSS and notified to the CAISO under Section 12.3:

- (a) an irrevocable and unconditional letter of credit confirmed by a bank or financial institution reasonably acceptable to the CAISO;
- (b) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the CAISO;
- (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 CAISO;
- (e) a certificate of deposit in the name of the CAISO from a financial institution designated by the CAISO; or
- (f) a payment bond certificate in the name of the CAISO from a financial institution designated by the CAISO.

Letters of credit, guarantees, surety bonds, payment bond certificates, escrow agreements and certificates of deposit must cover all applicable outstanding and estimated liabilities including those identified under Section 12.3 and shall be in such form as the CAISO may reasonably require from time to time by notice to Market Participants including Scheduling Coordinators, Candidate CRR Holders, CRR Holders, UDCs or MSSs. A Scheduling Coordinator, CRR Holder, UDC or MSS, which does not maintain

an Approved Credit Rating shall be subject to the limitations on trading set out in Section 12.3.

Notwithstanding anything to the contrary in the CAISO Tariff, a Scheduling Coordinator or UDC that had an Approved Credit Rating on January 3, 2001, and is an Original Participating Transmission Owner or is a Scheduling Coordinator for an Original Participating Transmission Owner shall not be precluded by Section 12.3 from scheduling transactions that serve a UDC's Demand from

- (1) a resource that the UDC owns; and
- (2) a resource that the UDC has under contract to serve its Demand.

12.2 Review of Creditworthiness.

The CAISO may review the creditworthiness of any Scheduling Coordinator, CRR Holder, UDC or MSS which delays or defaults in making payments due under the CAISO Tariff and, as a consequence of that review, may require such Scheduling Coordinator, Candidate CRR Holders, CRR Holder, 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 CAISO;
- (b) a cash deposit standing to the credit of an interest-bearing escrow account maintained at a bank or financial institution designated by the CAISO;
- (c) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the CAISO; or
- (d) a payment bond certificate in the name of the CAISO from a financial institution designated by the CAISO.

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

12.3 Limitation on Trading.

A Scheduling Coordinator, CRR Holder, UDC or MSS that does not maintain an Approved Credit Rating, as defined with respect to either payment of the Grid Management Charge, or payment of other charges, shall maintain security in accordance with Section 12.1. For the avoidance of doubt, the CAISO Security Amount is intended to cover the entity's total outstanding and estimated liability, including, but not limited to all outstanding and estimated liabilities for all charges identified in Section 11.1.2 of this CAISO Tariff. For purposes of security requirements for a CRR Obligation, the estimated liability shall be based on the net projected obligation of the CRR for the entire term of the CRR. An entity's total outstanding and estimated liability shall be referred to as the estimated aggregate liability, which shall be determined pursuant to procedures set forth in the Business Practice Manuals. Each Scheduling Coordinator, Candidate CRR Holder, CRR Holder, UDC or MSS required to provide a CAISO Security Amount under Section 12.1 shall notify the CAISO of the initial CAISO Security Amount (separated into amounts securing payment of the Grid Management Charge and amounts securing payments of other charges) that it wishes to provide at least fifteen (15) days in advance and shall ensure that the CAISO has received such CAISO Security Amount prior to the date the Scheduling Coordinator commences trading, a Candidate CRR Holder bids in the CRR Auction, or the UDC or MSS commences receiving bills for the High Voltage Access Charge and Transition Charge. A Scheduling Coordinator, CRR Holder, UDC or MSS may at any time increase its CAISO Security Amount by providing additional guarantees or credit support in accordance with Section 12.1. A Scheduling Coordinator, UDC or MSS may reduce its CAISO Security Amount by giving the CAISO 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 12.3. The CAISO 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 CAISO Security Amount as the Scheduling Coordinator, UDC or MSS may select.

12.3.1 Limitation of Trades by Scheduling Coordinators.

Following the date on which a Scheduling Coordinator commences trading, the Scheduling Coordinator shall not be entitled to submit a Bid to the CAISO and the CAISO may reject any Bid or unbalanced portion of an ETC Self-Schedule submitted if, at the time of submission, the Scheduling Coordinator's CAISO Security Amount is exceeded by the Scheduling Coordinator's estimated aggregate liability. The CAISO shall notify a Scheduling Coordinator if at any time such outstanding liabilities exceed 90% of the relevant portion of the CAISO Security Amount. For the purposes of calculating the Scheduling Coordinator's estimated aggregate liability, the estimate shall include (1) outstanding charges for Trading Days for which Settlement data is available, and (2) an estimate of charges for Trading Days for which Settlement data is not yet available. To estimate charges for Trading Days for which Settlement data is not yet available, the CAISO will consider available historical Settlement data, appropriately adjusted to reflect recent market prices and trends, or other available information for individual Scheduling Coordinators.

12.3.2 Limitation of Trades for UDC or MSSs.

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 Bid and the CAISO may reject any Bid or unbalanced portion of an ETC Self Schedule submitted if, at the time of submission, the UDC's or MSS's CAISO Security Amount is exceeded by the UDC's or MSS's estimated aggregate liability. The CAISO shall notify a UDC or MSS if at any time such outstanding liabilities exceed 90% of the relevant portion of the CAISO 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 Demand use (in MWh) for a month in the UDC's or MSS's Service Area (including exports from the Service Area) multiplied by the CAISO's estimated High Voltage Access Charge and Transition Charge for that month, as such estimated cost is notified by the CAISO to UDCs and MSSs from time to time.

12.3.3 The CAISO shall notify the relevant Scheduling Coordinator if it rejects a Bid under Section 12.3 in which event the Scheduling Coordinator shall not be entitled to submit any further Bids until it has demonstrated to the CAISO's satisfaction that its CAISO Security Amount has been increased sufficiently to avoid the limit on trading imposed under Section 12.3 from being exceeded.

12.3.4 The CAISO may restrict, or suspend a Scheduling Coordinator's right to Bid or require the Scheduling Coordinator to increase its CAISO Security Amount if at any time such Scheduling Coordinator's liability for Energy is determined by the CAISO to be excessive by comparison with the likely cost of the amount of Energy Bid by the Scheduling Coordinator.

12.4 Credit Obligation for New Responsible Utilities for RMR Costs.

If a Responsible Utility first executed a TCA after April 1, 1998 (a "New Responsible Utility") and if:

- (i) the senior unsecured debt of the New Responsible Utility is rated or becomes rated at less than A- from Standard & Poor's ("S&P") or A3 from Moody's Investment Services ("Moody's"), and
- (ii) Such ratings do not improve to A- or better from S&P or A3 or better from Moody's within 60 days,

the New Responsible Utility shall issue and confirm to the CAISO an irrevocable and unconditional letter of credit in an amount equal to three times the highest monthly payment invoiced by the CAISO to the New Responsible Utility (or the prior Responsible Utility) in connection with services under Reliability Must-Run Contracts in the last 3 months for which invoices have been issued. The letter of credit must be issued by a bank or other financial institution whose senior unsecured debt rating is not less than A from S&P and A2 from Moody's. The letter of credit shall be in such form as the CAISO may reasonably require from time to time by notice to the New Responsible Utility and shall authorize the CAISO or the Owner to draw on the letter of credit for deposit solely into the RMR Owner Facility Trust Account in an amount equal to any amount due and not paid by the Responsible Utility under the CAISO Invoice. The security provided by the New Responsible Utility pursuant to this Section is intended to cover the New Responsible Utility's outstanding liability for payments it is liable to make to the CAISO under this Section,

including monthly payments, any reimbursement for capital improvement, termination fees and any other payments to which the CAISO is liable under Reliability Must-Run Contracts.

12.5 Credit Obligations for CRR Holders and Candidate CRR Holders.

12.5.1 Credit Limits for CRR Auctions.

To establish available credit for participating in any CRR Auction, each Candidate CRR Holder must have an Approved Credit Rating or have provided security in a form consistent with Section 12 of this CAISO Tariff, which shall establish the amount of credit available to the Candidate CRR Holder. For a candidate CRR Holder that does not maintain an Approved Credit Rating, the amount of available credit for participating in a CRR Auction shall not exceed the difference between the value of security posted in accordance with this Section 12 of the CAISO Tariff and the Candidate CRR Holder's estimated aggregate liability.

12.5.2 Credit Requirements for CRR Obligations upon Allocation, Auction or Transfer.

The CAISO shall not release any CRR Obligations allocated, awarded in an auction, or proposed to be transferred to a Candidate CRR Holder, except upon receipt of security, in a form consistent with this Section 12 of the CAISO Tariff, equal to the value of the net projected obligation of the CRR for the entire term of the CRR, unless that Candidate CRR Holder has an Approved Credit Rating. The CAISO will determine the value of the net projected obligation of each CRR Obligation using appropriate methods, including proxy values or values based on experience, which shall be published in a Business Practice Manual. For negatively priced CRR Obligations awarded in an auction, the minimum value of the net projected obligation shall be set at the price determined in the auction. The CAISO may reassess its net projected obligation determinations at any time during the term of the CRR and shall require additional security if the determination results in an increase in a CRR Holder's aggregate estimated liability that is not covered by available security.

13 DISPUTE RESOLUTION.

13.1 Applicability.

13.1.1 General Applicability.

Except as limited below or otherwise as limited by law (including the rights of any party to file a complaint with FERC under the relevant provisions of the FPA), the CAISO ADR Procedures shall apply to all disputes between parties which arise under the CAISO Documents except where the decision of the CAISO is stated in the provisions of this CAISO Tariff to be final. The CAISO ADR Procedures shall not apply to:

- 1) Disputes arising under contracts which pre-date the CAISO Operations Date, except as the disputing parties may otherwise agree;
- 2) Disputes as to whether rates and charges set forth in this CAISO Tariff are just and reasonable under the FPA.

13.1.2 Disputes Involving Government Agencies.

If a party to a dispute is a government agency the procedures herein that provide for the resolution of claims and arbitration of disputes are subject to any limitations imposed on the agency by law, including but not limited to the authority of the agency to effect a remedy. If the governmental agency is a federal entity, the procedures herein shall not apply to disputes involving issues arising under the United States Constitution.

13.1.3 Injunctive and Declaratory Relief.

Where the court having jurisdiction so determines, use of the CAISO ADR Procedures shall not be a condition precedent to a court action for injunctive relief nor shall the provisions of California Code of Civil Procedures sections 1281 et seq. apply to such court actions.

13.2 Negotiation and Mediation.

13.2.1 Negotiation.

The CAISO and Market Participants (party or parties) shall make good-faith efforts to negotiate and resolve any dispute between them arising under CAISO Documents prior to invoking the CAISO ADR Procedures outlined herein. Each party shall designate an individual with authority to negotiate the matter in dispute to participate in such negotiations.

13.2.2 Statement of Claim.

In the event a dispute is not resolved through such good-faith negotiations, any one of the parties may submit a statement of claim, in writing, to each other disputing party, the CAISO ADR Committee, and the CAISO Governing Board, which submission shall commence the CAISO ADR Procedures. The statement of claim shall set forth in reasonable detail (i) each claim, (ii) the relief sought, including the proposed award, if applicable, (iii) a summary of the grounds for such relief and the basis for each claim, (iv) the parties to the dispute, and (v) the individuals having knowledge of each claim. The other parties to the dispute shall similarly submit their respective statements of claim within fourteen (14) days of the date of the initial statement of claim or such longer period as the chair of the CAISO ADR Committee may permit following an application by the responding party. If any responding party wishes to submit a counterclaim in response to the statement of claim, it shall be included in such party's responsive statement of claim. A summary of the statements of claim shall be published by the CAISO on the CAISO's secure communication system, and any other method adopted by the CAISO ADR Committee. No Market Participant shall be considered as having received notice of a claim decided or relief granted by a decision made under these procedures unless the summary of the statements of claim published by the CAISO includes such claim or relief.

13.2.3 Selection of Mediator.

After submission of the statements of claim, the parties may request mediation, if at least 75% of the disputing parties so agree, except that where a dispute involves three parties, at least two of the parties must agree to mediation. If the parties agree to mediate, the chair of the CAISO ADR Committee shall

distribute to the parties by facsimile or other electronic means a list containing the names of at least seven prospective mediators with mediation experience, or with technical or business experience in the electric power industry, or both, as he or she shall deem appropriate to the dispute. The parties shall either agree upon a mediator from the list provided or from any alternative source, or alternate in striking names from the list with the last name on the list becoming the mediator. The first party to strike off a name from the list shall be determined by lot. The parties shall have seven days from the date of receipt of the CAISO ADR Committee chair's list of prospective mediators to complete the mediator selection process and appoint the mediator, unless the time is extended by mutual agreement. The mediator shall comply with the requirements of Section 13.3.2.

13.2.4 Mediation.

The mediator and representatives of the disputing parties, with authority to settle the dispute, shall within fourteen (14) days after the mediator's date of appointment schedule a date to mediate the dispute. Matters discussed during the mediation shall be confidential and shall not be referred to in any subsequent proceeding. With the consent of all disputing parties, a resolution may include referring the dispute directly to a technical body (such as a WECC technical advisory panel) for resolution or an advisory opinion, or referring the dispute directly to FERC. The CAISO shall publish notice of the referral of the dispute on the CAISO's secure communication system, and any other method adopted by the CAISO ADR Committee.

13.2.5 Demand for Arbitration.

If the disputing parties have not succeeded in negotiating a resolution of the dispute within thirty (30) days of the initial statement of claim or, if within that period the parties agreed to mediate, within thirty (30) days of the parties first meeting with the mediator, such parties shall be deemed to be at impasse and any such disputing party may then commence the arbitration process, unless the parties by mutual agreement agree to extend the time. A party seeking arbitration shall provide notice of its demand for arbitration to the other disputing parties, the CAISO ADR Committee and the CAISO Governing Board, which shall publish notice of such demand in the CAISO newsletter or electronic bulletin board, and any other method adopted by the CAISO ADR Committee.

13.3 Arbitration.

13.3.1 Selection of Arbitrator.

13.3.1.1 Disputes Under \$1,000,000.

Where the total amount of claims and counterclaims in controversy is less than \$1,000,000 (exclusive of costs and interest), the disputing parties shall select an arbitrator from a list containing the names of at least 10 qualified individuals supplied by the CAISO ADR Committee, or if the CAISO is a party to the dispute, the names of at least ten (10) qualified individuals supplied by the American Arbitration Association within 14 days following submission of the demand for arbitration. If the parties cannot agree upon an arbitrator within the stated time, they shall take turns striking names from the list of proposed arbitrators. The first party to strike-off a name shall be determined by lot. This process shall be repeated until one name remains on the list, and that individual shall be the designated arbitrator.

13.3.1.2 Disputes of \$1,000,000 or Over.

Where the total amount of claims and counterclaims in controversy is \$1,000,000 or more (exclusive of interest and costs), the disputing parties may agree on any person to serve as a single arbitrator, or shall endeavor in good faith to agree on a single arbitrator from a list of ten (10) qualified individuals provided by the CAISO ADR Committee, or if the CAISO is a party to the dispute, the names of at least ten (10) qualified individuals supplied by the American Arbitration Association within fourteen (14) days following submission of the demand for arbitration. If the parties are unable to agree on a single arbitrator within the stated time, the party or parties demanding arbitration, and the party or parties responding to the demand for arbitration, shall each designate an arbitrator. Each designation shall be from the CAISO ADR Committee list of arbitrators no later than the tenth (10th) day thereafter. The two arbitrators so chosen shall then choose a third arbitrator.

13.3.2 Disclosures Required of Arbitrators.

The designated arbitrator(s) shall be required to disclose to the parties any circumstances which might preclude him or her from rendering an objective and impartial determination. Each designated arbitrator shall disclose:

13.3.2.1 Any direct financial or personal interest in the outcome of the arbitration;

13.3.2.2 Any information required to be disclosed by California Code of Civil Procedure Section 1281.9.; and

13.3.2.3 Any existing or past financial, business, professional, or personal interest that are likely to affect impartiality or might reasonably create an appearance of partiality or bias. The designated arbitrator shall disclose any such relationships that he or she personally has with any party or its counsel, or with any individual whom they have been told will be a witness. They should also disclose any such relationship involving members of their families or their current employers, partners, or business associates. All designated arbitrators shall make a reasonable effort to inform themselves of any interests or relationships described above. The obligation to disclose interests, relationships, or circumstances that might preclude an arbitrator from rendering an objective and impartial determination is a continuing duty that requires the arbitrator to disclose, at any stage of the arbitration, any such interests, relationships, or circumstances that arise, or are recalled or discovered. If, as a result of the continuing disclosure duty, an arbitrator makes a disclosure which is likely to affect his or her partiality, or might reasonably create an appearance of partiality or bias or if a party independently discovers the existence of such circumstances, a party wishing to object to the continuing use of the arbitrator must provide written notice of its objection to the other parties within ten (10) days of receipt of the arbitrator's disclosure or the date of a party's discovery of the circumstances giving rise to that party's objection. Failure to provide such notice shall be deemed a waiver of such objection. If a party timely provides a notice of objection to the continuing use of the arbitrator the parties shall attempt to agree whether the arbitrator should be dismissed and replaced in the manner described in Section 13.3.1. If within ten (10) days of a party's objection notice the parties have not agreed how to proceed the matter shall be referred to the CAISO ADR Committee for resolution.

13.3.3 Arbitration Procedures.

The CAISO ADR Committee shall compile and make available to the arbitrator and the parties standard procedures for the arbitration of disputes, which procedures (i) shall include provision, upon good cause shown, for intervention or other participation in the proceeding by any party whose interests may be

affected by its outcome, (ii) shall conform to the requirements specified herein, and (iii) may be modified or adopted for use in a particular proceeding as the arbitrator deems appropriate, in accordance with Section 13.3.4. The procedures adopted by the CAISO ADR Committee shall be based on the latest edition of the American Arbitration Association Commercial Arbitration Rules, to the extent such rules are not inconsistent with this Section 13. Except as provided herein, all parties shall be bound by such procedures.

13.3.4 Modification of Arbitration Procedures.

In determining whether to modify the standard procedures for use in the pending matter, the arbitrator shall consider (i) the complexity of the dispute, (ii) the extent to which facts are disputed, (iii) the extent to which the credibility of witnesses is relevant to a resolution, (iv) the amount in controversy, and (v) any representations made by the parties. Alternatively, the parties may, by mutual agreement, modify the standard procedures. In the event of a disagreement between the arbitrator and the agreement of the parties regarding arbitration procedures to be utilized, the parties' agreement shall prevail.

13.3.5 Remedies.

13.3.5.1 Arbitrator's Discretion.

The arbitrator shall have the discretion to grant the relief sought by a party, or determine such other remedy as is appropriate, unless the parties agree to conduct the arbitration "baseball" style. Unless otherwise expressly limited herein, the arbitrator shall have the authority to award any remedy or relief available from FERC, or any other court of competent jurisdiction. Where any CAISO Document leaves any matter to be agreed between the parties at some future time and provides that in default of agreement the matter shall be referred to the CAISO ADR Procedures, the arbitrator shall have authority to decide upon the terms of the agreement which, in the arbitrator's opinion, it is reasonable that the parties should reach, having regard to the other terms of the CAISO Document concerned and the arbitrator's opinion as to what is fair and reasonable in all the circumstances.

13.3.5.2 "Baseball" Arbitration.

If the parties agree to conduct the arbitration "baseball" style, the parties shall submit to the arbitrator and exchange with each other their last best offers in the form of the award they consider the arbitrator should make, not less than seven (7) days in advance of the date fixed for the hearing, or such other date as the arbitrator may decide. If a party fails to submit its last best offer in accordance with this Section, that party shall be deemed to have accepted the offer proposed by the other party. The arbitrator shall be limited to awarding only one of the proposed offers, and may not determine an alternative or compromise remedy.

13.3.6 Summary Disposition.

The procedures for arbitration of a dispute shall provide a means for summary disposition of a demand for arbitration, or a response to a demand for arbitration, that in the reasoned opinion of the arbitrator does not have a good faith basis in either law or fact. If the arbitrator determines that a demand for arbitration or response to a demand for arbitration does not have a good faith basis in either law or fact, the arbitrator shall have discretion to award the costs of the time, expenses, and other charges of the arbitrator to the prevailing party. A determination made under this Section is subject to appeal pursuant to Section 13.4.

13.3.7 Discovery Procedures.

The procedures for the arbitration of a dispute shall include adequate provision for the discovery of relevant facts, including the taking of testimony under oath, production of documents and other things, the presentation of evidence, the taking of samples, conducting of tests, and inspection of land and tangible items. The nature and extent of such discovery shall be determined as provided herein and shall take into account (i) the complexity of the dispute, (ii) the extent to which facts are disputed, (iii) the extent to which the credibility of witnesses is relevant to a resolution, and (iv) the amount in controversy. The forms and methods for taking such discovery shall be as described in the Federal Rules of Civil Procedure, except as modified pursuant to Section 13.3.4.

13.3.8 Evidentiary Hearing.

The arbitration procedures shall provide for an evidentiary hearing, with provision for the cross-examination of witnesses, unless all parties consent to the resolution of the matter on the basis of a written record. The forms and methods for taking evidence shall be determined by the arbitrator(s) and modified pursuant to Section 13.3.4. The arbitrator may require such written or other submissions from the parties as he or she may deem appropriate, including submission of direct and rebuttal testimony of witnesses in written form. The arbitrator may exclude any evidence that is irrelevant, immaterial, unduly repetitious or prejudicial, or privileged. The arbitrator shall compile a complete evidentiary record of the arbitration which shall be available to the parties on its completion upon request.

13.3.9 Confidentiality.

Subject to the other provisions of this CAISO Tariff, any party may claim that information contained in a document otherwise subject to discovery is "Confidential" if such information would be so characterized under the Federal Rules of Evidence. The party making such claim shall provide to the arbitrator in writing the basis for its assertion. If the claim of confidentiality is confirmed by the arbitrator, he or she shall establish requirements for the protection of such documents or other information designated as "Confidential" as may be reasonable and necessary to protect the confidentiality and commercial value of such information. Any party disclosing information in violation of these provisions or requirements established by the arbitrator, unless such disclosure is required by federal or state law or by a court order, shall thereby waive any right to introduce or otherwise use such information in any judicial, regulatory, or other legal or dispute resolution proceeding, including the proceeding in which the information was obtained.

13.3.10 Timetable.

Promptly after the appointment of the arbitrator, the arbitrator shall set a date for the issuance of the arbitration decision, which shall be no later than six months (or such date as the parties and the arbitrator may agree) from the date of the appointment of the arbitrator, with other dates, including the dates for an evidentiary hearing or other final submissions of evidence, set in light of this date. The date for the evidentiary hearing or other final submission of evidence shall not be changed, absent extraordinary

circumstances. The arbitrator shall have the power to impose sanctions, including dismissal of the proceeding, for dilatory tactics or undue delay in completing the arbitration proceedings.

13.3.11 Decision.

13.3.11.1 Except as provided below with respect to "baseball" style arbitration, the arbitrator shall issue a written decision granting the relief requested by one of the parties, or such other remedy as is appropriate, if any, and shall include findings of fact and law. The arbitration decision shall be based on (i) the evidence in the record, (ii) the terms of the relevant CAISO Documents, (iii) applicable United States federal law, including the FPA and any applicable FERC regulations and decisions, and international treaties or agreements as applicable, and (iv) applicable state law. Additionally, the arbitrator may consider relevant decisions in previous arbitration proceedings. A summary of the disputed matter and the arbitrator's decision shall be published in a CAISO newsletter or electronic bulletin board and any other method adopted by the CAISO ADR Committee, and maintained by the CAISO ADR Committee.

13.3.11.2 In arbitration conducted "baseball" style, the arbitrator shall issue a written decision adopting one of the awards proposed by the parties, and shall include findings of fact and law. The arbitration decision shall be based on (i) the evidence in the record, (ii) the terms of the relevant CAISO Documents, (iii) applicable United States federal law, including the FPA and any applicable FERC regulations and decisions, and international treaties or agreements as applicable, and (iv) applicable state law. If the arbitrator concludes that no proposed award is consistent with the factors enumerated in (i) through (iv) above, or addresses all of the issues in dispute, the arbitrator shall specify how each proposed award is deficient and direct that the parties submit new proposed awards that cure the identified deficiencies. A summary of the disputed matter and the arbitrator's decision shall be published in a CAISO newsletter or electronic bulletin board, and any other method adopted by the CAISO ADR Committee. An award shall not be deemed to be precedential.

13.3.11.3 Where a panel of arbitrators is appointed pursuant to Section 13.3.1.2, a majority of the arbitrators must agree on the decision.

13.3.12 Compliance.

Unless the arbitrator's decision is appealed under Section 13.4, the disputing parties shall, upon receipt of the decision, immediately take whatever action is required to comply with the award to the extent the award does not require regulatory action. An award that is not appealed shall be deemed to have the same force and effect as an order entered by the FERC or any court of competent jurisdiction.

13.3.13 Enforcement.

Following the expiration of the time for appeal of an award pursuant to Section 13.4.3, any party may apply to FERC or any court of competent jurisdiction for entry and enforcement of judgment based on the award.

13.3.14 Costs.

The costs of the time, expenses, and other charges of the arbitrator shall be borne by the parties to the dispute, with each side on an arbitrated issue bearing its pro-rata share of such costs, and each party to an arbitration proceeding bearing its own costs and fees. If the arbitrator determines that a demand for arbitration or response to a demand for arbitration was made in bad faith, the arbitrator shall have discretion to award the costs of the time, expenses, and other charges of the arbitrator to the prevailing party. Notwithstanding the above, at the discretion of the arbitrator, the winning party in any dispute which has resulted in the enforcement of an important right affecting the public interest shall not be required to pay any of the costs of the arbitrator and may recover such of its own reasonable attorney fees, expert witness fees and other reasonable costs from the losing party to the dispute if (a) a significant benefit, whether pecuniary or non-pecuniary, has been conferred on the general public, (b) the necessity and financial burden of private enforcement are such as to make the award appropriate, and (c) such fees should not, in the interest of justice, be paid out of the recovery.

13.4 Appeal of Award.

13.4.1 Basis for Appeal.

A party may apply to the FERC or any court of competent jurisdiction to hear an appeal of an arbitration award only upon the grounds that the award is contrary to or beyond the scope of the relevant CAISO Documents, United States federal law, including, without limitation, the FPA, and any FERC regulations and decisions, or state law. Appeals shall, unless otherwise ordered by FERC or the court of competent jurisdiction, conform to the procedural limitations set forth in this Section 13.4.

13.4.2 Appellate Record.

The parties intend that FERC or the court of competent jurisdiction should afford substantial deference to the factual findings of the arbitrator. No party shall seek to expand the record before the FERC or court of competent jurisdiction beyond that assembled by the arbitrator, except (i) by making reference to legal authority which did not exist at the time of the arbitrator's decision, or (ii) if such party contends the decision was based upon or affected by fraud, collusion, corruption, misconduct or misrepresentation.

13.4.3 Procedures for Appeals.

13.4.3.1 If a party to an arbitration desires to appeal an award, it shall provide a notice of appeal to the CAISO Governing Board, all parties and the arbitrator within 14 days following the date of the award. The appealing party must likewise provide notice to the CAISO ADR Committee, which shall publish notice of the appeal on the CAISO's secure communication system, and any other method adopted by the CAISO ADR Committee.

Within ten (10) days of the filing of the notice of appeal, the appealing party must file an appropriate application, petition or motion with the FERC to trigger review under the FPA or with a court of competent jurisdiction. Such filing shall state that the subject matter has been the subject of an arbitration pursuant to the relevant CAISO Document.

13.4.3.2 Within 30 days of filing the notice of appeal (or such period as FERC or the court of competent jurisdiction may specify) the appellant shall file the complete evidentiary record of the arbitration and a copy of the award with FERC or with the court of competent jurisdiction. The appellant shall serve copies of a description of all materials included in the submitted evidentiary record.

13.4.4 Award Implementation.

Implementation of the award shall be deemed stayed pending an appeal unless and until, at the request of a party, the FERC or the court of competent jurisdiction to which an appeal has been filed, issues an order dissolving, shortening, or extending such stay. However, a summary of each appeal shall be published in a CAISO newsletter or electronic bulletin board, and any other method adopted by the CAISO ADR Committee.

13.4.5 Judicial Review of FERC Orders.

FERC orders resulting from appeals shall be subject to judicial review pursuant to the FPA.

13.5 Allocation of Awards Payable by or to the CAISO.

13.5.1 Allocation of an Award.

If the CAISO must pay an award to a party pursuant to good faith negotiations or the CAISO ADR Procedures, the CAISO will recover the amount of the award from Market Participants and Scheduling Coordinators. If the CAISO receives an award from a party pursuant to good faith negotiations or the CAISO ADR Procedures, the CAISO will flow back the amount of the award to Market Participants and Scheduling Coordinators.

13.5.2 Timing of Adjustments.

Upon determination that an award is payable by or to the CAISO pursuant to good faith negotiations or the CAISO ADR Procedures, the CAISO shall calculate the amounts payable to and receivable from the party, Market Participants, and Scheduling Coordinators, as soon as reasonably practical, and shall show any required adjustments as a debit or a credit in a subsequent Preliminary Settlement Statement or, in the case of an amount payable by the CAISO to a party, as soon as the CAISO and that party may agree.

13.5.3 Method of Allocation.

13.5.3.1 Allocation to Market Participants.

The CAISO will use best efforts to determine which Market Participant(s) is or are responsible for and/or benefit from payment of an award by or to the CAISO and to allocate receipt of or payment for the award

equitably to such Market Participant(s). In undertaking the allocation, the CAISO shall consider the extent of a Market Participant's participation in affected markets and the CAISO Tariff in effect on the applicable Trading Day(s), and may consider any other relevant factor, including but not limited to, applicable contracts.

13.5.3.2 Residual Amounts.

Any awards for which the CAISO is unable to identify Market Participants in accordance with 13.5.3.1 and any award amounts that the CAISO is unable to collect that are not covered by Section 11.29.17.1 will be allocated to all Scheduling Coordinators through Neutrality Adjustments.

14 FORCE MAJEURE INDEMNIFICATION AND LIMITATIONS ON LIABILITY.

14.1 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 the CAISO or Market Participant which could not be avoided through the exercise of Good Utility Practice. Neither the CAISO nor a Market Participant will be considered in default of any obligation under this CAISO Tariff if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force.

14.2 Responsibilities of Affected Entity.

In the event of the occurrence of an Uncontrollable Force, which prevents the CAISO or a Market Participant from performing any of its obligations under this CAISO Tariff, the affected entity shall (i) if it is the CAISO, immediately notify the Market Participants in writing of the occurrence of such Uncontrollable Force and, if it is a Market Participant, immediately notify the CAISO in writing of the occurrence of such Uncontrollable Force, (ii) not be entitled to suspend performance of its obligations under this CAISO Tariff in any greater scope or for any longer duration than is required by the Uncontrollable Force, (iii) 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, (iv) in the case of the CAISO, keep the Market Participants apprised of such efforts, and in the case of the Market Participants, keep the CAISO apprised of such efforts, in each case on a continual basis and (v) provide written notice of the resumption of its performance of its obligations hereunder.

14.3 Strikes, Lockouts or Labor Disputes.

Notwithstanding any of the foregoing, the settlement of any strike, lockout or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the entity involved in such strike, lockout or labor dispute and the requirement that an entity must use its best efforts to mitigate the effects of the

Uncontrollable Force and/or remedy its inability to perform and resume full performance of its obligations hereunder shall not apply to strikes, lockouts, or labor disputes.

14.4 Market Participant's Indemnity.

Each Market Participant, 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 Market Participant except to the extent that they result from the CAISO's default under this CAISO Tariff or gross negligence or intentional wrongdoing on the part of the CAISO or of its officers, directors or employees.

14.5 Limitation on Liability.

14.5.1 Liability for Damages.

Except as provided for in Section 13.3.14, the CAISO shall not be liable in damages to any Market Participant for any losses, damages, claims, liability, costs or expenses (including legal expenses) arising from the performance or non-performance of its obligations under this CAISO Tariff, including but not limited to any adjustments made by the CAISO in Inter-Scheduling Coordinator Trades, except to the extent that they result from gross negligence or intentional wrongdoing on the part of the CAISO.

14.5.2 Exclusion of Certain Types of Loss.

The CAISO shall not be liable to any Market Participant under any circumstances for any consequential or indirect financial loss including but not limited to loss of profit, loss of earnings or revenue, loss of use, loss of contract or loss of goodwill except to the extent that it results from except to the extent that it results from gross negligence or intentional wrongdoing on the part of the CAISO.

14.6 Potomac Economics, Ltd. Limitation Of Liability.

Potomac Economics, Ltd. shall not be liable in damages to any Market Participant for any losses, damages, claims, liability, costs or expenses (including legal expenses) arising from its calculation of reference levels under its Consultant Agreement with the CAISO dated as of September 3, 2002, except to the extent that they result from gross negligence or intentional wrongdoing of Potomac Economics, Ltd.

15 REGULATORY FILINGS.

Any amendment or other modification of any provision of this CAISO Tariff must be in writing and approved by the CAISO Governing Board in accordance with the bylaws of the CAISO. Any such amendment or modification shall be effective upon the date it is permitted to become effective by FERC. Nothing contained herein shall be construed as affecting, in any way, the right of the CAISO to furnish its services in accordance with this CAISO Tariff, or any tariff, rate schedule or Scheduling Coordinator Agreement which results from or incorporates this CAISO Tariff, unilaterally to make an application to FERC for a change in rates, terms, conditions, charges, classifications of service, Scheduling Coordinator Agreement, rule or regulation under FPA Section 205 and pursuant to the FERC's rules and regulations promulgated thereunder. Nothing contained in this CAISO Tariff or any Scheduling Coordinator Agreement shall be construed as affecting the ability of any Market Participant receiving service under this CAISO Tariff to exercise its rights under Section 206 of the FPA and FERC's rules and regulations thereunder.

16 EXISTING CONTRACTS.

16.1 Continuation of Rights and Obligations of Non-Participating TOs Under Existing Contracts.

The transmission service rights and obligations of Non-Participating TOs under Existing Contracts, including all terms, conditions and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts, will continue to be honored by the parties to those contracts, for the duration of those contracts.

16.1.1 Participating TO Obligation.

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 CAISO's scheduling and operational procedures, rules and protocols, to align operations under the contract with CAISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations.

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 CAISO Tariff, no duplicative charge for access to the CAISO 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 CAISO Controlled Grid will be fully recovered through the Access Charges established under Section 26.1 of this CAISO Tariff.

16.1.2 Right to Use and Ownership of Facilities. If a Non-Participating TO has an Existing Contract with a Participating TO under which the Non-Participating TO's transmission facilities, or a portion thereof, are subject to use by the Participating TO, the Non-Participating TO's rights to the use and ownership of its facilities shall remain unchanged, regardless of the Participating TO's act of turning over the Participating TO's entitlement to use the Non-Participating TO's facilities to the extent possible to the Operational Control of the CAISO. The CAISO will accept valid ETC Self-Schedules from a

Participating TO that is the Scheduling Coordinator for the holder of Existing Rights, or from holders of Existing Rights that are Scheduling Coordinators, or that are represented by a Scheduling Coordinator other than the Participating TO. ETC Self-Schedules submitted by Scheduling Coordinators to the CAISO, which include the use of Existing Rights, must be submitted in accordance with Section 16.1 and Section 30. The CAISO may refuse to accept ETC Self-Schedules submitted pursuant to Existing Contracts that do not meet the requirements of the principles, protocols and rules referred to in this Section 16.1.

16.1.3 Existing Contract Dispute Resolution.

The CAISO will, if requested, advise parties to Existing Contracts regarding the operational aspects of any Existing Contract renegotiations that they undertake.

If the parties to an Existing Contract are unable to reach agreement on the changes needed to meet the requirements of this CAISO Tariff, any disputes related thereto shall be addressed using the dispute resolution provisions of the Existing Contract, including any remedies as are provided by law. The rights of the parties to seek changes or to challenge such changes, under the FPA or as otherwise provided by law, are preserved consistent with the terms of the Existing Contract. Unless and until the necessary changes to the Existing Contract are made, all terms and conditions of the Existing Contracts will continue to be honored by the parties to the Existing Contracts.

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

Parties who are entitled to transmission service rights under Existing Contracts and who choose to become Participating TOs must, at the time of becoming a Participating TO convert those rights to "Converted Rights" in accordance with Section 4.3.1.6.

16.2 [NOT USED]

16.3 [NOT USED]

16.4 Transmission Rights and Transmission Curtailment Instructions.

16.4.1 Responsibility to Create TRTC Instructions.

Each Participating TO and Existing Rights holder will work with the CAISO to develop the Transmission Rights and Transmission Curtailment ("TRTC") Instructions that allow Existing Contracts to be exercised in a way that: (i) maintains the existing scheduling and curtailment priorities under the Existing Contract; (ii) is minimally burdensome to the CAISO (i.e., creates the least impact on the CAISO's preferred operational policies and procedures); (iii) to the extent possible, imposes no additional financial burden on either the Participating TO or the holder of Existing Rights (beyond that in the Existing Contract); (iv) consistent with the terms of the Existing Contracts, makes as much transmission capacity not otherwise utilized by the holder of Existing Rights available as possible to the CAISO for allocation to Market Participants; (v) is minimally burdensome to the Participating TO and the Existing Rights holder from an operational point of view; and (vi) does not require the CAISO to interpret or underwrite the economics of the Existing Contract. The parties to Existing Contracts will attempt to jointly develop and agree on any TRTC Instructions that will be submitted to the CAISO. The parties to an Existing Contract shall also be responsible to submit to the CAISO any other necessary operating instructions based on their contract interpretations needed by the CAISO to enable the CAISO to perform its duties.

16.4.2 Responsible PTO for Multiple Participating TO Parties to an Existing Contract.

To the extent there is more than one Participating TO 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 CAISO involving more than one Participating TO, the relevant Participating TOs will designate a single Participating TO as the responsible PTO and will notify the CAISO accordingly. If no such responsible PTO is designated by the relevant Participating TOs or the CAISO is not notified of such designation, the CAISO shall designate one of them as the responsible PTO and notify the relevant Participating TOs accordingly. The responsible PTO designated pursuant to this section shall have the same responsibility as the Participating TO under this Section 16.4.

16.4.3 Scheduling Coordinator Responsibilities

The Scheduling Coordinator designated by the parties to an Existing Contract as the responsible entity for submitting ETC Self-Schedules for the relevant Existing Contract shall submit ETC Self-Schedules

consistent with the terms and conditions specified in the TRTC Instructions.

16.4.4 Submission of TRTC Instructions.

For each Existing Contract, the Participating TO providing transmission service under the Existing Contract (or the Responsible PTO identified in Section 16.4.2) shall be obligated to submit the TRTC Instructions to the CAISO electronically on behalf of the holders of Existing Rights, unless the parties to the Existing Contract agree otherwise. The Participating TO shall notify the CAISO in writing the identity of the responsible party for submission of the TRTC Instructions as decided by the parties to the Existing Contract and the term of such agreement between the parties to the Existing Contract. The Participating TO shall undertake all obligations with respect to the submission of the TRTC Instructions to the CAISO and any subsequent obligations that follow with respect to the creation, management and updates to the TRTC Instructions. The CAISO is responsible for implementing only one set of TRTC Instructions for each Existing Contract and only those TRTC Instructions that have been received and accepted by the CAISO. The Participating TO shall submit the TRTC Instructions to the CASIO associated with Existing Contracts or sets of interdependent Existing Contracts thirty (30) days prior to the date on which the scheduling or curtailment of the use of the Existing Rights is to change or commence.

16.4.5 TRTC Instructions Content.

TRTC Instructions will include the following information at a minimum and such other information as the CAISO may reasonably require the Participating TO to provide to enable the CAISO to carry out its functions under the CAISO Tariff, Operating Procedures and Business Practice Manuals:

- (1) A unique Contract Reference Number for each source and sink combination applicable to the Existing Contract (i.e., the CRN that will be assigned by the CAISO and communicated to the Participating TO that references a single Existing Contract or a set of interdependent Existing Contracts for each source and sink combination);

- (2) Whether the instruction can be exercised independent of the CAISO's day-to-day involvement ("Yes/No");
- (3) Name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Participating TO contact for Existing Contract issues or the agreed upon party;
- (4) Name(s) and number(s) of Existing Contract(s) that are represented by the unique CRN;
- (5) The following information as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery); (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery, the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, Custom Load Aggregation Points and System Resources); (c) for each physical source or sink, the maximum Existing Rights capacity (MW) that can be scheduled as an Existing Right under the Existing Contract; and (d) for each physical source and sink, the Scheduling Coordinator(s) and their Business Associate Identification (BAID) that is(are) eligible to submit ETC Self-Schedules utilizing these sources and sinks;
- (6) Names of the party(ies) to the Existing Contract(s);
- (7) The Scheduling Coordinator BAID that is entitled to the Settlement of reversal of Congestion Charges;
- (8) Type(s) of service rights by the holder of the Existing Rights, by type of service (firm, conditional firm, or non-firm), with priorities for firm and conditional firm transmission services and maximum amounts of service rights in MW;
- (9) Instructions for the allowable timeframes at which the ETC Self-Schedules and ETC Self-Schedule changes may be submitted to the CAISO, which include whether the

Scheduling Coordinator may submit ETC Self-Schedules or ETC Self-Schedule changes:

(a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the TRTC Instructions may also include any additional comments and restrictions on the submission time of ETC Self-Schedules and ETC Self-Schedule changes;

- (10) Term or service period(s) of the Existing Contract(s);
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different from pro rata reduction of the transfer capability of the transmission line; any such TRTC Instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning intent, results, or purpose of the curtailment procedures or the Existing Contract and the section of the Existing Contract that provides this right for reference, otherwise, they will not be accepted by the CAISO;

- (12) The forecasted usage patterns for each Existing Contract for the upcoming annual period of the annual CRR release processes as well as for the upcoming monthly period of the monthly CRR release processes, which will consist of hourly MWh data over the whole year for those resources that will use the Existing Contract; this information will be considered by the CAISO in managing its accounting for usage of Existing Rights in the release of CRRs; this information shall not be used by the CAISO to validate ETC Self-Schedules when submitted by Scheduling Coordinators and therefore shall not affect the Existing Rights holder's ability to utilize its rights under the Existing Contract;
- (13) Whether or not the Existing Contract provides for the right to self-provide Ancillary Services; and
- (14) Specification of any contract requirements in the ETC that warrants special consideration in the implementation of the physical rights under the ETC.

16.4.6 Changes and Updates to TRTC Instructions.

Updates or changes to the TRTC Instructions must be submitted to the CAISO through a revised set of TRTC Instructions by the Participating TO, on an as needed or as required basis determined by the parties to the Existing Contracts. The CAISO will implement the updated or changed TRTC Instructions as soon as practicable but no later than seven (7) days after receiving clear and unambiguous details of the updated or changed instructions under normal conditions. If the CAISO finds the TRTC Instructions to be inconsistent with the CAISO Tariff, the CAISO will notify the Participating TO within forty-eight (48) hours after receipt of the updated or changed TRTC Instructions indicating the nature of the problem and allowing the Participating TO to resubmit the TRTC Instructions as if they were new, updated or changed TRTC Instructions. If the CAISO finds the updated or changed TRTC Instructions to be acceptable, the CAISO will time-stamp the updated TRTC Instructions as received, confirm such receipt to the Participating TO, and indicate the time at which the updated TRTC Instructions take effect if prior to the seven (7) day deadline referred to above. In the event of a System Emergency, the CAISO will implement such submitted changes to the TRTC Instructions as soon as practical.

16.4.7 Treatment of TRTC Instructions.

16.4.7.1 TRTC Instructions Can Be Exercised Independently.

To the extent that the TRTC Instructions can be exercised independently of the CAISO by the parties to the Existing Contract and the results forwarded to the CAISO, the TRTC Instructions shall be exercised by the Participating TOs, and the outcomes shall be forwarded to the CAISO. The determination of whether the TRTC Instructions can be “exercised independently of the CAISO by the parties to the Existing Contract” shall be made using the same procedures described in Section 16.4.8.

16.4.7.2 TRTC Instructions Cannot Be Exercised Independently.

To the extent that the TRTC Instructions cannot be exercised independently of the CAISO and the results forwarded to the CAISO (because, for example, they require iteration with the CAISO’s Bid submission and scheduling process, would unduly interfere with the CAISO’s management of the Real-Time Market, including curtailments, or would unduly interfere with the ability of the holder of rights to exercise its rights), the TRTC Instructions will be provided to the CAISO for day-to-day implementation. The TRTC Instructions will be provided by the Participating TO to the CAISO for implementation unless the parties to the Existing Contracts otherwise agree that the holder of the Existing Rights will do so. For these TRTC Instructions, the Scheduling Coordinators representing the holders of Existing Rights will submit their Bids to the CAISO for implementation in accordance with the TRTC Instructions. In this case, the CAISO shall act as the scheduling agent for the Participating TO with regard to Existing Rights.

16.4.8 CAISO Role in Existing Contracts.

The CAISO 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 TRTC Instructions that will be submitted to the CAISO. In the event that the parties to the Existing Contract cannot agree upon the TRTC 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 CAISO shall implement the Participating TO’s TRTC Instructions. If both parties to an Existing Contract are Participating TOs and the parties cannot agree to

the TRTC Instructions submitted by the parties, until the dispute is resolved, and unless the Existing Contract specifies otherwise, the CAISO shall implement the TRTC Instructions of the first Participating TO for which the Existing Contract is an Encumbrance. The CAISO shall not be responsible for resolution of any disputes that arise over the accuracy of the TRTC Instructions consistent with its obligations in Section 16.4.5.

16.4.9 Implementation of TRTC Instructions.

The CAISO shall determine, based on the information provided by the Participating TOs under TRTC Instructions, the transmission capacities that (i) must be reserved for firm Existing Rights at Scheduling Points, (ii) may be allocated for use as CAISO transmission service (i.e., new firm uses), (iii) must be reserved by the CAISO for conditional firm Existing Rights, and (iv) remain for any non-firm Existing Rights for which a Participating TO has no discretion over whether or not to provide such non-firm service.

The CAISO shall coordinate the scheduling of Existing Rights with the scheduling of CAISO transmission service, using the CAISO's Bid submission rules. In doing so, the CAISO shall create an automated day-to-day verification process based on parameters provided by the Participating TO for the Existing Contract to serve as the basis for ETC Self-Schedule validation. The Participating TO will be responsible for: (1) the accuracy of the data files against which the CAISO will validate the ETC Self-Schedule; and (2) providing the data file to the holder of Existing Rights as well as the CAISO.

The CAISO shall recognize that the obligations, terms or conditions of Existing Contracts may not be changed without the voluntary consent of all parties to the contract (unless such contract may be changed pursuant to any applicable dispute resolution provisions in the contract or pursuant to Section 205 or Section 206 of the FPA and the FERC's Rules and Regulations or as otherwise provided by law).

The parties to Existing Contracts shall remain liable for their performance under the Existing Contracts. The CAISO shall be liable in accordance with the provisions of this CAISO Tariff for any damage or injury caused by its non-compliance with the TRTC Instructions submitted to it pursuant to this Section 16.4.

Unless specified otherwise, in the event that the dispute resolution mechanisms prescribed in an Existing Contract, including all recourses legally available under the contract, cannot, in the first instance, result in a resolution of such a dispute, the CAISO ADR Procedures will be used to resolve any disputes between the CAISO and the Participating TO regarding any aspects of the implementation of this Section 16.4, including the reasonableness of a Participating TO's TRTC Instructions or any other decision rules which the Participating TO may submit to the CAISO as part of the TRTC Instructions. The holders of Existing Rights under the Existing Contract shall have standing to participate in the CAISO ADR Procedures.

16.5 Treatment of Existing Contracts for Transmission Service.

The CAISO will accommodate Existing Rights, so that the holders of Existing 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.

In addition, Scheduling deadlines and operational procedures associated with Existing Rights will be honored by the CAISO, provided such information is explicitly included in the TRTC Instructions. The CAISO will accommodate and honor Existing Rights as follows:

(1) For Existing Rights that permit schedule changes over Scheduling Points with other Control Areas, the CAISO will reserve transmission capacity equal to the Existing Rights transmission capacity and make a corresponding adjustment in its determination of ATC. For Existing Rights that permit schedule changes after the Market Close of the Day-Ahead Market, the CAISO will reserve transmission capacity equal to the unscheduled ETC amount of transmission capacity for that Scheduling Point.

(2) For Existing Rights within the CAISO Control Area, the CAISO will only set-aside capacity associated with the Existing Rights to the extent that the Scheduling Coordinator submits a valid ETC Self-Schedule in the Day-Ahead Market.

(3) In the HASP, the CAISO will give valid ETC Self-Schedules priority over other non-ETC Day-Ahead Schedules and HASP Bids. In the event of a reduction in capacity on the transmission path associated with the Existing Right, the CAISO will honor the Existing Rights priority in accordance with this Section 16.

(4) When the Existing Contract permits, the CAISO will allow the holder of Existing Rights to make changes to the scheduled amounts of supply after the submission of HASP ETC Self-Schedules in accordance with the TRTC Instructions established for such changes. The CAISO will, as necessary, redispatch non-ETC resources to accommodate valid ETC Self-Schedule changes in Real-Time.

(5) All contractual provisions that have been communicated to the CAISO in writing in accordance with this Section 16 by the parties to the Existing Contracts, shall be honored by the CAISO and the parties to the Existing Contracts and shall be implemented by the CAISO in accordance with the terms and conditions of the relevant Existing Contracts so notified.

16.5.1 System Emergency Exceptions.

As set forth in Section 4.2.1, all Market Participants, including Scheduling Coordinators, Utility Distribution Companies, Participating TOs, Participating Generators, Participating Loads, Control Area Operators (to the extent the agreement between the Control Area Operator and the CAISO so provides), and MSS Operators within the CAISO Control Area and all System Resources must comply fully and promptly with CAISO Dispatch Instructions and operating orders, unless such operation would impair public health or safety. The CAISO will honor the terms of Existing Contracts, provided that in a System Emergency and circumstances in which the CAISO considers that a System Emergency is imminent or threatened, holders of Existing Rights must follow CAISO operating orders even if those operating orders directly conflict with the terms of Existing Contracts, unless such operating orders are inconsistent with the terms of an agreement between the CAISO and a Control Area Operator. In the event of a conflict between the CAISO Tariff and an agreement between the CAISO and a Control Area Operator, the agreement will govern. For this purpose CAISO operating orders to shed Load shall not be considered as an impairment to public health or safety. This section does not prohibit a Scheduling Coordinator from modifying its Bid or re-purchasing Energy in the HASP or Real-Time Market.

16.6 Valid ETC Self-Schedules.

The CAISO will accept a valid ETC Self-Schedule from a Scheduling Coordinator. That Scheduling Coordinator shall be either the holder of Existing Rights or its designee, the Participating TO, (in the case that no Scheduling Coordinator has been so identified by the parties to the Existing Contract, the

Participating TO shall be the Scheduling Coordinator for the holder of the Existing Contract). ETC Self-Schedules submitted by Scheduling Coordinators to the CAISO, which use Existing Rights, must be submitted in accordance with this CAISO Tariff.

16.6.1 Validation of ETC Self-Schedules.

An ETC Self-Schedule is a valid ETC Self-Schedule when the CAISO has determined that the ETC Self-Schedule, submitted to the CAISO pursuant to the requirements for Bids in Sections 30, properly reflects Existing Rights consistent with the TRTC Instructions, is labeled with a unique Existing Contract identifier, and includes balanced sources and sinks, within the ETCs capacity limits.

16.6.2 Treatment of Invalid ETC Self-Schedules.

16.6.2.1 Inconsistent with the TRTC Instructions.

Except for the reasons listed below in 16.6.2, if the CAISO finds that the ETC Self-Schedule is not consistent with the TRTC Instructions, the CAISO shall find that the ETC Self-Schedule is not valid. If the CAISO finds the ETC Self-Schedule to be invalid, the CAISO shall notify the Scheduling Coordinator and convert the ETC Self-Schedule to an ordinary Self-Schedule and treat the ETC Self-Schedule as an ordinary Self-Schedule as such for terms of scheduling priority and settlements.

16.6.2.2 Unbalanced ETC Self-Schedules.

If the ETC Self-Schedule is not balanced, the ETC Self-Schedule will not be a Valid ETC-Self-Schedule and the CAISO will: (i) remove any scheduling priority for the entire ETC Self-Schedule; (ii) apply the ETC settlement treatment pursuant to Sections 11.2.1.5 and 11.5.7.1 to the valid balanced portions only; and (iii) assess any charges, and make any payments consistent with the treatment of ordinary Self-Schedules for the unbalanced portions.

16.6.2.3 Exceeds Capacity Limits in Existing Contracts as Reflected in TRTC Instructions.

If the ETC Self-Schedule exceeds the capacity limits in Existing Contracts as reflected in TRTC Instructions, the ETC Self-Schedule will not be a valid ETC-Self-Schedule and the CAISO will: (i) remove any scheduling priority for the entire ETC Self-Schedule; (ii) apply the ETC settlement treatment pursuant to Sections 11.2.1.5 and 11.5.7.1 to the valid balance portions within the capacity limits of the Existing Contract as reflected in the TRTC Instructions; and (iii) assess any charges, and make any payments consistent with the treatment of ordinary Self-Schedules for the portions in excess of the capacity limits of the Existing Contract as reflected in the TRTC Instructions.

16.6.3 Treatment of Valid ETC Self-Schedules

The resulting Valid ETC Schedules shall have the following Settlement treatment:

- (1) The CAISO will apply the ETC Settlement treatment in Sections 11.2.1.5 and 11.5.7.1.
- (2) The CAISO shall base the Marginal Cost of Losses on LMP differentials at the Existing Contract source(s) and sink(s) identified in the valid ETC Self-Schedule.
- (3) The holders of Existing Rights will not be entitled to an allocation of revenues from the CAISO, including Access Charge revenue related to those Existing Rights.
- (4) 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. 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. The CAISO will charge Scheduling Coordinators submitting the ETC Self-Schedule for Transmission Losses and Ancillary Services in accordance with the CAISO Tariff and any shortfall or surplus between the CAISO charges and the Existing Rights shall be settled bilaterally between the Existing Contract parties or through the relevant TO Tariff. To enable holders of Existing Rights to determine whether the CAISO'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, the CAISO shall calculate and provide the Scheduling Coordinator's Settlements the amounts paid for the MCL for the amounts MWh submitted with a valid ETC Self-Schedule. Each Participating TO will be responsible for recovering any deficits or crediting any surpluses associated with differences in Transmission Losses and Transmission Loss Requirements and/or Ancillary Services requirements, through its bilateral arrangements or its Transmission Owner's Tariff.

16.6.4 Notification to Scheduling Coordinators of CAISO Determination

After performing validation of the ETC Self-Schedule, and prior to taking any action pursuant to Section 16.6.2, the CAISO will make an automated validation notice available to the Scheduling Coordinator indicating whether the ETC Self-Schedule is valid or invalid. If an ETC Self-Schedule involves more than one Scheduling Coordinator, the complete validation of the chain of ETC Self-Schedules will occur when

the last Scheduling Coordinator submits its ETC Self-Schedule. At that time, the CAISO will make an automated validation notice available to each Scheduling Coordinator registered as associated with the chain of ETC Self-Schedules. The CAISO can accommodate corrections submitted by a Scheduling Coordinator to an ETC Self-Schedule up to Market Close of the Day-Ahead Market as further described in the applicable Business Practice Manual.

16.7 **[Not Used]**

16.8 **[Not Used]**

16.9 The HASP.

16.9.1 Scheduling Deadlines.

Those holders of Existing Rights who have Existing Rights as reflected in the TRTC Instructions that allow scheduling after the close of the Day-Ahead Market may submit ETC Self-Schedules for the use of those rights by the deadline for the Market Close for the HASP. Submission of schedule changes beyond the Market Close for the HASP permitted by the ETC will be treated as provided in Section 33.3.

16.10 The CAISO's Real-Time Process.

Consistent with this Section 16, the CAISO will honor those scheduling flexibilities that may be exercised by holders of Existing Rights through their respective Scheduling Coordinators during the CAISO's Real-Time Market to the extent that such flexibilities do not interfere with or jeopardize the safe and reliable operation of the CAISO Controlled Grid or Control Area operations.

16.11 Inter-Control Area Changes to Bids that Rely on Existing Rights.

Changes to ETC Self-Schedules that occur during the CAISO's Real-Time Market that involve changes to CAISO Control Area imports or exports with other Control Areas (that is, inter-Control Area changes to ETC Self-Schedules) will be allowed and will be recorded by the CAISO based upon notification received from the Scheduling Coordinator representing the holder of the Existing Rights. Scheduling Coordinators representing the holder of the Existing Right must notify the CAISO of any such changes to external import/export in submitted ETC Self-Schedules. Scheduling Coordinators representing the holder of the Existing Right must notify the CAISO of Real-Time Market changes to external import/export schedules in submitted ETC Self-Schedules, by telephone. The timing and content of any such notification must be consistent with the TRTC Instructions previously submitted to the CAISO by the Responsible PTO. The CAISO will manually adjust or update the HASP Schedule for the Scheduling Coordinator to conform with the other Control Area's net ETC Self-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 charged to the Scheduling Coordinator representing the holder of Existing Rights in accordance with the Real-Time LMP.

16.12 Intra-Control Area Changes to Schedules that Rely on Existing Rights.

Changes to ETC Self-Schedules that occur during the CAISO's Real-Time processes that do not involve changes to CAISO 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 charged to the Scheduling Coordinator representing the holder of Existing Rights in accordance with the Real-Time LMP.

17 Transmission Ownership Rights (TORs).

Transmission Ownership Rights represent transmission capacity on facilities that are located within the CAISO Control Area that are either wholly or partially owned by an entity that is not a Participating TO. This Section 17 shall apply to the TORs of Non-Participating TOs. In any case in which (i) the CAISO has entered into a bilateral agreement with a Non-Participating TO regarding its TORs or (ii) a Participating TO has entered into a bilateral agreement with a Non-Participating TO regarding its TORs, which agreement has been accepted by FERC, the provisions of the agreement shall prevail over any conflicting provisions of this Section 17. Where the provisions of this Section 17 do not conflict with the provisions of the FERC-accepted agreement, the provisions of this Section 17 shall apply to the subject TORs.

17.1 Transmission Rights and Transmission Curtailment Instructions.

17.1.1 Responsibility to Create TRTC Instructions.

To enable the CAISO to exercise its responsibilities as Control Area Operator in accordance with Applicable Reliability Criteria, each Non-Participating TO holding a TOR must work with the CAISO to develop the TRTC Instructions that allow the TOR to be accommodated in a way that: (i) maintains the existing scheduling and curtailment priorities of the TOR holder; (ii) is minimally burdensome to the CAISO (i.e., creates the least impact on the CAISO's preferred operational policies and procedures); (iii) to the extent possible, imposes no additional financial burden on the TOR holder (beyond that set forth in an applicable Existing Contract or any other contract pertaining to the TOR); (iv) is minimally burdensome to the TOR holder from an operational point of view; and (v) does not require the CAISO to interpret or underwrite the economics of any applicable Existing Contract. To enable the CAISO to exercise its responsibilities as Control Area Operator in accordance with Applicable Reliability Criteria, the parties holding joint ownership interests and Entitlements in facilities including TORs must attempt to jointly develop and agree on any TRTC Instructions that will be submitted to the CAISO, as provided in Section 17.1.6.

17.1.2 TOR Scheduling Coordinator Responsibilities.

To enable the CAISO to exercise its responsibilities as Control Area Operator in accordance with Applicable Reliability Criteria, each TOR holder must designate a Scheduling Coordinator as the responsible entity for submitting TOR Self-Schedules for the relevant TOR. The designated Scheduling Coordinator shall submit TOR Self-Schedules consistent with the terms and conditions specified in the TRTC Instructions.

17.1.3 Submission of TRTC Instructions.

For each TOR, the Non-Participating TO holding the TOR shall be obligated to submit TRTC Instructions to the CAISO electronically, unless the Non-Participating TO specifies to the CAISO otherwise. The Non-Participating TO shall notify the CAISO in writing the identity of the responsible party for submission of the TRTC Instructions, subject to the terms of any applicable Existing Contract that may specify the responsible party for submission of the TRTC Instructions and the term of such agreement between the parties to the Existing Contract. The Non-Participating TO shall undertake all obligations with respect to the submission of the TRTC Instructions to the CAISO and any subsequent obligations that follow with respect to the creation, management and updates to the TRTC Instructions. The CAISO is responsible for implementing only one set of TRTC Instructions for each TOR and for implementing only those TRTC Instructions that have been received and accepted by the CAISO. The Non-Participating TO shall submit the TRTC Instructions to the CAISO associated with its TORs thirty (30) days prior to the date on which the scheduling or curtailment of the use of the TORs is to change or commence.

17.1.4 TRTC Instructions Content.

TRTC Instructions will include the following information at a minimum and such other information as the CAISO may reasonably require the Non-Participating TO holder of a TOR to provide to enable the CAISO to carry out its functions under the CAISO Tariff, Operating Procedures and Business Practice Manuals:

- (1) A unique Contract Reference Number for each source and sink combination applicable to the TOR (i.e., the CRN that will be assigned by the CAISO and communicated to the Non-Participating TO that references a single TOR or a set of interdependent TORs for each source and sink combination);

- (2) Whether the instruction can be exercised independent of the CAISO's day-to-day involvement ("Yes/No");
- (3) Name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Non-Participating TO contact for TOR issues or the agreed upon party;
- (4) Name(s) and number(s) of TOR(s) that are represented by the unique CRN;
- (5) The following information, as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery); (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery, the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, Custom Load Aggregation Points and System Resources); (c) for each physical source or sink, the maximum capacity (MW) that can be scheduled as a TOR under the Existing Contract; and (d) for each physical source and sink, the Scheduling Coordinator(s) and their Business Associate Identification (BAID) that is(are) eligible to submit TOR Self-Schedules utilizing these sources and sinks;
- (6) Names of the party(ies) holding the TOR(s) and the parties to any agreements applicable to the TORs;
- (7) The Scheduling Coordinator BAID that is entitled to the Settlement of reversal of Congestion Charges;
- (8) Amount of TORs, in maximum MW, that may be utilized under the relevant TRTC Instructions;
- (9) Instructions for the allowable timeframes at which the TOR Self-Schedules and TOR Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit TOR Self-Schedules or TOR Self-Schedule

changes: (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the Non-Participating TO may also provide any additional comments and restrictions on the submission time of TOR Self-Schedules and TOR Self-Schedule changes;

- (10) Term of ownership interest in the TOR(s) and of any agreements applicable to the TOR(s);
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different than pro rata reduction of the transfer capability of the transmission line; any such instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning, intent, results, or purpose of the curtailment procedures or of any applicable Existing Contract, otherwise, they will not be accepted by the CAISO; and

(12) Whether or not the TOR provides the right to self-provide Ancillary Services.

17.1.5 Changes and Updates to TRTC Instructions.

Updates or changes to the TRTC Instructions must be submitted to the CAISO through a revised set of TRTC Instructions by the Non-Participating TO, on an as needed or as required basis. The CAISO will implement the updated or changed TRTC Instructions as soon as practicable but no later than seven (7) days after receiving clear and unambiguous details of the updated or changed instructions under normal conditions. If the CAISO finds the TRTC Instructions to be inconsistent with the CAISO Tariff, the CAISO will notify the Non-Participating TO within forty-eight (48) hours after receipt of the updated or changed TRTC Instructions indicating the nature of the problem and allowing the Non-Participating TO to resubmit the TRTC Instructions as if they were new, updated or changed TRTC Instructions. If the CAISO finds the updated or changed TRTC Instructions to be acceptable, the CAISO will time-stamp the updated TRTC Instructions as received, confirm such receipt to the Non-Participating TO, and indicate the time at which the updated instructions take effect if prior to the seven (7) day deadline referred to above. In the event of a System Emergency, the CAISO will implement such submitted changes to the TRTC Instructions as soon as practical.

17.1.6 CAISO Role in Accepting TRTC Instructions.

The parties holding joint ownership interests and Entitlements in a facility including a TOR must, in the first instance, attempt jointly to agree on any TRTC Instructions that will be submitted to the CAISO. In the event that the parties holding joint ownership interests and Entitlements in a facility including a TOR cannot agree upon the TRTC Instructions, the dispute resolution provisions of any applicable Existing Contract shall be used to resolve the dispute; provided that, until the dispute is resolved, and unless the applicable Existing Contract specifies otherwise, the CAISO shall implement the Participating TO's TRTC Instructions, if one of the parties holding a joint ownership interest or an Entitlement in the facility is a Participating TO. If no party holding a joint ownership interest or Entitlement in a facility including a TOR is a Participating TO and the parties cannot agree to the TRTC Instructions to be submitted by the parties, until the dispute is resolved, the CAISO

shall implement the TRTC Instructions of the Non-Participating TO with the greatest ownership interest in the TOR. The CAISO shall not be responsible for resolution of any disputes that arise over the accuracy of the TRTC Instructions consistent with its obligations in Section 17.1.4.

17.1.7 Implementation of TRTC Instructions.

The CAISO shall determine, based on the information provided by the Non-Participating TOs under TRTC Instructions, the transmission capacities that must be reserved for TORs at Scheduling Points.

The CAISO shall coordinate the scheduling of TORs with the scheduling of CAISO transmission service, using the CAISO's Bid submission rules. In doing so, the CAISO shall create an automated day-to-day verification process based on parameters provided by the Non-Participating TO for the TOR to serve as the basis for TOR Self-Schedule validation. The Non-Participating TO will be responsible for: (1) the accuracy of the data files against which the CAISO will validate the TOR Self-Schedule; and (2) providing the data file to the CAISO.

The TOR holders shall remain liable for their performance under any applicable Existing Contracts or other agreements pertaining to their TORs. The CAISO shall be liable in accordance with the provisions of this CAISO Tariff for any damage or injury caused by its non-compliance with the TRTC Instructions submitted to it pursuant to this Section 17.1.

Unless specified otherwise, in the event that the dispute resolution mechanisms prescribed in an Existing Contract applicable to a TOR, including all recourses legally available under the contract, cannot, in the first instance, result in a resolution of such a dispute, the CAISO ADR Procedures will be used to resolve any disputes between the CAISO and the Non-Participating TO regarding any aspects of the implementation of this Section 17.1, including the reasonableness of a Non-Participating TO's TRTC Instructions or any other decision rules which the Non-Participating TO may submit to the CAISO as part of the TRTC Instructions. The holders of TORs shall have standing to participate in the CAISO ADR Procedures.

17.2 Treatment of TORs.

The CAISO will accommodate TORs, so that the holders of TORs will receive the same priorities (in

scheduling, curtailment, assignment and other aspects of transmission system usage) to which they are entitled under any applicable Existing Contracts or other agreements pertaining to the operation of their TORs.

In addition, scheduling deadlines and operational procedures associated with TORs will be honored by the CAISO, provided such information is explicitly included in the TRTC Instructions. The CAISO will accommodate and honor TORs as follows:

(1) The CAISO will reserve transmission capacity equal to the TOR transmission capacity and make a corresponding adjustment in its determination of ATC. The CAISO will not limit parallel flow from flowing on TOR transmission capacity consistent with the redispatch provisions of Section 17.2(3), just as the CAISO does not limit TOR Self-Schedules from flowing on non-TOR transmission. There shall be no compensation for parallel flow for either the CAISO or the TOR holder.

(2) In the HASP, the CAISO will give valid TOR Self-Schedules priority over other non-TOR Day-Ahead Schedules and HASP Bids. In the event of a reduction in capacity on the transmission path associated with the TOR, the CAISO will honor the TOR priority in accordance with this Section 17.

(3) The CAISO will allow the holder of a TOR to make changes to the scheduled amounts of supply after the submission of HASP TOR Self-Schedules in accordance with the TRTC Instructions established for such changes. The CAISO will, as necessary, redispatch non-TOR resources to accommodate valid TOR Self-Schedule changes in Real-Time.

(4) The CAISO will allow the holder of a TOR to self-provide Ancillary Services, which will include the ability of the holder of a TOR to import Ancillary Services at Scheduling Points with the CAISO.

(5) The submission of a TOR Self-Schedule change that is authorized pursuant to an applicable existing agreement between the CAISO and the TOR holder shall not affect the application of the IFM Congestion Credit or the HASP and RTM Congestion Credit, and the IFM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules or the RTM Marginal Cost of Losses Credit for Eligible TOR Self-Schedules for a TOR Self-Schedule that satisfies the applicable requirements of Sections 17.4.1 and 17.5.

17.2.1 System Emergency Exceptions.

As set forth in Section 4.2.1, all Market Participants, including Scheduling Coordinators, Utility Distribution Companies, Participating TOs, Participating Generators, Participating Loads, Control Area Operators (to the extent the agreement between the Control Area Operator and the CAISO so provides), and MSS Operators within the CAISO Control Area and all System Resources must comply fully and promptly with the CAISO's Dispatch Instructions and operating orders, unless such operation would impair public health or safety. The CAISO will honor the terms of TORs, provided that in a System Emergency and circumstances in which the CAISO considers that a System Emergency is imminent or threatened, to enable the CAISO to exercise its responsibilities as Control Area Operator in accordance with Applicable Reliability Criteria, holders of TORs must follow CAISO operating orders even if those operating orders directly conflict with the terms of applicable Existing Contracts or any other contracts pertaining to the TORs, unless such operating orders are inconsistent with the terms of an agreement between the CAISO and a Control Area Operator. In the event of a conflict between the CAISO Tariff and an agreement between the CAISO and a Control Area Operator, the agreement will govern. For this purpose CAISO operating orders to shed Load shall not be considered as an impairment to public health or safety. This section does not prohibit a Scheduling Coordinator from modifying its Bid or re-purchasing Energy in the HASP or RTM.

17.3 Valid TOR Self-Schedules.

The CAISO will accept a valid TOR Self-Schedule from a Scheduling Coordinator. That Scheduling Coordinator shall be either the holder of the TOR or its designee. TOR Self-Schedules submitted by Scheduling Coordinators to the CAISO must be submitted in accordance with this CAISO Tariff.

17.3.1 Validation of TOR Self-Schedules.

A TOR Self-Schedule is a valid TOR Self-Schedule when the CAISO has determined that the TOR Self-Schedule, submitted to the CAISO pursuant to the requirements for Bids in Section 30, properly reflects TORs consistent with the TRTC, is labeled with a unique TOR identifier, and includes balanced sources and sinks, within the TOR capacity limits.

17.3.2 Treatment of Invalid TOR Self-Schedules.

17.3.2.1 Inconsistent with the TRTC.

Except for the reasons listed below in 17.3.2, if the CAISO finds that the TOR Self-Schedule is not consistent with the TRTC, the CAISO shall find that the TOR Self-Schedule is not valid. If the CAISO finds the TOR Self-Schedule to be invalid, the CAISO shall notify the Scheduling Coordinator and convert the TOR Self-Schedule to an ordinary Self-Schedule and treat the TOR Self-Schedule as an ordinary Self-Schedule as such for terms of scheduling priority and settlements.

17.3.2.2 Unbalanced TOR Self-Schedules.

If the TOR Self-Schedule is not balanced, the TOR Self-Schedule will not be a valid TOR Self-Schedule and the CAISO will: (i) remove any scheduling priority for the entire TOR Self-Schedule; (ii) apply the TOR settlement treatment pursuant to Sections 11.2.1.5 and 11.5.7.1 to the valid balanced portions only; and (iii) assess any charges and make any payments consistent with the treatment of ordinary Self-Schedules for the unbalanced portions.

17.3.2.3 Exceeds Capacity Limits for TORs as Reflected in TRTC.

If the TOR Self-Schedule exceeds the capacity limits of the TOR as reflected in TRTC, the TOR Self-Schedule will not be a valid TOR-Self-Schedule and the CAISO will: (i) remove any scheduling priority for

the entire TOR Self-Schedule; (ii) apply the TOR settlement treatment pursuant to Sections 11.2.1.5 and 11.5.7.1 to the valid balanced portions within the capacity limits of the TOR as reflected in the TRTC; and (iii) assess any charges and make any payments consistent with the treatment of ordinary Self-Schedules for the portions in excess of the capacity limits of the TOR as reflected in the TRTC.

17.3.3 Treatment of Valid TOR Self-Schedules

The resulting valid TOR Self-Schedules shall have the following Settlement treatment:

- (1) The CAISO will apply the TOR Settlement treatment in Sections 11.2.1.5 and 11.5.7.
- (2) The CAISO shall base the Marginal Cost of Losses on LMP differentials at the Points of Receipt and Points of Delivery identified in the valid TOR Self-Schedule; provided, however, that if a specific loss percentage exists in applicable agreement between the TOR holder and the CAISO, the CAISO will apply the IFM and RTM Marginal Cost of Losses Credit as provided in Sections 11.2.1.7 and 11.5.7.2.
- (3) The CAISO will assess only charges applicable to Ancillary Services, Imbalance Energy, and Transmission Losses for the use of a TOR and will not assess charges for neutrality, UFE, transmission Access Charges, Minimum Load Costs, or other charges that might otherwise be applicable to the Demand or exports served solely over the TOR. The CAISO will assess charges applicable to Ancillary Services for the use of a TOR only to the extent that the CAISO must procure Ancillary Services for the TOR holder because Ancillary Services are not self-provided by the TOR holder. The CAISO will assess charges applicable to Imbalance Energy for the use of a TOR only if the CAISO must procure Imbalance Energy for the TOR holder.
- (4) The holders of TORs will not be entitled to an allocation of revenues from the CAISO, including Access Charge revenues; provided that the Scheduling Coordinator for the TOR holder shall be allocated the applicable amount of IFM Marginal Losses Surplus Credit in accordance with the provisions of Section 11.2.1.6, except for any TOR Self-Schedule that received the IFM Marginal Cost of Losses Credit.

(5) Parties with TORs shall continue to pay for Transmission Losses or Ancillary Services requirements in accordance with any Existing Contracts applicable to those TORs as they may be modified or changed in accordance with the terms of the Existing Contract. Any affected Participating TOs shall continue to provide Transmission Losses and any other Ancillary Services to the holder of a TOR subject to an Existing Contract as may be required by the Existing Contract. As described in Section 17.3.3(3) above, the CAISO will charge Scheduling Coordinators submitting the TOR Self-Schedule the charges applicable to Transmission Losses, Ancillary Services, and Imbalance Energy in accordance with the CAISO Tariff (e.g., the Transmission Losses Charge based on the Marginal Cost of Losses), and any shortfall or surplus between the CAISO charges and the provisions of any applicable Existing Contract shall be settled bilaterally between the Existing Contract parties or through the relevant TO Tariff. To enable holders of TORs to determine whether the CAISO'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, the CAISO shall calculate and provide the Scheduling Coordinator's Settlements the amounts paid for the MCL for the amounts MWh submitted with a valid TOR Self-Schedule. Each Participating TO will be responsible for recovering any deficits or crediting any surpluses associated with differences in Transmission Losses and Transmission Loss Requirements and/or Ancillary Services requirements, through its bilateral arrangements or its Transmission Owner Tariff.

17.3.4 Notification to Scheduling Coordinators of CAISO Determination.

After performing validation of the TOR Self-Schedule, and prior to taking any action pursuant to 17.6.2, the CAISO will make an automated validation notice available to the Scheduling Coordinator indicating whether the TOR Self-Schedule is valid or invalid. If a TOR Self-Schedule involves more than one Scheduling Coordinator, the complete validation of the chain of TOR Self-Schedules will occur when the last Scheduling Coordinator submits its TOR Self-Schedule. At that time, the CAISO will make an automated validation notice available to each Scheduling Coordinator registered as associated with the chain of TOR Self-Schedules. The CAISO can accommodate corrections submitted by a Scheduling Coordinator to a TOR Self-Schedule up to Market Close of the Day-Ahead Market as further described in the applicable Business Practice Manual.

17.4 The HASP.

17.4.1 Scheduling Deadlines.

Holders of TORs may submit TOR Self-Schedules for the use of those rights by the deadline for the Market Close for the HASP.

17.5 The CAISO's Real-Time Process.

Consistent with this Section 17, the CAISO will honor those scheduling flexibilities that may be exercised by holders of TORs through their respective Scheduling Coordinators during the CAISO's Real-Time Market to the extent that such flexibilities do not interfere with or jeopardize the safe and reliable operation of the CAISO Controlled Grid or Control Area operations.

17.6 Inter-Control Area Changes to Bids that Rely on TORs.

Changes to TOR Self-Schedules that occur during the CAISO's Real-Time Market that involve changes to CAISO Control Area imports or exports with other Control Areas (that is, inter-Control Area changes to TOR Self-Schedules) will be allowed and will be recorded by the CAISO based upon notification received from the Scheduling Coordinator representing the holder of the TOR. The Scheduling Coordinator

representing the holder of the TOR must notify the CAISO of any such changes to external import/export in submitted TOR Self-Schedules. The Scheduling Coordinator representing the holder of the TOR must notify the CAISO of Real-Time Market changes to external import/export schedules in submitted TOR Self-Schedules, by telephone. The timing and content of any such notification must be consistent with the TRTC previously submitted to the CAISO by the Non-Participating TO. The CAISO will manually adjust or update the HASP Schedule for the Scheduling Coordinator to conform with the other Control Area's net TOR Self-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 charged to the Scheduling Coordinator representing the holder of the TOR in accordance with the Real-Time LMP.

17.7 Intra-Control Area Changes to Schedules that Rely on TORs.

Changes to TOR Self-Schedules that occur during the CAISO's Real-Time processes that do not involve changes to CAISO 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 charged to the Scheduling Coordinator representing the holder of the TOR in accordance with the Real-Time LMP.

17.8 Continuation of Rights and Obligations of Non-Participating TOs Regarding TORs and Under Existing Contracts Applicable to TORs.

The transmission service rights and obligations of Non-Participating TOs under Existing Contracts applicable to their TORs, including all terms, conditions and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts, will continue to be honored by the parties to those contracts, for the duration of those contracts.

17.8.1 Participating TO Obligation.

If a Participating TO is a party to an Existing Contract with provisions applicable to a TOR of a Non-Participating TO, the Participating TO shall attempt to negotiate changes to the Existing Contract to align

the contract's scheduling and operating provisions with the CAISO's scheduling and operational procedures, rules and protocols, to align operations under the contract with CAISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations.

17.8.2 Right to Use and Ownership of TORs.

If a Non-Participating TO has an Existing Contract with a Participating TO under which the Non-Participating TO's TORs, or a portion thereof, are subject to use by the Participating TO, the Non-Participating TO's rights to the use and ownership of its TORs shall remain unchanged, regardless of the Participating TO's act of turning over the Participating TO's Entitlement to use the Non-Participating TO's TORs to the extent possible to the Operational Control of the CAISO.

The CAISO will accept valid TOR Self-Schedules from holders of TORs that are Scheduling Coordinators or that are represented by a Scheduling Coordinator. TOR Self-Schedules submitted by Scheduling Coordinators to the CAISO must be submitted in accordance with Section 17 and Section 30. The CAISO may refuse to accept TOR Self-Schedules that do not meet the requirements of the principles, protocols and rules referred to in this Section 17.

17.8.3 Dispute Resolution for Existing Contracts Applicable to TORs.

The CAISO will, if requested, advise parties to Existing Contracts applicable to TORs regarding the operational aspects of any Existing Contract renegotiations that they undertake.

If the parties to an Existing Contract applicable to a TOR are unable to reach agreement on the changes needed to meet the requirements of this CAISO Tariff, any disputes related thereto shall be addressed using the dispute resolution provisions of the Existing Contract, including any remedies as are provided by law. The rights of the parties to seek changes or to challenge such changes, under the FPA or as otherwise provided by law, are preserved consistent with the terms of the Existing Contract. Unless and until the necessary changes to the Existing Contract are made, all terms and conditions of the Existing Contracts will continue to be honored by the parties to the Existing Contracts.

17.9 Conversion of Participating TOs' TORs and Rights and Obligations Under Existing Contracts Applicable to TORs.

Non-Participating TOs holding TORs and who choose to become Participating TOs must, at the time of becoming a Participating TO, turn over Operational Control of those TORs to the CAISO in accordance with Section 4.3.1 and convert any Existing Contract rights associated with those TORs to Converted Rights in accordance with Section 4.3.1.6.

17.10 TOR Operational Obligations.

To enable the CAISO to exercise its responsibilities as Control Area Operator in accordance with Applicable Reliability Criteria, each Non-Participating TO must operate its ownership interests in facilities in which it holds a TOR in accordance with Good Utility Practice and Applicable Reliability Criteria.

18

[Not Used]

19 DEMAND FORECASTS.

19.1 Scheduling Coordinator Demand Forecast Responsibilities.

19.1.1 Data to be Submitted to the CAISO by Scheduling Coordinators.

At the time specified in Section 19.1.3, each Scheduling Coordinator shall submit to the CAISO its Weekly Peak Demand Forecast by UDC service territory and any other non-UDC Weekly Peak Demand. All Weekly Peak Demand Forecasts submitted shall include Demand Forecasts for the following 52 weeks.

19.1.2 Format of Demand Forecasts. Demand Forecasts must be submitted to the CAISO electronically in the format set forth in Section 19.1.5.

19.1.3 Timing of Submission of Demand Forecasts. The Demand Forecasts described in this Section shall be submitted by Scheduling Coordinators to the CAISO on a monthly basis by noon of the 18th working day of the month.

19.1.4 Forecast Standards.

19.1.4.1 Avoiding Duplication.

Scheduling Coordinators submitting Demand Forecasts to the CAISO shall ensure, to the best of their ability, that any Demand they are forecasting is not included in another Scheduling Coordinator's Demand Forecasts. To accomplish this, each Scheduling Coordinator's Demand Forecasts should only reflect those End-Use Customers who they actually have under contract and who have notified their UDC or previous Scheduling Coordinator of their intention to change to another Scheduling Coordinator, and which are actually scheduled to convert.

19.1.4.2 Required Performance.

Scheduling Coordinators submitting its Demand Forecasts to the CAISO shall take all necessary actions to provide Demand Forecasts that reflect the best judgment of the submitting Scheduling Coordinator to help avoid potential System Reliability concerns and to enable the CAISO to administer a meaningful market for Energy and Ancillary Services. From time to time the CAISO may publish information on the accuracy of Scheduling Coordinator Demand Forecasts.

19.1.4.3 Incomplete or Unsuitable Demand Forecasts.

If the Demand Forecasts supplied by a Scheduling Coordinator to the CAISO are, in the CAISO's opinion, incomplete or otherwise unsuitable for use, or a particular Demand Forecast has not been supplied by a Scheduling Coordinator to the CAISO as required under this Section, the CAISO will substitute the last valid Demand Forecast received from the Scheduling Coordinator in replacement for any incomplete, unsuitable or not supplied Demand Forecasts.

19.1.5 Scheduling Coordinator Demand Forecast Format. This template is used to post 52 Weeks Demand Forecast.

19.1.5.1 Scheduling Coordinator's ID code.

19.1.5.2 Forecast Weekly Maximum Generation capacity for each of the next 52 weeks.

19.1.5.3 Forecast Weekly Maximum Demand for each of the next 52 weeks.

19.2 UDC Responsibilities.

19.2.1 Data to be Submitted to the CAISO by UDCs.

At the time specified in Section 19.2.3, each UDC shall submit to the CAISO its Weekly Peak Demand Forecasts by UDC service area reflecting the Weekly Peak Demand Forecast for Load expected to be served by facilities under the control of the UDC. All Weekly Peak Demand Forecasts submitted shall include Demand Forecasts for the following 52 weeks.

19.2.2 Format of Demand Forecasts.

Demand Forecasts must be submitted to the CAISO electronically in the format set forth in Section 19.2.5.

19.2.3 Timing of Submission of Demand Forecasts.

The Demand Forecasts described in this Section shall be submitted by UDC to the CAISO on a monthly basis by noon of the twelfth working day of the month.

19.2.4 Forecast Standards.

19.2.4.1 Avoiding Duplication.

Each UDC submitting Demand Forecasts to the CAISO and its Scheduling Coordinator shall ensure, to the best of its ability, that any Demand Forecasts that it is submitting to the CAISO and its Scheduling Coordinator are not duplicated in another Scheduling Coordinator's Demand Forecasts.

19.2.4.2 Required Performance.

Each UDC submitting its Demand Forecasts to the CAISO and its Scheduling Coordinator shall take all necessary actions to provide Demand Forecasts that reflect the best judgment of the submitting UDC to help avoid potential System Reliability concerns and to enable the CAISO to administer a meaningful market for Energy and Ancillary Services. The CAISO may publish information on the accuracy of UDC Demand Forecasts from time to time.

19.2.5 UDC Demand Forecast Format.

This template is for use by the Scheduling Coordinators to forecast their direct-access loads for each UDC. The forecast must be for seven (7) future days including the current Day-Ahead Market.

19.2.5.1 Scheduling Coordinator's ID code.

19.2.5.2 Trading Day of current Day-Ahead Market (month/day/year).

19.2.5.3 UDC's ID code.

19.2.5.4 Hourly Demand Forecast for the 168 hours beginning with the first hour of the current Day-Ahead Market.

19.3 CAISO Responsibilities.

19.3.1 [NOT USED]

19.3.2 CAISO Demand Forecasts.

The CAISO shall publish monthly on the CAISO Website on the following two (2) Demand Forecasts for the next 52 weeks.

19.3.2.1 Consolidated Scheduling Coordinator Forecast.

This forecast will be developed by adding together the Weekly Peak Demand Forecasts of the individual Scheduling Coordinators.

19.3.2.2 Independent CAISO Forecast.

This forecast will be developed by the CAISO.

The CAISO may, at its discretion, publish on the CAISO Website additional Demand Forecasts for two or more years following the next year.

19.3.3 System Adequacy Reports.

The CAISO will publish the following reports comparing the projected aggregate Generation capacity to the peak forecast Demands, as calculated in accordance with this Section.

19.3.3.1 Annual Reports.

On an annual basis and within eight weeks after receiving the annual or updated long-range planned Outage schedules from all Participating Generators, the CAISO shall publish on the CAISO Website a report comparing the aggregated weekly peak Generation capacity to the weekly peak forecast Demand for the next 52 weeks;

19.3.3.2 Quarterly Reports.

On a quarterly basis, the CAISO shall publish on the CAISO Website a report comparing the aggregated weekly peak Generation capacity to the weekly peak forecast Demand for the next 3 months; and

19.3.3.3 Monthly Reports.

On a monthly basis, the CAISO shall publish on the CAISO Website a report comparing the aggregated weekly peak Generation capacity to the weekly peak forecast Demand for the next month.

19.3.3.4 The CAISO shall, on the basis of the information supplied by Participating Generators under Section 4.6 and other information available to the CAISO, prepare and publish on the CAISO Website forecast aggregate available Generation capacity and forecast Demand on an annual, quarterly and

monthly basis. In publishing these forecasts, the CAISO shall identify any expected Congestion conditions caused by planned Outages of Participating Generators.

20 CONFIDENTIALITY.

20.1 CAISO.

The CAISO shall maintain the confidentiality of all of the documents, data and information provided to it by any Market Participant that are treated as confidential or commercially sensitive under Section 20.2; provided, however, that the CAISO need not keep confidential: (1) information that is explicitly subject to public data exchange pursuant to Section 6 of this CAISO Tariff; (2) information that the CAISO or the Market Participant providing the information is required to disclose pursuant to this CAISO Tariff, or applicable regulatory requirements (provided that the CAISO shall comply with any applicable limits on such disclosure); or (3) information that becomes available to the public on a non-confidential basis (other than as a result of the CAISO's breach of this CAISO Tariff).

20.2 Confidential Information.

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

- (a) individual Bids;
- (b) CRR bids and other CRR Allocation nomination information;
- (c) transactions between Scheduling Coordinators, including Inter-SC Trades;
- (d) 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 CAISO may publish the identity of that Generator; and
- (e) The following information related to the resource adequacy program in accordance with Section 40:
 - (i) Annual and monthly Resource Adequacy Plans and Supply Plans;
 - (ii) Demand Forecasts; and
 - (iii) Information on existing import contracts.

20.3 Other Parties.

No Market Participant shall have the right hereunder to receive from the CAISO or to review any documents, data or other information of another Market Participant to the extent such documents, data or information is to be treated as in accordance with Section 20.2; provided, however, a Market Participant may receive and review any composite documents, data, and other information that may be developed based upon such confidential documents, data, or information, if the composite document does not

disclose such confidential data or information relating to an individual Market Participant and provided, however, that the CAISO may disclose information as provided for in its bylaws.

20.4 Disclosure.

Notwithstanding anything in this Section 20 to the contrary,

(a) The CAISO: (i) shall publish individual Bids, provided that such data are published no sooner than six (6) months after the Trading Day with respect to which the Bid was submitted and in a manner that does not reveal the specific resource or the name of the Scheduling Coordinator submitting the Bid, but that allows the bidding behavior of individual, unidentified resources and Scheduling Coordinators to be tracked over time; and (ii) may publish data sets analyzed in any public report issued by the CAISO or by the Market Surveillance Committee, provided that such data sets shall be published no sooner than six (6) months after the latest Trading Day to which data in the data set apply, and in a manner that does not reveal any specific resource or the name of any Scheduling Coordinator submitting Bids included in such data sets.

(b) If the CAISO is required by applicable laws or regulations, or in the course of administrative or judicial proceedings, to disclose information that is otherwise required to be maintained in confidence pursuant to this Section 20, the CAISO may disclose such information; provided, however, that as soon as the CAISO learns of the disclosure requirement and prior to making such disclosure, the CAISO shall notify any affected Market Participant of the requirement and the terms thereof. The Market Participant may, at its sole discretion and own cost, direct any challenge to or defense against the disclosure requirement and the CAISO shall cooperate with such affected Market Participant to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. The CAISO shall cooperate with the affected Market Participant to obtain proprietary or confidential treatment of confidential information by the person to whom such information is disclosed prior to any such disclosure.

(c) The CAISO may disclose confidential or commercially sensitive information, without notice to an affected Market Participant, in the following circumstances:

- (i) If the FERC, or its staff, during the course of an investigation or otherwise, requests information that is confidential or commercially sensitive. In providing the information to FERC or its staff, the CAISO shall take action consistent with 18 C.F.R. §§ 1b.20 and 388.112, and request that the information be treated as confidential and non-public by the FERC and its staff and that the information be withheld from public disclosure. The CAISO shall provide the requested information to the FERC or its staff within the time provided for in the request for information. The CAISO shall notify an affected Market Participant within a reasonable time after the CAISO is notified by FERC or its staff that a request for disclosure of, or decision to disclose, the confidential or commercially sensitive information has been received, at which time the CAISO and the affected Market Participant may respond before such information would be made public; or
- (ii) In order to maintain reliable operation of the CAISO Control Area, the CAISO may share critical operating information, system models, and planning data with other WECC Reliability Coordinators, who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data, or are subject to similar confidentiality requirements; or
- (iii) In order to maintain reliable operation of the CAISO Control Area, the CAISO may share individual Generating Unit Outage information with the operations engineering and the outage coordination division(s) of other Control Area operators, Participating TOs, MSS Operators and other transmission system operators engaged in the operation and maintenance of the electric supply system whose system is significantly affected by the Generating Unit and who have executed the Western Electricity Coordinating Council Confidentiality Agreement for Electric System Data.

(d) Notwithstanding the provisions of Section 20.2(e), information submitted through Resource Adequacy Plans and Supply Plans in accordance with Section 40 may be provided to:

- (i) the Scheduling Coordinator(s) and/or Market Participant(s) involved in a dispute or discrepancy as to whether a resource is properly identified in a Resource Adequacy Plan or a Supply Plan only to the limited extent necessary to identify the disputed transaction and the relevant counterparty or counterparties.
- (ii) the regulatory entity, whether the CPUC, other Local Regulatory Authority, or federal agency, with jurisdiction over a Load Serving Entity involved in a dispute or discrepancy as to whether a resource is properly identified in a Resource Adequacy Plan or the Supply Plan, or otherwise identified by the CAISO as exhibiting a potential deficiency in demonstrating compliance with resource adequacy requirements adopted by the CPUC, other Local Regulatory Authority, or federal agency, as applicable. The information provided shall be limited to the particular dispute, discrepancy, or deficiency.
- (iii) the California Energy Commission with respect to Demand Forecast information provided to the CAISO under Sections 40.2.2.3 and 40.2.3.3(b) to the extent the CAISO seeks, and the California Energy Commission grants, confidential treatment of such information pursuant to California Public Resources Code Section 25322 and related regulations.

Nothing in this Section 20 shall limit the ability of the CAISO to aggregate data for public release about the adequacy of supply.

20.5 Confidentiality.

The CAISO shall implement and maintain a system of communications with Scheduling Coordinators that includes the strict use of passwords for access to data to ensure compliance with Section 20. Access within the CAISO to such data on CAISO's communications systems, including databases and backup files, shall be strictly limited to authorized CAISO personnel through the use of passwords and other appropriate means.

21

[NOT USED]

22 MISCELLANEOUS.

22.1 Audits.

22.1.1 Materials Subject to Audit.

The CAISO's financial books, cost statements, accounting records and all documentation pertaining to its operation as a state chartered independent institution which controls the operation of the CAISO Controlled Grid to ensure open, non-discriminatory transmission access to all Market Participants and promotes the efficient use and reliable operation of the CAISO Controlled Grid in accordance with this CAISO Tariff, are subject to audit in the manner prescribed below:

22.1.2 CAISO Audit Committee.

The CAISO Governing Board shall have overall audit responsibility for the CAISO. The CAISO Audit Committee shall make recommendations to the CAISO Governing Board in relation to the approval, initiation and scheduling of the following audits:

22.1.2.1 Certified Financial Statement Audit.

Each year, an audit by an external independent certified public accounting firm shall be performed. This audit will be conducted in accordance with generally accepted auditing standards to verify that the CAISO's financial statements are in compliance with generally accepted accounting principles and fairly present, in all material respects, the financial position, results of operation and cash flows for the audit period. The audit report will be addressed to the CAISO Governing Board, copies will be provided to the CAISO Audit Committee, and, upon request, to Market Participants.

22.1.2.2 Operations Audit.

Each year, an independent accounting firm shall review the CAISO management's compliance with its operations policies and procedures. The CAISO Audit Committee will appoint an independent firm to do this audit. This audit may also include material issues raised by Market Participants and approved by the CAISO Audit Committee for inclusion in the audit scope. The audit report will be addressed to the CAISO Governing Board, copies provided to the CAISO Audit Committee, and upon request, to Market

Participants.

22.1.2.3 Code of Conduct Audits.

On a periodic basis, but not less than once a year, an independent accounting firm shall conduct a management review of governors, officers, employees, substantially full-time consultants, or contractors of the CAISO for compliance with the CAISO Code of Conduct to ensure adherence to the highest standards of lawful and ethical conduct in their activities. The audit report shall be addressed to the CAISO Audit Committee with copies provided to the CAISO Governing Board and, upon request, to Market Participants.

22.1.2.4 Interim Audits.

At such other intervals agreed upon by a majority of the CAISO Audit Committee members, audits may be undertaken for specific issues and concerns of Market Participants that the CAISO Audit Committee believes, at its sole discretion, to be of significant and critical magnitude to the CAISO. Such audits will be conducted by an independent accounting firm. The costs of such an audit will be borne by the requesting Market Participant(s), unless the CAISO Audit Committee determines otherwise. Interim audits will be conducted during normal business hours, after reasonable notice has been given to the CAISO, and in accordance with the guidelines to be established by the CAISO Audit Committee.

22.1.3 Audit Results.

Exceptions identified as a result of an audit will be reviewed with the CAISO Audit Committee. The results of the audits and actions to be taken by the CAISO as a result of the audit shall be mailed to Market Participants upon request.

22.1.4 Availability of Records.

The CAISO will provide full and complete access to all financial books, cost statements, accounting records, and all documentation pertaining to the requirements of the specific audits being performed. Records relating to audits will be retained until the records retention requirements of the CAISO are satisfied or until the audit issues are fully resolved, whichever is the later. The right of access to records does not require the creation of new records, reports, studies, or evaluations not already available.

22.1.5 Confidentiality of Information.

All proprietary information obtained through any audits will remain strictly confidential. All auditors shall sign a confidentiality agreement prior to being accepted as auditors by the CAISO Audit Committee.

22.1.6 Payments.

Any payments agreed to between Market Participants and the CAISO as a result of an audit, or directed by FERC, or disclosed by the CAISO in reviews of its own books and records shall include interest computed at the rate calculated in accordance with the methodology specified for interest on refunds in FERC's regulations at 18 C.F.R § 35.19(a)(2)(iii) (as amended from time to time) from the due date to the date such adjustments are due.

22.2 Assignment.

Obligations and liabilities under this CAISO Tariff and any Scheduling Coordinator Agreement or other agreements giving contractual effect to this CAISO Tariff shall be binding on the successors and assigns of the parties to such agreements. No assignment of any Scheduling Coordinator Agreement or other agreements giving contractual effect to this CAISO Tariff shall relieve the original party from its obligations or liabilities to the CAISO under this CAISO Tariff or any such agreement arising or accruing due prior to the date of assignment.

22.3 Term and Termination.

22.3.1 This CAISO Tariff, shall become effective on the date it is permitted to become effective by the FERC.

22.3.2 This CAISO Tariff shall terminate upon approval of termination by the CAISO Governing Board in accordance with the bylaws of the CAISO and receipt of any necessary regulatory approval from FERC.

22.4 Notice.

22.4.1 Effectiveness.

Any notice, demand, or request in accordance with this CAISO Tariff, unless otherwise provided in this

CAISO Tariff, shall be in writing 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, or (d) upon delivery if delivered by prepaid commercial courier service.

22.4.2 Addresses.

Notices to the CAISO shall be sent to such address as shall be notified by the CAISO to Market Participants from time to time. Notices issued by the CAISO to any Scheduling Coordinator shall be delivered to the address of the Scheduling Coordinator included in the Scheduling Coordinator Application Form. Notices to any Market Participant other than a Scheduling Coordinator shall be delivered by the CAISO to the address given to it by the Market Participant. The CAISO and any Market Participant may at any time change their address for notice by notifying the other party in writing.

22.4.3 Notice of Changes in Operating Procedure and Business Practice Manuals.

The effective date of any change or proposed change in any Operating Procedure or Business Practice Manual shall be established as part of the change management process set forth in Section 22.11 but will be no earlier than at least thirty (30) days from the date of publication of a Market Notice describing the change or proposed change, unless: (1) a different notice period is specified by state or Federal law, (2) the change is reasonably required to address an emergency affecting the CAISO Controlled Grid or its operations, or (3) the change is to a provision of a Business Practice Manual that is necessitated by emergency circumstances specific to that Business Practice Manual. Such circumstances include, but are not limited to, any change necessary to ensure that the Business Practice Manual is consistent with the CAISO Tariff or any applicable law, regulation, NERC or WECC operating policies, guidelines and standards, or FERC order, in which case the CAISO shall give Market Participants as much notice as is reasonably practicable. Any notices issued under this provision shall be delivered in accordance with the procedures set out in Section 22.11.

22.5 Waiver.

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

22.6 Staffing and Training To Meet Obligations.

The CAISO shall engage sufficient staff to perform its obligations under this CAISO Tariff in a satisfactory manner consistent with Good Utility Practice. The CAISO shall make its own arrangements for the engagement of all staff and labor necessary to perform its obligations hereunder and for their payment. The CAISO shall employ (or cause to be employed) only persons who are appropriately qualified, skilled and experienced in their respective trades or occupations. CAISO employees and contractors shall abide by the CAISO Code of Conduct for employees contained in the CAISO bylaws and approved by FERC.

22.7 Accounts and Reports.

The CAISO shall notify Market Participants of any significant change in the accounting treatment or methodology of any costs or any change in the accounting procedures, which is expected to result in a significant cost increase to any Market Participant. Such notice shall be given at the earliest possible time, but no later than, sixty (60) days before implementation of such change.

22.8 Applicable Law and Forum.

This CAISO Tariff shall be governed by and construed in accordance with the laws of the State of California, except its conflict of laws provisions. Market Participants irrevocably consent that any legal action or proceeding arising under or relating to this CAISO Tariff to which the CAISO ADR Procedures do not apply, shall be brought in any court of the State of California or any federal court of the United States of America located in the State of California. Market Participants irrevocably waive any objection that they may have now or in the future to said courts in the State of California as the proper and exclusive forum for any legal action or proceeding arising under or related to this CAISO Tariff.

22.9 Consistency with Federal Laws and Regulations.

(a) Nothing in the CAISO Tariff 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 CAISO Tariff 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 a CAISO Tariff provision 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.

(b) If any provision of this CAISO Tariff 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 CAISO Tariff that are not enforceable against the federal entity.

(c) To the extent that the CAISO suffers any loss as a result of being unable to enforce any indemnity as a result of such enforcement being in violation of federal laws or regulations to which it is entitled under the CAISO Tariff under this Section or otherwise, it shall be entitled to recover such loss through the Grid Management Charge.

22.10 CAISO Grid Operations Committee.

The CAISO Grid Operations Committee shall coordinate activities relating to the CAISO Controlled Grid and shall consider suggestions for changes to the CAISO Operating Procedures in accordance with the procedures set out in Article IV, Section 4 of the CAISO's bylaws.

22.11 Operating Procedures and Business Practice Manuals Development and Amendment Process.

The CAISO shall prepare, maintain, promulgate and update the Operating Procedures and Business Practice Manuals. The Operating Procedures and Business Practice Manuals shall be consistent with the CAISO Tariff, and any NERC or WECC operating policies, guidelines and standards, and shall be available on the CAISO website. The CAISO shall establish a stakeholder process as set forth in

Section 22.11.1 and in a Business Practice Manual for BPM change management in order to ensure that all affected parties have an opportunity to comment on and shape the proposed nature of any proposed changes to any Business Practice Manual. Under that process, the CAISO and stakeholders shall consider whether any amendments to the CAISO Tariff are necessary in order to ensure the consistency of the CAISO Tariff and the Business Practice Manuals.

22.11.1 Process for Revisions of Business Practice Manuals.

Revisions of Business Practice Manuals shall be made in accordance with the process set forth in this Section 22.11.1, provided that the details and procedures for submittal and consideration of a BPM Proposed Revision Request (PRR) and other elements of the BPM change management process shall be set forth in a separate Business Practice Manual for BPM change management.

22.11.1.1 BPM Proposed Revision Request Submittal.

A request to make any change to a BPM, including any attachments thereto that are incorporated by reference, and any changes to the BPM PRR must be initiated through a submittal of a BPM PRR, except as provided in Section 22.4.3 or 22.11.1.2.

The following entities may submit a BPM PRR:

- (1) Any Market Participant;
- (2) Local Regulatory Authority;
- (3) CAISO management; and
- (4) Any other entity that meets the following qualifications:
 - (a) The entity must represent a Market Participant in dealings with the CAISO or operate in the CAISO Markets, and
 - (b) The entity must demonstrate that the entity (or those it represents) is affected by the subject section(s) of the BPM.

BPM PRRs shall be submitted electronically to the CAISO in the form and manner described in the Business Practice Manual for BPM change management. The CAISO shall post each BPM PRR on the CAISO Website and publish a Market Notice of such posting. The BPM PRR shall include a description of the requested revision, the reason for the suggested change, the impacts and benefits of the suggested change, a list of affected BPM sections and subsections, general administrative information, suggested language for the requested revision, and for BPM PRRs submitted by CAISO management, a BPM PRR impact analysis. The CAISO may, as appropriate, prepare an impact analysis for BPM PRRs submitted by other entities eligible to submit BPM PRRs.

22.11.1.2 BPM Proposed Revision Request Processing.

The CAISO shall review the BPM PRR for completeness and shall notify the submitter if the BPM PRR is incomplete, including the reasons for its determination, based upon the timelines provided in the BPM for BPM change management. An incomplete BPM PRR shall not receive further consideration until it is completed. In order to pursue the revision requested, a submitter must submit a completed version of the BPM PRR with the deficiencies corrected. If a submitted BPM PRR is complete or once a BPM PRR is corrected, the CAISO shall post the completed or corrected BPM PRR to the CAISO Website and publish a Market Notice of such posting.

22.11.1.3 BPM PRR Coordinator.

The consideration and disposition of BPM PRRs shall be led by a BPM change management coordinator. The BPM change management coordinator shall be an identified employee of the CAISO with responsibility for ensuring that BPM PRRs are processed and reviewed in accordance with the provisions of the Business Practice Manual for BPM change management. The BPM change management coordinator shall also be responsible for submitting reports to the CAISO Governing Board at each regularly scheduled Board meeting, indicating the status of pending BPM PRRs, including a summary of proposed revisions that have been accepted and the reason for any proposed revision that has been rejected, including the positions of stakeholders, and any decision on appeal as provided in Section 22.11.1.6.

22.11.1.4 Types and Treatment of BPM PRRs.

Each BPM PRR shall be preliminarily classified into one of the following categories by the BPM change management coordinator in consultation with internal CAISO business units, the submitter, and representatives from potentially affected stakeholders for purposes of review in accordance with its scope and significance.

- (a) Category A – Clarifications of existing BPM language, grammatical errors, and revisions with minor significance that will be subject to the PRR review and action process described in Section 22.11.1.5 and in a Business Practice Manual, unless urgent or emergency circumstances exist pursuant to Section 22.4.3 or 22.11.1.7;
- (b) Category B – Revisions that may be substantial significance, including changes to the CAISO or Market Participants' systems that will be subject to the BPM PRR review and action process described in Section 22.11.1.5 and in a Business Practice Manual, unless urgent or emergency circumstances exist pursuant to Section 22.4.3 or 22.11.1.7. In the case of a proposed change affecting the CAISO's systems, the CAISO will prepare a BPM PRR impact analysis, if not already prepared, in accordance with the procedures set forth in the Business Practice Manual; and
- (c) Category C – For revisions that are beyond the scope of the BPM or that may require revisions to the CAISO Tariff, the CAISO will identify additional processes that may need to be undertaken in the consideration of the requested change beyond the BPM PRR process.

22.11.1.5 BPM PRR Review and Action.

Any interested stakeholder or CAISO management may comment on a posted BPM PRR in accordance with the process set forth in the Business Practice Manual for BPM change management. Comments shall be posted to the CAISO Website. Pending BPM PRRs shall be considered by the CAISO at a regularly established monthly public meeting or specially-noticed meeting dedicated to that purpose.

Following any meeting to consider pending BPM PRRs and subject to the standards set forth in Section 22.11.1.4, the BPM change management coordinator shall issue a recommendation for action on each pending BPM PRR and shall publish for public comment a report on the recommendation in accordance with the procedures set forth in the Business Practice Manual for BPM change management. The report shall be sufficiently detailed and shall be published in a timeframe that allows interested stakeholders a meaningful opportunity to provide written comment. The BPM change management coordinator shall, after considering stakeholder comments and all relevant impacts on their business needs, publish a final decision on any BPM PRR after a PRR recommendation report has been discussed at a BPM change management meeting at which comments received on the PRR recommendation report were discussed, in accordance with procedures set forth in the Business Practice Manual for BPM change management.

22.11.1.6 Right to Appeal to CAISO.

Any entity eligible to submit a BPM PRR under Section 22.11.1.1 may, within ten (10) Business Days, appeal in writing the outcome of any BPM PRR to a committee comprising at least three CAISO executives. The CAISO committee shall meet in public at the regularly scheduled monthly BPM PRR meeting or specially-noticed meeting to consider public comment by the appellant and any interested stakeholder. The executive sponsor of a BPM PRR may not sit in review of any appeal of a final decision regarding that same BPM PRR but may participate in and be present during the public discussion of any appeal. The CAISO committee will review the appeal and publish its decision to the appealing party and to the CAISO Website. If not satisfied with the decision on appeal, the appellant may raise concerns it may have with the Board of Governors at the next regularly scheduled Board meeting through the public comment period or through prior letter to the Governing Board.

22.11.1.7 CAISO Expedited Action in Emergency Circumstances.

Notwithstanding the provisions of Section 22.11.1.1, the CAISO may take expedited action to change or clarify a provision of a BPM under emergency circumstances. In addition to the circumstances identified in Section 22.4.3, emergency circumstances exist whenever the CAISO determines in good faith that (i) failure to implement a change or clarification to a BPM on an expedited basis would substantially and adversely affect System Reliability or security or the competitiveness or efficiency of the CAISO Market,

and (ii) there is insufficient time to comply with the BPM PRR procedures set forth in Section 22.11.1.

The CAISO shall take reasonable steps to communicate with Market Participants and any other directly-affected entities prior to taking expedited action if practicable. If the CAISO takes expedited action to change or clarify a provision of a BPM in emergency circumstances, the CAISO shall promptly issue a Market Notice and submit a BPM PRR to examine the necessity of the change and its impacts.

22.11.2 Changes to Business Practice Manual for BPM Change Management.

Any changes to the Business Practice Manual for BPM change management shall require CAISO Governing Board approval.

22.12 [Not Used]

22.13 Scheduling Responsibilities and Obligations.

Nothing in this CAISO Tariff is intended to permit or require the violation of Federal or California law concerning hydro-generation and Dispatch, including but not limited to fish release requirements, minimum and maximum dam reservoir levels for flood control purposes, and in-stream flow levels. In carrying out its functions, the CAISO will comply with and will have the necessary authority to give instructions to Participating TOs and Market Participants to enable it to comply with requirements of environmental legislation and environmental agencies having authority over the CAISO in relation to Environmental Dispatch and will expect that submitted Schedules will support compliance with the requirements of environmental legislation and environmental agencies having authority over Generators in relation to Environmental Dispatch. In contracting for Ancillary Services and Imbalance Energy the CAISO will not act as principal but as agent for and on behalf of the relevant Scheduling Coordinators.

ARTICLE II – TRANSMISSION SERVICE

23 CATEGORIES OF TRANSMISSION CAPACITY.

References to new firm uses shall mean any use of CAISO transmission service, except for uses associated with Existing Rights or TORs. Prior to the start of the Day-Ahead Market, for each Control Area Interface, the CAISO will allocate the forecasted total transfer capability of the Interface to four categories. This allocation will represent the CAISO's best estimates at the time, and is not intended to affect any rights provided under Existing Contracts or TORs. The CAISO's forecast of total transfer capability for each Control Area 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 OASIS in accordance with this CAISO 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 CAISO transmission service (i.e., "new firm uses");
- (c) transmission capacity that may be allocated by the CAISO 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.

24 TRANSMISSION EXPANSION.

A Participating TO shall be obligated to construct all transmission additions and upgrades that are determined to be needed in accordance with the requirements of this Section 24 and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

24.1 Determination of Need.

A Participating TO or any other Market Participant may propose a transmission system addition or upgrade. The CAISO will determine that a transmission addition or upgrade is needed where it will promote economic efficiency or maintain System Reliability as set forth below.

24.1.1 Economically Driven Projects.

The Participating TO and Market Participants shall provide the necessary assistance and information to the CAISO, as part of the coordinated planning process, to enable the CAISO to determine that a project is needed to promote economic efficiency, including, at the CAISO's discretion, studies comporting with CAISO guidelines that demonstrate whether the project will promote economic efficiency or the information the CAISO requires to carry out its own studies for economically driven projects. The CAISO

shall treat market sensitive information provided to the CAISO in accordance with this Section by Participating TOs, Project Sponsors and applicable Market Participants confidentially in accordance with Section 20 provided that such information is clearly marked "Confidential" at the time it is provided to the CAISO. The determination that a transmission addition or upgrade is needed to promote economic efficiency shall be made in any of the following ways:

- (1)** If the Participating TO or any party questions the economic need for the project (except where the Project Sponsor commits to pay the full cost of construction) the proposal will be submitted to the CAISO ADR Procedures for resolution.
- (2)** Where a Project Sponsor other than the Participating TO commits to pay the full cost of construction of a transmission addition or upgrade and its operation, and demonstrates to the CAISO financial capability to pay those costs, such commitment and demonstration shall be sufficient to demonstrate need to the CAISO. To ensure that the Project Sponsor is financially able to pay the costs of the project to be constructed by the Participating TO, the Participating TO may require (1) a demonstration of creditworthiness (e.g. an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.
- (3)** Where a Project Sponsor asserts that a transmission addition or upgrade is economically beneficial, but that Project Sponsor is unwilling to commit to pay the full cost of the addition or upgrade; where (1) the proposed transmission addition or upgrade was submitted to the Participating TO but was not included in the transmission expansion plan of that Participating TO in accordance with Section 24.2 or (2) the operation date of the planned expansion is not acceptable to the CAISO or the Project Sponsor or (3) the Participating TO unreasonably delays implementing or subsequently decides not to proceed with the project, the Project Sponsor may submit its proposal to the CAISO ADR Procedure for determination of need. A determination of need shall be made as follows:

- (a)** The Project Sponsor shall include in its proposal: (1) a showing that the economic benefits of the proposed transmission addition or upgrade are expected to exceed its costs (giving consideration to any reasonable alternatives to the construction of transmission additions or upgrades) using an economic

analysis that comports with CAISO guidelines, and (2) a statement of the proposed pricing methodology for the transmission upgrades or additions that the Project Sponsor elects in accordance with Section 24.7 of the CAISO Tariff.

(b) If neither any Market Participant nor the CAISO disputes the Project Sponsor's showing, then the proposal is determined to be needed.

(c) If any Market Participant or the CAISO disputes the Project Sponsor's showing, the disputing Market Participant, the CAISO, or the Project Sponsor may submit to resolution through the CAISO ADR Procedure the issue of whether the transmission addition or upgrade is needed on the ground that its economic benefits exceed its costs. If a Market Participant fails to raise through the CAISO ADR Procedure a dispute as to whether a proposed transmission addition or upgrade is needed, then the Market Participant shall be deemed to have waived its right to raise such dispute at a later date. The determination under the CAISO ADR Procedure as to whether the transmission addition or upgrade is needed, including any determination by FERC or on appeal of a FERC determination in accordance with that process, shall be final.

24.1.2 Reliability Driven Projects.

The CAISO in coordination with the Participating TO, will identify the need for any transmission additions or upgrades required to ensure System Reliability consistent with all Applicable Reliability Criteria. In making this determination, the CAISO, in coordination with the Participating TO and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, demand-side management, remedial action schemes, constrained-on Generation, interruptible Loads or reactive support. The Participating TO, in cooperation with the CAISO, shall perform the necessary studies to determine the facilities needed to meet all Applicable Reliability Criteria. The Participating TO shall provide the CAISO and other Market Participants with all information relating to a proposed transmission addition or upgrade that they may reasonably request (other than information available to them through the WECC or any other applicable regional organization) and shall, through the WECC or any other applicable regional organization coordinated planning processes, develop the scope of and assumptions for such studies that are

acceptable to the CAISO and those other Market Participants. The CAISO shall be free to propose any transmission upgrades or additions it deems necessary to ensure System Reliability consistent with Applicable Reliability Criteria, and, subject to appropriate appeals, the Participating TO shall be obligated to construct such lines. After the CAISO Operations Date, the CAISO, in consultation with Participating TOs and any affected UDCs and MSSs, will work to develop a consistent set of Reliability Criteria for the CAISO Controlled Grid which the Participating TOs will use in their transmission planning and expansion studies or decisions.

24.1.3 Maintaining the Feasibility of Allocated Long Term CRRs.

The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO, in coordination with the Participating TOs, shall include the following evaluations:

(i) During its transmission planning assessments the CAISO shall test and evaluate the simultaneous feasibility of allocated Long Term CRRs; and

(ii) The CAISO shall test and evaluate the continuing feasibility of allocated Long Term CRRs in acting on the following types of projects: (a) planned or proposed transmission projects; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations the CAISO, in coordination with the Participating TOs, shall identify the need for any transmission additions or upgrades required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. In assessing the need for transmission additions or upgrades to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects; demand-side management; Remedial Action Schemes; constrained-on Generation; interruptible Loads; reactive support; or in cases where the infeasible megawatts are small in magnitude, ensuring

against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift mechanism in Section 11.2.4. As part of the coordinated planning process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the CAISO to allow it to assess the need for and to identify transmission additions or upgrades.

24.2 Transmission Planning and Coordination.

The CAISO shall actively participate with each Participating TO and the other Market Participants in the CAISO Controlled Grid planning process in accordance with the terms of this CAISO Tariff and the Transmission Control Agreement.

24.2.1 Transmission Expansion Plan

24.2.1.1 Responsibility of the Participating TO

Each Participating TO with a PTO Service Territory shall develop annually a transmission expansion plan covering the next five years plus a ten-year case for the Loads that are geographically embedded within its PTO Service Territory and are within the CAISO Control Area, even if such Loads are served by another Participating TO. Such Participating TO shall coordinate with the CAISO and other Market Participants in the development of such plan. The Participating TO shall be responsible for ensuring that its transmission expansion plan meets all Applicable Reliability Criteria.

The Participating TO will act as a Project Sponsor for Participating TO proposed economic or reliability projects that are included in its expansion plan. The Participating TO shall provide to the CAISO any information that the CAISO requires to enable the CAISO to comply with WECC and any other applicable regional coordination requirements pursuant to Section 24.6.

24.2.1.2 Review of Transmission Expansion Plans by the CAISO.

The CAISO shall review the Participating TOs' transmission expansion plans for the PTO Service Territory, whether or not such plans are subject to Section 24.2.1, to ensure that each Participating TO's expansion plans meet the Applicable Reliability Criteria. The Participating TO will provide the necessary assistance and information as part of the coordinated planning process to the CAISO to enable it to carry out its own studies for these purposes. If the CAISO finds that the Participating TO's plan or projects do not meet the Applicable Reliability Criteria, the CAISO will provide comments and the Participating TO will reassess its plans, as appropriate. The CAISO may also propose new projects or suggest project changes (e.g., timing, project size) for consideration by the Participating TO. Changes or additions made by the CAISO and accepted by the TO will be included in the Participating TO's expansion plan. Changes or additions not accepted in the coordinated planning process will be resolved through the CAISO ADR Procedure.

24.2.2 Regional Planning Process.

The CAISO will be a member of the WECC and other applicable regional organizations and participate in WECC's operation and planning committees, and in other applicable regional coordinated planning processes. Neither the CAISO nor any Participating TO nor any Market Participant shall take any position before the WECC or a regional organization that is inconsistent with a binding decision reached through the CAISO ADR Procedure.

24.3 Studies to Determine Facilities to be Constructed.

Where a Participating TO is obligated to construct or expand facilities in accordance with this CAISO Tariff or where the CAISO or any Market Participant requests that a Facility Study be carried out, the Participating TO (in coordination with the CAISO or the relevant Market Participants as the case may require), shall perform the necessary study or studies to determine the appropriate facilities to be constructed in accordance with the terms set forth in the TO Tariff. The scope of and assumptions for any studies requested by a Project Sponsor of a transmission addition or upgrade on economic grounds must be acceptable to the Project Sponsors and the CAISO. Any dispute relating to a Facility Study Agreement (including any dispute over the scope of the study or its assumptions) shall be resolved

through the CAISO ADR Procedures.

24.4 Operational Review.

The CAISO will perform an operational review of all facilities that are to be connected to, or made part of, the CAISO Controlled Grid to ensure that the facilities being proposed provide for acceptable operating flexibility and meet all its requirements for proper integration with the CAISO Controlled Grid. If the CAISO finds that such facilities do not provide for acceptable operating flexibility or do not adequately integrate with the CAISO Controlled Grid, the Participating TO will reassess its determination of the facilities required to be constructed.

24.5 State and Local Approval and Property Rights.

24.5.1 The Participating TO shall be obligated to make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this CAISO Tariff. This obligation includes the Participating TO's use of eminent domain authority, where provided by state law.

24.5.2 If the Participating TO cannot secure any such necessary approvals or property rights and consequently is unable to construct a transmission addition or upgrade, it shall promptly notify the CAISO and the Project Sponsor and shall comply with its obligations under the TO Tariff to convene a technical meeting to evaluate alternative proposals. The CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO, the Project Sponsor (if any) and other affected Market Participants, to facilitate the development and evaluation of alternative proposals including, where possible, conferring on a third party the right to build the transmission addition or upgrade.

24.5.3 Where it is possible for a third party to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this CAISO Tariff (including the use of eminent domain authority, where provided by state law) the CAISO may confer on a third party the right

to build the transmission addition or upgrade which shall enter into the Transmission Control Agreement in relation to such transmission addition or upgrade.

24.6 WECC and Regional Coordination.

The Project Sponsor will have responsibility for completing any applicable WECC requirements and other applicable regional coordination and rating study requirements to ensure that a proposed transmission addition or upgrade meets regional planning requirements. The Project Sponsor may request the Participating TO to perform this coordination on behalf of the Project Sponsor at the Project Sponsor's expense.

24.7 Cost Responsibility for Transmission Additions or Upgrades.

Cost responsibility for transmission additions or upgrades constructed pursuant to this Section 24 (including the responsibility for any costs incurred under Section 24.6) shall be determined as follows:

24.7.1 Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in subsection (2) of Section 24.1.1, the full costs shall be borne by the Project Sponsor.

24.7.2 Where the need for a transmission addition or upgrade is determined by the CAISO or as a result of the CAISO ADR Procedure as set forth in subsection (3) of Section 24.1.1, the cost of the transmission addition or upgrade shall be borne by the Participating TO that will be the owner of the transmission addition or upgrade and shall be reflected in its Transmission Revenue Requirement.

24.7.3 Provided that the CAISO has Operational Control of the transmission upgrade or addition, a Project Sponsor that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive a compensation package based on a negotiation between the Project Sponsor, CAISO and the relevant Participating Transmission Owner. The compensation for the Project Sponsor shall be commensurate with the amount of additional transmission capacity that results from the upgrade determined by subtracting the rating of the transmission facility before the upgrade or addition from the new rating for the upgraded or additional transmission facility. The full amount of capacity added to the

system will be as determined through the regional reliability council process of the Western Electricity Coordinating Council or its successor. If the parties agree to a compensation package, the CAISO will provide notice of agreement on the CAISO Website. The CAISO will file a proposed compensation package with the Commission.

24.7.4 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 CAISO Grid-wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F, unless and with respect to Western Path 15 only, cost recovery is provided in Section 24.7.3. 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.

24.8 Ownership of and Charges for Expansion Facilities.

24.8.1 All transmission additions and upgrades constructed in accordance with this Section 24 shall form part of the CAISO Controlled Grid and shall be operated and maintained by a Participating TO in accordance with the Transmission Control Agreement.

24.8.2 Each Participating TO that owns or operates transmission additions and upgrades constructed in accordance with this Section 24 shall provide access to them and charge for their use in accordance with this CAISO Tariff and its TO Tariff.

24.9 Expansion by “Local Furnishing” Participating TOs.

Notwithstanding any other provision of this CAISO Tariff, a Local Furnishing Participating TO shall not be obligated to construct or expand facilities, (including interconnection facilities as described in Section 8 of the TO Tariff) unless the CAISO or Project Sponsor has tendered an application under FPA Section 211 that requests FERC to issue an order directing the Local Furnishing Participating TO to construct such facilities pursuant to Section 24 of the CAISO Tariff. The Local Furnishing Participating TO shall, within 10 days of receiving a copy of the Section 211 application, waive its right to a request for service under FPA Section 213(a) and to the issuance of a proposed order under FPA Section 212(c). Upon receipt of

a final order from FERC that is no longer subject to rehearing or appeal, such Local Furnishing

Participating TO shall construct such facilities in accordance with this Section 24.

**25 INTERCONNECTION OF GENERATING UNITS AND GENERATING FACILITIES TO
THE CAISO CONTROLLED GRID.**

25.1 Applicability.

This Section 25 and the Standard Large Generator Interconnection Procedures (LGIP) or CAISO Tariff Appendix W, as applicable, shall apply to:

- (a) each new Generating Unit that seeks to interconnect to the CAISO Controlled Grid;
- (b) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified with a resulting increase in the total capability of the power plant;
- (c) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified without increasing the total capability of the power plant but has changed the electrical characteristics of the power plant such that its re-energization may violate Applicable Reliability Criteria; and
- (d) each existing qualifying facility Generating Unit connected to the CAISO Controlled Grid whose total Generation was previously sold to a Participating TO or on-site customer but whose Generation, or any portion thereof, will now be sold in the wholesale market, subject to Section 25.1.2 below.

25.1.1 The owner of a Generating Unit described in Section 25.1 (a), (b), or (c), or its designee, shall be an Interconnection Customer required to submit an Interconnection Request and comply with the LGIP or CAISO Tariff Appendix W, as applicable.

25.1.2 If the owner of a qualifying facility described in Section 25.1(d), or its designee, represents that the total capability and electrical characteristics of the qualifying facility will be substantially unchanged, then that entity must submit an affidavit to the CAISO and the applicable Participating TO representing that the total capability and electrical characteristics of the qualifying facility will remain substantially unchanged. If there is any change to the total capability and electrical characteristics of the qualifying facility, however, the affidavit shall include supporting information describing any such changes. The CAISO and the applicable Participating TO shall have the right to verify whether or not the total capability or electrical characteristics of the qualifying facility have changed or will change.

25.1.2.1 If the CAISO and the applicable Participating TO confirm that the electrical characteristics are substantially unchanged, then that request will not be placed into the interconnection queue.

However, the owner of the qualifying facility, or its designee, will be required to execute either a Standard Large Generator Interconnection Agreement in accordance with Section 11 of the LGIP or an interconnection agreement in accordance with CAISO Tariff Appendix W, as applicable.

25.1.2.2 If the CAISO and the applicable Participating TO cannot confirm that the total capability and electrical characteristics are and will be substantially unchanged, then the owner of the qualifying facility, or its designee, shall be an Interconnection Customer required to submit an Interconnection Request and comply with either the LGIP or CAISO Tariff Appendix W, as applicable.

25.2 Interconnections to the Distribution System.

Any proposed interconnection by the owner of a planned Generating Unit, or its designee, to connect that Generating Unit to a Distribution System of a Participating TO will be processed, as applicable, pursuant to the Wholesale Distribution Access Tariff or CPUC Rule 21, or other Local Regulatory Authority requirements, if applicable, of the Participating TO; provided, however, that the owner of the planned Generating Unit, or its designee, shall be required to mitigate any adverse impact on reliability of the CAISO Controlled Grid consistent with the Standard Large Generator Interconnection Procedures. In addition, each Participating TO will provide to the CAISO a copy of the system impact study used to determine the impact of a planned Generating Unit on the Distribution System and the CAISO Controlled Grid pursuant to a request to interconnect under the applicable Wholesale Distribution Access Tariff or CPUC Rule 21, or other Local Regulatory Authority requirements, if applicable.

25.3 Maintenance of Encumbrances.

No new Generating Unit shall adversely affect the ability of the applicable Participating TO to honor its Encumbrances existing as of the time an Interconnection Customer submits its Interconnection Request to the CAISO. The applicable Participating TO, in consultation with the CAISO, shall identify any such adverse effect on its Encumbrances in the Interconnection System Impact Study performed under Section 7 of the LGIP or under Section 5.1 of CAISO Tariff Appendix W, as applicable. To the extent the

applicable Participating TO determines that the connection of the new Generating Unit will have an adverse effect on Encumbrances, the Interconnection Customer shall mitigate such adverse effect.

26 TRANSMISSION RATES AND CHARGES.

26.1 Access Charges.

All Market Participants withdrawing Energy from the CAISO Controlled Grid shall pay Access Charges in accordance with this Section 26.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 26.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the CAISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the CAISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by any UDC or MSS Operator that is serving Gross Load in a PTO Service Territory, 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 each 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 annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the CAISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the

CAISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The applicable High Voltage Access Charge and the Transition Charge shall be paid to the CAISO by each UDC and MSS Operator based on its Gross Load connected to a High Voltage Transmission Facility in a PTO Service Territory, either directly or through intervening distribution facilities, but not through a Low Voltage Transmission Facility. The applicable High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid by each UDC and MSS Operator based on its Gross Load in the PTO Service Territory. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the CAISO as a charge for transmission service under this CAISO 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. Each Participating TO shall charge for and collect the Low Voltage Access Charge, as provided in its 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 by such other Participating TO. The CAISO shall provide to the applicable Participating TO a statement of the amount of Energy delivered to each UDC and MSS Operator serving Gross Load that utilizes the Low Voltage Transmission Facilities of that Participating TO on a monthly basis. If a UDC or MSS Operator that is serving Gross Load in a PTO Service Territory has Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights. Each

Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

26.1.1 Publicly Owned Electric Utilities Access Charge.

Local Publicly Owned Electric Utilities whose transmission facilities are under CAISO Operational Control shall file with the FERC their proposed High Voltage Transmission Revenue Requirements, and any proposed changes thereto, under procedures determined by the FERC to be applicable to such filings and shall give notice to the CAISO and to all Scheduling Coordinators of any such filing. A prospective New Participating TO that is a Local Publicly Owned Electric Utility shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC and the CAISO 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. Federal power marketing agencies whose transmission facilities are under CAISO 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. Each federal power marketing agency shall also post on its 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 and the CAISO.

26.1.2 High Voltage Access Charge and Transition Charge Settlement.

UDCs and MSS Operators serving Gross Load in a PTO Service Territory 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 CAISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and Gross Load connected to the facilities of the UDC and MSS Operator in the PTO Service Territory. The High Voltage Access

Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the CAISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the CAISO Tariff, a UDC or MSS Operator that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC or MSS Operator; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 26.1.3.

26.1.3 Disbursement of High Voltage Access Charge and Transition Charge Revenues.

The CAISO shall collect and pay, on a monthly basis, to Participating TOs all High Voltage Access Charge and Transition Charge revenues at the same time as other CAISO charges and payments are settled. High Voltage Access Charge revenues received with respect to the High Voltage Access Charge and the Transition Charge shall be distributed to Participating TOs in accordance with Appendix F, Schedule 3, Section 10.

26.1.4 Wheeling.

Any Scheduling Coordinator or other such entity scheduling a Wheeling transaction shall pay to the CAISO the product of (i) the applicable Wheeling Access Charge, and (ii) the total hourly schedules of Wheeling in kilowatt-hours for each month at each Scheduling Point associated with that transaction. Schedules that include Wheeling transactions shall be subject to any charges resulting from the CAISO Markets in accordance with Section 27.

26.1.4.1 Wheeling Access Charge.

The Wheeling Access Charge shall be determined by the TAC Area and transmission ownership or Entitlement, less all Encumbrances, associated with the Scheduling Point at which the Energy exits the CAISO 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.

26.1.4.2 Wheeling Over Joint Facilities.

To the extent that more than one Participating TO owns or has Entitlement to transmission capacity, less all Encumbrances, exiting the CAISO Controlled Grid at a Scheduling Point, the Scheduling Coordinator shall pay the CAISO each month a rate for Wheeling at that Scheduling Point which reflects an average of the Wheeling Access Charge applicable to those Participating TOs, weighted by the relative share of such ownership or Entitlement to transmission capacity, less all Encumbrances, 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.

26.1.4.3 Disbursement of Wheeling Revenues.

The CAISO shall collect and pay to Participating TOs and other entities as provided in Section 24.7.3 all Wheeling revenues at the same time as other CAISO charges and payments are settled. For Wheeling revenues associated with CRRs allocated to Load Serving Entities outside the CAISO Control Area, the CAISO shall pay to the Participating TOs and other entities as provided in Section 24.7.3 any excess prepayment amounts within thirty (30) days of the end of the term of the CRR Allocation. The CAISO shall provide to the applicable Participating TO and other entities as provided in Section 24.7.3 a statement of the aggregate amount of Energy delivered to each Scheduling Coordinator using such Participating TO's Scheduling Point to allow for calculation of Wheeling revenue and auditing of disbursements. Wheeling revenues shall be disbursed by the CAISO based on the following:

26.1.4.3.1 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, less all Encumbrances, 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 to the sum of all such Participating TO's High Voltage Transmission Revenue Requirements. If the Scheduling Point is located at a Low Voltage Facility, revenues received with respect to 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. Additionally, if a Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to such Participating TO shall be disbursed as provided in Section 24.7.3.

26.1.4.3.2 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, less all Encumbrances, 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, less all Encumbrances, 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 26.1.4.3.1.

26.1.4.4 Information Required from Scheduling Coordinators.

Scheduling Coordinators that schedule Wheeling Out or Wheeling Through transactions to a Bulk Supply Point, or other point of interconnection between the CAISO Controlled Grid and the transmission system of a Non-Participating TO, that are located within the CAISO Control Area, shall provide the CAISO, within 5 days from the end of the calendar month to which the relevant Trading Day relates, details of such transactions scheduled by them (other than transactions scheduled pursuant to Existing Contracts)

sorted by Bulk Supply Point or point of interconnection for each Settlement Period (including kWh scheduled). The CAISO shall use such information, which may be subject to review by the CAISO, to settle Wheeling Access Charges and payments. The CAISO shall publish a list of the Bulk Supply Points or interconnection points to which this Section 26.1.4.4 applies together with details of the electronic form and procedure to be used by Scheduling Coordinators to submit the required information on the CAISO Website.

26.1.5 Unbundled Retail Transmission Rates.

The Access Charge for unbundled retail transmission service provided to End-Users by a FERC-jurisdictional electric utility Participating TO shall be determined by the FERC and submitted to the CAISO for information only. For a Local Publicly Owned Electric Utility, retail transmission service rates shall be determined by the Local Regulatory Authority and submitted to the CAISO for information only.

26.2 Tracking Account.

If the Access Charge rate methodology implemented pursuant to Section 26.1 results in Access Charge rates for any Participating TO which are different from those in effect prior to the CAISO Operations Date, 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.

26.3 Addition of New Facilities After CAISO Implementation.

The costs of transmission facilities placed in service after the CAISO Operations Date shall be recovered consistent with the cost recovery determinations made pursuant to Appendix F, Schedule 3 and Section 24.7.3.

26.4 Effect on Tax-Exempt Status.

Nothing in this Section shall compel any Participating TO to violate any restrictions applicable to facilities financed with tax-exempt bonds or contractual restrictions and covenants regarding the use of transmission facilities.

26.5 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 CAISO each year an amount equal to, annually, for all New Participating TOs, the amount, if any, by which the New Participating TO's cost of Existing High Voltage Facilities associated with Gross Loads in the PTO Service Territory of the New 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 CAISO under this section shall be disbursed to New Participating TOs with Existing High Voltage Facilities 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 with Existing High Voltage Facilities.

ARTICLE III – MARKET OPERATIONS

27 CAISO MARKETS AND PROCESSES.

In the Day-Ahead and Real-Time time frames the CAISO operates a series of procedures and markets that together comprise the CAISO Markets Processes. In the Day-Ahead time frame, the CAISO conducts the MPM-RRD, an Integrated Forward Market (IFM) and the Residual Unit Commitment (RUC) process. In the Real-Time time frame, the CAISO conducts the Market Power Mitigation and Reliability Requirement Determination, the Hour Ahead Scheduling Process (HASP), the Short Term Unit Commitment (STUC), the Real-Time Unit Commitment (RTUC) and the five-minute Real-Time Dispatch (RTD). The CAISO Markets Processes utilize transmission and security constrained unit commitment and dispatch algorithms in conjunction with a full network model to optimally commit, schedule and Dispatch resources and determine marginal prices for Energy, Ancillary Services and RUC Capacity. Congestion Revenue Rights are available and entitle holders of such instruments to a stream of hourly Payments or Charges associated with revenue the CAISO collects or pays from the Marginal Cost of Congestion component of hourly Day-Ahead LMPs. Through the operation of the CAISO Markets Processes the CAISO develops Day-Ahead Schedules, Day-Ahead AS Awards and RUC Schedules, HASP Advisory Schedules, HASP Intertie Schedules and AS Awards, Real-Time AS Awards and Dispatch Instructions to ensure that sufficient supply resources are available in Real-Time to balance Supply and Demand and operate in accordance with Reliability Criteria.

27.1 Locational Marginal Pricing.

The CAISO Markets are based on Locational Marginal Prices as provided below and further provided in Appendix C.

27.1.1 Locational Marginal Prices for Energy.

The LMP for Energy at any PNode is the marginal cost of serving the next increment of Demand at that PNode consistent with existing transmission facility constraints and the performance characteristics of resources. The LMPs calculated in the IFM, the HASP for Scheduling Points, and the RTD are based on Energy Bid Curves. The LMP at any given PNode is comprised of three cost components: the System Marginal Energy Cost (SMEC); Marginal Cost of Losses (MCL); and, Marginal Cost of Congestion (MCC).

The IFM calculates LMPs for each Trading Hour of the next Trading Day. The HASP, which is an hourly run of the RTUC with the time horizon that starts at the beginning of the next Trading Hour, calculates fifteen-minute LMPs (HASP Intertie LMPs) for that Trading Hour. The simple average of the four fifteen-minute LMPs for the Trading Hour computed at each Scheduling Point produces hourly LMPs for HASP Settlement of Energy at that Scheduling Point. The Real-Time Dispatch runs every five minutes throughout each Trading Hour and calculates five-minute LMPs for the next Dispatch Interval. The CAISO uses the Resource-Specific Settlement Interval LMPs for Settlements of the Real-Time Market.

27.1.1.1 System Marginal Energy Cost.

The System Marginal Energy Cost (SMEC) component of the LMP reflects the marginal cost of providing Energy from a designated reference location. For this designated reference location the CAISO will utilize a distributed Reference Bus whose constituent PNodes are weighted in prespecified proportions referred to as Reference Bus distribution factors. The SMEC shall be the same throughout the system.

27.1.1.2 Marginal Cost of Losses.

For all PNodes and Aggregated PNodes in the CAISO Control Area, including Scheduling Points, the use of the FNM in the DAM and the RTM processes incorporates Transmission Losses. At each PNode or Aggregated PNode, the Marginal Cost of Losses is the System Marginal Energy Cost multiplied by the marginal loss factor at that PNode or Aggregated PNode. The Marginal Cost of Losses at a Location (PNode or APNode) may be positive or negative depending on whether an increase in Demand at that Location marginally increases or decreases the cost of Transmission Losses, using the distributed Reference Bus to balance it. The marginal loss factors are determined through a process that calculates the sensitivities of Transmission Losses with respect to changes in injection at each Location in the FNM. For CAISO Controlled Grid facilities outside the CAISO Control Area, the CAISO shall assess the cost of Transmission Losses to Scheduling Coordinators using each such facility based on the quantity of losses agreed upon with the neighboring Control Area multiplied by the LMP at the PNode of the interface with the neighboring Control Area. The MCLs calculated for Locations within the CAISO Control Area shall not reflect the cost of transmission losses on those facilities.

27.1.1.3 Marginal Cost of Congestion.

The Marginal Cost of Congestion at a PNode reflects a linear combination of the shadow prices of all binding constraints in the network, each multiplied by the corresponding Power Transfer Distribution Factor (PTDF). The Marginal Cost of Congestion may be positive or negative depending on whether a power injection (*i.e.*, incremental Load increase) at that Location marginally increases or decreases Congestion.

27.2 Load Aggregation Points (LAP).

The CAISO shall create Load Aggregation Points and shall maintain Default LAPs at which all Demand shall Bid and be settled, except as provided in Section 27.2.1 and Section 30.5.3.2.

27.2.1 Metered Subsystems.

The CAISO shall define specific MSS LAPs for each MSS. The MSS LAP shall be made up the PNodes within the MSS that have Load served off of those Nodes. The MSS LAPs have unique Load Distribution Factors that reflect the distribution of the MSS Demand to the network nodes within the MSS. These MSS LAPs are separate from the Default LAPs, and the load distribution factors of the Default LAP do not reflect any MSS Load. As further provided in Sections 11.2.3 and 11.5, Metered Subsystems Demand is settled either at the price at the Default LAP for MSS Operators that have selected gross Settlement and at the price at the applicable MSS LAP for MSS Operators that have selected net Settlement.

27.2.2 Determination of LAP Prices.

27.2.2.1 IFM LAP Prices.

The IFM LAP Price for a given Trading Hour is the weighted average of the individual IFM LMPs at the PNodes within the LAP, with the weights equal to the nodal Demand associated with that LAP that is scheduled by the IFM. The weights used in calculating the Default LAP prices will equal the total Demand scheduled by the IFM in each Default LAP except for the Demand specified in Sections 27.2.1 and 30.5.3.2.

27.2.2.2 Real-Time Market LAP Prices.

The Hourly Real-Time LAP Price is computed as described in Section 11.5.2.2. The weights used for calculating the Hourly Real-Time LAP Price at the time the RTM runs will not exclude the Demand specified in Sections 27.2.1 and 30.5.3.2. The weights used for calculating Hourly Real-Time LAP Price used for Settlements will be calculated based on meter data and will appropriately exclude the Demand

specified in Sections 27.2.1 and 30.5.3.2. Hourly Real-Time LAP Price are further adjusted for Settlements purposes as described in Section 11.5.2.2.

27.3 Trading Hubs.

The CAISO shall create and maintain Trading Hubs, including Existing Zone Generation Trading Hubs, to facilitate bilateral energy transactions in the CAISO Control Area. Each Trading Hub will be based on a pre-defined set of PNodes. The CAISO shall calculate Trading Hub prices for each Settlement Period or Settlement Interval based on an average of the LMPs at the PNodes that constitute the Trading Hub. There will be three Existing Zone Generation Trading Hubs, which correspond geographically to the three Existing Zones. Each Existing Zone Generation Trading Hub will be comprised of an aggregation of PNodes for Generating Units within the corresponding Existing Zone, whose associated LMPs will be used to establish an Existing Zone Generation Trading Hub price representing the weighted-average price paid to Generating Units in that Existing Zone. The weights applied to the constituent nodal LMPs in each Existing Zone will be determined annually and separately for each season and on-peak and off-peak period based on the ratio of the prior year's total output of Energy at that PNode to the total Generation output in that Existing Zone, for the corresponding season and on-peak or off-peak period. The specification of seasons will be identical to the seasons used in the annual CRR Allocation, and the annual calculation of Existing Zone Generation Trading Hub weights will be performed in a timely manner to be coordinated with the annual CRR Allocation and CRR Auction processes.

27.4 Optimization in the CAISO Markets Processes.

The CAISO runs the DAM, HASP and RTM and their component CAISO Markets Processes utilizing a set of integrated optimization programs, including SCUC and SCED.

27.4.1 Security Constrained Unit Commitment.

The CAISO uses SCUC to run the MPM-RRD processes associated with the DAM and the HASP, the IFM, the RUC, the HASP, the STUC and the RTUC. SCUC uses a multi-interval Time Horizon to commit and schedule resources and to meet Demand for which Bids have been submitted and procure AS in the IFM, and to meet the CAISO Forecast of CAISO Demand in the MPM-RRD, RUC, HASP, STUC and

RTUC. In the Day-Ahead MPM-RRD, IFM and RUC processes the SCUC optimizes over the 24 hourly intervals of the next Trading Day. In the RTUC, which runs every 15 minutes, the SCUC optimizes over from four to seven 15-minute intervals comprising a portion of the current or imminent Trading Hour and the entire subsequent Trading Hour. In the HASP, which is a special run of the RTUC that runs once per hour just before the top of the hour, and its associated MPM-RRD process, the SCUC optimizes over seven 15-minute intervals comprising the last 45 minutes of the imminent Trading Hour and the entire subsequent Trading Hour. Following the HASP run of the RTUC, each of the next three runs of the RTUC successively drops one 15-minute interval from the front of the optimization Time Horizon. In the STUC the SCUC optimizes over seventeen fifteen-minute intervals comprising the last 15 minutes of the imminent Trading Hour and the entire next four Trading Hours. The CAISO will also utilize the SCUC algorithm on a two-day-ahead basis to commit Extremely Long Start Resources, for which commitment in the DAM does not provide sufficient time to start-up and be available to supply Energy during the next Trading Day as provided in Section 31.7.

27.4.1.1 Timing of Unit Commitment Instructions

For the Time Horizon of any given CAISO Markets Process, the associated SCUC optimization will typically commit resources having different start-up times, not all of which need to be started up immediately upon completion of that CAISO Markets Process. The CAISO may defer issuing a start-up instruction to a resource that can be started at a later time and still be available to supply Energy at the time the CAISO Markets Process indicated it would be needed. The CAISO shall re-evaluate the need to commit such resources in a subsequent CAISO Markets Process based on the most recent forecasts and other information about system conditions.

27.4.2 Security Constrained Economic Dispatch.

SCED is the optimization engine used to run the RTD to determine the optimal five-minute Dispatch Instructions throughout the Trading Hour consistent with resource and transmission constraints within the CAISO Control Area. The SCED runs every five minutes and utilizes a Time Horizon comprised of up to 13 five-minute intervals, but produces Dispatch Instructions only for the first five-minute interval of that time horizon. The SCED produces LMPs at each PNode that are used for Settlements as described in

Section 11.5.

27.5 Full Network Model.

27.5.1 Description of FNM for CAISO Markets.

The FNM is a representation of the CAISO Control Area that enables the CAISO to conduct power flow analyses to identify transmission constraints for the optimization of the CAISO Markets. External Control Areas and external transmission systems are modeled rightsto the extent necessary to support the commercial requirements of the CAISO Markets. External connections are retained between intertie branches within branch groups. Certain external loops are modeled, which allows the CAISO to increase the accuracy of the congestion management process. Resources are modeled at the appropriate network nodes. The pricing location (PNodes) of a Generating Unit generally coincides with the Node where the relevant revenue quality meter is connected or corrected, to reflect the point at which the Generating Units are connected to the CAISO Controlled Grid. The Dispatch, Schedule and LMP of a Generating Unit refers to a PNode, but the Energy injection is modeled in the FNM for network analysis purposes at the corresponding Generating Unit(s) (at the physical interconnection point), taking into account any losses in the transmission network leading to the point where Energy is delivered to Demand. For the CAISO Markets Processes, the FNM incorporates Transmission Losses and models and enforces all network Constraints, which are reflected in the Day-Ahead Schedules, AS and RUC Awards, HASP Intertie Schedules, Dispatch Instructions and the LMPs resulting from each CAISO market process. For the HASP, STUC, RTUC and the RTD processes, the Real-Time power flow parameters developed from the State Estimator are applied to the FNM.

27.5.2 Metered Subsystems.

The FNM includes a full model of MSS transmission networks used for power flow calculations and congestion management in the CAISO Markets Processes. Network constraints (i.e. circuit ratings, thermal ratings, etc.) within the MSS, or at the its boundaries, shall be monitored but not enforced in the CAISO's FNM. If overloads are observed in the forward markets are internal to the MSS or at the MSS boundaries and are attributable to MSS operations, the CAISO shall communicate such events to the

Scheduling Coordinator for the MSS and coordinate any manual re-dispatch required in Real-Time. If, independent of the CAISO, the Scheduling Coordinator for the MSS is unable to resolve Congestion internal to the MSS or at the MSS boundaries in Real-Time, the CAISO will use Exceptional Dispatch Instructions on Resources that have been Bid into the HASP and RTM to resolve the Congestion. The costs of such Exceptional Dispatch will be allocated to the responsible MSS Operator. Consistent with Section 4.9, the CAISO and MSS Operator shall develop specific procedures for each MSS to determine how network constraints will be handled.

27.5.3 Embedded Control Areas and Adjacent Control Areas.

To the extent sufficient data is available or adequate estimates can be made for the embedded Control Areas and adjacent Control Areas, the FNM will include a full model of embedded Control Areas and adjacent Control Areas used for power flow calculations and congestion management in the CAISO Markets Processes. The CAISO monitors but does not enforce the network constraints for embedded Control Areas or adjacent Control Areas in running the CAISO Markets Processes. The CAISO models the resistive component for transmission losses on embedded Control Areas and adjacent Control Areas but does not allow such losses to determine LMPs.

27.5.4 Accounting for Changes in Topology in FNM.

The CAISO will incorporate into the FNM information received pursuant to Section 24 for transmission expansion and Section 25 for generation interconnection to account for changes to the CAISO Controlled Grid and other facilities located within the CAISO Control Area. This information will be incorporated into the network model data base in which the electrical network model is maintained for use by the State Estimator and which forms the basis for the FNM used by the CAISO Markets. The updated power system network model will be transferred at periodic model update cycle intervals established by the CAISO and incorporated into the FNM for use in the CAISO Markets. The Business Practice Manual for Managing Full Network Model will describe the information to be provided by Market Participants, the process by which the CAISO incorporates this information in the FNM, and operational details of the FNM. If the CAISO becomes aware of a material error or omission in the FNM, it will make a timely correction of the FNM.

27.5.5 Load Distribution Factors.

The CAISO will maintain a library of system-wide Load Distribution Factors for use in distributing Demand scheduled at the Default LAPs. The system Load Distribution Factors are derived from the State Estimator and are stored in the Load Distribution Factor library, and are updated periodically. For IFM the Load Distribution Factor library uses a similar-day methodology for smoothing the most recent Load Distribution Factors. The similar-day methodology uses data separately for each type of day. More recent days are weighted more heavily in the smoothing calculations. The market application then uses

the set of Load Distribution Factors from the library that best represents the Load distribution conditions expected for the market Time Horizon. For the RTM, the State Estimator solution is used as a source for determining Load Distribution Factors. The Load Distribution Factor are also maintained for use for Demand scheduled at Custom LAPs. These custom Load Distribution Factors are not generated from the State Estimator and are fixed quantities representing the characteristics of the Custom LAP.

27.6 State Estimator.

The State Estimator produces a power flow solution based upon the modeled representation of the electrical network and available Real-Time SCADA telemetry. When this solution is applied to the FNM, it provides a reference of system conditions for determining Dispatch Instructions. The State Estimator also provides a reference for Real-Time Load Distribution Factors used to distribute the Real-Time CAISO Forecast of CAISO Demand as well as provide a source of historical data for the LDF library. If the State Estimator is not capable of providing CAISO with a solution to clear the CAISO Markets, the CAISO shall

use the last best State-Estimator solution for determining Dispatch Instructions, provided the State Estimator is not unavailable for an extended period. If the State Estimator is not available for an extended period of time, the CAISO shall use the Load Distribution Factors from the Load Distribution Factors library as applicable to the prevailing system and time of use conditions to determine Dispatch Instructions.

27.7 Constrained Output Generators.

27.7.1 Start-Up and Minimum Load Costs and Energy Bids of Constrained Output

Generators. COGs will be eligible to set LMPs in the IFM based on their Energy Bids, as set out in this Section 27.7.1. Before each calendar year, the COG must elect one of the methods described in Section 27.7.1.1 for specifying its Start-Up Costs and Minimum Load Costs, and must elect one of the methods described in Sections 27.7.1.2 and 27.7.1.3 for determining its Energy Bids.

27.7.1.1 Start-Up and Minimum Load Options. A COG may elect to recover Start-Up and Minimum Load Costs through a cost-based option based on heat rate and fuel costs. Fuel costs are adjustable by the CAISO on a daily basis for gas fired resources, or are registered non-adjustable costs for other resources. Alternatively, a COG may elect to register in the Master File a six-month value of its own choosing that does not need to be cost-based and will not be adjusted for fuel cost changes.

27.7.1.2 Energy Bids Calculated from Start-Up and Minimum Load Costs. Under both options for specifying Start-Up and Minimum Load costs described in Section 27.7.1.1, a COG's Energy Bid will be determined by dividing its Minimum Load Cost by the MW quantity of its PMin. Based on the assumption that its PMin equals its PMax it will be eligible to set the LMP in the IFM and the RTD based on this Energy Bid.

27.7.1.3 Eligibility to Submit Market-Based Energy Bids by Waiving COG Status. For the purposes of specifying an Energy Bid that is not based on its Minimum Load Cost, a COG may elect to be modeled with different PMin and PMax values if the physical characteristics of the resource support such differences. Under this election the COG's PMin must be greater than or equal to its PMax minus the maximum of 3 MW or 5 percent of its PMax. Under this option the resource is capable of being Dispatched at an operating point other than zero or its PMax, the resource does not meet the definition of COG and the resource is treated in the CAISO Markets Processes like any other resource. Such a resource may submit a market Energy Bid for the MW difference between its PMin and PMax, and if scheduled or issued a CAISO Schedule or Dispatch Instruction in this range it would be subject to Local Market Power Mitigation, eligible to set the LMP and would receive any appropriate BCR like any other resource.

27.7.2 Constrained Output Generators in the IFM.

In the IFM, COGs that elect the option described in Section 27.7.1.2 are modeled as though they are not constrained and can operate flexibly between zero and their PMax, which equals their PMin. Such a COG is eligible to set IFM LMPs in any Settlement Period in which a portion of its output is needed as a

flexible resource to serve Demand. Such a COG is not eligible for recovery of Minimum Load Costs or BCR in the IFM due to the conversion of its Minimum Load Cost to an Energy Bid and its treatment by the IFM as a flexible resource. Such a COG is eligible for Start-Up cost recovery based on its Commitment Period as determined in the RUC, HASP, STUC or RTUC. COGs that elect the option described in

Section 27.7.1.3 are treated in the IFM like other resources having Energy Bids for a flexible dispatch range above their Minimum Load.

27.7.3 Constrained Output Generators in RUC.

In RUC, any COG that elects the option described in Section 27.7.1.2 and is offered in the IFM but not scheduled in the IFM is treated as constrained, so that the entire capacity of the COG is scheduled in RUC and not a portion thereof. Because PMin and PMax are equal for such a COG, and RUC Awards apply to scheduled capacity in RUC in excess of the higher of: (a) the relevant Day-Ahead Schedule; or (b) the relevant Minimum Load, such a COG is not eligible to receive a RUC Award. COGs that elect the option described in Section 27.7.1.3 are treated in the RUC like other resources having Energy Bids for a flexible dispatch range above their Minimum Load and may be eligible to receive a RUC Award in accordance with Section 31.5.

27.7.4 Constrained Output Generators in the Real-Time Market.

A COG that can be started up and complete its Minimum Run Time within a five-hour period can be committed by the STUC. A COG that can be started up within the Time Horizon of a RTUC run, which varies from 60 to 105 minutes, can be committed by the RTUC. If the resource elects the method described in Section 27.7.1.2 for determining its Energy Bid, no Energy Bid Curve can be submitted for the resource. In this case, in the RTD the CAISO will dispatch a COG up to its PMax or down to zero to ensure a feasible Real-Time Dispatch. The COG is eligible to set the RTM LMP in any Dispatch Interval in which a portion of its output is needed to serve Demand, not taking into consideration its minimum run constraint. For the purpose of making this determination and setting the RTM LMP, the CAISO treats a COG as if it were flexible with an infinite Ramp Rate between zero and its PMax, and uses the COG's Energy Bid as determined in Section 27.7.1.2. In any Dispatch Interval where none of the output of a COG is needed as a flexible resource to serve Demand, the CAISO shall not dispatch the unit. In circumstances in which the output of the COG is not needed as a flexible resource to serve Demand, but the unit nonetheless is online as a result of a previous commitment or Dispatch Instruction by the CAISO, the COG is eligible for Minimum Load Cost compensation. If the resource elects the method described in Section 27.7.1.3 for determining its Energy bid, the RTM will treat it like any other resource that is flexible over a non-zero operating range.

28 INTER-SC TRADES

28.1 INTER-SC TRADES OF ENERGY

28.1.1 Purpose.

Scheduling Coordinators submit Inter-SC Trades of Energy consistent with the provisions in this Section 28.

28.1.2 Availability of Inter-SC Trades of Energy.

The CAISO allows Inter-SC Trades of Energy at individual PNodes of Generating Units within the CAISO Control Area and at Aggregated Pricing Nodes. The CAISO does not allow Inter-SC Trades of Energy at Scheduling Points. The CAISO allows submission of Inter-SC Trades of Energy in the DAM and the HASP. Inter-SC Trades of Energy submitted for the DAM are settled at the applicable Aggregated Pricing Nodes or PNodes for Generating Units. Inter-SC Trades of Energy submitted in the HASP are settled hourly based on the simple average of the Dispatch Interval LMPs at the applicable Aggregated Pricing Nodes or PNodes of Generating Units in those hours.

28.1.3 Submission of Inter-SC Trades of Energy.

A Scheduling Coordinator may submit Inter-SC Trades of Energy that it intends to have settled based on DAM LMPs at any time during the Day-Ahead Inter-SC Trade Period and may submit Inter-SC Trades of Energy for a particular hour that it intends to have settled based on the simple average of the Dispatch Interval LMPs during that hour at any time during the HASP Inter-SC Trade Period.

28.1.4 Information Requirements.

An Inter-SC Trade of Energy must consist of trades from both Scheduling Coordinators and contain the following information: (i) the Scheduling Coordinator identification from whom the Energy is traded; (ii) the Scheduling Coordinator to whom the Energy is traded; (iii) the location of the Energy trade; (iv) the CAISO Market the trade is to be settled in; (v) the time period over which the bilateral Energy trade will take place, including the start-date and Trading Hour and the end-date and Trading Hour; and (vi) the quantity (MWh) of the Energy traded.

28.1.5 General Validation Rules for Inter-SC Trades.

For all Inter-SC Trades of Energy the CAISO shall verify that the Scheduling Coordinators for the Inter-SC Trade of Energy mutually agree on the quantity, location, time period, and CAISO Market LMPs (DAM LMP or Dispatch Interval LMP) for settling the Inter-SC Trade of Energy. Any individual Inter-SC Trade of Energy that is deemed invalid by the CAISO due to inconsistencies between the trading Scheduling Coordinators on these terms will be rejected. The CAISO will notify trading Scheduling Coordinators within a reasonable time if their Inter-SC Trades of Energy fail these general validation rules as described in the Business Practice Manuals.

28.1.6 Validation Procedures for Physical Trades.

All Inter-SC Trades at PNodes will be subject to validation procedures as specified in this Section. Physical Trades can occur at any individual Generating Unit's PNode provided the Physical Trade satisfies the CAISO's Physical Trades validation procedures described herein. The Scheduling Coordinators must demonstrate that the trade is supported (directly or through an Inter-SC Trade of Energy with another Scheduling Coordinator) by a Day-Ahead Schedule for a Generating Unit at the same location for the Inter-SC Trade of Energy at a level greater than or equal to the amount of the Inter-SC Trade of Energy. The CAISO's validation procedures for Physical Trades include three components: (1) Physical Trade submittal screening, (2) Physical Trade pre-market validation, and (3) Physical Trade post-market confirmation.

28.1.6.1 Physical Trade Submittal Screening.

The CAISO's Physical Trade validation procedures begin upon initial submission of a Physical Trade to the CAISO. The first stage of that process, Physical Trade submittal screening, validates that the submitted Physical Trade does not exceed the PMax of the identified Generating Unit. The CAISO will reject Physical Trades that exceed the PMax and notify the responsible Scheduling Coordinators.

28.1.6.2 Physical Trade Pre-Market Validation.

The purpose of the pre-market validation is to determine whether the total MWh quantity of all submitted Physical Trades at a PNode of an individual Generating Unit exceeds the Generating Unit's Energy Bid MWh. Pre-market validation is performed on all Physical Trades that pass the submittal screening set forth in Section 28.1.6.1. Scheduling Coordinators are notified within a reasonable time of their Physical

Trades status as the CAISO conducts the pre-market validation to indicate, at a minimum, whether the Physical Trade is currently "valid" or "invalid." These Physical Trade notices are preliminary and subject to change until the final pre-market validation at the close of the HASP Inter-SC Trade Period. A Physical Trade with a "valid" status may be rendered "invalid" due to the actions of the Scheduling Coordinators to that Physical Trade or by other trading activities that are linked to the Generating Unit identified for the relevant Physical Trade whenever the quantities specified in the relevant Inter-SC Trades cannot be supported by the underlying Generating Unit's Bid. Scheduling Coordinators can use these status notices to make modifications to complete or correct invalid Physical Trades. The CAISO performs a final pre-market validation at the close of the HASP Inter-SC Trade Period. Physical Trades that are individually valid are concatenated (daisy chained) with other supporting Physical Trades at the same PNode of the Generating Unit. Once that concatenation is complete, the CAISO will determine whether the concatenated Physical Trades are physically supported by either another Inter-SC Trade of Energy at that same location or the Bid submitted in the relevant CAISO Market for the Generating Unit identified for that Physical Trade, individually and in the aggregate. If a Physical Trade is not adequately physically supported, the quantities in the Physical Trades of that Scheduling Coordinator and its downstream trading counter-parties are reduced on a pro-rata basis until those Physical Trades are valid. In performing physical pre-market validation of Inter-SC Trades of Energy in HASP, the CAISO also considers final Inter-SC Trades of Energy for the DAM in determining whether the HASP Physical Trades are physically supported individually or in the aggregate. Specifically, the CAISO determines whether the Generating Unit's submitted Bid in HASP is greater than or equal to the sum of: (1) final Day-Ahead Inter-SC Trades of Energy at that location and (2) the additional Inter-SC Trades of Energy for the HASP at that location. If the amounts are greater than the Generating Unit's submitted Bids in HASP, the CAISO will adjust down on a prorated basis the HASP Physical Trades. Final Day-Ahead Physical Trades are not adjusted in the HASP pre-market validation. The CAISO does not perform any Settlement on Physical Trade quantities (MWh) that are curtailed during Physical Trade pre-market validation.

28.1.6.3 Physical Trade Post-Market Confirmation.

The CAISO conducts post-market confirmation of Physical Trades that pass pre-market validation in Section 28.1.6.2 after the Market Clearing and the market results are posted to ensure that the Generating Unit has a Schedule that can support all of the Physical Trades. During the post-market confirmation process, the MWh quantity of Physical Trades that passed the CAISO's pre-market validation process may be reduced if the Generating Unit supporting the Physical Trades has a Schedule that is below the quantity of Physical Trades at that Location. The MWh quantities of Physical Trades that are reduced during the post-market confirmation process are settled at the Existing Zone Generation Trading Hub price for the Existing Zone associated with the Generating Unit identified in the Inter-SC Trade of Energy. The portion of Physical Trades that remains intact will be settled at the LMP for the identified PNode for the Generating Unit.

28.1.6.4 Inter-SC Trades of Energy at Aggregated Pricing Nodes.

Inter-SC Trades of Energy at Aggregated Pricing Nodes that are also defined Trading Hubs or LAPs are subject to the general validation procedures in Section 28.1.5 but are not subject to the three-stage physical validation procedures for Physical Trades described in Section 28.1.6 above.

28.2 INTER-SC TRADES OF ANCILLARY SERVICES.

Inter-SC Trades of Ancillary Services enable a Scheduling Coordinator to transfer any fixed quantity of Ancillary Services (MW) to another Scheduling Coordinator. An Inter-SC Trade of AS shall consist of a quantity in MWs traded between two Scheduling Coordinators for a specific hour and for a specific Ancillary Service type. The Inter-SC Trade of AS is a financial trade. The CAISO shall charge and pay the two parties of the trade based on the quantity (MW) of the Ancillary Service Obligation traded times the user rate for the Ancillary Service trades for the Trading Hour. Scheduling Coordinators may submit Inter-SC Trades of Ancillary Services for Regulation Up, Regulation Down, Spinning and Non-Spinning Reserves.

28.2.1 Information Requirements.

An Inter-SC Trade of Ancillary Services shall contain the following information: (i) the Scheduling Coordinator identification for the Scheduling Coordinator from whom the MW amounts of Ancillary Service

is traded; (ii) the Scheduling Coordinator identification for the Scheduling Coordinator to whom the MW amounts of AS is traded; (iii) the type of AS being traded; (iv) the time period over which the trade will take place, including the start-date and time and the end-date and time; and the (v) quantity (MW) of the AS to be traded.

28.2.2 Validation.

The CAISO's validation of Inter-SC Trades of AS will begin upon submission of an Inter-SC Trade of AS. The CAISO shall conduct a final validation for Inter-SC Trades of AS at the end of the HASP Inter-SC Trade Period. The CAISO will validate each submitted Inter-SC Trade of AS to verify that the contents of the submission match the submittal by the counter-party Scheduling Coordinator by type (Regulation-Up, Regulation-Down, Spinning Reserve and Non-Spinning Reserve), quantity (MW), and time period. The CAISO will inform the submitting Scheduling Coordinators regarding the validity of a submitted trade of an AS and will allow the Scheduling Coordinator resubmit the entire Inter-SC Trade of AS if it is not accepted. If only one of the two Scheduling Coordinators successfully submits an Inter-SC Trade of AS, the CAISO will notify both Scheduling Coordinators that the Inter-SC Trade of AS for the specific hour does not match the corresponding Inter-SC Trade of AS. If both Scheduling Coordinators successfully submit the Inter-SC Trade of AS, the CAISO will notify the Scheduling Coordinators that their Inter-SC Trade of AS for the specific hour has been accepted. An Inter-SC Trade of Ancillary Services submitted at a later time, but before the deadline for the submission of the trade for the Trading Hour, renders a previously submitted Inter-SC Trade of AS invalid if it applies to the same hour, same type of AS, and the same Scheduling Coordinators to whom and from whom the AS is traded.

28.2.3 Submission of Inter-SC Trades of Ancillary Services.

Scheduling Coordinators may submit Inter-SC Trades of Ancillary Services at any time during the HASP Inter-SC Trade Period.

28.3 INTER-SC TRADES OF IFM LOAD UPLIFT OBLIGATION

Scheduling Coordinators may submit system-wide Inter-SC Trades of IFM Uplift Load Obligations from within the CAISO Control Area. Inter-SC Trades of IFM Uplift Load Obligation enable a Scheduling Coordinator to transfer any amount of Net IFM Load Obligation (MW) to another Scheduling Coordinator. An Inter-SC Trade of IFM Uplift Load Obligation shall consist of a quantity in MWs traded between two Scheduling Coordinators for a specific Trading Hour of the IFM.

28.3.1 Information Requirements.

An Inter-SC Trade of IFM Uplift Load Obligation shall contain the following information: (i) the Scheduling Coordinator identification for the Scheduling Coordinator from whom the MW amounts of IFM Uplift Load Obligation is traded; (ii) the Scheduling Coordinator identification for the Scheduling Coordinator to whom the MW amounts of IFM Uplift Load Obligation is traded; (iii) the applicable Location that the Inter-SC Trade of IFM Uplift Load Obligation; (iv) the time period over which the trade will take place, including the start-date and time and the end-date and time; and (v) the quantity (MW) of the IFM Uplift Load Obligation to be traded.

28.3.2 Validation.

The CAISO's validation of Inter-SC Trades of IFM Uplift Load Obligations will begin upon submission of an Inter-SC Trade of IFM Load Obligation. The CAISO shall conduct a final validation for Inter-SC Trades of IFM Uplift Load Obligations at the end of the HASP Inter-SC Trade Period. The CAISO will validate each submitted Inter-SC Trade of IFM Uplift Load Obligation to verify that the contents of the submission match the submittal by the counter-party Scheduling Coordinator in terms of quantity (MW), and time period. The CAISO will inform the submitting Scheduling Coordinators regarding the validity of a submitted Inter-SC Trade of IFM Uplift Load Obligation and will allow the Scheduling Coordinator to resubmit the entire Inter-SC Trade of IFM Uplift Load Obligation if it is not accepted. If only one of the two Scheduling Coordinators successfully submits an Inter-SC Trade of IFM Uplift Load Obligation, the CAISO will notify both Scheduling Coordinators that the Inter-SC Trade of IFM Uplift Load Obligation for the specific hour does not match the corresponding Inter-SC Trade of IFM Uplift Load Obligation. If both Scheduling Coordinators successfully submit the Inter-SC Trade of IFM Uplift Load Obligation, the CAISO will notify the Scheduling Coordinators that their Inter-SC Trade of IFM Uplift Load Obligations for the

specific hour has been accepted. The CAISO will verify that an Inter-SC Trade of IFM Uplift Load Obligation is between different Scheduling Coordinators that are authorized to participate in the CAISO markets during the time period covered by the trade and that the Trading Hour and the quantity of the trade must be greater than or equal to zero. An Inter-SC Trade of IFM Uplift Load Obligation submitted at a later time renders a previously submitted Inter-SC Trade of IFM Uplift Load Obligation invalid if it applies to the same hour and the same Scheduling Coordinators to whom and from whom the net IFM Load Obligation is traded.

28.3.3 Submission of Inter-SC Trades of IFM Load Uplift Obligation.

Scheduling Coordinators may submit Inter-SC Trades of IFM Load Uplift Obligations at any time during the HASP Inter-SC Trade Period.

