



March 9, 2007

The Honorable Phillis J. Posey
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

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SECRETARY
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FEDERAL ENERGY
REGULATORY COMMISSION

**RE: Amendments to the ISO Tariff to Facilitate Timely Implementation of the
MRTU Markets**

Docket No. ER07-___-000

Dear Secretary Posey:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or the "Commission") regulations, 18 C.F.R. § 35 *et seq.*, the California Independent System Operator Corporation ("CAISO") hereby submits certain amendments to the currently-effective ISO Tariff¹ designed to facilitate implementation of the Market Redesign and Technology Upgrade program ("MRTU"). These amendments do not pertain to current ISO Market operations but are designed to enable the CAISO to obtain the necessary information and authority to ensure that previously conditionally accepted aspects of the MRTU market concerning the treatment of Existing Transmission Contracts ("ETCs"), Transmission Ownership Rights ("TORs"), Converted Rights, and Congestion Revenue Rights ("CRRs") are in place and ready to be implemented at the start of MRTU.

Specifically, the CAISO requests that:

¹ Capitalized terms, unless otherwise defined, are used in accordance with the definition of the Master Definition Supplement, Appendix A to the ISO Tariff, or Appendix A to the MRTU Tariff. For the purposes of this transmittal letter, the term "ISO Tariff" refers to the CAISO's tariff currently in effect, and the term "MRTU Tariff" will refer to the tariff filed and conditionally accepted in Docket No. ER06-615-000, and further revised through compliance filings made on November 20 and December 20, 2006 in FERC Docket ER06-615 and on January 29, 2007 in compliance with the Commission's long-term financial rights Final Rule in Docket No. ER07-475. As described herein, certain of the amendments to the ISO Tariff filed herewith constitute early implementation of provisions of the MRTU Tariff already conditionally accepted by the Commission or modified versions of provisions of the MRTU Tariff already conditionally accepted by the Commission.

1. The Commission grant early effectiveness for certain previously conditionally accepted MRTU Tariff provisions concerning Transmission Rights and Transmission Curtailment (“TRTC”) Instructions; these will provide the CAISO with the requisite authority to collect important information from its Market Participants to enable the CAISO to: (1) properly model ETCs, Converted Rights, and TORs in the CRR Allocation and CRR Auction processes; and (2) to be ready to honor the terms of ETCs, Converted Rights, and TOR at the onset of MRTU;
2. The Commission find just and reasonable additional, detailed tariff language to include additional informational requirements for the TRTC Instructions that will permit the CAISO to properly model and validate the use of ETCs, TORs, and Converted Rights and to clarify that Converted Rights holders must participate in the provision of TRTC Instructions;
3. The Commission grant early effectiveness for previously conditionally accepted provisions of the MRTU Tariff concerning CRRs to enable the CAISO to conduct the CRR Allocation and Auction processes later this summer; this will ensure that eligible Market Participants will have CRRs in place at the commencement of MRTU;
4. The Commission find just and reasonable the additional tariff language on the registration and qualification process and requirements for Candidate CRR Holders;
5. The Commission find just and reasonable the revisions to the ISO Tariff regarding creditworthiness and other Financial Security provisions to facilitate the CRR Auction and CRR Allocation;
6. The Commission find just and reasonable the *pro forma* agreement the CAISO must execute with entities that wish to qualify for and intend to hold CRRs (the “CRR Entity Agreement”);²
7. The Commission grant early effectiveness for previously conditionally accepted provisions of the MRTU Tariff concerning the provision of market information to Candidate CRR Holders and CRR Holders; and
8. The Commission grant early effectiveness for previously conditionally accepted provisions of the MRTU Tariff setting forth the definitions of new defined terms used in the substantive provisions of the MRTU Tariff for which early effectiveness is requested by incorporation of such terms in the ISO Tariff.

² As specified in the proposed Section 4.10.1.3 of the new Appendix BB, the CAISO requests authority to assess an application fee as part of the Candidate CRR Holder application process. The CAISO does not at this time provide any proposed amount for such fee. The CAISO proposes that such fee be approved by the CAISO Board of Governors and will file such fee after it has obtained the Governing Board’s approval.

I. BACKGROUND

The CAISO's market redesign efforts can be traced back to a series of Commission orders, commencing in the year 2000, directing the CAISO first to overhaul its approach to managing transmission congestion and then to engage in a more comprehensive redesign of its market structure, including the creation of a Day-Ahead Energy market to replace the defunct markets of the California Power Exchange. Based on those directives, the CAISO developed a series of conceptual proposals that were filed for Commission review. Since 2002, the Commission has issued a series of orders on conceptual market design filings made by the CAISO in what became known as the MRTU project.

After a lengthy stakeholder process, and with the directives of the Commission in mind, the CAISO filed its MRTU Tariff on February 9, 2006 ("MRTU Tariff Filing"). After reviewing comments on and protests of the MRTU Tariff filing by numerous stakeholders, the Commission accepted the MRTU Tariff for filing on September 21, 2006 to become effective November 1, 2007, subject to a number of modifications.³

In the MRTU Order, in addition to tariff changes, the Commission also directed the CAISO to take various other actions, including providing additional details concerning several of its proposals, filing with the Commission status reports on specific issues, and making certain information available to Market Participants. The Commission provided several timeframes for the CAISO to comply with these various requirements. On November 20, 2006 and December 20, 2006, the CAISO filed with the Commission compliance filings required by the MRTU Order.⁴

On December 19, 2005, the CAISO Board of Governors voted to extend the MRTU implementation date from November 1, 2007 to January 31, 2008, in order to afford the CAISO sufficient time to complete necessary modifications to the MRTU design and implementation.

The CAISO's MRTU market design is based on the use of Locational Marginal Prices ("LMPs"), which have been successfully employed in other regions of the country to allocate Congestion costs and provide appropriate short-term and long-term price signals. LMP determines marginal Energy prices for each Settlement period that accurately reflect the cost of serving the next MWh of Demand at each Location on the CAISO Controlled Grid, including the Marginal Cost of Congestion and Marginal Cost of Losses, based on Market Participants' submitted Bids for Supply and Demand or the CAISO Forecast of CAISO Demand. A core component of the MRTU design is the provision of CRRs, which enable holders of such financial instruments to manage their exposure to Congestion costs associated based on LMP. CRRs entitle the holder to

³ See *California Indep. System Operator*, 116 FERC ¶ 61,274 (2006) (hereinafter "MRTU Order").

⁴ See generally Docket No. ER06-615.

receive revenues or charges based on the Congestion components of the LMPs (*i.e.*, Marginal Cost of Congestion) calculated for each hour in the Integrated Forward Market ("IFM"). Under the MRTU Tariff, the CAISO first allocates CRRs to load serving entities; the remaining CRRs are then made available through auctions open to all creditworthy parties.

The instant filing represents a necessary step toward MRTU start up by amending the currently effective ISO Tariff to include certain MRTU Tariff provisions (some as-filed and conditionally accepted by the Commission and others, as described below, in a revised form). These provisions are necessary to begin the information collection and other processes required to allocate and auction CRRs and enable the CAISO to finalize preparation of its systems.

II. STAKEHOLDER PROCESS

Even though this filing is narrow in nature and reflects no significant substantive departure from the MRTU Tariff, as conditionally accepted, the CAISO has endeavored to conduct an appropriate stakeholder process in support of the instant filing. On February 15, 2007, preliminary versions of the tariff amendments contained in this filing were posted for stakeholder review. This included tariff provisions regarding TRTC Instructions changes, the CRR registration process, the CRR Entity Agreement, and provisions for which early effective dates are sought. The CAISO also posted guidelines that are designed to assist parties in the completion of TRTC Instructions. On February 20 and again on February 27, 2007 the CAISO hosted stakeholder meetings to discuss the instant filing and the substance of the tariff changes contained herein. On March 7, 2007, the CAISO briefed its Board of Governors regarding this filing. Because no policy changes were sought, formal Board approval of the filing was not necessary.

III. DESCRIPTION OF TARIFF AMENDMENTS

A. TRTC INSTRUCTIONS

1. Early Effectiveness of the Requirement to Submit TRTC Instructions

A key component of the MRTU design is that it will allow the CAISO to continue to honor the transmission rights of those who hold ETCs, TORs,⁵ or Converted Rights and incorporates those rights into the operations of its Day-Ahead and Real-Time Markets (including the Hour Ahead Scheduling Process).⁶ Importantly, the CAISO will to continue to play no role in interpreting these contracts or rights. Therefore, it is

⁵ The CAISO notes that it has submitted a compliance filing regarding, *inter alia*, Section 17 of the MRTU Tariff concerning TORs in conformance with the MRTU Order. The filing is pending before the Commission.

⁶ See generally Sections 16 and 17 of the MRTU Tariff.

necessary for the parties to ETCs, TORs, and Converted Rights to convey to the CAISO the exact nature of these rights in the form of TRTC Instructions. This will allow the CAISO to incorporate the TRTC Instruction information into an automated procedure for validation of ETC, Converted Rights, and TOR Self-Schedules, which can relieve Participating Transmission Owners and Non-Participating Transmission Owners of the need to validate ETC, Converted Rights and TOR Self-Schedules on a day-to-day basis, while still holding the seller or owner responsible for providing validation parameters to the CAISO that correctly reflect contractual or ownership rights.

Under MRTU, the CAISO will afford a scheduling priority to valid and balanced Self-Schedules submitted in accordance with the TRTC Instructions as described in Sections 31.4 and 34.10 of the MRTU Tariff and the “perfect hedge” treatment as described in Sections 11.2.1.5, 11.5.7, 16.6, and 17.3 of the MRTU Tariff.⁷ In this way, the CAISO will continue to honor the provisions for the use of ETCs and support the provisions associated with the use of TORs. In addition, the CAISO will afford valid and balanced Self-Schedules submitted pursuant to Converted Rights the same treatment afforded to ETCs in the Day-Ahead Market.

There are two aspects of the MRTU ETC, TOR, and Converted Rights provisions for which validation is important: scheduling priority and settlement. If it were only a matter of settlement treatment, validation could be performed after the operating day, in the course of processing the scheduling and operating data for the settlement process. However, because scheduling priority is also afforded to such Self-Schedules, there must be *ex ante* validation, *i.e.*, validation at the time of the relevant scheduling deadline prior to the running of each CAISO Market, to ensure that the CAISO Market software does not provide priority to schedules that do not comply with contractual rights.

As a result of this filing, the MRTU Tariff provisions specifying the requirements for submission of TRTC Instructions to validate ETC and TOR Self-Schedules upon the effectiveness of the other MRTU Tariff provisions are proposed here for revision and early effectiveness, and will be contained in a new Part B of Appendix BB of the currently effective ISO Tariff for the interim period until MRTU start up.

The information contained in the TRTC instructions will be necessary for the CAISO to perform various MRTU market functions, including populating the Master File and preparing the software and systems for validating scheduling priorities, and settling ETC, Converted Rights, and TOR transactions. However, for more immediate purposes, the CAISO needs this information as a first step to incorporating the information to be provided in the TRTC Instructions to account for usage of ETCs, Converted Rights and TORs in its models to be used in allocating and auctioning of CRRs.

⁷ The CAISO is not integrating these provisions in the ISO Tariff at this time because the CAISO will not be implementing these until the CAISO begins its full operations under the MRTU Tariff.

ETCs, Converted Rights and TORs must be accounted for in the allocation and auctioning of CRRs because ETCs, Converted Rights, and TORs get the “perfect hedge.” They must be integrated into the models to be used in the Simultaneous Feasibility Tests to be conducted when the CAISO will allocate and auction CRRs. The “perfect hedge” treatment for such rights means that the CAISO will not be collecting Congestion revenue from valid and balanced ETC and TOR Self-Schedules in the Day-Ahead Market and the Real-Time Market, and valid and balanced Converted Rights Self-Schedules in the Day-Ahead Market. Payments made to entities that hold CRRs are funded by the Congestion revenues collected through the LMPs charged to entities that use the transmission grid. Pursuant to Section 36.4 of the MRTU Tariff, it is incumbent upon the CAISO to properly model and evaluate these rights in its allocation and auctioning of CRRs to minimize the possibility that provision of the “perfect hedge” to ETCs, TORs, and Converted Rights would cause revenue inadequacy for CRRs.⁸ Because the collection, verification and incorporation of the information to be provided in the TRTC Instructions into its software and systems to be used in the allocation or auction of CRRs, the CAISO must have the MRTU TRTC Instructions submitted well before the actual implementation of the MRTU Tariff. More precisely, the CAISO requires the TRTC Instructions to be completed and returned to the CAISO no later than May 9, 2007 in order to ensure that the CAISO is afforded sufficient time to incorporate such information in time to conduct its first annual allocation of CRRs in July 2007.

2. Revisions to the MRTU Tariff TRTC Instruction Provisions

The TRTC Instructions provisions as filed herein, to be incorporated for earlier effectiveness, are largely incorporated into the currently effective ISO Tariff without modification to the similar provisions in the MRTU Tariff. The CAISO is, however, proposing certain changes that are necessary to clarify the language based on additional detail reflected in the draft Business Practice Manual for Market Operations and in the guideline documents and template through which the TRTC Instructions are to be collected.⁹ The CAISO is proposing to supplement the ISO Tariff with additional detail that better completes the provisions already in the tariff. The addition of this detail is accomplished by the incorporation of the complete language in Appendix BB to the currently effective ISO Tariff, which will contain all the relevant TRTC Instructions provisions. In addition, the CAISO is providing blacklines to the applicable provisions in the MRTU Tariff for informational purposes to show how the additional language in

⁸ As filed in its compliance filing to the Commission’s Order Nos. 681 and 681-A, the CAISO proposes to provide full funding for all holders of CRRs. Any shortfalls in revenues necessary to maintain such full funding will be managed through the CRR Balancing Account, which the CAISO proposes to clear monthly and assign any shortfalls or surpluses to Measured Demand. See p. 18 of the Transmittal Letter accompanying the CAISO’s January 29, 2007 compliance filing in Docket No. ER07-475-000.

⁹ See <http://www.caiso.com/1b6b/1b6bfe94380a0.doc> for Business Practice Manual and <http://www.caiso.com/1b86/1b86b5e327cb0.doc> for guidelines.

Appendix BB to the ISO Tariff changes the language currently on file and conditionally accepted in the MRTU Tariff.¹⁰

These provisions consist of the following additional detail and clarifications:

(1) a requirement that parties provide physical sources and sinks for validation of ETC and TOR Self-Schedules, as scheduling priority is provided only to physical sources and sinks, as well as clarification that such physical sources may include Generating Units and System Resources and that such physical sinks may include Load PNodes, Custom Load Aggregation Points and System Resources;

(2) a requirement that parties specify which Scheduling Coordinator will be entitled to the “perfect hedge” settlement given that different Scheduling Coordinators may submit ETC, Converted Rights or TOR Self-Schedules at the applicable sources and sinks for such schedules;

(3) clarification that parties specify the source/sink resource maximum capacity (MW) that can be scheduled; and

(4) clarification of provisions that require parties to specify the allowable timing of schedule changes pursuant to the ETC, Converted Rights or TOR.

In addition, the CAISO is proposing that parties provide the CAISO with forecasted usage of ETCs and Converted Rights for the annual and monthly period that CRRs will be in effect. This additional data point on forecasted usage of existing transmission rights will have *no* impact on a party’s ability to exercise its rights under MRTU, but is designed to better enable the CAISO to more accurately model the usage patterns of the ETCs and Converted Rights. One other clarification the CAISO is proposing is the addition of a new Section 4.3.1.2.1 in Part B of Appendix BB to make clear that New Participating TOs with Converted Rights are also required to provide TRTC Instructions for their Converted Rights, in conjunction with the Original Participating TOs from whose ETCs those Converted Rights are derived. Finally, the CAISO is proposing some minor clarifying revisions to certain of the MRTU Tariff provisions regarding TRTC Instructions, primarily to improve consistency in the use of defined terms.

B. CRR PROVISIONS

1. Early Effectiveness for CRR Provisions

In addition to the conditionally approved and modified MRTU Tariff provisions regarding TRTC Instructions outlined above, the CAISO is requesting early

¹⁰ As provided in Part IV of this Transmittal Letter, the CAISO requests waiver of any applicable Part 35 requirements to allow consideration only of the newly included terms and the early effectiveness of any terms include in the Appendix BB.

effectiveness for some previously-filed and conditionally accepted MRTU Tariff provisions regarding CRRs. These provisions were included in the filed MRTU Tariff and conditionally accepted by the Commission and will, by virtue of this filing, become amendments to the current ISO Tariff. The MRTU Tariff provisions below are needed to conduct the information collection process, CRR Allocation, and CRR Auction that must precede implementation of the other provisions of the MRTU Tariff. These provisions will also enable the transfer of CRRs through the Secondary Registration System. These provisions are proposed to become part of a new Part C of Appendix BB to the ISO Tariff and consist of the following:

Section 36.8.2 – (including 36.8.2.1 and 36.8.2.2) Quantity of Load Eligible for CRRs. This is the tariff provision that dictates how much load each entity will be eligible to nominate for the CRR Allocation. This is an important provision for the submittal of nominations that will occur in the coming months.

Section 36.8.6 - Load Forecasts Used to Calculate CRR MW Eligibility. This is another critical tariff provision that enables the CAISO to collect load data and align it with data submitted to state authorities.

Section 36.9 – CRR Allocation to LSEs serving External Load. This provision will enable entities serving loads outside the CAISO Control Area to participate in the CRR Allocation process.

Section 36.10 - CRR Allocation to Metered Subsystems. This provision will enable Metered Subsystems to participate in the CRR Allocation process.

Section 36.5 – General Requirements for Candidate CRR Holders and CRR Holders. This provision sets forth the key requirements regarding registration, qualification, creditworthiness, and training that need to be met by Candidate CRR Holders and CRR Holders, which serve as the foundation for the additional provisions to be added to provide more detail regarding these requirements.

2. Revisions to the CRR Provisions and Specification of the Candidate CRR Holder and CRR Holder Registration Process

The CAISO is proposing only very minor clarifying revisions to the MRTU Tariff provisions regarding CRRs being incorporated into Appendix BB to the current version of the ISO Tariff, primarily to improve consistency in the use of defined terms. In addition, however, consistent with Section 36.5 of the MRTU Tariff as conditionally accepted by FERC in its September 21 Order, only entities that are registered and fully qualified as Candidate CRR Holders or CRR Holders may obtain CRRs through the

CAISO CRR Allocation, CRR Auction or Secondary Registration System.¹¹ There are three basic prerequisites to becoming a Candidate CRR Holder. First, an entity must demonstrate that it meets the financial criteria set out in Section 12.1 of the tariff regarding creditworthiness. Second, the entity must participate in CRR training sponsored by the CAISO. Finally, an entity must fully execute a CRR Entity Agreement. Even entities that are already registered with the CAISO as Scheduling Coordinators must meet these requirements.¹²

The process for registering as a Candidate CRR Holder or a CRR Holder is specified in Section 4.10 of Part D of the new Appendix BB of the currently effective ISO Tariff (which the CAISO will also conform into the MRTU Tariff as Section 4.10 of the main body of the tariff in a future filing). Based in large part on the registration and certification process for Scheduling Coordinators, the CAISO has developed a process for registering and qualifying Candidate CRR Holders as reflected in proposed Section 4.10.

The new provisions: (1) provide for a reasonable application fee; (2) describe the registration process, with specific deadlines for both the applicants and the CAISO; (3) identify information to be provided with the application; and (4) identify certain administrative, technical and financial requirements. The provisions also require the Candidate CRR Holder or CRR Holder to inform the CAISO of any changes to the submitted information and describe the procedure for suspending or terminating the registration.

Section 4.10 is based on the process previously-approved for processing applications for Scheduling Coordinators and does not modify the CAISO's policy to require that parties that will engage in CAISO market activities must have a legal and operational relationship to ensure such activity. Including these provisions in the tariff provides greater certainty and transparency for both Candidate CRR Holder applicants and the CAISO in administering the Candidate CRR Holder and CRR Holder registration process.

In order to implement its first annual CRR Allocation in July 2007, the CAISO will be engaging in the registration and qualification of Candidate CRR Holders this Spring. In order to ensure adequate time to collect and verify all the required information, the CAISO will be posting documents that contain the application materials for interested parties to submit. The CAISO requests an effective date of May 9, 2007 for the proposed provisions in Section 4.10 so that it can complete the registration and

¹¹ Candidate CRR Holders are entities that have been fully registered and qualified to obtain CRRs either through the CRR Allocation, CRR Auction or Secondary Registration System. CRR Holders are entities that have been qualified as Candidate CRR Holders by the CAISO and have since obtained CRRs either through the CRR Allocation, CRR Auction or Secondary Registration System.

¹² The CAISO will, however, seek to find synergies with existing registration information for such entities and will eliminate redundancies in the application of a Scheduling Coordinator seeking to also become a Candidate CRR Holder as appropriate.

application process consistent with these provisions as accepted by the Commission in time for its first allocation in July.

C. UPDATING AND IMPLEMENTING THE CREDITWORTHINESS PROVISIONS OF THE CURRENT VERSION OF THE ISO TARIFF TO FACILITATE THE CRR AUCTION AND ALLOCATION

In order to implement the allocation and auctioning of CRRs, the CAISO needs to ensure that Candidate CRR Holders and CRR Holders demonstrate satisfaction of the appropriate creditworthiness and other Financial Security requirements. The instant filing accomplishes this objective in three steps.

First, the CAISO proposes to modify Section 12.1 of the currently-effective ISO Tariff to state that the credit requirements of Section 12 will now also apply to Candidate CRR Holders and CRR Holders. The CAISO has also proposes to modify the definition of Market Participant so that Market Participant includes Candidate CRR Holders and CRR Holders. Thus, all of the existing provisions, such as the Unsecured Credit Limit calculation and Financial Security amount will now apply to Candidate CRR Holders and CRR Holders as they apply to Market Participant throughout the provisions in Section 12.

Second, the CAISO proposes a new Section 12.6 in Part C of Appendix BB of the ISO Tariff, which is a revised version of Section 12.5 of the MRTU Tariff.¹³ The changes relate to the fact that the CAISO amended Section 12 of the ISO Tariff after the filing of the MRTU Tariff on February 9, 2006 to modify its credit policies. As shown in the blacklines in Attachment C to this filing, the CAISO has updated the outdated references to an Approved Credit Rating to reflect the new concepts of an Unsecured Credit Limit and Financial Security. The credit policy now provides a process by which Market Participants can establish an Unsecured Credit Limit and eliminates unlimited credit for Market Participants that had an Approved Credit Rating. The new Section 12.6 of Part C of Appendix BB binds Candidate CRR Holders and CRR Holders to the updated credit and Financial Security provisions. In addition, these provisions are included in Appendix BB so that they are effective earlier to be applied in the registration and qualification of Candidate CRR Holders as appropriate and in the CAISO Allocation, CRR Auctions and the Secondary Registration System to be held later this year.

D. CRR ENTITY AGREEMENT

In the instant filing, the CAISO is amending the current version of the ISO Tariff (and will in the future amend the MRTU Tariff) to include a *pro forma* service agreement that must be executed by any party that wishes to hold CRRs (the "CRR Entity

¹³ On March 7, 2006 in Docket No. ER06-700, the CAISO filed an updated credit policy. The Commission conditionally approved the new policy in its order of May 12, 2006. *California Indep. System Operator Corp.*, 115 FERC ¶ 61,170 (2006).

Agreement”).¹⁴ Once parties have completed the registration and qualification process, in order to qualify as a Candidate CRR Holder, such parties must execute the CRR Entity Agreement that requires the Candidate CRR Holders or CRR Holders to comply with all the requirements of the tariff that apply to such entities. The CRR Entity Agreement is necessary because the parties that will be participating to obtain CRRs are not necessarily Scheduling Coordinators and, even if they are Scheduling Coordinators, new tariff provisions will apply to Candidate CRR Holders and/or CRR Holders that do not apply to Scheduling Coordinators.

As with Scheduling Coordinators, the CAISO will place ongoing obligations on Candidate CRR Holders. These ongoing obligations will include an obligation to report changes in CRR holdings, an obligation to report any change in information provided to the CAISO, and an obligation to report a change in credit rating. Again, this ongoing relationship with those holding CRRs is critical to protecting the integrity of the MRTU markets.

The CRR Entity Agreement is consistent with the format of existing CAISO *pro forma* agreements. Significant provisions of the CRR Entity Agreement are as follows:

Section 3.2 addresses the termination of the CRR Entity Agreement. This section is important because it provides the CAISO with needed flexibility to address various possible circumstances regarding its CRR Holders, including possible default, failure to meet the continuing obligations of a CRR Holder, and other circumstances that might require remedial action by the CAISO. The charges and payments associated with congestion in the MRTU markets and thus the cash flow between the CAISO and CRR Holders may be substantial. Therefore, the provisions of Section 3.2 must provide adequate protections.

Sections 4.1 and 4.5 bind the Candidate CRR Holder or CRR Holder to comply with the tariff.

Section 4.2 binds the Candidate CRR Holder or CRR Holder to comply with all creditworthiness requirements.

Section 4.3 requires the CRR Entity to establish an account for settlement purposes.

Section 5 requires the CRR Entity to pay any penalties assessed in accordance with the tariff and to take any corrective measures requested by the CAISO under the tariff.

Section 6 notes that the CRR Entity will be responsible for its own operating costs.

¹⁴ The *pro forma* CRR Entity Agreement filed herein contains various cross references to provisions of the MRTU Tariff. To the extent necessary, the CAISO requests waiver of Part 35 of the Commission's regulations to permit these cross references to remain. Good cause exists to grant this waiver because doing so would prevent the CAISO and its counterparties to the CRR Entity Agreement from having to revise and re-execute their CRR Entity Agreements once the MRTU Tariff takes effect.

Section 7 requires that any disputes will be addressed under the alternative dispute resolution provisions of the tariff.

Section 8 contains the representations that the parties have undertaken the necessary actions to execute the agreement.

Sections 9 and 10 incorporate the liability and uncontrollable force provisions of the tariff.

Section 11 contains certain miscellaneous provisions. Most importantly, Section 11.9 preserves the CAISO's unilateral right to make FPA Section 205 filings to propose amendments to the agreement and specifies that any such amendments will be considered under the Commission's "just and reasonable" standard of review.

E. PUBLIC MARKET INFORMATION

In addition to the early effectiveness of provisions regarding TRTC Instructions and CRRs, the CAISO also proposes to provide early effectiveness of provisions specifying the information that will be provided in advance to Candidate CRR Holders and CRR Holders in order to permit them to make informed preparations for participation in the CRR Allocations and CRR Auctions. These provisions are set forth in Part A of proposed new Appendix BB of the current version of the ISO Tariff. The CAISO proposes to incorporate the already-approved provisions of Section 6.5.1 of the MRTU Tariff with only minor revisions, primarily to improve the consistency in the use of defined terms.

F. DEFINED TERMS

In order to give appropriate meaning to the provisions of the MRTU Tariff for which the CAISO seeks early effectiveness, the CAISO also needs to add to the ISO Tariff various defined terms from the MRTU Tariff that are used in the provisions of the MRTU Tariff for which early effectiveness is sought. These defined terms are set forth in a new Part G of Appendix BB to the current ISO Tariff, with only minor revisions primarily to improve the consistency in the use of defined terms within the definitions.

As discussed above, the CAISO again notes that the definition of Market Participant in the Master Definition Supplement, Appendix A of the ISO Tariff has been revised to include Candidate CRR Holders or CRR Holders as these entities do not need to be Scheduling Coordinators, but can be any entity, including, but not limited to, financial institutions.

The CAISO also provides a definition for Custom Load Aggregation Points ("Custom LAP"), which was not previously included in the MRTU Tariff but should be included to this filing as the Custom LAP is a concept of importance to stakeholder comments as expressed in stakeholder discussions.

G. MISCELLANEOUS PROVISIONS

In Part F of Appendix BB, the CAISO has incorporated the additional provisions of Sections 27.2 and 30.5.3.2 of the MRTU Tariff for earlier effectiveness in order to provide context for references in other MRTU Tariff provisions being added to Appendix BB.

IV. EFFECTIVE DATE AND REQUEST FOR WAIVER OF THE ORDER NO. 614 FILING REQUIREMENTS

Given the scheduled start date for the MRTU markets and the CAISO's need to quickly collect this critical information, the CAISO is filing this amendment at this time and requesting an effective date of May 9, 2007.¹⁵ Commission action by that date will allow the CAISO to implement the CRR Allocation in a timely manner before MRTU start-up.

To the extent necessary, the CAISO also requests waiver of the Order No. 614¹⁶ and section 35.9 of the Commission's regulations.¹⁷ To better assist the Commission and Market Participants understand the proposed changes to previously-approved tariff provisions, the CAISO presents strictly for informational purposes in Attachment C to this filing blacklines against the previously conditionally approved MRTU Tariff provisions. All of the new Appendix BB and the other provisions blacklined in Attachment B to this filing represent modifications to the currently effective version of the ISO Tariff.

The CAISO also requests waiver of Part 35 of the Commission's regulations, 18 C.F.R. Part 35 (2006), to the extent not met by this filing.

V. SERVICE

As a courtesy, this filing has been served on all parties on the Secretary's official service list for Docket Nos. ER06-615-000.

¹⁵ CAISO notes that data collection and verification for the first annual CRR Allocation and CRR Auction process is scheduled to begin in the spring of 2007.

¹⁶ *Designation of Electric Rate Schedule Sheets*, FERC Stats. & Regs., Regs. ¶ 31,096 [Preambles 1996-2000] (2000).

¹⁷ 18 C.F.R. § 35.9 (2006)

VI. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals whose names should be placed on the official service list established by the Secretary with respect to this submittal:¹⁸

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¹⁸ The CAISO respectfully requests waiver of Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), to permit each of the persons listed above to be included on the service list for this proceeding.

VII. CONTENTS OF FILING

Attached to this transmittal letter are the following supporting documents:¹⁹

- Attachment A - Clean Sheets for the changes to definitions and Section 12 and the addition of new Appendix BB to the ISO Tariff
- Attachment B - Blacklined Tariff Sheets from the currently-effective ISO Tariff
- Attachment C - For information only, Blacklined Tariff Sheets showing changes to provisions from the conditionally-approved MRTU Tariff

VIII. CONCLUSION

For all the reasons stated herein, the CAISO respectfully requests that this filing be accepted without modification and the revised tariff sheets included in this filing be approved, without modification, suspension, or hearing to go into effect on May 9, 2007 as requested.

Respectfully submitted,



Anna A. McKenna
Counsel for the
California Independent System Operator
Corporation

¹⁹ The CAISO has pending before the Commission tariff sheets implementing Long Term Congestion Revenue Rights in Docket No. ER07-475-000. In order to provide the Commission with the most accurate picture of the proposed MRTU Tariff changes contained in the instant filing, the CAISO has incorporated these pending Long Term CRR tariff provisions, namely Section 36.9.2.1 and certain changes to Appendix A, into the tariff sheets accompanying this filing. In addition, for the same reason, numerous proposed revisions to the MRTU Tariff on compliance in Docket No. ER06-615-000 have also been reflected in the attached tariff sheets. Because certain of these pending MRTU tariff provisions are proposed here for more immediate incorporation into the ISO Tariff, to the extent the Commission orders changes to the tariff language in either Docket Nos. ER06-615-000 or ER07-475-000, the CAISO will reflect those changes on compliance in the instant proceeding as well.

ATTACHMENT A

CLEAN SHEETS

CRR IMPLEMENTATION FILING

12 CREDITWORTHINESS.

12.1 Credit Requirements.

The creditworthiness requirements in this section apply to the ISO's acceptance of Schedules, to all transactions in an ISO Market, to the payment of charges pursuant to the ISO Tariff (including the Grid Management Charge), and to establish credit limits for participation in any ISO auction of FTRs or CRRs. Each Market Participant (including each Scheduling Coordinator, UDC, or MSS) or FTR Bidder shall secure its financial transactions with the ISO (including its participation in any auction of FTRs or CRRs) by maintaining an Unsecured Credit Limit and/or by posting Financial Security, the level of which constitutes the Market Participant's or FTR Bidder's Financial Security Amount. For each Market Participant or FTR Bidder, the sum of its Unsecured Credit Limit and its Financial Security Amount shall represent its Aggregate Credit Limit. Each Market Participant or FTR Bidder shall have the responsibility to maintain an Aggregate Credit Limit that is at least equal to its Estimated Aggregate Liability.

12.1.1 Unsecured Credit Limit.

Each Market Participant or FTR Bidder requesting an Unsecured Credit Limit shall submit an application to the ISO in the form specified on the ISO Home Page. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder in accordance with the procedures set forth in the ISO Credit Policy & Procedures Guide posted on the ISO Home Page. The maximum Unsecured Credit Limit for any Market Participant or FTR Bidder shall be \$250 million. In accordance with the procedures described in the ISO Credit Policy & Procedures Guide, each Market Participant or FTR Bidder requesting or maintaining an Unsecured Credit Limit is required to submit to the ISO or its agent financial statements and other information related to its overall financial health as directed by the ISO. Each Market Participant or FTR Bidder is responsible for the timely submission of its latest financial statements as well as other information that may be reasonably necessary for the ISO to conduct its evaluation. The ISO shall determine the Unsecured Credit Limit for each Market Participant or FTR Bidder as described in subsections 12.1.1A, 12.1.1A.1, 12.1.1A.2 and 12.1.1A.3.

	rating guidelines, less any reserved uses applicable to the path.
<u>Backup ISO Control Center</u>	The ISO Control Center located in Alhambra, California.
<u>Balanced Schedule</u>	A Schedule shall be deemed balanced when Generation, adjusted for Transmission Losses equals forecast Demand with respect to all entities for which a Scheduling Coordinator schedules.
<u>Balancing Account</u>	An account set up to allow periodic balancing of financial transactions that, in the normal course of business, do not result in a zero balance of cash inflows and outflows.
<u>Black Start</u>	The procedure by which a Generating Unit self-starts without an external source of electricity thereby restoring power to the ISO Controlled Grid following system or local area blackouts.
<u>Black Start Generator</u>	A Participating Generator in its capacity as party to an Interim Black Start Agreement with the ISO for the provision of Black Start services, but shall exclude Participating Generators in their capacity as providers of Black Start services under their Reliability Must-Run Contracts.
<u>Bulk Supply Point</u>	A UDC metering point.
<u>Business Day</u>	Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.
<u>C.F.R.</u>	Code of Federal Regulations.
<u>Calendar Day</u>	Any day including Saturday, Sunday or a federal holiday.
<u>Candidate CRR Holder</u>	Defined in Appendix BB.
<u>CDWR-SWP</u>	The California Department of Water Resources, State Water Project.
<u>CDWR-SWP Participating Generating Units</u>	The Generating Units operated by the California Department of Water Resources, State Water Project, that are subject to a Participating Generator Agreement with the ISO.
<u>Certificate of Compliance</u>	A certificate issued by the ISO which states that the Metering Facilities referred to in the certificate satisfy the certification criteria for Metering Facilities contained in the ISO Tariff.
<u>Check Meter</u>	A redundant revenue quality meter which is identical to and of equal accuracy to the primary revenue quality meter connected at the same metering point which must be certified in accordance with the ISO Tariff.

account, and determining the price for mitigating Congestion for flows on Congested paths. The formula for determining the Congestion Management Charge is set forth in Appendix F, Schedule 1, Part A of this Tariff.

Congestion Revenue

Defined in Appendix BB.

Right (CRR)

Congestion Zone

A Zone identified as an Active Zone in Appendix I of the ISO Tariff.

Connected Entity

A Participating TO or any party that owns or operates facilities that are electrically interconnected with the ISO Controlled Grid.

Constrained Output

Generating resources with only two viable operating states: (a) off-line or (b) operating at their maximum output level.

Generation

Constraints

Physical and operational limitations on the transfer of electrical power through transmission facilities.

Contingency

Disconnection or separation, planned or forced, of one or more components from an electrical system.

Control Area

An electric power system (or combination of electric power systems) to which a common AGC scheme is applied in order to: i) match, at all times, the power output of the Generating Units within the electric power system(s), plus the Energy purchased from entities outside the electric power system(s), minus Energy sold to entities outside the electric power system, with the Demand within the electric power system(s); ii) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

Control Area Gross Load

For the purpose of calculating and billing Minimum Load Costs, Emission Costs Charge and Start-Up Fuel Costs Charge, Control Area Gross Load is all Demand for Energy within the ISO Control Area. Control Area Gross Load shall not include Energy consumed by:

- (a) Station Power that is netted pursuant to Section 10.1.3
- (b) Load that is isolated electrically from the ISO Control Area (*i.e.*, Load that is not synchronized with the ISO Control Area).

<u>Control Area Operator</u>	The person responsible for managing the real-time operations of a Control Area.
<u>Converted Rights</u>	Those transmission service rights as defined in Section 16.21A.1 of the ISO Tariff.
<u>Core Reliability Services - Demand Charge</u>	A component of the Grid Management Charge that provides for the recovery of the ISO's costs of providing a basic, non-scalable level of reliable operation for the ISO Control Area and meeting regional and national reliability requirements. The formula for determining the Core Reliability Services – Demand Charge is set forth in Appendix F, Schedule 1, Part A of this Tariff.
<u>Core Reliability Services – Energy Export Charge</u>	A component of the Grid Management Charge that provides for the recovery of the ISO's costs of providing a basic, non-scalable level of reliable operation for the ISO Control Area and meeting regional and national reliability requirements. The formula for determining the Core Reliability Services – Energy Exports Charge is set forth in Appendix F, Schedule 1, Part A of this Tariff.
<u>CPUC</u>	The California Public Utilities Commission, or its successor.
<u>CRR Holder</u>	As defined in Appendix BB.
<u>Critical Protective System</u>	Facilities and sites with protective relay systems and Remedial Action Schemes that the ISO determines may have a direct impact on the ability of the ISO to maintain system security and over which the ISO exercises Operational Control.
<u>CTC (Competition Transition Charge)</u>	A non-bypassable charge that is the mechanism that the California Legislature and the CPUC mandated to permit recovery of costs stranded as a result of the shift to the new market structure.
<u>Curtable Demand</u>	Demand from a Participating Load that can be curtailed at the direction of the ISO in the real-time Dispatch of the ISO Controlled Grid. Scheduling Coordinators with Curtable Demand may offer it to the ISO to meet Non-Spinning Reserve or Replacement Reserve requirements.
<u>Day 0</u>	The Trading Day to which the Settlement Statement or Settlement

**Low Voltage Wheeling
Access Charge**

The Wheeling Access Charge associated with the recovery of a Participating TO's Low Voltage Transmission Revenue Requirement in accordance with Section 26.1.

Maintenance Outage

A period of time during which an Operator (i) takes its transmission facilities out of service for the purposes of carrying out routine planned maintenance, or for the purposes of new construction work or for work on de-energized and live transmission facilities (e.g., relay maintenance or insulator washing) and associated equipment; or (ii) limits the capability of or takes its Generating Unit or System Unit out of service for the purposes of carrying out routine planned maintenance, or for the purposes of new construction work.

Market Behavior Rules

Those rules established by FERC under Docket No. EL01-118.

Market Clearing Price

The price in a market at which supply equals Demand. All Demand prepared to pay at least this price has been satisfied and all supply prepared to operate at or below this price has been purchased.

Market Manipulation

Has the meaning set forth in Section 37.7.

Market Monitoring Unit

The component of the ISO organization (currently the "Department of Market Monitoring") that is assigned responsibility in the first instance for the functions of a Market Monitoring Unit, as that term is used in Docket No. EL01-118.

Market Participant

An entity, including a Scheduling Coordinator, who either: (1) participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid; or (2) is a CRR Holder or Candidate CRR Holder.

**Market Surveillance
Committee (MSC)**

The committee established under Appendix P.2.

ISO TARIFF APPENDIX BB

Prior to the date that the CAISO Tariff as filed in FERC Docket No. ER06-615 shall become effective, the CAISO will continue to operate as provided in the ISO Tariff in effect prior to such time. For purposes of activity related to the preparation for allocation, auction and transfer of Congestion Revenue Rights, the CAISO shall operate pursuant to this Appendix BB. This Appendix BB is included in the CAISO Tariff to set forth temporary provisions that are derived from conditionally accepted the CAISO Tariff in FERC Docket ER06-615 that enable the CAISO to implement certain activities in preparation of its first annual and monthly CRR Allocation and CRR Auction. These provisions enable the CAISO to: 1) register and qualify entities that intend to participate in the CRR Allocation, CRR Auction, or to transfer and obtain allocated or awarded CRRs through the Secondary Registration System; 2) provide to Market Participants any relevant information to enable such parties to participate in the CRR Allocation, CRR Auction or the Secondary Registration System; 3) obtain from Candidate CRR Holders eligible to participate in the CRR Allocation information necessary to verify the load metric that is eligible for allocation of CRRs; and 4) obtain from Participating TOs, entities that have TORs, and New Participating TOs the Transmission Rights and Transmission Curtailment Instructions that will be used to validate ETC, TOR and Converted Rights Self-Schedules submitted consistent with such rights as well as to model usage under such rights in the allocation and auction of CRRs.

This Appendix BB, therefore, does not replace or supersede the provisions contained in the ISO Tariff in effect prior to the effective date of the version of the tariff as filed and accepted in FERC Docket ER06-615, which will continue to apply until such time that the tariff provisions as filed and finally approved in Docket ER06-615 become fully effective. When all the provisions as filed and conditionally accepted in Docket ER06-615 become fully effective the CAISO will conform its tariff accordingly.

PART A. INFORMATION TO BE PROVIDED BY THE CAISO TO MARKET PARTICIPANTS.

The provisions of this Part A are necessary to enable the CAISO to provide information to Market Participants, Candidate CRR Holders, and CRR Holders that will enable entities to prepare for participation in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

6.5.1 Communication With Market Participants, Congestion Revenue Rights Participants, and the Public.

6.5.1.1 Market Participants With Non-Disclosure Agreements.

6.5.1.1.1 Annually, the CAISO shall provide information that will include, but is not limited to, the following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR Allocation and CRR Auction that are published prior to the CRR Allocation and CRR Auction.

6.5.1.1.2 Monthly, the CAISO shall provide information that will include, but is not limited to, the following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR Allocation and CRR Auction that is published prior to the CRR Allocation and CRR Auction.

6.5.1.2 CRR Participants Without Non-Disclosure Agreements.

6.5.1.2.1 Annually, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the annual allocation or auction.

6.5.1.2.2 Monthly, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the monthly CRR Allocation or CRR Auction.

6.5.1.3 Public Market Information.

6.5.1.3.1 Annually, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source name;
- (d) CRR Sink name;
- (e) CRR start and end dates;
- (f) Cleared CRR MW values; and
- (g) Market Clearing Price for CRRs obtained in the CRR Auction.

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source name;
- (d) CRR Sink name;
- (e) CRR start and end dates;
- (f) Cleared CRR MW values; and
- (g) Clearing price for CRRs obtained in the CRR Auction.

6.5.1.3.3 Seasonally, the CAISO shall publish the following information including, but not limited to:

- (a) Set of LDFs that represent typical seasonal on-peak and off-peak values, not used for Settlements, before the new season.

PART B. TRANSMISSION RIGHTS AND TRANSMISSION CURTAILMENT (TRTC)
INSTRUCTIONS

The provisions of this Part B are necessary to enable the CAISO to collect and implement the Transmission Rights and Transmission Curtailment Instructions that will be used to model ETCs, TORs, and Converted Rights in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

4.3.1.2.1 New Participating TOs shall complete TRTC Instructions together with any Original Participating TO as provided in Section 16.4.5 of this Appendix.

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 CAISO 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 right 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; and
- (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.

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 of this Appendix.

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 of this Appendix.

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 ISO 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 ISO ADR Procedures.

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. TOR holders and any other parties holding joint ownership interests and Entitlements in facilities including TORs shall also be responsible to submit to the CAISO any other necessary operating instructions based on their interpretations of the agreements applicable to those TORs and joint ownership interests and Entitlements needed by the CAISO to enable the CAISO to perform its duties.

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 (TOR reference number or 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 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 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); and
- (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.

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 of this Appendix.

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 ISO 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 ISO ADR Procedures.

PART C. DETERMINATION OF LOAD ELIGIBLE FOR PARTICIPATION IN CRR ALLOCATION

In preparation for the first annual CRR Allocation to be held in 2007 prior to the date on which the version of the CAISO Tariff as filed and accepted in FERC Docket No. ER06-615 shall become effective, the CAISO will determine a Candidate CRR Holder's load eligibility for allocation of CRRs in the annual and monthly CRR Allocation as follows.

36.8.2 Load Eligible for CRRs and Eligible CRR Sinks.

An LSE serving internal Load is eligible for CRRs up to its Seasonal or Monthly CRR Eligible Quantity, which is derived from its Seasonal or Monthly CRR Load Metric as follows. These quantities are calculated for each LSE separately for each combination of season and time of use period for the annual process, and for each time of use period for each monthly process, and for each CRR Sink at which the eligible LSE serves Load. MSS eligibility for CRRs will account for net or gross MSS settlement in accordance with Section 4.9.13.1 of this Appendix. If the MSS elects net settlement, LSEs for such MSS Load shall submit CRR Sink nominations at the MSS LAP, and if the MSS elects for gross settlement LSEs for such MSS Load shall submit CRRs Sink nominations at the applicable Default LAP. Load that is Pumped-Storage Hydro Units but is not Participating Load may be scheduled and settled at a PNode or Custom Load Aggregation Point and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode or Custom Load Aggregation Point. Load that is a Participating Load that is also aggregated is scheduled and settled at a Custom Load Aggregation Point that is customized specifically for such Load and, therefore, LSEs for such Participating Load shall submit CRR Sink nominations at the Custom Load Aggregation Point. Load that is Participating Load is scheduled and settled at an individual PNode, and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode. Load that is non-Participating Load, is not Pumped-Storage Hydro Units, and is not Load associated with ETCs, TORs, or MSS that elects net settlement, is scheduled and settled at the Default LAP. Therefore, LSEs for such Load shall submit CRR Sink nominations at their assigned Default LAP or Default LAPs if the Load they serve is located in more than one Default LAP. In tier 3 of the annual process and tier 2 of

the monthly process, such LSEs may also submit CRR Sink nominations at a sub-LAP of their assigned Default LAP.

36.8.2.1 Seasonal CRR Eligible Quantity.

The CAISO constructs load duration curves for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. An LSE's Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's historical Load data. In the event that the LSE has lost or gained net Load through Load migration during the course of the prior year, the historical load data will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE's Seasonal CRR Eligible Quantity by subtracting from that LSE's Seasonal CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights, and multiplying the result by 0.75.

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted monthly load forecast to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each LAP in which the LSE serves Load. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights.

36.8.6 Load Forecasts Used to Calculate CRR MW Eligibility.

The CAISO will work closely with appropriate state and Local Regulatory Authorities and agencies to ensure that historical load data and load forecasts used to establish CRR Eligible Quantities are consistent with the data and forecasts used to establish resource adequacy requirements.

36.9 CRR Allocation to LSEs serving External Load.

LSEs serving Load outside the CAISO Control Area who wish to nominate and be allocated CRR Obligations in the same annual and monthly allocation processes described in Section 36.8.2 of this Appendix may do so subject to the provisions of this Section. LSEs serving load outside the CAISO Control Area may participate in the CRR Allocation processes and be allocated CRRs to the extent that: (1) such LSEs makes a showing of legitimate need for the CRRs nominated; (2) such entities pre-pay the appropriate Wheeling Access Charge in the amount of MWs of CRRs nominated; (3) the nominated CRRs clear the relevant SFTs; and (4) the external load for which CRRs are nominated is not served through an ETC, TOR or Converted Rights which as been designated as eligible to receive the reversal of Congestion Charges. Such LSEs that participate in the CRR Allocation processes will be subject to the applicable rules governing the tiered structure of these processes. All CRRs allocated under the terms of this Section 36.9 will be CRR Obligations.

36.9.1 Showing of Legitimate Need.

LSEs serving load outside the CAISO Control Area must make a showing to the CAISO of legitimate need for the CRRs requested. The determination of legitimate need will be based on demonstration of an existing contract for Generation internal to the CAISO Control Area that covers the time period of the CRRs nominated, or ownership of a Generating Unit internal to the CAISO Control Area.

36.9.2 Prepayment of Wheeling Access Charges.

LSEs serving load outside the CAISO Control Area will be required to prepay relevant Wheeling Access Charges in order to participate in the CRR Allocation processes and be allocated CRRs. For each MW of CRR nominated the nominating LSE must prepay one MW of the relevant Wheeling Access Charge, which equals the per-MWh WAC that is expected at the time the CRR Allocation process is conducted to be applicable for the period of the CRR nominated, times the number of hours comprising the period of

the CRR nominated. To the extent that an LSE prepays a quantity of the WAC and is not allocated the full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within a reasonable time following the completion of the relevant CRR Allocation process.

36.9.2.1 Prepayment of Wheeling Access Charges for Long Term CRRs.

An entity serving load outside the CAISO Control Area that wants to nominate an allocated Seasonal CRR as a Long Term CRR must execute a contract with the CAISO committing the entity to make annual Wheeling Access Charge payments for each year of the term of a Long Term CRR. Each year's payment will be made at the beginning of the annual CRR Allocation process for the following year.

36.9.3 CRR Eligible Quantities.

The CAISO will calculate the Seasonal and Monthly CRR Eligible Quantities for LSEs serving external Load as described in Section 36.8.2 of this Appendix with the following modifications. The load data submitted by the load serving entity serving external load from which the CAISO will construct load duration curves for determining the Seasonal and Monthly CRR Eligible Quantities must reflect the load serving entity's historical hourly exports at the Scheduling Point that is the CRR Sink of the nominated CRRs. Load serving entities serving external load that wish to nominate multiple Scheduling Points as CRR Sinks in the allocation process will have distinct CRR Eligible Quantities for each nominated Scheduling Point, and must submit historical hourly export data at each such Scheduling Point from which the CAISO will calculate the associated CRR Eligible Quantities.

36.9.4 Eligible Sources and Sinks.

Eligible CRR Sources will be the PNodes of the Generating Units for which the load serving entity serving external load has made a legitimate need showing as described above. Eligible CRR Sinks will be the Scheduling Points for which the CAISO has established CRR Eligible Quantities based on the LSE's submitted historical hourly export data. Entities serving load external to the CAISO Control Area requesting CRRs whose CRR Source is a specific Generating Unit will be limited to seventy-five percent (75%) of that Generating Unit's PMax in Tiers 1 and 2 of the annual CRR Allocation process in CRR Year One.

36.10 CRR Allocation to Metered Subsystems.

An MSS that elects gross settlement may participate in the CRR Allocation processes and be allocated CRR Obligations. An MSS Operator that elects net settlement may participate in the CRR Allocation processes and be allocated CRRs, except that its CRR Eligible Quantities will reflect its net load and its allocated CRRs will use MSS-LAPs as CRR Sinks. The MSS will be required to submit to the CAISO the appropriate hourly historical net load data and net load forecast data from which the CAISO will construct net Load duration curves to determine the CRR Eligible Quantities.

4.9.13.1 Gross or Net Settlement.

An MSS Operator has the option to settle with the CAISO on either a gross basis or a net basis for its Load and generating resources. This election shall be made annually for a period consistent with annual CRR Allocation. If the MSS Operator elects net settlement, then CRRs would be allocated on MSS net Load and the MSS may choose the MSS LAP as its CRR Sink in the first tiers of CRR Allocation. If the MSS Operator elects gross settlement, then CRRs would be allocated on a gross load basis and the MSS may not choose the MSS LAPs as its CRR Sink in the first tiers of CRR Allocation.

PART D. CANDIDATE CRR HOLDER AND CRR HOLDER REQUIREMENTS

The provisions of this Part D are necessary to enable the CAISO to register and certify Candidate CRR Holders in advance of their participation in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, or the Secondary Registration System.

36.5.1 Creditworthiness Requirements.

All CRR Holders and Candidate CRR Holders must comply fully with all creditworthiness requirements as provided in Section 12 of the CAISO Tariff and Section 12.6 of this Appendix and as further developed in the applicable Business Practice Manuals.

36.5.2 Required Training.

CRR Holders and Candidate CRR Holders must attend a training class at least once prior to participating in the CRR Allocations or CRR Auctions. The CAISO may update training requirements annually or on an as-needed basis.

4.10 Candidate CRR Holder and CRR Holder Registration.

Only entities that are registered and qualified as a Candidate CRR Holder or CRR Holder shall: 1) submit nominations to CRR Allocations; 2) submit bids to CRR Auctions; and 3) register as a CRR Holder through the Secondary Registration System. In order to be registered and qualified as Candidate CRR Holders or CRR Holders, entities must have met the all of the requirements specified in this Section 4.10.

4.10.1 Procedure to Become a Candidate CRR Holder.

4.10.1.1 Candidate CRR Holder Application.

To become a Candidate CRR Holder, a Candidate CRR Holder applicant must submit a completed written application, as provided in the applicable form posted on the CAISO Website, to the CAISO by mail, or in person. A Candidate CRR Holder applicant may retrieve the application and necessary information from the CAISO Website.

4.10.1.2 CAISO Information.

The CAISO will provide the following information, in its most current form, on the CAISO Website and, upon request by a Candidate CRR Holder applicant, the CAISO will send the requested information by electronic mail:

- (a) the Candidate CRR Holder application form;
- (b) the CAISO Tariff and Business Practice Manuals; and
- (c) an application for an Unsecured Credit Limit for Candidate CRR Holder applicants requesting an Unsecured Credit Limit in lieu of another form of Financial Security.

4.10.1.3 Candidate CRR Holder Applicant Submits Application.

At least 60 days before the proposed commencement of the CRR Allocation or CRR Auction, or the effective date of the CRR transfer through the Secondary Registration System, in which a Candidate CRR Holder desires to participate as applicable, the Candidate CRR Holder applicant must return a completed application form with the non-refundable application fee set by the CAISO Governing Board to cover the application processing costs and the costs of furnishing the CAISO Tariff and other documents.

4.10.1.4 Notice of Receipt.

Within three (3) Business Days of receiving the application, the CAISO will send a written notification to the Candidate CRR Holder applicant that it has received the application and the non-refundable fee.

4.10.1.5 CAISO Review of Application.

Within ten (10) Business Days after receiving an application, the CAISO will notify the Candidate CRR Holder applicant whether the Candidate CRR Holder applicant has fulfilled all necessary information as set forth in Section 4.10.1 of this Appendix. If the Candidate CRR Holder applicant fails to fulfill all application requirements within a year from the date that the CAISO acknowledges receipt of the Candidate CRR Holder application, the application will be nullified and the applicant will be required to resubmit a new application in order to reinstate its status as a Candidate CRR Holder applicant.

4.10.1.5.1 Information Requirements.

The Candidate CRR Holder applicant must submit with its application:

- (a) the proposed date for commencement of the CRR Allocation, CRR Auction or Secondary Registration System in which the applicant intends to qualify to participate, which may not be less than sixty (60) days after the date the application was filed, unless waived by the CAISO;

- (b) Financial Security information as set forth in Section 12.1 of the ISO Tariff and Section 12.6 of this Appendix;
- (c) proof of completion of CRR training or expected completion of CRR training; and
- (d) the prescribed non-refundable application fee.

4.10.1.5.2 Candidate CRR Holder Load Serving Entity Certifications.

A Candidate CRR Holder applicant that intends to obtain CRRs through the CRR Allocation process must certify that it qualifies as a Load Serving Entity as defined in the CAISO Tariff. A Candidate CRR Holder applicant that intends to participate in the CRR Allocation for load it serves located outside the CAISO Control Area must certify that it qualifies as that load's load serving entity and prior to actual participation in the CRR Allocation will also be required to fulfill the requirements in Section 36.9 of this Appendix.

4.10.1.6 Deficient Application.

In the event that the CAISO has determined that the Candidate CRR Holder application as submitted is deficient the CAISO will send a written notification of the deficiency to the Candidate CRR Holder applicant within ten (10) Business Days of receipt by the CAISO of the application explaining the deficiency and requesting additional information.

4.10.1.6.1 Candidate CRR Holder Applicant's Additional Information.

Once the CAISO requests additional information, the Candidate CRR Holder applicant has five (5) Business Days, or such longer period as the CAISO may agree, to provide the additional material requested by the CAISO.

4.10.1.6.2 No Response from Candidate CRR Holder Applicant.

If the Candidate CRR Holder applicant does not submit additional information within five (5) Business Days or the longer period referred to in Section 4.10.1.6.1 of this Appendix, the application may be rejected by the CAISO.

4.10.1.7 CAISO Acceptance or Rejection of an Application.

4.10.1.7.1 Acceptance or Rejection Notification.

- (a) If the CAISO accepts the application, it will send a written notification to the Candidate CRR Holder applicant stating that its application has been accepted.
- (b) If the CAISO rejects the application, the CAISO will send a rejection letter stating one or more of the following grounds:
 - i. incomplete information;
 - ii. non-compliance with Financial Security requirements; or
 - iii. non-compliance with any other CAISO Tariff requirements.

Upon request, the CAISO will provide guidance as to how the Candidate CRR Holder applicant can cure the grounds for the rejection.

4.10.1.7.2 Time for Processing Application.

The CAISO will make a decision whether to accept or reject the application within ten (10) Business Days of receipt of the application. If more information is requested, the CAISO will make a final decision within ten (10) Business Days of the receipt of all outstanding or additional information requested.

4.10.1.8 Candidate CRR Holder Applicant's Response.

4.10.1.8.1 Candidate CRR Holder Applicant's Acceptance.

If the CAISO accepts the application, the Candidate CRR Holder applicant must return an executed CRR Entity Agreement and any required letter of credit, guaranty, escrow agreement or other form of Financial Security for the CAISO Security Amount, as applicable.

4.10.1.8.2 Candidate CRR Holder Applicant's Rejection.

4.10.1.8.2.1 Resubmittal.

If a Candidate CRR Holder's application is rejected, the Candidate CRR Holder applicant may resubmit its application at any time. An additional application fee will not be required for the second application submitted within six (6) months after the CAISO's issuance of a rejection.

4.10.1.8.2.2 Appeal.

The Candidate CRR Holder applicant may also appeal against the rejection of an application by the CAISO. An appeal must be submitted within twenty (20) Business Days following the CAISO's issuance of a rejection of its application.

40.10.1.9 Final Registration and Qualification of Candidate CRR Holder Applicant.

4.10.1.9.1 Notice of Completed Registration and Qualification of Candidate CRR Holder.

Once the CAISO has accepted a Candidate CRR Holder applicant's application, the CAISO will provide the Candidate CRR Holder applicant with a final written notice to certify that a Candidate CRR Holder applicant has become a Candidate CRR Holder. The CAISO shall issue such final written notice of full registration and qualification as a Candidate CRR Holder after the CAISO has determined that the Candidate CRR Holder applicant has fully satisfied all the following requirements:

- (a) fully executed a CRR Entity Agreement with the CAISO;
- (b) provided its bank account information and arranged for Fed-Wire transfers;
- (c) met the Financial Security requirements of Section 12.1 of the ISO Tariff and Section 12.6 of this Appendix;
- (d) certified that it has attended required CRR training; and
- (e) obtained and installed any necessary software for communication with the CAISO as necessary.

4.10.1.9.2 Market Notice

The CAISO shall issue a Market Notice stating the new Candidate CRR Holder status.

4.10.2 Candidate CRR Holder's and CRR Holder's Ongoing Obligations After Registration and Qualification.

4.10.2.1 Candidate CRR Holder and CRR Holder Obligation to Report Changes.

4.10.2.1.1 Obligation to Report a Change in Filed Information.

Each Candidate CRR Holder and CRR Holder has an ongoing obligation to inform the CAISO of any changes to any of the information submitted by it to the CAISO as part of its application to become a Candidate CRR Holder, including any changes to the additional information requested by the CAISO. The applicable Business Practice Manual sets forth the procedures for changing the Candidate CRR Holder or CRR Holder information and timing of notifying the CAISO of such changes.

4.10.2.1.2 Obligation to Report a Material Change in Financial Condition.

The Candidate CRR Holder or CRR Holder that has been granted Unsecured Credit Limit has an ongoing obligation to inform the CAISO within five (5) Business Days of any Material Change in Financial Condition including but not limited to credit rating changes described in Section 12.1.1.3 of the CAISO Tariff.

4.10.2.2 Failure to Promptly Report a Material Change.

If a Candidate CRR Holder or CRR Holder fails to inform the CAISO of a material change in its information provided to the CAISO including a Material Change in Financial Condition, that may affect the Financial Security of the CAISO, the CAISO may suspend or terminate the Candidate CRR Holder or CRR Holder's rights under the CAISO Tariff in accordance with the terms of Section 12.3 of the CAISO Tariff and Section 4.10.4.2 of this Appendix, respectively. If the CAISO intends to terminate the Candidate CRR Holder's status, it shall file a notice of termination with FERC in accordance with the terms of the CRR Entity Agreement. Such termination shall be effective upon acceptance by FERC of a notice of termination in accordance with the terms of the CRR Entity Agreement.

4.10.3 Termination of a CRR Entity Agreement.

4.10.3.1 Prior Notice Requirements.

- (a) A CRR Entity Agreement may be terminated by the CAISO on written notice to the Candidate CRR Holder or CRR Holder that is a party to the CRR Entity Agreement in accordance with the terms of the CRR Entity Agreement:
 - (i) if the Candidate CRR Holder or CRR Holder no longer meets the requirements for eligibility set out in Section 4.10 of this Appendix and fails to remedy the default within a period of seven (7) days after the CAISO has given written notice of the default;
 - (ii) if the Candidate CRR Holder or CRR Holder fails to pay any sum under this CAISO Tariff and fails to remedy the default within a period of five (5) Business Days after the CAISO has given written notice of the default; or
 - (iii) if the Candidate CRR Holder or CRR Holder commits any other default under this CAISO Tariff or any of the Business Practice Manuals which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given it written notice of the default.
- (b) The Candidate CRR Holder or CRR Holder may terminate its CRR Entity Agreement in accordance with the provisions of that agreement.
- (c) Upon termination of the CRR Entity Agreement, Candidate CRR Holders or CRR Holders shall continue to be liable for any outstanding financial or other obligations incurred under the CAISO Tariff as a result of their status as a Candidate CRR Holder or CRR Holder.

- (d) The CAISO shall, following termination of a CRR Entity Agreement and within thirty (30) days of being satisfied that no sums remain owing by the Candidate CRR Holder or CRR Holder under the CAISO Tariff, return or release to the Candidate CRR Holder or CRR Holder, as appropriate, any Financial Security support provided by such Candidate CRR Holder or CRR Holder to the CAISO under Section 12.1 of the CAISO Tariff and Section 12.6 of this Appendix.

4.10.3.2 Suspension of Registration and Qualification

Pending FERC acceptance of termination of service pursuant to the filing of a notice of termination of the CRR Entity Agreement, the CAISO will suspend the registration and qualification of a Candidate CRR Holder or CRR Holder that has received a notice of termination under the CRR Entity Agreement and the Candidate CRR Holder will not be able to submit nominations in the CRR Allocation or bids in the CRR Auction, or to register as a CRR Holder in the Secondary Registration System.

12.6.1 Credit Limits for CRR Auctions.

To establish available credit for participating in any CRR Auction, each Candidate CRR Holder must have an Unsecured Credit Limit or have provided Financial Security in a form consistent with Section 12.1.2 of this ISO Tariff. The amount of available credit for participating in a CRR Auction shall not exceed the difference between (i) the value of the Candidate CRR Holder's Unsecured Credit Limit and any Financial Security posted in accordance with Section 12.1.2 of the ISO Tariff and (ii) the Candidate CRR Holder's Estimated Aggregate Liability.

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

The CAISO shall not release any CRR Obligations allocated in a CRR Allocation, awarded in a CRR Auction, or proposed to be transferred to a Candidate CRR Holder through the Secondary Registration System, except upon establishment of an Unsecured Credit Limit or receipt of Financial Security, in a form consistent with this Section 12.1.2 of the ISO Tariff, equal to the value of the net projected obligation of the CRR for the entire term of the CRR. 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 a CRR Auction, the minimum value of the net projected obligation shall be set at the price determined in the CRR Auction. The CAISO may reassess its net projected obligation determinations at any time during the term of the CRR and shall require additional Financial Security if the reassessment results in an increase in a CRR Holder's Estimated Aggregate Liability that is not covered by a CRR Holder's Unsecured Credit Limit or Financial Security.

PART E. PRO FORMA CRR ENTITY AGREEMENT

The provisions of this Part E are necessary to enable the CAISO to establish the terms of a *pro forma* service agreement by which the CASIO will enter into a direct relationship with entities that desire to participate in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

[CONGESTION REVENUE RIGHTS ENTITY]

CRR ENTITY AGREEMENT

CRR ENTITY AGREEMENT

THIS AGREEMENT is dated this ____ day of _____, _____, and is entered into, by and between:

(1) **[Full Legal Name]** having its registered and principal place of business located at **[Address]** (the "CRR Entity");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "CAISO").

The CRR Entity and the CAISO are hereinafter referred to individually as a "Party" and collectively as the "Parties."

Whereas:

- A.** The CAISO Tariff provides that any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the terms of the CAISO Tariff, regardless of whether they are to acquire CRRs through the CRR Allocation or CRR Auction, or through the Secondary Registration System.
- B.** The CRR Entity has completed the Candidate CRR Holder application process and is eligible to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System.
- C.** The CAISO Tariff further provides that any entity who wishes to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System must meet all of the Candidate CRR Holder requirements and creditworthiness provisions in the CAISO Tariff and the relevant Business Practice Manual, including demonstration of its ability to accommodate the financial responsibility associated with holding CRRs.
- D.** The CRR Entity intends to obtain CRRs either through the CRR Allocation or CRR Auction or to register as a CRR Holder through the Secondary Registration System and, therefore, wishes to undertake to the CAISO that it will comply with the applicable provisions of the CAISO Tariff.
- E.** The Parties are entering into this Agreement in order to establish the terms and conditions pursuant to which the CAISO and the CRR Entity will discharge their respective duties and responsibilities under the CAISO Tariff.

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

**ARTICLE I
DEFINITIONS AND INTERPRETATION**

- 1.1 Master Definitions Supplement.** All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement in Appendix A of the CAISO Tariff.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
 - (b) the singular shall include the plural and vice versa;
 - (c) the masculine shall include the feminine and neutral and vice versa;
 - (d) "includes" or "including" shall mean "including without limitation";
 - (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
 - (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
 - (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
 - (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
 - (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
 - (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and
 - (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

**ARTICLE II
ACKNOWLEDGEMENTS OF CRR ENTITY AND CAISO**

- 2.1 Scope of Application to Parties.** The CRR Entity and CAISO acknowledge that all Candidate CRR Holders or CRR Holders must sign this Agreement in accordance with section 4.10.1.9.1 of the CAISO Tariff.

**ARTICLE III
TERM AND TERMINATION**

- 3.1 Effective Date.** This Agreement shall be effective as of the later of the date it is executed by both Parties or the date accepted for filing and made effective by FERC if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.
- 3.2 Termination**
- 3.2.1 Termination by CAISO.** Subject to Article V, the CAISO may terminate this Agreement by giving written notice to the CRR Entity of termination in the event that the CRR Entity commits any material default under this Agreement and/or the CAISO Tariff as it pertains to this Agreement which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the CRR Entity, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement or unless the CAISO agrees, in writing, to an extension of the time to remedy such material default. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.
- 3.2.2 Termination by CRR Entity.** In the event that the CRR Entity is no longer a CRR Holder, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days' written notice; provided, however any outstanding financial right or obligation or any other obligation under the CAISO Tariff of the Candidate CRR Holder or CRR Holder that have arisen while the CRR Entity was a Candidate CRR Holder or a CRR Holder, and any provision of this Agreement necessary to give effect to such right or obligation shall survive until satisfied. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after receipt of such request or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the CRR Entity's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

**ARTICLE IV
GENERAL TERMS AND CONDITIONS**

- 4.1 CRR Holder Requirements.** The CRR Entity must register and qualify with the CAISO and comply with all terms of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders, regardless of the manner in which they acquire CRRs whether by CRR Allocation, CRR Auction, or through the Secondary Registration System.
- 4.2 CRR Holder Creditworthiness Requirements.** The CRR Entity must comply with the requirements for creditworthiness applicable to Candidate CRR Holders or CRR Holders, including the creditworthiness provisions of the CAISO Tariff and the relevant Business Practice Manual.
- 4.3 Settlement Account.** The CRR Entity shall maintain at all times an account with a bank capable of Fed-Wire transfer to which credits or debits shall be made in accordance with the billing and Settlement provisions of Section 11 of the CAISO Tariff. Such account shall be the account referred to in Schedule 2 hereof or as notified by the CRR Entity to the CAISO from time to time by giving at least seven (7) days written notice before the new account becomes operational. Such changes to Schedule 2 shall not constitute an amendment to this Agreement.
- 4.4 Electronic Contracting.** All submitted applications, bids, confirmations, changes to information on file with the CAISO and other communications conducted via electronic transfer (e.g., direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the CAISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the CAISO Tariff as if executed in written format.
- 4.5 Agreement Subject to CAISO Tariff.** The Parties will comply with all provisions of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders. This Agreement shall be subject to the CAISO Tariff, which shall be deemed to be incorporated herein.

**ARTICLE V
PERFORMANCE**

- 5.1 Penalties.** The CRR Entity shall be subject to all penalties made applicable to Candidate CRR Holders and CRR Holders set forth in the CAISO Tariff. Nothing in this Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the CRR Entity to oppose or protest the specific imposition by the CAISO of any FERC-approved penalty on the CRR Entity.
- 5.2 Corrective Measures.** If the CRR Entity of the CAISO fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff as it pertains to this Agreement, the CAISO or the CRR Entity shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the Party seeking enforcement deems to be necessary to correct the situation.

**ARTICLE VI
COSTS**

- 6.1 Operating and Maintenance Costs.** The CRR Entity shall be responsible for all its costs incurred in connection with all its CRR related activities.

**ARTICLE VII
DISPUTE RESOLUTION**

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE VIII
REPRESENTATIONS AND WARRANTIES**

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

**ARTICLE IX
LIABILITY**

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE X
UNCONTROLLABLE FORCES**

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XI
MISCELLANEOUS**

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the

CAISO Tariff and other CAISO Tariff requirements as applied to Candidate CRR Holders or CRR Holders. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 11.2 Notices.** Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes to Schedule 1 shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: (i) any court of the State of California, (ii) any federal court of the United States of America located in the State of California, except to the extent subject to the protections of the Eleventh Amendment of the United States Constitution or, (iii) where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 11.8 Section Headings.** Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall be the "public interest" standard of review rather than the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

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

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[Name of CRR Entity]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

NOTICES

[Section 11.2]

CRR Entity

Name of Primary

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

CAISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

Name of Alternative

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

SCHEDULE 2
SETTLEMENT ACCOUNT
[SECTION 4.3]

CRR Entity Account Information

Settlement Account No:

Title:

Sort Code:

Bank:

PART F. MISCELLANEOUS SECTIONS

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 of this Appendix.

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.

30.5.3.2 Exceptions to Requirement for Submission of Demand Bids and Settlement at the LAP.

The following are exceptions to the requirement that Demand Bids be submitted and settled at the LAP:

- (a) ETC or TOR Self-Schedules submitted consistent with the submitted TRTC Instructions;
- (b) Participating Load Bids for Supply and Demand may be submitted and settled at a PNode; and
- (c) Export Bids are submitted and settled at Scheduling Points, which do not constitute a LAP.

PART G. DEFINITIONS

Unless defined in this Appendix BB or the context otherwise requires, all capitalized terms and expressions used in this Appendix BB shall have the meaning as defined in the Master Definitions Supplement in Appendix A. The following capitalized terms and expressions used in this Appendix BB shall have the meanings set forth below unless otherwise stated or the context otherwise requires. If two or more capitalized terms are used together in a manner not uniquely defined in Appendix A or this Appendix BB, the meanings of each defined term apply.

Aggregated PNodes	A Load Aggregation Point, Trading Hub or any group of Pricing Nodes as defined by the CAISO.
Bid	An offer for the Supply or Demand of Energy or Ancillary Services, including Self-Schedules, submitted by Scheduling Coordinators for specific resources, conveyed through several components that apply differently to the different types of service offered to or demanded from any of the CAISO Markets.
Business Practice Manual (BPM)	A collection of documents made available by the CAISO on the CAISO Website that contain the rules, policies, procedures and guidelines established by the CAISO for operational, planning, accounting and settlement requirements of CAISO Market activities, consistent with the CAISO Tariff.
CAISO	The California Independent System Operator Corporation, a California non-profit public benefit corporation that operates the transmission facilities of all Participating TOs and dispatches certain Generating Units and Loads
CAISO Markets	Any of the markets administered by the CAISO under the CAISO Tariff, including, without limitation, the DAM, HASP, RTM, Transmission, and Congestion Revenue Rights.
Candidate CRR Holder	An entity that is registered and qualified by the CAISO to participate in the CRR Allocation, the CRR Auction or in the Secondary Registration System to become a CRR Holder and is a party to a fully executed CRR Entity Agreement, and therefore must comply with the requirements for Candidate CRR Holders under the CAISO Tariff.

Congestion Charge	A charge attributable to the Marginal Cost of Congestion at a given pricing PNode.
CRR Allocation	The process of nominations and awards held monthly and annually through which the CAISO will distribute CRRs to Candidate CRR Holders.
CRR Auction	The annual and monthly market process that will follow CRR Allocation through which the CAISO makes CRRs available to Candidate CRR Holders that submit offers to purchase CRRs.
CRR Eligible Quantity	The Seasonal CRR Eligible Quantity or the Monthly CRR Eligible Quantity.
CRR Entity Agreement	An agreement between the CAISO and a Candidate CRR Holder or CRR Holder that must be fully executed in order for such an entity to participate in the CRR Allocation, CRR Auction, or Secondary Registration System, a <i>pro forma</i> of which is set forth in Part E of this Appendix.
CRR Holder	A Candidate CRR Holder that has acquired CRR(s) either through the CRR Allocation, the CRR Auction, or through a transaction registered in the Secondary Registration System.
CRR Load Metric	The Seasonal CRR Load Metric or Monthly CRR Load Metric.
CRR Obligations	A financial instrument that entitles the holder to a CRR Payment when Congestion is in the direction of the CRR Source to CRR Sink specification and imposes on its holder a CRR Charge when Congestion is in the opposite direction of the CRR Source to CRR Sink specification.
CRR Payment	A payment from the CAISO to a CRR Holder.
CRR Sink	A PNode or a Trading Hub specified as the point of withdrawal for a Congestion Revenue Right.
CRR Source	A PNode or a Trading Hub specified as the point of receipt for a Congestion Revenue Right.
Custom Load Aggregation Point (Custom LAP)	An aggregation of Load PNodes created by the CAISO based on a set of custom LDFs submitted by an SC, at which such SC may submit a single Bid and settle Demand consistent with the CAISO Tariff rules, and for which the SC is required to submit to the CAISO metered data for the nodal Load represented in such aggregation
Day-Ahead	The twenty-four hour time period prior to the Trading Day.

Day-Ahead Market (DAM)	A series of processes conducted in the Day-Ahead that includes the Market Power Mitigation-Reliability Requirement Determination, the Integrated Forward Market and the Residual Unit Commitment.
Default LAP	The LAP defined for the TAC Area at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 and 30.5.3.2 of this Appendix.
ETC Self-Schedule	Self-Schedules submitted by Scheduling Coordinators pursuant to Existing Rights as reflected in the TRTC Instructions.
Existing Zone Generation Trading Hub	Trading Hubs specifically developed to represent the average price paid to generation resources within Existing Zones.
Existing Zone	Regions formally referred to as NP15, SP15, and ZP26 prior to implementation of the CAISO LMP market design.
Full Network Model (FNM)	A computer-based model that includes all CAISO Control Area transmission network (load and generation) busses, transmission constraints, and interface busses between the CAISO Control Area and adjacent Control Areas. The FNM models the transmission facilities internal to the CAISO Control Area as elements of a looped network and models the CAISO Control Area interties with adjacent Control Areas in a radial fashion.
Hour Ahead Scheduling Process (HASP)	The process conducted by the CAISO beginning at seventy-five minutes prior to the Trading Hour through which the CAISO conducts the following activities: 1) accepts Bids for Supply of Energy, including imports, exports and Ancillary Services imports to be supplied during the next Trading Hour that apply to the MPM-RRD, RTUC, STUC, and RTD; 2) conducts the MPM-RRD on the Bids that apply to the RTUC, STUC, and RTD; and 3) conducts the RTUC for the hourly pre-dispatch of Energy and Ancillary Services.
Integrated Forward Market (IFM)	The pricing run conducted by the CAISO using a security constrained unit commitment in the Day-Ahead Market, after the MPM-RRD process, which includes unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply and Demand Bids.
Load Aggregation Point	A set of Pricing Nodes as specified in Section 27.2 of this Appendix that are used for the submission of Bids and Settlement of Demand.

Load Distribution Factors (LDF)	A number that reflects the relative amount of Load at each PNode within a Load Aggregation Point. Load Distribution Factors determine how the aggregated Load at a given LAP is distributed to the associated power system Nodes. The sum of all Load Distribution Factors for a single Load Aggregation Point equals one.
Long Term CRR	A Congestion Revenue Right differentiated by season and time-of-use period (on-peak and off-peak) with a term of ten years.
Marginal Cost of Congestion (MCC)	The component of LMP at a PNode that accounts for the cost of congestion, as measured between that Node and a Reference Bus.
Marginal Cost of Losses (MCL)	The component of LMP at a PNode that accounts for the marginal real power losses, as measured between that Node and a Reference Bus.
Market Power Mitigation - Reliability Requirement Determination (MPM-RRD)	The two-optimization run process conducted in both the Day-Ahead Market and the HASP that determines the need for the CAISO to employ market power mitigation measures or Dispatch RMR Units.
Monthly CRR Eligible Quantity	The MW quantity of CRRs an LSE is eligible to nominate for the relevant month in a monthly CRR Allocation.
Monthly CRR Load Metric	The MW level of Load on an Load Serving Entity's load duration curve that is exceeded only 0.5% of the time in the relevant month based on Load forecast data.
Pricing Node (PNode)	A single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Market Price is calculated and used for financial settlements.
Pumped-Storage Hydro Units	Hydroelectric dam with capability to produce electricity by pumping water between reservoirs at different elevations.
Real-Time Market (RTM)	The spot market conducted by the CAISO using SCUC and SCED in the Real-Time, after the HASP is completed for the purpose of unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply Bids and CAISO Forecast of CAISO Demand.
Reference Bus	The Location(s) on the CAISO Controlled Grid relative to which mathematical quantities relating to powerflow solution will be calculated.

Residual Unit Commitment (RUC)	The process conducted by the CAISO in the Day-Ahead Market after the IFM has been executed to ensure sufficient Generating Units, System Units, System Resources and Participating Loads are committed to meet the CAISO Forecast of CAISO Demand.
Seasonal CRR	A Congestion Revenue Right that is valid for one season and one time-of-use period in a given year.
Seasonal CRR Eligible Quantity	The MW quantity of CRRs an LSE is eligible to nominate for the relevant season in the annual CRR Allocation.
Seasonal CRR Load Metric	The lowest value among the Monthly CRR Load Metrics for a Load Serving Entity calculated across the relevant season.
Secondary Registration System	The computer interface through which CRR Holders and Candidate CRR Holders register any bilateral CRR transactions with the CAISO.
Self-Schedule	The Bid component that indicates the quantities in MWhs with no specification of a price that the Scheduling Coordinator is submitting to the CAISO, which indicates that the Scheduling Coordinator is a Price Taker, Regulatory Must-Run Generation or Regulatory Must-Take Generation, which includes ETC and TOR Self-Schedules and Self-Schedules for Converted Rights.
Simultaneous Feasibility Test ("SFT")	The process that the CAISO will conduct to ensure that allocated and auction CRRs do not exceed relevant transmission system constraints.
TOR Self-Schedule	Self-Schedules submitted by Scheduling Coordinators pursuant to Transmission Ownership Rights as reflected in the TRTC Instructions.
Trading Hub	An aggregation of network Pricing Nodes, such as Existing Zone Generation Trading Hubs, maintained and calculated by the CAISO for settlement and trading purposes posted by the CAISO on its CAISO Website.
Transmission Rights and Transmission Curtailment (TRTC) Instructions	Operational directives developed between Existing Rights holders and the Participating TO, submitted to the CAISO by the Participating TO, unless otherwise agreed to by the Participating TO and the Existing Rights holder to facilitate the accommodation of Existing Rights in the CAISO Markets.

Attachment B
Blacklines to S&R Tariff
CRR Implementation Filing

* * *

12 CREDITWORTHINESS.

12.1 Credit Requirements.

The creditworthiness requirements in this section apply to the ISO's acceptance of Schedules, to all transactions in an ISO Market, to the payment of charges pursuant to the ISO Tariff (including the Grid Management Charge), and to establish credit limits for participation in any ISO auction of FTRs or CRRs. Each Market Participant (including each Scheduling Coordinator, UDC, or MSS) or FTR Bidder shall secure its financial transactions with the ISO (including its participation in any auction of FTRs or CRRs) by maintaining an Unsecured Credit Limit and/or by posting Financial Security, the level of which constitutes the Market Participant's or FTR Bidder's Financial Security Amount. For each Market Participant or FTR Bidder, the sum of its Unsecured Credit Limit and its Financial Security Amount shall represent its Aggregate Credit Limit. Each Market Participant or FTR Bidder shall have the responsibility to maintain an Aggregate Credit Limit that is at least equal to its Estimated Aggregate Liability.

* * *

APPENDIX A

Candidate CRR Holder

Defined in Appendix BB

* * *

Congestion Revenue Right (CRR)

Defined in Appendix BB.

* * *

CRR Holder

Defined in Appendix BB.

* * *

Market Participant

An entity, including a Scheduling Coordinator, who either: (1) participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid; or (2) is a CRR Holder or Candidate CRR Holder.

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ISO TARIFF APPENDIX BB

Prior to the date that the CAISO Tariff as filed in FERC Docket No. ER06-615 shall become effective, the CAISO will continue to operate as provided in the ISO Tariff in effect prior to such time. For purposes of activity related to the preparation for allocation, auction and transfer of Congestion Revenue Rights, the CAISO shall operate pursuant to this Appendix BB. This Appendix BB is included in the CAISO Tariff to set forth temporary provisions that are derived from conditionally accepted the CAISO Tariff in FERC Docket ER06-615 that enable the CAISO to implement certain activities in preparation of its first annual and monthly CRR Allocation and CRR Auction. These provisions enable the CAISO to: 1) register and qualify entities that intend to participate in the CRR Allocation, CRR Auction, or to transfer and obtain allocated or awarded CRRs through the Secondary Registration System; 2) provide to Market Participants any relevant information to enable such parties to participate in the CRR Allocation, CRR Auction or the Secondary Registration System; 3) obtain from Candidate CRR Holders eligible to participate in the CRR Allocation information necessary to verify the load metric that is eligible for allocation of CRRs; and 4) obtain from Participating TOs, entities that have TORs, and New Participating TOs the Transmission Rights and Transmission Curtailment Instructions that will be used to validate ETC, TOR and Converted Rights Self-Schedules submitted consistent with such rights as well as to model usage under such rights in the allocation and auction of CRRs.

This Appendix BB, therefore, does not replace or supersede the provisions contained in the ISO Tariff in effect prior to the effective date of the version of the tariff as filed and accepted in FERC Docket ER06-615, which will continue to apply until such time that the tariff provisions as filed and finally approved in Docket ER06-615 become fully effective. When all the provisions as filed and conditionally accepted in Docket ER06-615 become fully effective the CAISO will conform its tariff accordingly.

PART A. INFORMATION TO BE PROVIDED BY THE CAISO TO MARKET PARTICIPANTS.

The provisions of this Part A are necessary to enable the CAISO to provide information to Market Participants, Candidate CRR Holders, and CRR Holders that will enable entities to prepare for participation in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

6.5.1 Communication With Market Participants, Congestion Revenue Rights

Participants, and the Public.

6.5.1.1 Market Participants With Non-Disclosure Agreements.

6.5.1.1.1 Annually, the CAISO shall provide information that will include, but is not limited to, the following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR Allocation and CRR Auction that are published prior to the CRR Allocation and CRR Auction.

6.5.1.1.2 Monthly, the CAISO shall provide information that will include, but is not limited to, the following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR Allocation and CRR Auction that are published prior to the CRR Allocation and CRR Auction.

6.5.1.2 CRR Participants Without Non-Disclosure Agreements.

6.5.1.2.1 Annually, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the annual CRR Allocation or CRR Auction.

6.5.1.2.2 Monthly, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the monthly CRR Allocation or CRR Auction.

6.5.1.3 Public Market Information.

6.5.1.3.1 Annually, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source name;
- (d) CRR Sink name;
- (e) CRR start and end dates;
- (f) Cleared CRR MW values; and
- (g) Market Clearing Price for CRRs obtained in the CRR Auction.

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source name;
- (d) CRR Sink name;
- (e) CRR start and end dates;
- (f) Cleared CRR MW values; and

(g) Market Clearing Price for CRRs obtained in the CRR Auction.

6.5.1.3.3 Seasonally, the CAISO shall publish the following information including, but not limited to:

(a) Set of LDFs that represent typical seasonal on-peak and off-peak values, not used for Settlements, before the new season.

PART B. TRANSMISSION RIGHTS AND TRANSMISSION CURTAILMENT (TRTC)

INSTRUCTIONS

The provisions of this Part B are necessary to enable the CAISO to collect and implement the Transmission Rights and Transmission Curtailment Instructions that will be used to model ETCs, TORs, and Converted Rights in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

4.3.1.2.1 New Participating TOs shall complete TRTC Instructions together with any Original Participating TO as provided in Section 16.4.5 of this Appendix.

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 CAISO 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 right 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; and

- (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.

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 of this Appendix.

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 of this Appendix.

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 ISO 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 ISO ADR Procedures.

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. TOR holders and any other parties holding joint ownership interests and Entitlements in facilities including TORs shall also be responsible to submit to the CAISO any other necessary operating instructions based on their interpretations of the agreements applicable to those TORs and joint ownership interests and Entitlements needed by the CAISO to enable the CAISO to perform its duties.

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 (TOR reference number or 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 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 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); and

(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.

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 of this Appendix.

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 ISO 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 ISO ADR Procedures.

PART C. DETERMINATION OF LOAD ELIGIBLE FOR PARTICIPATION IN CRR ALLOCATION

In preparation for the first annual CRR Allocation to be held in 2007 prior to the date on which the version of the CAISO Tariff as filed and accepted in FERC Docket No. ER06-615 shall become effective, the CAISO will determine a Candidate CRR Holder's load eligibility for allocation of CRRs in the annual and monthly CRR Allocation as follows.

36.8.2 Load Eligible for CRRs and Eligible CRR Sinks.

An LSE serving internal Load is eligible for CRRs up to its Seasonal or Monthly CRR Eligible Quantity, which is derived from its Seasonal or Monthly CRR Load Metric as follows. These quantities are calculated for each LSE separately for each combination of season and time of use period for the annual process, and for each time of use period for each monthly process, and for each CRR Sink at which the eligible LSE serves Load. MSS eligibility for CRRs will account for net or gross MSS settlement in accordance with Section 4.9.13.1 of this Appendix. If the MSS elects net settlement, LSEs for such MSS Load shall submit CRR Sink nominations at the MSS LAP, and if the MSS elects for gross settlement LSEs for such MSS Load shall submit CRRs Sink nominations at the applicable Default LAP. Load that is Pumped-Storage Hydro Units but is not Participating Load may be scheduled and settled at a PNode or Custom Load Aggregation Point and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode or Custom Load Aggregation Point. Load that is a Participating Load that is also aggregated is scheduled and settled at a Custom Load Aggregation Point that is customized specifically for such Load and, therefore, LSEs for such Participating Load shall submit CRR Sink nominations at the

Custom Load Aggregation Point. Load that is Participating Load is scheduled and settled at an individual PNode, and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode. Load that is non-Participating Load, is not Pumped-Storage Hydro Units, and is not Load associated with ETCs, TORs, or MSS that elects net settlement, is scheduled and settled at the Default LAP. Therefore, LSEs for such Load shall submit CRR Sink nominations at their assigned Default LAP or Default LAPs if the Load they serve is located in more than one Default LAP. In tier 3 of the annual process and tier 2 of the monthly process, such LSEs may also submit CRR Sink nominations at a sub-LAP of their assigned Default LAP.

36.8.2.1 Seasonal CRR Eligible Quantity.

The CAISO constructs load duration curves for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. An LSE's Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's historical Load data. In the event that the LSE has lost or gained net Load through Load migration during the course of the prior year, the historical load data will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE's Seasonal CRR Eligible Quantity by subtracting from that LSE's Seasonal CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights, and multiplying the result by 0.75.

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted monthly load forecast to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each LAP in which the LSE serves Load. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted Rights.

36.8.6 Load Forecasts Used to Calculate CRR MW Eligibility.

The CAISO will work closely with appropriate state and Local Regulatory Authorities and agencies to ensure that historical load data and load forecasts used to establish CRR Eligible Quantities are consistent with the data and forecasts used to establish resource adequacy requirements.

36.9 CRR Allocation to LSEs serving External Load.

LSEs serving Load outside the CAISO Control Area who wish to nominate and be allocated CRR Obligations in the same annual and monthly allocation processes described in Section 36.8.2 of this Appendix may do so subject to the provisions of this Section. LSEs serving load outside the CAISO Control Area may participate in the CRR Allocation processes and be allocated CRRs to the extent that: (1) such LSEs makes a showing of legitimate need for the CRRs nominated; (2) such entities pre-pay the appropriate Wheeling Access Charge in the amount of MWs of CRRs nominated; (3) the nominated CRRs clear the relevant SFTs; and (4) the external load for which CRRs are nominated is not served through an ETC, TOR or Converted Rights which as been designated as eligible to receive the reversal of Congestion Charges. Such LSEs that participate in the CRR Allocation processes will be subject to the applicable rules governing the tiered structure of these processes. All CRRs allocated under the terms of this Section 36.9 will be CRR Obligations.

36.9.1 Showing of Legitimate Need.

LSEs serving load outside the CAISO Control Area must make a showing to the CAISO of legitimate need for the CRRs requested. The determination of legitimate need will be based on demonstration of an existing contract for Generation internal to the CAISO Control Area that covers the time period of the CRRs nominated, or ownership of a Generating Unit internal to the CAISO Control Area.

36.9.2 Prepayment of Wheeling Access Charges.

LSEs serving load outside the CAISO Control Area will be required to prepay relevant Wheeling Access Charges in order to participate in the CRR Allocation processes and be allocated CRRs. For each MW of CRR nominated the nominating LSE must prepay one MW of the relevant Wheeling Access Charge, which equals the per-MWh WAC that is expected at the time the CRR Allocation process is conducted to be applicable for the period of the CRR nominated, times the number of hours comprising the period of the CRR nominated. To the extent that an LSE prepays a quantity of the WAC and is not allocated the

full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within a reasonable time following the completion of the relevant CRR Allocation process.

36.9.2.1 Prepayment of Wheeling Access Charges for Long Term CRRs.

An entity serving load outside the CAISO Control Area that wants to nominate an allocated Seasonal CRR as a Long Term CRR must execute a contract with the CAISO committing the entity to make annual Wheeling Access Charge payments for each year of the term of a Long Term CRR. Each year's payment will be made at the beginning of the annual CRR Allocation process for the following year.

36.9.3 CRR Eligible Quantities.

The CAISO will calculate the Seasonal and Monthly CRR Eligible Quantities for LSEs serving external Load as described in Section 36.8.2 of this Appendix with the following modifications. The load data submitted by the load serving entity serving external load from which the CAISO will construct load duration curves for determining the Seasonal and Monthly CRR Eligible Quantities must reflect the load serving entity's historical hourly exports at the Scheduling Point that is the CRR Sink of the nominated CRRs. Load serving entities serving external load that wish to nominate multiple Scheduling Points as CRR Sinks in the allocation process will have distinct CRR Eligible Quantities for each nominated Scheduling Point, and must submit historical hourly export data at each such Scheduling Point from which the CAISO will calculate the associated CRR Eligible Quantities.

36.9.4 Eligible Sources and Sinks.

Eligible CRR Sources will be the PNodes of the Generating Units for which the load serving entity serving external load has made a legitimate need showing as described above. Eligible CRR Sinks will be the Scheduling Points for which the CAISO has established CRR Eligible Quantities based on the LSE's submitted historical hourly export data. Entities serving load external to the CAISO Control Area requesting CRRs whose CRR Source is a specific Generating Unit will be limited to seventy-five percent (75%) of that Generating Unit's PMax in Tiers 1 and 2 of the annual CRR Allocation process in CRR Year One.

36.10 CRR Allocation to Metered Subsystems.

An MSS that elects gross settlement may participate in the CRR Allocation processes and be allocated CRR Obligations. An MSS Operator that elects net settlement may participate in the CRR Allocation processes and be allocated CRRs, except that its CRR Eligible Quantities will reflect its net load and its allocated CRRs will use MSS-LAPs as CRR Sinks. The MSS will be required to submit to the CAISO the appropriate hourly historical net load data and net load forecast data from which the CAISO will construct net Load duration curves to determine the CRR Eligible Quantities.

4.9.13.1 Gross or Net Settlement.

An MSS Operator has the option to settle with the CAISO on either a gross basis or a net basis for its Load and generating resources. This election shall be made annually for a period consistent with annual CRR Allocation. If the MSS Operator elects net settlement, then CRRs would be allocated on MSS net Load and the MSS may choose the MSS LAP as its CRR Sink in the first tiers of CRR Allocation. If the MSS Operator elects gross settlement, then CRRs would be allocated on a gross load basis and the MSS may not choose the MSS LAPs as its CRR Sink in the first tiers of CRR Allocation.

PART D. CANDIDATE CRR HOLDER AND CRR HOLDER REQUIREMENTS

The provisions of this Part D are necessary to enable the CAISO to register and certify Candidate CRR Holders in advance of their participation in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, or the Secondary Registration System.

36.5.1 Creditworthiness Requirements.

All CRR Holders and Candidate CRR Holders must comply fully with all creditworthiness requirements as provided in Section 12 of the CAISO Tariff and Section 12.6 of this Appendix and as further developed in the applicable Business Practice Manuals.

36.5.2 Required Training.

CRR Holders and Candidate CRR Holders must attend a training class at least once prior to participating in the CRR Allocations or CRR Auctions. The CAISO may update training requirements annually or on an as-needed basis.

4.10 Candidate CRR Holder and CRR Holder Registration.

Only entities that are registered and qualified as a Candidate CRR Holder or CRR Holder shall: 1) submit nominations to CRR Allocations; 2) submit bids to CRR Auctions; and 3) register as a CRR Holder through the Secondary Registration System. In order to be registered and qualified as Candidate CRR Holders or CRR Holders, entities must have met the all of the requirements specified in this Section 4.10.

4.10.1 Procedure to Become a Candidate CRR Holder.

4.10.1.1 Candidate CRR Holder Application.

To become a Candidate CRR Holder, a Candidate CRR Holder applicant must submit a completed written application, as provided in the applicable form posted on the CAISO Website, to the CAISO by mail, or in person. A Candidate CRR Holder applicant may retrieve the application and necessary information from the CAISO Website.

4.10.1.2 CAISO Information.

The CAISO will provide the following information, in its most current form, on the CAISO Website and, upon request by a Candidate CRR Holder applicant, the CAISO will send the requested information by electronic mail:

_____ (a) the Candidate CRR Holder application form;

_____ (b) the CAISO Tariff and Business Practice Manuals; and

(c) an application for an Unsecured Credit Limit for Candidate CRR Holder applicants requesting an Unsecured Credit Limit in lieu of another form of Financial Security.

4.10.1.3 Candidate CRR Holder Applicant Submits Application.

At least 60 days before the proposed commencement of the CRR Allocation or CRR Auction, or the effective date of the CRR transfer through the Secondary Registration System, in which a Candidate CRR Holder desires to participate as applicable, the Candidate CRR Holder applicant must return a completed application form with the non-refundable application fee set by the CAISO Governing Board to cover the application processing costs and the costs of furnishing the CAISO Tariff and other documents.

4.10.1.4 Notice of Receipt.

Within three (3) Business Days of receiving the application, the CAISO will send a written notification to the Candidate CRR Holder applicant that it has received the application and the non-refundable fee.

4.10.1.5 CAISO Review of Application.

Within ten (10) Business Days after receiving an application, the CAISO will notify the Candidate CRR Holder applicant whether the Candidate CRR Holder applicant has fulfilled all necessary information as set forth in Section 4.10.1 of this Appendix. If the Candidate CRR Holder applicant fails to fulfill all application requirements within a year from the date that the CAISO acknowledges receipt of the Candidate CRR Holder application, the application will be nullified and the applicant will be required to resubmit a new application in order to reinstate its status as a Candidate CRR Holder applicant.

4.10.1.5.1 Information Requirements.

The Candidate CRR Holder applicant must submit with its application:

(a) the proposed date for commencement of the CRR Allocation, CRR Auction or Secondary Registration System in which the applicant intends to qualify to

participate, which may not be less than sixty (60) days after the date the application was filed, unless waived by the CAISO;

(b) Financial Security information as set forth in Section 12.1 of the ISO Tariff and Section 12.6 of this Appendix;

(c) proof of completion of CRR training or expected completion of CRR training; and

(d) the prescribed non-refundable application fee.

4.10.1.5.2 Candidate CRR Holder Load Serving Entity Certifications.

A Candidate CRR Holder applicant that intends to obtain CRRs through the CRR Allocation process must certify that it qualifies as a Load Serving Entity as defined in the CAISO Tariff. A Candidate CRR Holder applicant that intends to participate in the CRR Allocation for load it serves located outside the CAISO Control Area must certify that it qualifies as that load's load serving entity and prior to actual participation in the CRR Allocation will also be required to fulfill the requirements in Section 36.9 of this Appendix.

4.10.1.6 Deficient Application.

In the event that the CAISO has determined that the Candidate CRR Holder application as submitted is deficient the CAISO will send a written notification of the deficiency to the Candidate CRR Holder applicant within ten (10) Business Days of receipt by the CAISO of the application explaining the deficiency and requesting additional information.

4.10.1.6.1 Candidate CRR Holder Applicant's Additional Information.

Once the CAISO requests additional information, the Candidate CRR Holder applicant has five (5) Business Days, or such longer period as the CAISO may agree, to provide the additional material requested by the CAISO.

4.10.1.6.2 No Response from Candidate CRR Holder Applicant.

If the Candidate CRR Holder applicant does not submit additional information within five (5) Business Days or the longer period referred to in Section 4.10.1.6.1 of this Appendix, the application may be rejected by the CAISO.

4.10.1.7 CAISO Acceptance or Rejection of an Application.

4.10.1.7.1 Acceptance or Rejection Notification.

(a) If the CAISO accepts the application, it will send a written notification to the Candidate CRR Holder applicant stating that its application has been accepted.

(b) If the CAISO rejects the application, the CAISO will send a rejection letter stating one or more of the following grounds:

i. incomplete information;

ii. non-compliance with Financial Security requirements; or

iii. non-compliance with any other CAISO Tariff requirements.

Upon request, the CAISO will provide guidance as to how the Candidate CRR Holder applicant can cure the grounds for the rejection.

4.10.1.7.2 Time for Processing Application.

The CAISO will make a decision whether to accept or reject the application within ten (10) Business Days of receipt of the application. If more information is requested, the CAISO will make a final decision within ten (10) Business Days of the receipt of all outstanding or additional information requested.

4.10.1.8 Candidate CRR Holder Applicant's Response.

4.10.1.8.1 Candidate CRR Holder Applicant's Acceptance.

If the CAISO accepts the application, the Candidate CRR Holder applicant must return an executed CRR Entity Agreement and any required letter of credit, guaranty, escrow agreement or other form of Financial Security for the CAISO Security Amount, as applicable.

4.10.1.8.2 Candidate CRR Holder Applicant's Rejection.

4.10.1.8.2.1 Resubmittal.

If a Candidate CRR Holder's application is rejected, the Candidate CRR Holder applicant may resubmit its application at any time. An additional application fee will not be required for the second application submitted within six (6) months after the CAISO's issuance of a rejection.

4.10.1.8.2.2 Appeal.

The Candidate CRR Holder applicant may also appeal against the rejection of an application by the CAISO. An appeal must be submitted within twenty (20) Business Days following the CAISO's issuance of a rejection of its application.

4.10.1.9 Final Registration and Qualification of Candidate CRR Holder Applicant.

4.10.1.9.1 Notice of Completed Registration and Qualification of Candidate CRR Holder.

Once the CAISO has accepted a Candidate CRR Holder applicant's application, the CAISO will provide the Candidate CRR Holder applicant with a final written notice to certify that a Candidate CRR Holder applicant has become a Candidate CRR Holder. The CAISO shall issue such final written notice of full registration and qualification as a Candidate CRR Holder after the CAISO has determined that the Candidate CRR Holder applicant has fully satisfied all the following requirements:

- (a) fully executed a CRR Entity Agreement with the CAISO;
- (b) provided its bank account information and arranged for Fed-Wire transfers;

(c) met the Financial Security requirements of Section 12.1 of the ISO Tariff and Section 12.6 of this Appendix;

(d) certified that it has attended required CRR training; and

(e) obtained and installed any necessary software for communication with the CAISO as necessary.

4.10.1.9.2 Market Notice

The CAISO shall issue a Market Notice stating the new Candidate CRR Holder status.

4.10.2 Candidate CRR Holder's and CRR Holder's Ongoing Obligations After Registration and Qualification.

4.10.2.1 Candidate CRR Holder and CRR Holder Obligation to Report Changes.

4.10.2.1.1 Obligation to Report a Change in Filed Information.

Each Candidate CRR Holder and CRR Holder has an ongoing obligation to inform the CAISO of any changes to any of the information submitted by it to the CAISO as part of its application to become a Candidate CRR Holder, including any changes to the additional information requested by the CAISO. The applicable Business Practice Manual sets forth the procedures for changing the Candidate CRR Holder or CRR Holder information and timing of notifying the CAISO of such changes.

4.10.2.1.2 Obligation to Report a Material Change in Financial Condition.

The Candidate CRR Holder or CRR Holder that has been granted Unsecured Credit Limit has an ongoing obligation to inform the CAISO within five (5) Business Days of any Material Change in Financial Condition including but not limited to credit rating changes described in Section 12.1.1.3 of the CAISO Tariff.

4.10.2.2 Failure to Promptly Report a Material Change.

If a Candidate CRR Holder or CRR Holder fails to inform the CAISO of a material change in its information provided to the CAISO including a Material Change in Financial Condition, that may affect the Financial Security of the CAISO, the CAISO may suspend or terminate the Candidate CRR Holder or CRR Holder's rights under the CAISO Tariff in accordance with the terms of Section 12.3 of the CAISO Tariff and Section 4.10.4.2 of this Appendix, respectively. If the CAISO intends to terminate the Candidate CRR Holder's status, it shall file a notice of termination with FERC in accordance with the terms of the CRR Entity Agreement. Such termination shall be effective upon acceptance by FERC of a notice of termination in accordance with the terms of the CRR Entity Agreement.

4.10.3 Termination of a CRR Entity Agreement.

4.10.3.1 Prior Notice Requirements.

- (a) A CRR Entity Agreement may be terminated by the CAISO on written notice to the Candidate CRR Holder or CRR Holder that is a party to the CRR Entity Agreement in accordance with the terms of the CRR Entity Agreement:
- (i) if the Candidate CRR Holder or CRR Holder no longer meets the requirements for eligibility set out in Section 4.10 of this Appendix and fails to remedy the default within a period of seven (7) days after the CAISO has given written notice of the default;
 - (ii) if the Candidate CRR Holder or CRR Holder fails to pay any sum under this CAISO Tariff and fails to remedy the default within a period of five (5) Business Days after the CAISO has given written notice of the default; or
 - (iii) if the Candidate CRR Holder or CRR Holder commits any other default under this CAISO Tariff or any of the Business Practice Manuals which, if capable of being

remedied, is not remedied within thirty (30) days after the CAISO has given it written notice of the default.

(b) The Candidate CRR Holder or CRR Holder may terminate its CRR Entity Agreement in accordance with the provisions of that agreement.

(c) Upon termination of the CRR Entity Agreement, Candidate CRR Holders or CRR Holders shall continue to be liable for any outstanding financial or other obligations incurred under the CAISO Tariff as a result of their status as a Candidate CRR Holder or CRR Holder.

(d) The CAISO shall, following termination of a CRR Entity Agreement and within thirty (30) days of being satisfied that no sums remain owing by the Candidate CRR Holder or CRR Holder under the CAISO Tariff, return or release to the Candidate CRR Holder or CRR Holder, as appropriate, any Financial Security support provided by such Candidate CRR Holder or CRR Holder to the CAISO under Section 12.1 of the CAISO Tariff and Section 12.6 of this Appendix.

4.10.3.2 Suspension of Registration and Qualification

Pending FERC acceptance of termination of service pursuant to the filing of a notice of termination of the CRR Entity Agreement, the CAISO will suspend the registration and qualification of a Candidate CRR Holder or CRR Holder that has received a notice of termination under the CRR Entity Agreement and the Candidate CRR Holder will not be able to submit nominations in the CRR Allocation or bids in the CRR Auction, or to register as a CRR Holder in the Secondary Registration System.

12.6 Credit Obligations for CRR Holders and Candidate CRR Holders.

12.6.1 Credit Limits for CRR Auctions.

To establish available credit for participating in any CRR Auction, each Candidate CRR Holder must have an Unsecured Credit Limit or have provided Financial Security in a form consistent with Section 12.1.2 of this ISO Tariff. The amount of available credit for participating in a CRR Auction shall not exceed the difference between (i) the value of the Candidate CRR Holder's Unsecured Credit Limit and any Financial

Security posted in accordance with Section 12.1.2 of the ISO Tariff and (ii) the Candidate CRR Holder's Estimated Aggregate Liability.

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

The CAISO shall not release any CRR Obligations allocated in a CRR Allocation, awarded in a CRR Auction, or proposed to be transferred to a Candidate CRR Holder through the Secondary Registration System, except upon establishment of an Unsecured Credit Limit or receipt of Financial Security, in a form consistent with this Section 12.1.2 of the ISO Tariff, equal to the value of the net projected obligation of the CRR for the entire term of the CRR. 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 a CRR Auction, the minimum value of the net projected obligation shall be set at the price determined in the CRR Auction. The CAISO may reassess its net projected obligation determinations at any time during the term of the CRR and shall require additional Financial Security if the reassessment results in an increase in a CRR Holder's Estimated Aggregate Liability that is not covered by a CRR Holder's Unsecured Credit Limit or Financial Security.

PART E. PRO FORMA CRR ENTITY AGREEMENT

The provisions of this Part E are necessary to enable the CAISO to establish the terms of a *pro forma* service agreement by which the CASIO will enter into a direct relationship with entities that desire to participate in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

[CONGESTION REVENUE RIGHTS ENTITY]

CRR ENTITY AGREEMENT

CRR ENTITY AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, and is entered into, by and between:

(1) [Full Legal Name] having its registered and principal place of business located at [Address] (the "CRR Entity");

and

(2) California Independent System Operator Corporation, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "CAISO").

The CRR Entity and the CAISO are hereinafter referred to individually as a "Party" and collectively as the "Parties."

Whereas:

- A.** The CAISO Tariff provides that any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the terms of the CAISO Tariff, regardless of whether they are to acquire CRRs through the CRR Allocation or CRR Auction, or through the Secondary Registration System.
- B.** The CRR Entity has completed the Candidate CRR Holder application process and is eligible to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System.
- C.** The CAISO Tariff further provides that any entity who wishes to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System must meet all of the Candidate CRR Holder requirements and creditworthiness provisions in the CAISO Tariff and the relevant Business Practice Manual, including demonstration of its ability to accommodate the financial responsibility associated with holding CRRs.
- D.** The CRR Entity intends to obtain CRRs either through the CRR Allocation or CRR Auction or to register as a CRR Holder through the Secondary Registration System and, therefore, wishes to undertake to the CAISO that it will comply with the applicable provisions of the CAISO Tariff.
- E.** The Parties are entering into this Agreement in order to establish the terms and conditions pursuant to which the CAISO and the CRR Entity will discharge their respective duties and responsibilities under the CAISO Tariff.

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Master Definitions Supplement. All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement in Appendix A of the CAISO Tariff.

1.2 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) "includes" or "including" shall mean "including without limitation";
- (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II **ACKNOWLEDGEMENTS OF CRR ENTITY AND CAISO**

2.1 Scope of Application to Parties. The CRR Entity and CAISO acknowledge that all Candidate CRR Holders or CRR Holders must sign this Agreement in accordance with section 4.10.1.9.1 of the CAISO Tariff.

ARTICLE III

TERM AND TERMINATION

3.1 Effective Date. This Agreement shall be effective as of the later of the date it is executed by both Parties or the date accepted for filing and made effective by FERC if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

3.2 Termination

3.2.1 Termination by CAISO. Subject to Article V, the CAISO may terminate this Agreement by giving written notice to the CRR Entity of termination in the event that the CRR Entity commits any material default under this Agreement and/or the CAISO Tariff as it pertains to this Agreement which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the CRR Entity, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement or unless the CAISO agrees, in writing, to an extension of the time to remedy such material default. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by CRR Entity. In the event that the CRR Entity is no longer a CRR Holder, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days' written notice; provided, however any outstanding financial right or obligation or any other obligation under the CAISO Tariff of the Candidate CRR Holder or CRR Holder that have arisen while the CRR Entity was a Candidate CRR Holder or a CRR Holder, and any provision of this Agreement necessary to give effect to such right or obligation shall survive until satisfied. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after receipt of such request or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the CRR Entity's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV **GENERAL TERMS AND CONDITIONS**

4.1 CRR Holder Requirements. The CRR Entity must register and qualify with the CAISO and comply with all terms of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders, regardless of the manner in which they acquire CRRs whether by CRR Allocation, CRR Auction, or through the Secondary Registration System.

4.2 CRR Holder Creditworthiness Requirements. The CRR Entity must comply with the requirements for creditworthiness applicable to Candidate CRR Holders or CRR Holders, including the creditworthiness provisions of the CAISO Tariff and the relevant Business Practice Manual.

4.3 Settlement Account. The CRR Entity shall maintain at all times an account with a bank capable of Fed-Wire transfer to which credits or debits shall be made in accordance with the billing and Settlement provisions of Section 11 of the CAISO Tariff. Such account shall be the account referred to in Schedule 2 hereof or as notified by the CRR Entity to the CAISO from time to time by giving at least seven (7) days written notice before the new account becomes operational. Such changes to Schedule 2 shall not constitute an amendment to this Agreement.

4.4 Electronic Contracting. All submitted applications, bids, confirmations, changes to information on file with the CAISO and other communications conducted via electronic transfer (e.g., direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the CAISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the CAISO Tariff as if executed in written format.

4.5 Agreement Subject to CAISO Tariff. The Parties will comply with all provisions of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders. This Agreement shall be subject to the CAISO Tariff, which shall be deemed to be incorporated herein.

ARTICLE V **PERFORMANCE**

5.1 Penalties. The CRR Entity shall be subject to all penalties made applicable to Candidate CRR Holders and CRR Holders set forth in the CAISO Tariff. Nothing in this Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the CRR Entity to oppose or protest the specific imposition by the CAISO of any FERC-approved penalty on the CRR Entity.

5.2 Corrective Measures. If the CRR Entity or the CAISO fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff as it pertains to this Agreement, the CAISO or the CRR Entity shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the Party seeking enforcement deems to be necessary to correct the situation.

ARTICLE VI **COSTS**

6.1 Operating and Maintenance Costs. The CRR Entity shall be responsible for all its costs incurred in connection with all its CRR related activities.

ARTICLE VII **DISPUTE RESOLUTION**

7.1 Dispute Resolution. The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is

incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII **REPRESENTATIONS AND WARRANTIES**

8.1 Representation and Warranties. Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

ARTICLE IX **LIABILITY**

9.1 Liability. The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE X **UNCONTROLLABLE FORCES**

10.1 Uncontrollable Forces Tariff Provisions. Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the CRR Entity and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE XI **MISCELLANEOUS**

11.1 Assignments. Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff and other CAISO Tariff requirements as applied to Candidate CRR Holders or CRR Holders. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

11.2 Notices. Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes to Schedule 1 shall not constitute an amendment to this Agreement.

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

in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

11.4 Governing Law and Forum. This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: (i) any court of the State of California, (ii) any federal court of the United States of America located in the State of California, except to the extent subject to the protections of the Eleventh Amendment of the United States Constitution or, (iii) where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

11.5 Consistency with Federal Laws and Regulations. This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.

11.6 Merger. This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.

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

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

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall be the "public interest" standard of review rather than the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

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

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[Name of CRR Entity]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

NOTICES

[Section 11.2]

CRR Entity

Name of Primary

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

CAISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

Name of Alternative

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

SCHEDULE 2

SETTLEMENT ACCOUNT

[SECTION 4.3]

CRR Entity Account Information

Settlement Account No: _____

Title: _____

Sort Code: _____

Bank: _____

PART F. MISCELLANEOUS SECTIONS

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.

30.5.3.2 Exceptions to Requirement for Submission of Demand Bids and Settlement at the

LAP.

The following are exceptions to the requirement that Demand Bids be submitted and settled at the LAP:

- (a) ETC or TOR Self-Schedules submitted consistent with the submitted TRTC Instructions;
- (b) Participating Load Bids for Supply and Demand may be submitted and settled at a PNode; and
- (c) Export Bids are submitted and settled at Scheduling Points, which do not constitute a LAP.

PART G. DEFINITIONS

Unless defined in this Appendix BB or the context otherwise requires, all capitalized terms and expressions used in this Appendix BB shall have the meaning as defined in the Master Definitions Supplement in Appendix A. The following capitalized terms and expressions used in this Appendix BB shall have the meanings set forth below unless otherwise stated or the context otherwise requires. If two or more capitalized terms are used together in a manner not uniquely defined in Appendix A or this Appendix BB, the meanings of each defined term apply.

Aggregated PNodes

A Load Aggregation Point, Trading Hub or any group of Pricing Nodes as defined by the CAISO.

Bid

An offer for the Supply or Demand of Energy or Ancillary Services, including Self-Schedules, submitted by Scheduling Coordinators for specific resources, conveyed through several components that apply differently to the different types of service offered to or demanded from any of the CAISO Markets.

Business Practice Manual (BPM)

A collection of documents made available by the CAISO on the CAISO Website that contain the rules, policies, procedures and guidelines established by the CAISO for operational, planning, accounting and settlement requirements of CAISO Market activities, consistent with the CAISO Tariff.

CAISO

The California Independent System Operator Corporation, a California non-profit public benefit corporation that operates the

CAISO Markets

transmission facilities of all Participating TOs and dispatches certain
Generating Units and Loads

Any of the markets administered by the CAISO under the CAISO
Tariff, including, without limitation, the DAM, HASP, RTM,
Transmission, and Congestion Revenue Rights.

Candidate CRR Holder

An entity that is registered and qualified by the CAISO to participate
in the CRR Allocation, the CRR Auction or in the Secondary
Registration System to become a CRR Holder and is a party to a
fully executed CRR Entity Agreement, and therefore must comply
with the requirements for Candidate CRR Holders under the CAISO
Tariff.

Congestion Charge

A charge attributable to the Marginal Cost of Congestion at a given
pricing PNode.

CRR Allocation

The process of nominations and awards held monthly and annually
through which the CAISO will distribute CRRs to Candidate CRR
Holders.

CRR Auction

The annual and monthly market process that will follow CRR
Allocation through which the CAISO makes CRRs available to
Candidate CRR Holders that submit offers to purchase CRRs.

CRR Eligible Quantity

The Seasonal CRR Eligible Quantity or the Monthly CRR Eligible
Quantity.

CRR Entity Agreement

An agreement between the CAISO and a Candidate CRR Holder or
CRR Holder that must be fully executed in order for such an entity to
participate in the CRR Allocation, CRR Auction, or Secondary
Registration System, a *pro forma* of which is set forth in Part E of
this Appendix.

CRR Holder

A Candidate CRR Holder that has acquired CRR(s) either through
the CRR Allocation, the CRR Auction, or through a transaction
registered in the Secondary Registration System.

CRR Load Metric

The Seasonal CRR Load Metric or Monthly CRR Load Metric.

CRR Obligations

A financial instrument that entitles the holder to a CRR Payment
when Congestion is in the direction of the CRR Source to CRR Sink
specification and imposes on its holder a CRR Charge when
Congestion is in the opposite direction of the CRR Source to CRR
Sink specification.

CRR Payment

A payment from the CAISO to a CRR Holder.

CRR Sink

A PNode or a Trading Hub specified as the point of withdrawal for a

	<u>Congestion Revenue Right.</u>
<u>CRR Source</u>	<u>A PNode or a Trading Hub specified as the point of receipt for a Congestion Revenue Right.</u>
<u>Custom Load Aggregation Point (Custom LAP)</u>	<u>An aggregation of Load PNodes created by the CAISO based on a set of custom LDFs submitted by an SC, at which such SC may submit a single Bid and settle Demand consistent with the CAISO Tariff rules, and for which the SC is required to submit to the CAISO metered data for the nodal Load represented in such aggregation</u>
<u>Day-Ahead</u>	<u>The twenty-four hour time period prior to the Trading Day.</u>
<u>Day-Ahead Market (DAM)</u>	<u>A series of processes conducted in the Day-Ahead that includes the Market Power Mitigation-Reliability Requirement Determination, the Integrated Forward Market and the Residual Unit Commitment.</u>
<u>Default LAP</u>	<u>The LAP defined for the TAC Area at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 and 30.5.3.2.</u>
<u>ETC Self-Schedule</u>	<u>Self-Schedules submitted by Scheduling Coordinators pursuant to Existing Rights as reflected in the TRTC Instructions.</u>
<u>Existing Zone Generation Trading Hub</u>	<u>Trading Hubs specifically developed to represent the average price paid to generation resources within Existing Zones.</u>
<u>Existing Zone</u>	<u>Regions formally referred to as NP15, SP15, and ZP26 prior to implementation of the CAISO LMP market design.</u>
<u>Full Network Model (FNM)</u>	<u>A computer-based model that includes all CAISO Control Area transmission network (load and generation) busses, transmission constraints, and interface busses between the CAISO Control Area and adjacent Control Areas. The FNM models the transmission facilities internal to the CAISO Control Area as elements of a looped network and models the CAISO Control Area interties with adjacent Control Areas in a radial fashion.</u>
<u>Hour Ahead Scheduling Process (HASP)</u>	<u>The process conducted by the CAISO beginning at seventy-five minutes prior to the Trading Hour through which the CAISO conducts the following activities: 1) accepts Bids for Supply of Energy, including imports, exports and Ancillary Services imports to be supplied during the next Trading Hour that apply to the MPM-RRD, RTUC, STUC, and RTD; 2) conducts the MPM-RRD on the Bids that apply to the RTUC, STUC, and RTD; and 3) conducts the RTUC for the hourly pre-dispatch of Energy and Ancillary Services.</u>
<u>Integrated Forward Market</u>	<u>The pricing run conducted by the CAISO using a security</u>

(IFM)

constrained unit commitment in the Day-Ahead Market, after the MPM-RRD process, which includes unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply and Demand Bids.

Load Aggregation Point

A set of Pricing Nodes as specified in Section 27.2 that are used for the submission of Bids and Settlement of Demand.

Load Distribution Factors (LDF)

A number that reflects the relative amount of Load at each PNode within a Load Aggregation Point. Load Distribution Factors determine how the aggregated Load at a given LAP is distributed to the associated power system Nodes. The sum of all Load Distribution Factors for a single Load Aggregation Point equals one.

Long Term CRR

A Congestion Revenue Right differentiated by season and time-of-use period (on-peak and off-peak) with a term of ten years.

Marginal Cost of Congestion (MCC)

The component of LMP at a PNode that accounts for the cost of congestion, as measured between that Node and a Reference Bus.

Marginal Cost of Losses (MCL)

The component of LMP at a PNode that accounts for the marginal real power losses, as measured between that Node and a Reference Bus.

Market Power Mitigation - Reliability Requirement Determination (MPM-RRD)

The two-optimization run process conducted in both the Day-Ahead Market and the HASP that determines the need for the CAISO to employ market power mitigation measures or Dispatch RMR Units.

Monthly CRR Eligible Quantity

The MW quantity of CRRs an LSE is eligible to nominate for the relevant month in a monthly CRR Allocation.

Monthly CRR Load Metric

The MW level of Load on an Load Serving Entity's load duration curve that is exceeded only 0.5% of the time in the relevant month based on Load forecast data.

Pricing Node (PNode)

A single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Market Price is calculated and used for financial settlements.

Pumped-Storage Hydro Units

Hydroelectric dam with capability to produce electricity by pumping water between reservoirs at different elevations.

Real-Time Market (RTM)

The spot market conducted by the CAISO using SCUC and SCED in the Real-Time, after the HASP is completed for the purpose of unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply Bids and CAISO Forecast of CAISO Demand.

Reference Bus

The Location(s) on the CAISO Controlled Grid relative to which

Residual Unit Commitment (RUC)

mathematical quantities relating to powerflow solution will be calculated.

The process conducted by the CAISO in the Day-Ahead Market after the IFM has been executed to ensure sufficient Generating Units, System Units, System Resources and Participating Loads are committed to meet the CAISO Forecast of CAISO Demand.

Seasonal CRR

A Congestion Revenue Right that is valid for one season and one time-of-use period in a given year.

Seasonal CRR Eligible Quantity

The MW quantity of CRRs an LSE is eligible to nominate for the relevant season in the annual CRR Allocation.

Seasonal CRR Load Metric

The lowest value among the Monthly CRR Load Metrics for a Load Serving Entity calculated across the relevant season.

Secondary Registration System

The computer interface through which CRR Holders and Candidate CRR Holders register any bilateral CRR transactions with the CAISO.

Self-Schedule

The Bid component that indicates the quantities in MWhs with no specification of a price that the Scheduling Coordinator is submitting to the CAISO, which indicates that the Scheduling Coordinator is a Price Taker, Regulatory Must-Run Generation or Regulatory Must-Take Generation, which includes ETC and TOR Self-Schedules and Self-Schedules for Converted Rights.

Simultaneous Feasibility Test (“SFT”)

The process that the CAISO will conduct to ensure that allocated and auction CRRs do not exceed relevant transmission system constraints.

TOR Self-Schedule

Self-Schedules submitted by Scheduling Coordinators pursuant to Transmission Ownership Rights as reflected in the TRTC Instructions.

Trading Hub

An aggregation of network Pricing Nodes, such as Existing Zone Generation Trading Hubs, maintained and calculated by the CAISO for settlement and trading purposes posted by the CAISO on its CAISO Website.

Transmission Rights and Transmission Curtailment (TRTC) Instructions

Operational directives developed between Existing Rights holders and the Participating TO, submitted to the CAISO by the Participating TO, unless otherwise agreed to by the Participating TO and the Existing Rights holder to facilitate the accommodation of Existing Rights in the CAISO Markets.

|

ATTACHMENT C

Blacklines to MRTU Tariff - Informational

CRR Implementation Filing

This Attachment contains, for informational purposes only, blacklines to the ISO Tariff as filed, modified and approved by the Commission in Docket ER06-615 ("MRTU Tariff") and is included with this filing to demonstrate the provisions of the conditionally accepted MRTU Tariff to be applicable at the start of MRTU as modified by this pursuant to Section 205 of the Federal Power Act. This filing is seeking approval of certain provisions as changes to the currently effective CAISO Tariff and are necessary for the implementation of Congestion Revenue Rights that must be allocated and auctioned prior to the start of operations of the Day-Ahead and Real-Time Markets under MRTU, which are scheduled to take effect at a later time. In this filing, the CAISO has asked for waiver of the Commission's regulations to ensure that only these changes to the provisions of the MRTU Tariff are addressed in this filing, in conjunction with all the new provisions included in Appendix BB to the CAISO Tariff included in this filing.

PART A. INFORMATION TO BE PROVIDED BY THE CAISO TO MARKET PARTICIPANTS.

6.5.1 Communication With Market Participants, Congestion Revenue Rights Participants, and the Public.

6.5.1.1 Market Participants With Non-Disclosure Agreements.

6.5.1.1.1 ~~Yearly~~Annually, the CAISO shall provide information that will include, but is not limited to, the _____ following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR aAllocation and CRR aAuction that areis published prior to the CRR Allocation and CRR aAuction.

6.5.1.1.2 Monthly, the CAISO shall provide information that will include, but is not limited to, the following:

- (a) CRR Full Network Model;
- (b) Constraints and interface definition; and
- (c) Load Distribution Factors for each CRR aAllocation and CRR aAuction that areis published prior to the CRR Allocation or CRR aAuction.

6.5.1.2 CRR Participants Without Non-Disclosure Agreements.

6.5.1.2.1 ~~Yearly~~Annually, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the annual CRR aAllocation or CRR aAuction.

6.5.1.2.2 Monthly, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the monthly CRR aAllocation or CRR aAuction.

6.5.1.3 Public Market Information.

6.5.1.3.1 ~~Yearly~~Annually, the CAISO shall publish the following information including, but not limited to:

- (a) Market eClearing pPrices for all Aggregated PNodes used in the CRR aAuction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source Nname;
- (d) CRR Sink Nname;
- (e) CRR Sstart and Eend dates;
- (f) Cleared CRR MW values; and
- (g) Market Clearing pPrice for CRRs obtained in the CRR aAuction.

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

- (a) Market eClearing pPrices for all Aggregated PNodes used in the CRR aAuction clearing for on-peak and off-peak;
- (b) CRR Holder;
- (c) CRR Source Nname;
- (d) CRR Sink Nname;

- (e) CRR ~~S~~start and ~~E~~end dates;
- (f) Cleared CRR MW values; and
- (g) Market Clearing ~~p~~Price for CRRs obtained in the CRR ~~a~~Auction.

6.5.1.3.3 Seasonally, the CAISO shall publish the following information including, but not limited to:

- (a) Set of LDFs that represent typical seasonal on-peak and off-peak values, not used for Settlements, before the new season.

* * *

PART B. TRANSMISSION RIGHTS AND TRANSMISSION CURTAILMENT (TRTC)

INSTRUCTIONS

4.3.1.2.1 New Participating TOs shall be complete TRTC Instructions together with any Original Participating TO as provided in Section 16.4.5 of this Appendix.

* * *

16.4 Transmission Rights and Transmission Curtailment Instructions

16.4.1 Responsibility to Create TRTC Instructions

Each Participating TO and ~~holders of 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 ~~as possible~~ 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.

* * *

16.4.3 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, ~~which shall be validated as specified in Section 16.6.~~

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 CAISO associated with Existing Contracts or sets of interdependent Existing eContracts 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 eContract #Reference #Number for each source and sink combination applicable to the Existing Contract (~~Existing Contract reference number or~~ 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) ~~Transmission path name(s) and location(s) (described in terms of the~~ 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 Business Associate Identification (“BAID”) that is entitled to the Settlement of reversal of Congestion Charges (the BAID of the Scheduling Coordinator who will submit ETC Self Schedules which make use of the Existing Contract(s));
- (8) Type(s) of service rights, amount of service right in MW, 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 right 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
For ETC Self-Schedules submitted in the DAM: the time of the day preceding the Trading Day at which the Scheduling Coordinator submits ETC Self-Schedules to the CAISO referencing the Existing Contract(s) identified in the instructions and the section of the Existing Contract that provides this reference;
- (10) For ETC Self-Schedules submitted in the HASP, for the HASP and RTM,; the number of minutes prior to the start of the Operating Hour at which the Scheduling Coordinator may submit ETC Self-Schedule adjustments to the CAISO regarding the Existing Rights under the Existing Contract(s) identified in the TRTC Instructions and the section of the Existing Contract that provides this right for reference;

- ~~(11) Whether or not Real-Time modifications to Schedules associated with Existing Rights are allowed at any time during the Operating Hour and the section of the Existing Contract that provides this right for reference;~~
- (10~~2~~) Term or service period(s) of the Existing Contract(s);
- (11~~3~~) Any special procedures that would require the CAISO to implement curtailments in any manner different ~~than~~ 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; and-
- (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.

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.

* * *

16.4.7.1 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 of this Appendix.

* * *

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 of this Appendix.

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 ~~described in Section 30~~. 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's 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.

* * *

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 ~~Transmission Rights and Transmission Curtailment Instructions~~ (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. TOR holders and any other parties holding joint ownership interests and Entitlements in facilities including TORs shall also be responsible to submit to the CAISO any other necessary operating instructions based on their interpretations of the agreements applicable to those TORs and joint ownership interests and Entitlements needed by the CAISO to enable the CAISO to perform its duties.

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, ~~which shall be validated as specified in Section 17.3.~~

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 eContract #Reference #Number for each source and sink combination applicable to the TOR (TOR reference number or 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 Transmission path name(s) and location(s) (described in terms of the 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 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 Business Associate Identification (“BAID”) that is entitled to the Settlement of reversal of Congestion Charges (the BAID of the Scheduling Coordinator who will submit TOR Self Schedules which make use of the TOR(s));
- (8) Amount of TORs ownership rights in maximum MW, by the holder of the TORs 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
For TOR Self Schedules submitted in the DAM: the time of the day preceding the Trading Day at which the Scheduling Coordinator submits TOR Self Schedules to the CAISO referencing the TOR(s) identified in the TRTC;
- (10) For TOR Self Schedules submitted in the HASP, for the HASP and RTM, the number of minutes prior to the start of the Operating Hour at which the Scheduling Coordinator may submit TOR Self Schedule adjustments to the CAISO regarding the TOR(s) identified in the TRTC;
- (104) Term of ownership interest in the TOR(s) and of any agreements applicable to the TOR(s); and

(112) 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.

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 of this Appendix.

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 ~~described in Section 30~~. 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.

* * *

PART C. DETERMINATION OF LOAD ELIGIBLE FOR PARTICIPATION IN CRR ALLOCATION

4.9.13.1 Gross or Net Settlement.

An MSS Operator has the option to settle with the CAISO on either a gross basis or a net basis for its Load and generating resources. This election shall be made annually for a period consistent with annual CRR Allocation. If the MSS Operator elects net settlement, then CRRs would be allocated on MSS net Load and the MSS may choose the MSS LAP as its CRR sSink in the first tiers of CRR Allocation. If the MSS Operator elects gross settlement, then CRRs would be allocated on a gross load basis and the MSS may not choose the MSS LAPs as its CRR sSink in the first tiers of CRR Allocation.

* * *

36.8.2 Load Eligible for CRRs and Eligible CRR Sinks.

An LSE serving internal Load is eligible for CRRs up to its Seasonal or Monthly CRR Eligible Quantity, which is derived from its Seasonal or Monthly CRR Load Metric as follows. These quantities are calculated for each LSE separately for each combination of season and time of use period for the annual process, and for each time of use period for each monthly process, and for each CRR Sink at which the eligible LSE serves Load. MSS eligibility for CRRs will account for net or gross MSS settlement in accordance with Section 4.9.13.1 of this Appendix. If the MSS elects net settlement, LSEs for such MSS Load shall submit CRR Sink nominations at the MSS LAP, and if the MSS elects for gross settlement LSEs for such MSS Load shall submit CRRs Sink nominations at the applicable Default LAP. Load that is Pumped-Storage Hydro Units but is not Participating Load may be scheduled and settled at a PNode or Custom Load Aggregation Point and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode or Custom Load Aggregation Point. Load that is a Participating Load that is also aggregated is scheduled and settled at a Custom Load Aggregation Point that is customized specifically for such Load and, therefore, LSEs for such Participating Load shall submit CRR Sink nominations at the

Custom Load Aggregation Point. Load that is Participating Load is scheduled and settled at an individual PNode, and therefore LSEs for such Load shall submit CRR Sink nominations at the applicable PNode.

~~As provided in Sections 30.5.3,~~ Load that is non-Participating Load, is not Pumped-Storage Hydro Units, and is not Load associated with ETCs, TORs, or MSS that elects net settlement, is scheduled and settled at the Default LAP. Therefore, LSEs for such Load shall submit CRR Sink nominations at their assigned Default LAP or Default LAPs if the Load they serve is located in more than one Default LAP. In tier 3 of the annual process and tier 2 of the monthly process, such LSEs may also submit CRR Sink nominations at a sub-LAP of their assigned Default LAP.

* * *

36.8.2.1 Seasonal CRR Eligible Quantity.

The CAISO constructs load duration curves for the annual CRR Allocation process for each LSE based on the LSE's submission to the CAISO of its historical hourly Load data for the prior year, for each LAP within which the LSE serves Load. An LSE's Seasonal CRR Load Metric for each season and time of use period is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's historical Load data. In the event that the LSE has lost or gained net Load through Load migration during the course of the prior year, the historical load data will be adjusted to reflect the loss or gain in accordance with the applicable BPM. The CAISO calculates an LSE's Seasonal CRR Eligible Quantity by subtracting from that LSE's Seasonal CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted ETCRights, and multiplying the result by 0.75.

36.8.2.2 Monthly CRR Eligible Quantity.

Each month the CAISO uses the LSE's submitted monthly load forecast to calculate two load duration curves (one on-peak and one off-peak load duration curve for the applicable month) to form the basis for monthly allocations for each LAP in which the LSE serves Load. The Monthly CRR Load Metric is the MW level of Load that is exceeded only in 0.5% of the hours based on the LSE's submitted load forecast. The CAISO will calculate an LSE's Monthly CRR Eligible Quantity by subtracting from that LSE's Monthly CRR Load Metric the quantity of Load served by its TORs, ETCs, and Converted ETCRights.

* * *

36.8.6 Load Forecasts Used to Calculate CRR MW Eligibility.

The CAISO will work closely with appropriate state and Local Regulatory Authorities and agencies to ensure that historical load data and load forecasts used to establish CRR Eligible Quantities are consistent with the data and forecasts used to establish Resource Adequacy Requirements.

* * *

36.9 CRR Allocation to LSEs serving External Load.

LSEs serving load outside the CAISO Control Area who wish to nominate and be allocated CRR Obligations in the same annual and monthly allocation processes described in Section 36.8.2 of this Appendix may do so subject to the provisions of this Section. LSEs serving load outside the CAISO Control Area may participate in the CRR Allocation processes and be allocated CRRs to the extent that: (1) such LSEs makes a showing of legitimate need for the CRRs nominated; (2) such entities pre-pay the appropriate Wheeling Access Charge in the amount of MWs of CRRs nominated; (3) the nominated CRRs clear the relevant SFTs; and (4) the external load for which CRRs are nominated is not served through an ETC, TOR or Converted Rights which as been designated as eligible to receive the reversal of Congestion Charges. Such LSEs that participate in the CRR Allocation processes will be subject to the applicable rules governing the tiered structure of these processes as described in Sections 36.8. All CRRs allocated under the terms of this Section 36.9 will be CRR Obligations.

* * *

36.9.2 Prepayment of Wheeling Access Charges.

LSEs serving load outside the CAISO Control Area will be required to prepay relevant Wheeling Access Charges in order to participate in the CRR Allocation processes and be allocated CRRs. For each MW of CRR nominated the nominating LSE must prepay one MW of the relevant Wheeling Access Charge, which equals the per-MWh WAC that is expected at the time the CRR allocation process is conducted to be applicable for the period of the CRR nominated, times the number of hours comprising the period of the CRR nominated. To the extent that an LSE prepays a quantity of the WAC and is not allocated the full amount of CRRs nominated, WAC prepayment for CRRs not allocated will be refunded by the CAISO within a reasonable time following the completion of the relevant CRR allocation process.

* * *

36.9.3 CRR Eligible Quantities.

The CAISO will calculate the Seasonal and Monthly CRR Eligible Quantities for LSEs serving external Load as described in Section 36.8.2 of this Appendix with the following modifications. The Load data submitted by the LSE load serving entity serving external load from which the CAISO will construct load duration curves for determining the Seasonal and Monthly CRR Eligible Quantities must reflect the LSE's load serving entity's historical hourly exports at the Scheduling Point that is the CRR Sink of the nominated CRRs. LSEs Load serving entities serving external load that wish to nominate multiple Scheduling Points as CRR Sinks in the allocation process will have distinct CRR Eligible Quantities for each nominated Scheduling Point, and must submit historical hourly export data at each such Scheduling Point from which the CAISO will calculate the associated CRR Eligible Quantities.

* * *

36.9.4 Eligible Sources and Sinks.

Eligible CRR Sources will be the PNodes of the Generating Units for which the LSE load serving entity serving external load has made a legitimate need showing as described above. Eligible CRR Sinks will be the Scheduling Points for which the CAISO has established CRR Eligible Quantities based on the LSE's submitted historical hourly export data. External Load Serving Entities serving load external to the CAISO Control Area requesting CRRs whose CRR Source is a specific Generating Unit will be limited to seventy-five percent (75%) of that Generating Unit's PMax in Tiers 1 and 2 of the annual CRR Allocation process in CRR Year One.

* * *

36.10 CRR Allocation to Metered Subsystems.

An MSS that elects gross settlement may participate in the CRR aAllocation processes and be allocated CRR Obligations ~~in accordance with Section 36.8~~. An MSS Operator that elects net settlement may participate in the CRR aAllocation processes and be allocated CRRs ~~in accordance with Section 36.8~~, except that its CRR Eligible Quantities will reflect its net load and its allocated CRRs will use MSS-LAPs as CRR Sinks. The MSS will be required to submit to the CAISO the appropriate hourly historical net

Load data and net Load forecast data from which the CAISO will construct net Load duration curves to determine the CRR Eligible Quantities.

* * *

PART D. CANDIDATE CRR HOLDER AND CRR HOLDER REQUIREMENTS

36.5 Candidate CRR Holder and CRR Holder Requirements.

Any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the other terms of this Section, regardless of whether they acquire CRRs by CRR Allocation, CRR Auction, or the Secondary Registration System market.

36.5.1 Creditworthiness Requirements.

All CRR Holders and Candidate CRR Holders must comply fully with all Creditworthiness requirements as provided in Section 12 of the CAISO Tariff and Section 12.6 of this Appendix and as further developed in the applicable Business Practice Manuals.

* * *

12.65 Credit Obligations for CRR Holders and Candidate CRR Holders.

12.65.1 Credit Limits for CRR Auctions.

To establish available credit for participating in any CRR Auction, each Candidate CRR Holder must have an Approved Unsecured Credit Rating Limit or have provided Financial Security in a form consistent with Section 12.1.2 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 (i) the value of the Candidate CRR Holder's Unsecured Credit Limit and any Financial Security posted in accordance with ~~this~~ Section 12.1.2 of the CAISO Tariff and (ii) the Candidate CRR Holder's Estimated Aggregate Liability.

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

The CAISO shall not release any CRR Obligations allocated in a CRR Allocation, awarded in an CRR Auction, or proposed to be transferred to a Candidate CRR Holder through the Secondary Registration System, except upon establishment of an Unsecured Credit Limit or receipt of Financial Security, in a form consistent with this Section 12.1.2 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 CRR Auction, the minimum value of the net projected obligation shall be set at the price determined in the CRR Auction. The CAISO may reassess its net projected obligation determinations at any time during the term of the CRR and shall require additional Financial Security if the ~~reassessment determination~~ results in an increase in a CRR Holder's Estimated Aggregate Liability that is not covered by a CRR Holder's Unsecured Credit Limit available or Financial Security.

* * *

PART F. MISCELLANEOUS SECTIONS

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 of this Appendix.

* * *

PART G. DEFINITIONS

Business Practice Manual (BPM)

A collection of documents made available by the CAISO on the CAISO Website that contain the rules, policies, procedures and guidelines established by the CAISO for operational, planning, accounting and settlement requirements of CAISO Market activities, consistent with the CAISO Tariff.

* * *

CAISO

The California Independent System Operator Corporation, a California state chartered, non-profit public benefit corporation that operates the transmission facilities of all Participating TOs and

dispatches certain Generating Units and Loads.

* * *

Candidate CRR Holder

An entity that is registered and qualified with the CAISO to participate in the~~become a CRR Holder through~~ CRR Allocation, the CRR Auction, or through a transaction registered in the Secondary Registration System to become a CRR Holder and is a party to a fully executed CRR Entity Agreement, and therefore must comply with the requirements for Candidate CRR Holders under the CAISO Tariff.

* * *

CRR Allocation

The process of nominations and awards held monthly and annually through which the CAISO will distribute CRRs to Candidate CRR Holders~~according to the provisions of Section 36 of the CAISO Tariff.~~

* * *

CRR Auction

The annual and monthly market process that will follow CRR Allocation through which the CAISO makes CRRs available to Candidate CRR Holders ~~parties~~ that submit offers to purchase CRRs.

* * *

CRR Holder

A Candidate CRR Holder ~~that n~~ ~~entity that has registered with the CAISO and otherwise meets the requirements of Sections 12 and 36 and has acquired Congestion Revenue Right(s) either through the CRR Allocation, the CRR Auction, or through a transaction registered in the Secondary Registration System.~~

* * *

CRR Obligation

A financial instrument that entitles the holder to a CRR Payment when Congestion is in the direction of the CRR Source to CRR Sink specification and imposes on its holder a CRR Charge when Congestion is in the opposite direction of the CRR Source to CRR Sink ~~specification as described in Section 11.2.4.~~

* * *

CRR Payment

A ~~P~~ayment from the CAISO to a CRR Holder ~~based as specified in Section 11.2.4.~~

* * *

Day-Ahead Market (DAM)

A series of processes conducted in the Day-Ahead that includes the Market Power Mitigation-Reliability Requirement Determination, the

Integrated Forward Market and the ~~Residual Liability~~ Unit Commitment.

* * *

Default LAP

The LAP defined for the TAC Area at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 and 30.5.3.2 of this Appendix.

* * *

Full Network Model (FNM)

A computer-based model that includes all CAISO Control Area transmission network (load and generation) busses, transmission constraints, and interface busses between the CAISO Control Area and adjacent Control Areas. The FNM models the transmission facilities internal to the CAISO Control Areas as elements of a looped network and models the CAISO Control Areas interties with adjacent Control Areas in a radial fashion.

* * *

Integrated Forward Market (FNM)

The pricing run conducted by the CAISO using ~~SCUC~~ a security constrained unit commitment in the Day-Ahead Market, after the MPM-RRD process, which includes unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply and Demand Bids.

* * *

Load Aggregation Point (LAP)

A set of Pricing Nodes as specified in Section 27.2 of this Appendix that are used for the submission of Bids and Settlement of Demand.

* * *

Pricing Node (PNode)

A single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Market Pricing is calculated and used for financial settlements.

* * *

Real-Time Market (RTM)

The spot market conducted by the CAISO using SCUC and SCED in the Real-Time, after the HASP is completed, ~~which includes the RTUC, STUC and the RTD~~ for the purpose of unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply Bids and CAISO Forecast of CAISO Demand.

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Simultaneous Feasibility Study (SFT)

The process that the CAISO will conduct to ensure that allocated and auction CRRs do not exceed relevant transmission system

**Transmission Rights and
Transmission Curtailment
TRTC Instructions
("TRTC")**

~~constraints as described in Section 36.4.2 and further described in
the Business Practices Manuals.~~

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Operational directives developed between Existing Rights H_ulders and the Participating TO, submitted to the CAISO by the Participating TO, unless otherwise agreed to by the Participating TO and the Existing Rights H_ulder to facilitate the accommodation of Existing Rights in the CAISO Markets.

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