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November 1, 2006

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation;
Docket No. ER07-_____ - 000;
Amendments to the Tariff to Address the Export of Energy
from Participating Intermittent Resource Program ("PIRP")
Resources.**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Section 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 35.13, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and five copies of certain amendments to the CAISO's Tariff¹ ("Tariff") that modify the assignment of costs associated with Energy exported from the CAISO Control Area by resources in the Participating Intermittent Resource Program ("PIRP") (the "Amendments"). The CAISO requests that these Amendments be made effective concurrently with the date of this filing, November 1, 2006. This proposed effective date reflects the strong desire of many CAISO stakeholders to expeditiously remedy the issues that prompted the Amendments. As explained below, these Amendments have near-unanimous support among CAISO stakeholders.

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

¹ The Commission has accepted the Simplified and Reorganized ("S&R") Tariff effective as of March 1, 2006. See *California Independent System Operator Corp.*, 114 FERC ¶ 61,199 (2006). The S&R Tariff as accepted by that order (see *id.* at Ordering Paragraph (A)) is referred to in the instant filing as the "Tariff". Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the Tariff.

I. BACKGROUND

PIRP recognizes the distinctive operating characteristics of intermittent resources by providing a process for forecasting and scheduling Energy and, significantly, settling deviations between a PIRP resource's scheduled and actual metered Energy. The Commission approved PIRP in March 2002. See *California Independent System Operator Corp.*, 98 FERC ¶ 61,327, *Order Accepting Compliance Filing*, 99 FERC ¶ 61,309 (2002). The requirements for participation in PIRP are described in Appendix Q of the Tariff - the Eligible Intermittent Resources Protocol (EIRP).

The special settlement treatment currently accorded PIRP resources falls into two general categories. First, Participating Intermittent Resources that schedule in accordance with the PIRP hourly forecast do not receive Imbalance Energy charges for deviations across each ten-minute Settlement Interval. Instead, the MW deviations from a Participating Intermittent Resource are netted across a calendar month and settled at a weighted-average price. Second, PIRP resources also receive an exemption from other charges assigned to Scheduling Coordinators with net negative deviations.²

Currently, several PIRP facilities export PIRP Energy through long-term power purchase agreements or to serve their own Native Load.³ When PIRP Energy is exported, CAISO Scheduling Coordinators with Net Negative Deviators nevertheless pays for the majority of the PIRP facility's settlement benefits described above. However, CAISO internal customers do not receive an equivalent proportion of the benefits from the exporting PIRP resource. Simply put, customers within the CAISO are subsidizing PIRP facilities that serve external customers. The Amendments are proposed to mitigate this cost shifting inequity through application of a new Participating Intermittent Resource Export Fee ("Export Fee") that operates to properly assign the second category of deviation-related charges to those who benefit from the exported Energy. Exporting PIRP resources will continue to receive the first category of settlement benefits related to netting Imbalance Energy charges.

² See Attachment C of this submittal, consisting of the memorandum, with attachments, delivered to the Board of Governors for the October 18, 2006 meeting, at Attachment 1, p. 5 for a description of charges.

³ A PIRP export is Energy from a PIRP facility that leaves the CAISO control area.

II. PROPOSED CHANGES TO THE PROGRAM

The Amendments are supported by nearly all of the stakeholders who participated in their development (with one stakeholder electing to be neutral). Earlier this year, CAISO staff began working with stakeholders to address the cost assignment issues associated with PIRP Energy exports. As noted, the exporting of Energy from PIRP resources raises a policy concern since the entities that benefit from the export of PIRP Energy are not the same entities that pay the largest portion of the uplift costs associated with the PIRP settlement benefits. The Amendments, which resulted from this process, were approved by the CAISO Board of Governors at its October 18, 2006 meeting.⁴

Although the relative dollar amount associated with the cost transfers of PIRP exports is currently not large (less than \$3.0 million in 2005), the CAISO, and its stakeholders, are concerned that, with the expected increase in wind generation development and PIRP participation, the scope of the problem will grow. At this time, approximately 150 MW of PIRP capacity is committed to export Energy under existing export contracts and owned facilities used to serve Native Load. The total current capacity of the PIRP is approximately 688 MW.⁵

The Amendments preserve the right to export PIRP Energy, but charge exporters the proposed Export Fee. As noted above, the Export Fee is intended to reimburse CAISO customers for the second category of net negative deviation-related uplift costs it currently pays on behalf of exported PIRP Energy. The Export Fee is thus not a penalty. Rather, it is a reduction in an existing transfer of costs under the PIRP to ensure that those who pay for benefits receive those benefits.⁶ Accordingly, awhile exporters in the PIRP program will not receive all of the current PIRP settlement benefits, they will continue to receive monthly netting of Uninstructed Energy, which means that the Amendments will be fully consistent with the Commission's proposed rules concerning imbalance energy charges for intermittent resources originally proposed in Docket No. RM05-10 and currently pending in Docket No. RM05-25.

An underlying objective in developing the Amendments was preserving the expectations of pre-existing commercial transactions and arrangements that have relied on existing PIRP rules. Thus, existing export contracts are exempt

⁴ Attachment C.

⁵ *Id.* at p. 2.

⁶ The CAISO notes that different treatment of exported Energy from Participating Intermittent Resources is appropriate because, as the Commission recently reiterated, treating differently-situated resources in a different manner is not unduly discriminatory. See *California Independent System Operator Corp.*, 116 FERC ¶ 61,274 at P 207 (2006).

from the Export Fee until such contracts expire or are amended in certain clearly defined ways. Similarly, existing resources developed under PIRP to serve an entity's own Native Load are likewise exempt. In the future, the CAISO intends to modify its Market Redesign and Technology Upgrade ("MRTU") tariff to allow a PIRP facility to avoid the Export Fee by certifying to bid available Energy into the Hour-Ahead Scheduling Procedure as a price taker.

In order to determine the applicability of the Export Fee, a Participating Intermittent Resource will provide the CAISO with the following: (1) a certification disclosing the contractual arrangements for the facility executed by both the facility and the applicable load serving entity; (2) a periodic report that would include an affirmative statement that the operations of the facility are consistent with the original certification; and (3) copies of the executed contracts supporting the certification (redacted where permitted). The CAISO will record the applicable exception period for each certified PIRP facility, so that at the conclusion of a contract period, the CAISO would contact that facility and request a new certification. See the attached Amendments at EIRP 2.2.5, 5.3.5, 5.3.6. The Amendments also provide the CAISO with the ability to audit, at its discretion, a PIRP facility and its records to confirm compliance with the PIRP requirements. See the attached Amendments at Section 4.6 of the Tariff and EIRP 5.3.7.

The Export Fee will be invoiced quarterly, and will be determined based on the actual MWh produced by the PIRP facility, multiplied by the percentage of that resource being exported, multiplied by the total of all actual PIRP costs for the quarter, divided by the total actual MWh produced by all PIRP facilities for the quarter. Payments received each quarter from the quarterly Export Fee will be allocated as a credit to a future invoice to Scheduling Coordinators with Net Negative Deviations in proportion to the amount of Net Negative Deviations that each Scheduling Coordinator was assessed for PIRP settlement charges for CAISO Charge Type 721, PIRP Intermittent Resources Net Deviation Allocation Charge, during the applicable previous quarter.⁷

An aggregate \$10,000 per calendar year fee will be assessed on a quarterly basis to manually process the quarterly invoices and allocate quarterly payments back to Scheduling Coordinators with net negative deviations. This charge will be paid equally by each exporting Participating Intermittent Resource facility.⁸

The Export Fee will not include a charge for Regulation Ancillary Services costs or other Commission approved operational-related charges that may

⁷ See Attachments A and B at EIRP 5.3.2 and Section 11.2.4.5.4 of the Tariff.

⁸ See Attachments A and B at Section 11.2.4.5.1, Schedule 4 of Appendix F, and EIRP 5.3.4.

accrue in the future as a result of increased penetration of intermittent resources. At this time, the CAISO is looking at potential additional Regulation requirements for intermittent resources generally as part of its Renewables Integration effort which is currently underway. These Amendments are not intended to exempt PIRP participants from potential future intermittent resource integration costs.

From a compliance perspective, the CAISO is explicitly relying on, and bolstering, its authority to conduct audits to monitor and verify the certifications determining application of the Export Fee. If the CAISO determines that a PIRP facility is exporting Energy and that facility has not reported such exports to the CAISO in accordance with the certification requirements, then that activity potentially could be interpreted to violate the provisions of the CAISO's Enforcement Protocol, including its rules requiring the provision of factually accurate information (Section 37.5 of the Tariff) and its rules prohibiting market manipulation (Section 37.7 of the Tariff). Violation of either of these provisions can lead to monetary fines. The CAISO has also cautioned stakeholders that such conduct could also be potentially interpreted by the Commission to violate its regulations regarding market behavior.⁹

The proposed changes in these Amendments were developed through an extensive stakeholder process, which included seven conference calls and one face-to-face meeting with stakeholders. Attachment 2 to Attachment C describes in detail this stakeholder process, the parties who participated in this process, and the issues the CAISO addressed in developing these Amendments. At a September 27, 2006, stakeholder call, stakeholders voiced near unanimous support for these changes with the exception of one party that expressed at that time a neutral position on the proposed changes.

The CAISO believes the changes described above are appropriate because these Amendments: (1) address the issue of exports from Participating Intermittent Resources in a manner that can be implemented prior to MRTU and is sustainable after MRTU; (2) does not impact the CAISO's ability to timely implement MRTU; (3) creates an appropriate exemption to honor existing arrangements; and (4) better reflects cost-causation principles and eliminates current cross-subsidies.

III. EFFECTIVE DATE AND REQUEST FOR WAIVERS

The CAISO requests that the Commission grant a waiver of its Rules and approve the enclosed Amendments effective as of November 1, 2006, the date of this filing. The CAISO submits that waiver of the 60-day notice period is appropriate to immediately address the cost allocation concerns of stakeholders

⁹ See Attachment 1 of Attachment C at p. 4 of 5.

with respect to exports and to ensure an appropriate cutoff date for the grandfathering provisions in the Amendments. Finally, a waiver of the 60-day notice period will not prejudice any stakeholders since, as stated above, the Amendments have near-universal support.

Because the Amendments contain, in addition to the PIRP Export Fee, an aggregate annual charge to be assigned pro rata to all Exporting Participating Resources of \$10,000 for the costs of the CAISO to manually process quarterly invoices, the CAISO specifically requests waiver of Part 35 requirements regarding the support necessary for rate changes. The CAISO further requests waiver of any applicable requirement of Part 35 for which waiver is not specifically requested, if necessary, in order to permit this filing to become effective as proposed.

IV. 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:

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V. SERVICE

The CAISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, the California Electricity Oversight Board, and all parties with effective Scheduling Coordinator Service Agreements under the Tariff. In addition, the CAISO is posting this transmittal letter and all attachments on the ISO Home Page.

VI. ATTACHMENTS

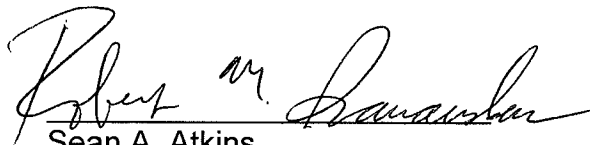
The following documents, in addition to this transmittal letter, support the instant filing:

- Attachment A Revised Tariff sheets that incorporate the proposed changes described above;
- Attachment B The proposed changes to the Tariff shown in black-line format; and
- Attachment C The October 12, 2006 Memorandum to the ISO Board of Governors, together with Attachments 1 and 2 to that Memorandum. Attachment 1 is the "Package Consensus Proposal Agreed to by Stakeholders" and Attachment 2 is a 12-page series of charts on the "Stakeholder Process" that was last updated October 10, 2006.

VII. CONCLUSION

For all the foregoing reasons, the Commission should accept these Amendments to become effective November 1, 2006.

Respectfully submitted,



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Attachment A – Clean Sheets

4.6.7.3 Preparation of Reports on Major Incidents.

In preparing any report on a major incident the ISO shall have due regard to the views of any Participating Generator involved or materially affected by such incident.

4.6.8 Sharing Information on Reliability of ISO Controlled Grid.

The ISO and each Participating Generator shall have the obligation to inform each other, as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from the Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO Controlled Grid or the integrity of the Participating Generator's facilities. The ISO and each Participating Generator shall also inform the other as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of a Participating Generator, is reasonably likely to threaten the reliability of the ISO Controlled Grid or, in the case of the ISO, is reasonably likely to adversely affect the Participating Generator's facilities. Such information shall be provided in a form and content which is reasonable in all the circumstances and sufficient to provide timely warning to the other party of the potential impact.

4.6.9 Access Right.

A participating Generator shall, at the request of the ISO and upon reasonable notice, provide access to its facilities and records (including those relating to communications, telemetry and direct control requirements) as necessary to permit the ISO or an ISO approved meter inspector to perform such testing as is necessary (i) to test the accuracy of any meters upon which the Participating Generator's compensation is based, or performance is measured, (ii) to test the Participating Generator's compliance with any performance standards pursuant to Section 4.6.5 of this ISO Tariff, (iii) to obtain information relative to a Forced Outage, or (iv) for Participating Intermittent Resources, to ensure compliance with provisions relating to the Participating Intermittent Resource Export Fee.

4.7 Relationship Between ISO and Participating Loads.

The ISO shall only accept bids for Supplemental Energy or Ancillary Services, or Schedules for self-provision of Ancillary Services, from Loads if such Loads are Participating Loads which meet standards

11 ISO SETTLEMENTS AND BILLING.

11.1.1 The ISO shall calculate, account for and settle transactions in accordance with the following principles:

11.1.2 The ISO shall be responsible for calculating Settlement balances for all transactions carried out by Scheduling Coordinators on the ISO Controlled Grid in each Settlement Period

11.1.3 The ISO shall carry out all Settlements in accordance with Meter Data provided pursuant to the requirements of Section 10 of this ISO Tariff;

11.1.4 The ISO shall create and maintain computer back-up systems, including off-site storage of all necessary computer hardware, software, records and data at an alternative location that, in the event of a Settlement system breakdown at the primary location of the day-to-day operations of the ISO, could serve as an alternative location for day-to-day Settlement operations within a reasonable period of time; and

11.1.5 The ISO shall retain all Settlement data records for a period which, at least, allows for the re-run of data as required by this ISO Tariff and any adjustment rules of the Local Regulatory Authority governing the Scheduling Coordinators and their End-Use Customers;

11.1.6 The ISO shall settle the following charges in accordance with Section 11.2 of this ISO Tariff: (1) Grid Management Charge; (2) Grid Operations Charge; (3) Ancillary Services charges; (4) Imbalance Energy charges; (5) Usage Charges; (6) High Voltage Access Charges and Transition Charges; (7) Wheeling Access Charges; (8) Voltage Support and Black Start charges; and Reliability Must-Run Charges; (9) Default Interest Charges; and Participating Intermittent Resource Fees.

11.1.7 Financial Transaction Conventions and Currency.

The following conventions have been adopted in defining sums of money to be remitted to or received by the ISO:

- (a) where the ISO is to receive a sum of money under this Section, this is defined as a "Charge";

Appendix Q. In each Settlement Period such requirements are met, the Participating Intermittent Resource shall be exempt from the Uninstructed Deviation Penalty that otherwise would be determined in accordance with Section 11.2.4.1.2 and other charges (payments) for Uninstructed Imbalance Energy. Instead, the net Uninstructed Imbalance Energy in each Settlement Interval, together with the transmission loss obligation calculated in accordance with Section 27.2.1.1.1, shall be assigned to a deviation account specific to each Participating Intermittent Resource. The net balance in each deviation account at the end of each calendar month shall be paid (or charged) to the Scheduling Coordinator for the associated Participating Intermittent Resource at the average price specified in Section 34.9.2.5 of the ISO Tariff. If the above-referenced scheduling requirements for Participating Intermittent Resources are not met, then charges (payments) for Uninstructed Imbalance Energy during such Settlement Periods shall be determined in accordance with Section 11.2.4.1

11.2.4.5.2 Adjustment of Other Charges Related to Participating Intermittent Resources.

Charges pursuant to Section 8.12.3A or Section 11.2.4.2.2 to Scheduling Coordinators representing Participating Intermittent Resources shall exclude the effect of uninstructed deviations by Participating Intermittent Resources that have scheduled in accordance with the ISO Protocols. The amount of such adjustments shall be accumulated and settled as provided in Section 11.2.4.5.3.

11.2.4.5.3 Allocation of Costs From Participating Intermittent Resources.

The charges (payments) for Uninstructed Imbalance Energy that would have been calculated if the Settlement Interval deviations by each Participating Intermittent Resource were priced at the appropriate Dispatch Interval Ex Post Price shall be assigned to a monthly balancing account for all Participating Intermittent Resources in the ISO Control Area. The balance in such account at the end of each month shall be netted against the aggregate payments (charges) by Scheduling Coordinators on behalf of Participating Intermittent Resources pursuant to Section 11.2.4.5.1. The resulting balance, together with the adjustments to charges in each Settlement Interval or Settlement Period pursuant to Section 11.2.4.5.2 shall be assigned to each Scheduling Coordinator in the same proportion that such Scheduling

11.2.4.5.4 Payment of Participating Intermittent Resource Fees

11.2.4.5.4.1 Forecasting Fee

A fee to defray the costs of the implementation of the forecasting service for Participating Intermittent Resources shall be assessed to Scheduling Coordinators for Participating Intermittent Resources as specified in Schedule 4 of Appendix F.

11.2.4.5.4.2 Process Fee

A fee to defray the costs of processing the Participating Intermittent Resource Export Fee as specified in Schedule 4 of Appendix F.

11.2.4.5.4.3 Participating Intermittent Resource Export Fee

A Participating Intermittent Resource Export Fee will be levied in accordance with Section 5.3 of Appendix Q and Schedule 4 of Appendix F.

11.2.4.6 [Not Used]

11.2.5 Usage Charges.

Usage Charges will be levied in accordance with Section 27.1.2.1 and Appendix N, Part E of this Tariff.

11.2.6 Wheeling Through and Wheeling Out Transactions.

The ISO shall calculate, account for and settle charges and payments for Wheeling Through and Wheeling Out transactions in accordance with Section 26.1.4 and Appendix N, Part C of this Tariff.

11.2.7 Voltage Support and Black Start Charges.

The ISO shall calculate, account for and settle charges and payments for Voltage Support and Black Start as set out in Sections 8.11.4, 8.11.5, 8.12.4, 8.12.5, and the SABP Charge Computation Manual – Appendix N, Part G of this ISO Tariff.

11.2.8 Reliability Must-Run Charges.

The ISO shall calculate and levy the charges for Reliability Must-Run Contract costs in accordance with Section 30.6.1.1 of this ISO Tariff.

11.2.9 Neutrality Adjustments.

The ISO shall be authorized to levy additional charges or payments as special adjustments in regard to:

- (a) amounts required to round up any invoice amount expressed in dollars and cents to the nearest whole dollar amount in order to clear the ISO Clearing Account. These charges will be allocated amongst Scheduling Coordinators over an interval determined by the ISO and pro rata based on metered Demand (including exports) during that interval;

<u>Energy Export</u>	For purposes of calculating the Grid Management Charge, Energy included in an interchange Schedule submitted to the ISO, or dispatched by the ISO, to serve a Load located outside the ISO's Control Area, whether the Energy is produced by a Generator in the ISO Control Area or a resource located outside the ISO's Control Area.
<u>Entitlements</u>	The right of a Participating TO obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy.
<u>Environmental Dispatch</u>	Dispatch designed to meet the requirements of air quality and other environmental legislation and environmental agencies having authority or jurisdiction over the ISO.
<u>Estimated Aggregate Liability</u>	The sum of a Market Participant's or FTR Bidder's known and reasonably estimated potential liabilities for a specified time period arising from charges described in the ISO Tariff, as provided for in Section 12 of the ISO Tariff.
<u>Export Percentage</u>	Export Percentage will be calculated for each Participating Intermittent Resource as the ratio of the Participating Intermittent Resource's Pmax in the ISO Master File subject to an exemption under EIRP 5.3.2 on a MW basis to the Participating Intermittent Resource's Pmax in the ISO Master File.
<u>Exporting Participating Intermittent Resource</u>	A Participating Intermittent Resource with Export Percentage greater than zero (0).
<u>Ex Post GMM</u>	GMM that is calculated utilizing the real-time Power Flow Model in accordance with Section 27.2.1.2.1.2.
<u>Ex Post Price</u>	The Hourly Ex Post Price, the Dispatch Interval Ex Post Price, the Resource-Specific Settlement Interval Ex Post Price, or the Zonal Settlement Interval Ex Post Price.
<u>Ex Post Transmission Loss</u>	Transmission Loss that is calculated based on Ex Post GMM.
<u>Existing Contracts</u>	The contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.

<u>Existing High Voltage Facility</u>	A High Voltage Transmission Facility of a Participating TO that was placed in service on or before the Transition Date defined in Section 4.2 of Schedule 3 of Appendix F.
<u>Existing Rights</u>	Those transmission service rights defined in Section 16.2.1.1 of the ISO Tariff.
<u>Facility Owner</u>	An entity owning transmission, Generation, or distribution facilities connected to the ISO Controlled Grid.
<u>Facility Study</u>	An engineering study conducted by a Participating TO to determine required modifications to the Participating TO's transmission system, including the cost and scheduled completion date for such

(May 10, 1996), FERC Stats. & Regs., Regulations Preambles [1991-1996] ¶¶ 31,035 (1996), Order on Rehearing, Order No. 889-A, 78 FERC ¶¶ 61,221 (1997), as it may be amended from time to time.

Original Participating TO

A Participating TO that was a Participating TO as of January 1, 2000.

Outage

Disconnection, separation or reduction in capacity, planned or forced, of one or more elements of an electric system.

Overgeneration

A condition that occurs when total Generation exceeds total Demand in the ISO Control Area.

Participant

- (a) Scheduling Coordinators (SCs);
- (b) Utility Distribution Companies (UDCs);
- (c) Participating Transmission Owners (PTOs);
- (d) Participating Generators;
- (e) Control Area Operators, to the extent the agreement between the Control Area Operator and the ISO so provides; and
- (f) Metered Subsystem (MSS) Operators.

Participating Buyer

A Direct Access End-User or a wholesale buyer of Energy or Ancillary Services through Scheduling Coordinators.

Participating Intermittent Resource

One or more Eligible Intermittent Resources that meets the requirements of the technical standards for Participating Intermittent Resources adopted by the ISO and published on the ISO Home Page.

Participating Intermittent Resource Export Fee

Fee based on Schedule 4 of Appendix F and EIRP 5.3.

Participating Intermittent Resource Fees

Fees set forth in Section 11.2.4.5.4 of the ISO Tariff

Participating Load

An entity providing Curtailable Demand, which has undertaken in writing to comply with all applicable provisions of the ISO Tariff, as they may be amended from time to time.

Participating Seller or

A Generator or other seller of Energy or Ancillary Services

**ISO TARIFF APPENDIX F
Schedule 4**

Participating Intermittent Resources Forecasting Fee

A charge up to \$.10 per MWh shall be assessed on the metered Energy from Participating Intermittent Resources. The amount of the charge shall be specified in the ISO Tariff.

Participating Intermittent Resources Process Fee

A Process Fee charge shall be assessed, for each calendar quarter, to each Exporting Participating Intermittent Resource that exported Energy in the quarter. On an annualized basis, the aggregate quarterly charges shall total to \$10,000. The charge is not volumetric, and shall be calculated as follows:

$$(\$10,000/4)/N = \$\text{quarterly charge}$$

N = number of Participating Intermittent Resources exporting Energy in the quarter

Participating Intermittent Resources Export Fee

A Participating Intermittent Resources Export Fee shall be assessed to Exporting Participating Intermittent Resources each calendar quarter. The Participating Intermittent Resources Export Fee shall be calculated as the product of (1) the sum of all Participating Intermittent Resource Program settlement costs for the preceding calendar quarter, or portion thereof, excluding charges for Uninstructed Energy associated with Charge Type 4407, (2) by the ratio of the total MW/h generated by an Exporting Participating Intermittent Resource during the calendar quarter, or portion thereof (based on metered output), by the total MW/h generated by all Participating Intermittent Resources during the calendar quarter, or portion thereof (based on metered output), and (3) by the percentage of the Exporting Participating Intermittent Resource's capacity deemed exporting under EIRP 5.3 or Export Percentage.

Participating Intermittent Resources Export Fee per Participating Intermittent Resource =

Program Costs x (MW/h individual Participating Intermittent Resource/MW/h all Participating Intermittent Resources) x Export Percentage

- (a) A Participating Intermittent Resource must be at least 1 MW rated capacity.
- (b) A Participating Intermittent Resource may include one or more Eligible Intermittent Resources that have similar response to weather conditions or other variables relevant to forecasting Energy, as determined by the ISO.
- (c) Each Participating Intermittent Resource shall be electrically connected at a single point on the ISO Controlled Grid, except as otherwise permitted by the ISO on a case-by-case basis as may be allowed under the ISO Tariff.
- (d) The same Scheduling Coordinator must schedule all Eligible Intermittent Resources aggregated into a single Participating Intermittent Resource.

EIRP 2.2.3 Equipment Installation

A Participating Intermittent Resource must install and maintain the communication equipment required pursuant to EIRP 3, and the equipment supporting forecast data required pursuant to EIRP 6.

EIRP 2.2.4 Forecast Model Validation

The ISO must determine that sufficient historic and real-time telemetered data are available to support an accurate and unbiased forecast of Energy generation by the Participating Intermittent Resource, according to the forecasting process validation criteria described in EIRP 4.

EIRP 2.2.5 Information Requirements For Participating Intermittent Resource Export Fee

In order for the ISO to administer, implement and calculate the Participating Intermittent Resource Export Fee, each Participating Intermittent Resource jointly with, and through, its Scheduling Coordinator must provide the ISO with the following information and documents under the schedule and conditions set forth in this section. The ISO will maintain the confidentiality of all information and documents received under this section in accordance with ISO Tariff section 20 et seq.

- (a) A certification, in the form posted on the ISO Homepage, signed by an officer of the Participating Intermittent Resource and its Scheduling Coordinator, identifying (1) the Export Percentage under EIRP 5.3.2, if any, and basis thereof, and (2) each contract to sell Energy or capacity from the Participating Intermittent Resource, including for each such contract, the counterparty, start and end dates, delivery point(s), quantity in MW, other temporal terms, i.e., seasonal or hourly limitations.

The certification must be updated by resubmission to the ISO (1) upon a request to modify the composition of the Participating Intermittent Resource under EIRP 2.4.2; or (2) within ten (10) calendar days of final execution of a new contract or any change in counterparty, start and end dates, delivery point(s), quantity in MW, or other temporal terms, as described above, for any prior certified contract. All other contractual changes will not trigger the obligation for recertification;

- (b) Copies of all contracts, including changes, identified in the above-referenced certification; however, price information may be redacted from the contracts provided.

Each Participating Intermittent Resource, as of November 1, 2006, must initially provide the information requested by EIRP 2.2.5 in accordance with a market notice provided by the ISO to Participating Intermittent Resources. All other Eligible Intermittent Resources

must satisfy EIRP 2.2.5 in order to become a Participating Intermittent Resource after November 1, 2006.

EIRP 2.3 Notice of Certification

When all requirements described in EIRP 2.2 have been fulfilled, the ISO shall notify the Scheduling Coordinator and the representatives of the Eligible Intermittent Resources comprising the Participating Intermittent Resource that the Participating Intermittent Resource has been certified, and is eligible for the settlement terms provided under Section 11.2.4.5 of the ISO Tariff, as conditioned by the terms of this EIRP.

EIRP 2.4 Requirements After Certification

EIRP 2.4.1 Forecast Fee

Beginning on the date first certified, a Participating Intermittent Resource must pay the Forecast Fee for all metered Energy generated by the Participating Intermittent Resource over the duration of the commitment indicated in the letter of intent described in EIRP 2.2.1(c).

The amount of the Forecast Fee shall be determined so as to recover the projected annual costs related to developing Energy forecasting systems, generating forecasts, validating forecasts, and monitoring forecast performance, that are incurred by the ISO as a direct result of participation by Participating Intermittent Resources in ISO Markets, divided by the projected annual Energy production by all Participating Intermittent Resources.

The initial rate for the Forecast Fee, and all subsequent rate changes as may be necessary from time to time to recover costs incurred by the ISO for the forecasting conducted on the behalf of Participating Intermittent Resources, shall be posted on the

ISO Home Page. In no event shall the level of the Forecast Fee exceed the amount specified in ISO Tariff Appendix F, Schedule 4.

EIRP 2.4.2 Modification of Participating Intermittent Resource Composition

A Participating Intermittent Resource may seek to modify the composition of the Participating Intermittent Resource (e.g., by adding or eliminating an Eligible Intermittent Resource from the Participating Intermittent Resource). Such changes shall not be implemented without prior compliance with the written approval by the ISO. The ISO will apply consistent criteria and expeditiously review any proposed changes in the composition of a Participating Intermittent Resource.

EIRP 2.4.3 Changes in Scheduling Coordinator

This EIRP does not impose any additional requirement for ISO approval to change the Scheduling Coordinator for an approved Participating Intermittent Resource than would otherwise apply under the ISO Tariff to changes in the Scheduling Coordinator representing a Generating Unit.

EIRP 2.4.4 Continuing Obligation

A Participating Intermittent Resource must meet all obligations established for Participating Intermittent Resources under the ISO Tariff and this EIRP, and must fully cooperate in providing all data, other information, and authorizations the ISO reasonably requests to fulfill its obligation to validate forecast models, explain deviations, and implement the Participating Intermittent Resource Export Fees.

EIRP 2.4.5 Failure to Perform

If the ISO determines that a material deficiency has arisen in the Participating Intermittent Resource's fulfillment of its obligations under the ISO Tariff and this EIRP, and such Participating Intermittent Resource fails to promptly correct such deficiencies when notified by the ISO, then the eligibility of the Participating Intermittent Resource for the settlement accommodations provided in Section 11.2.4.5 of the ISO Tariff shall be suspended until such time that the unavailable data is provided or other material deficiency is corrected to the ISO's reasonable satisfaction. Such suspension shall not relieve the Scheduling Coordinator for the deficient Participating Intermittent Resource from paying the Forecast Fee over the duration of the period covered by the letter of intent described in EIRP 2.2.1(c).

EIRP 3 COMMUNICATIONS

EIRP 3.1 Forecast Data

The ISO may require various data relevant to forecasting Energy from the Participating Intermittent Resource to be telemetered to the ISO, including appropriate operational data, meteorological data or other data reasonably necessary to forecast Energy.

EIRP 3.2 Standards

The standards for communications shall be the monitoring and communications requirements for Generating Units providing only Energy and Supplemental Energy; as such standards may be amended from time to time, and published on the ISO Home Page.

of such Participating Intermittent Resources with the rules specified in the ISO Tariff and this Protocol.

No Supplemental Energy bids or Adjustment Bids may be submitted on behalf of a Participating Intermittent Resource. Submitting such bids shall render the Participating Intermittent Resource ineligible for settlement according to Section 11.2.4.5 of the ISO Tariff for that Settlement Period. Such activity will be monitored in accordance with EIRP 7.

EIRP 5.3 Participating Intermittent Resource Export Fee

EIRP 5.3.1 Exemptions

After November 1, 2006, Participating Intermittent Resources shall be subject to the Participating Intermittent Resource Export Fee, as set forth in Schedule 4 of Appendix F, for Energy generated, except to the extent the Participating Intermittent Resource is exempt under one or more of the following conditions:

- (a) The owner of a Participating Intermittent Resource, as of November 1, 2006, utilizes the Energy generated from the Participating Intermittent Resource to meet its own Native Load outside the ISO Control Area. Should any Participating Intermittent Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will not apply to the added capacity unless exempt under another subsection of EIRP 5.3.1.

If the Participating Intermittent Resource subject to this exemption changes ownership, the Participating Intermittent Resource Export Fee will apply, except where the prior exempt owner demonstrates that the entire output of the Participating Intermittent Resource continues to be delivered to the exempt owner under a power purchase agreement for the purpose of serving the prior exempt owner's Native Load. The exemption will then continue only for the period of the power purchase agreement as provided in accordance with EIRP 2.2.5 and cannot exceed the MW quantity originally exempted.

- (b) A Participating Intermittent Resource demonstrates in its certification under EIRP 2.2.5(a) an export contract with a starting term prior to November 1, 2006. An export contract is any power purchase agreement to sell Energy to any entity other than a load serving entity with an obligation under law or franchise to serve Demand within the ISO Control Area.

The exemption will apply to any extension of the current export contract through an evergreen or other existing extension provision. The exemption terminates upon termination of the export contract. Should any Participating Intermittent Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will apply only to Energy generated up to the contract quantity, unless the Participating Intermittent Resource demonstrates a basis for exemption under subsection (c) for the expanded capacity.

- (c) A Participating Intermittent Resource demonstrates in its certification under EIRP 2.2.5(a) a contract to sell Energy to a load serving entity with Native Load within the ISO Control Area. Energy Service Providers with contractual obligations with customers within the ISO Control Area would be deemed a load serving entity with an obligation to serve Native Load within the ISO Control Area.

The exemption will apply to any extension of the current contract through an evergreen or other existing extension provision. The exemption terminates upon termination of the contract. Should any Participating Intermittent Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will continue to apply only to Energy generated up to the contract quantity unless the Participating Intermittent Resource demonstrates a basis for exemption under this subsection (c) for the expanded capacity.

EIRP 5.3.2 Participating Intermittent Resource Export Percentage

Based on the information required in EIRP 2.2.5 and application of the exemptions to the Participating Intermittent Resource Export Fee in EIRP 5.3.2, the ISO will determine an "Export Percentage" for each Participating Intermittent Resource that will be calculated as the ratio of the Participating Intermittent Resource's Pmax in the ISO Master File subject to an exemption under EIRP 5.3.2 on a MW basis to the Participating Intermittent Resource's Pmax in the ISO Master File. For example, a Participating Intermittent Resource with a Pmax of 100 MW and a contract with an ISO Control Area load serving entity for 60 MW would have an export percentage of $(100-60)/100 = 60\%$. A Participating Intermittent Resource with Export Percentage greater than zero (0) will be deemed an Exporting Participant Intermittent Resource. The ISO will notify the Participating Intermittent Resource and its Scheduling Coordinator of the facility's Export Percentage. Any dispute regarding the ISO's determination of Export Percentage shall be subject to the dispute resolution procedures under Section 13 of the ISO Tariff.

EIRP 5.3.3 Quarterly Application of Participating Intermittent Resource Export Fee

Each quarter the ISO will charge Exporting Participating Intermittent Resources the Participating Intermittent Resource Export Fee, as set forth in Schedule 4 of Appendix F.

EIRP 5.3.4 Allocation of Credit for Participating Intermittent Resource Export Fees Received

Payments received by the ISO from application of the Participating Intermittent Export Fee in accordance with EIRP 5.3 shall be allocated as a credit on a quarterly basis to Scheduling Coordinators with Net Negative Uninstructed Deviations in proportion to the amount of Net Negative Uninstructed Deviations that each Scheduling Coordinator was assessed for Participating Intermittent Resources settlement charges for ISO Charge Type 721 during the prior quarter.

EIRP 5.3.5 Recording of Exemptions and Notice of Termination

The ISO will record any exemption period ending date, if applicable, for each Participating Intermittent Resource. At the conclusion of the exemption period, the ISO will notify the Scheduling Coordinator for the Participating Intermittent Resource that the facility is no longer exempt from the Participating Intermittent Resource Export Fee.

EIRP 5.3.6 Annual Confirmation

On December 31 of each calendar year, each Participating Intermittent Resource shall confirm in the form posted on the ISO Homepage, signed by an officer of the Participating Intermittent Resource, that the operations of the Participating Intermittent Resource are consistent with any certification(s) provided to the ISO under EIRP 2.2.5.

EIRP 5.3.7 Audit Rights

In addition to the rights set forth in ISO Tariff Section 4.6.9, the ISO shall have the right to contact any counterparty to a contract relied upon under EIRP 5.3.1 for purposes of determining compliance with this EIRP.

EIRP 6 DATA COLLECTION FACILITIES

The Participating Intermittent Resource must install and maintain equipment to collect, record and transmit data that the ISO reasonably determines is necessary to develop and support a forecast model that meets the requirements of EIRP 4.

EIRP 6.1 Wind Resources

A Participating Intermittent Resource powered by wind must install at least one meteorological tower at a project location that is representative of the microclimate within the project boundary.

The meteorological tower must rely on equipment typically used in the wind industry to continuously monitor weather conditions at a wind resource site. Data collected shall be consistent with requirements published on the ISO Home Page. Such data must be gathered and telemetered to the ISO in accordance with EIRP 3.

If objective standards developed by the ISO indicate that the meteorological data may not be sufficiently representative of conditions affecting Energy output or changes in Energy output by that Participating Intermittent Resource, then the ISO may require that additional meteorological equipment be temporarily installed at another location within the project boundary. The cost of such equipment, which may be temporarily installed by the Participating Intermittent Resource or the ISO, shall be the responsibility of the Participating Intermittent Resource.

If objective standards indicate that the data collected from such a temporary site contribute significantly to the development of an accurate and unbiased forecast, then the Participating Intermittent Resource shall be responsible for installing and arranging for the telemetry of data from an additional permanent meteorological tower at such site, and for the reasonable cost, if any, that the ISO may have incurred to install and remove the temporary equipment. Relocation of the original meteorological tower to the new site will be allowed if the ISO determines that a sufficiently accurate and unbiased forecast can be generated from a single relocated meteorological tower.

EIRP 6.2 Other Eligible Intermittent Resources

Eligible Intermittent Resources other than wind projects that wish to become Participating Intermittent Resources will be required to provide data of comparable relevance to estimating Energy generation. Standards will be developed as such projects are identified and will be posted on the ISO Home Page.

Attachment B – Blacklines

4.6.9 Access Right

A participating Generator shall, at the request of the ISO and upon reasonable notice, provide access to its facilities and records (including those relating to communications, telemetry and direct control requirements) as necessary to permit the ISO or an ISO approved meter inspector to perform such testing as is necessary (i) to test the accuracy of any meters upon which the Participating Generator's compensation is based, or performance is measured, (ii) to test the Participating Generator's compliance with any performance standards pursuant to Section 4.6.5 of this ISO Tariff, (iii) to obtain information relative to a Forced Outage, or (iv) for Participating Intermittent Resources, to ensure compliance with provisions relating to the Participating Intermittent Resource Export Fee.

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11.1.6 The ISO shall settle the following charges in accordance with Section 11.2 of this ISO Tariff: (1) Grid Management Charge; (2) Grid Operations Charge; (3) Ancillary Services charges; (4) Imbalance Energy charges; (5) Usage Charges; (6) High Voltage Access Charges and Transition Charges; (7) Wheeling Access Charges; (8) Voltage Support and Black Start charges; and Reliability Must-Run Charges; (9) Default Interest Charges; and Participating Intermittent Resource Fees.

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11.2.4.5.1 Uninstructed Energy and Transmission Losses by Participating Intermittent Resources.

Uninstructed Imbalance Energy associated with deviations by a Participating Intermittent Resource and Transmission Losses shall be settled as provided in this Section 11.2.4.5.1 for every Settlement Period in which such Participating Intermittent Resource meets the scheduling requirements established in the Appendix Q. In each Settlement Period such requirements are met, the Participating Intermittent Resource shall be exempt from the Uninstructed Deviation Penalty that otherwise would be determined in accordance with Section 11.2.4.1.2 and other charges (payments) for Uninstructed Imbalance Energy. Instead, the net Uninstructed Imbalance Energy in each Settlement Interval, together with the

transmission loss obligation calculated in accordance with Section 27.2.1.1.1, shall be assigned to a deviation account specific to each Participating Intermittent Resource. The net balance in each deviation account at the end of each calendar month shall be paid (or charged) to the Scheduling Coordinator for the associated Participating Intermittent Resource at the average price specified in Section 34.9.2.5 of the ISO Tariff. If the above-referenced scheduling requirements for Participating Intermittent Resources are not met, then charges (payments) for Uninstructed Imbalance Energy during such Settlement Periods shall be determined in accordance with Section 11.2.4.1,

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11.2.4.5.4 Payment of Participating Intermittent Resource Fees

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11.2.4.5.4.1 Forecasting Fee

A fee to defray the costs of the implementation of the forecasting service for Participating Intermittent Resources shall be assessed to Scheduling Coordinators for Participating Intermittent Resources as specified in Schedule 4 of Appendix F.

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11.2.4.5.4.2 Process Fee

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A fee to defray the costs of processing the Participating Intermittent Resource Export Fee as specified in Schedule 4 of Appendix F.

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11.2.4.5.4.3 Participating Intermittent Resource Export Fee

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A Participating Intermittent Resource Export Fee will be levied in accordance with Section 5.3 of Appendix Q and Schedule 4 of Appendix F.

Appendix A

Export Percentage Export Percentage will be calculated for each Participating Intermittent Resource as the ratio of the Participating Intermittent Resource's Pmax in the ISO Master File subject to an exemption under EIRP 5.3.2 on a MW basis to the Participating Intermittent Resource's Pmax in the ISO Master File.

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Export Participating Intermittent Resource A Participating Intermittent Resource with Export Percentage Greater than zero (0).

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Participating Intermittent Resource Export Fee Fee based on Schedule 4 of Appendix F and EIRP 5.3.

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Participating Intermittent Resource Fees Fees set forth in Section 11.2.4.5.4 of the ISO Tariff

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ISO TARIFF APPENDIX F
Schedule 4

Participating Intermittent Resources Forecasting Fee

A charge up to \$.10 per MWh shall be assessed on the metered Energy from Participating Intermittent Resources. The amount of the charge shall be specified in the ISO Tariff.

Participating Intermittent Resources Process Fee

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A Process Fee charge shall be assessed, for each calendar quarter, to each Exporting Participating Intermittent Resource that exported Energy in the quarter. On an annualized basis, the aggregate quarterly charges shall total to \$10,000. The charge is not volumetric, and shall be calculated as follows:

$(\$10,000/4)/N = \quarterly charge

N = number of Participating Intermittent Resources exporting Energy in the quarter.

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Participating Intermittent Resources Export Fee

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A Participating Intermittent Resources Export Fee shall be assessed to Exporting Participating Intermittent Resources each calendar quarter. The Participating Intermittent Resources Export Fee shall be calculated as the product of (1) the sum of all Participating Intermittent Resource Program settlement costs for the preceding calendar quarter, or portion thereof, excluding charges for Uninstructed Energy associated with Charge Type 4407, (2) by the ratio of the total MW/h generated by an Exporting Participating Intermittent Resource during the calendar quarter, or portion thereof (based on metered

output), by the total MW/h generated by all Participating Intermittent Resources during the calendar quarter, or portion thereof (based on metered output), and (3) by the percentage of the Exporting Participating Intermittent Resource's capacity deemed exporting under EIRP 5.3 or Export Percentage.

Participating Intermittent Resources Export Fee per Participating Intermittent Resource =

Program Costs x (MW/h individual Participating Intermittent Resource/MW/h all Participating Intermittent Resources) x Export Percentage

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Appendix Q

Eligible Intermittent Resources Protocol

EIRP 2.2.5 Information Requirements For Participating Intermittent Resource Export Fee

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In order for the ISO to administer, implement and calculate the Participating Intermittent Resource Export Fee, each Participating Intermittent Resource jointly with, and through, its Scheduling Coordinator must provide the ISO with the following information and documents under the schedule and conditions set forth in this section. The ISO will maintain the confidentiality of all information and documents received under this section in accordance with ISO Tariff section 20 et seq.

- (a) A certification, in the form posted on the ISO Homepage, signed by an officer of the Participating Intermittent Resource and its Scheduling Coordinator, identifying (1) the Export Percentage under EIRP 5.3.2, if any, and basis thereof, and (2) each contract to sell Energy or capacity from the Participating Intermittent Resource, including for each such contract, the counterparty, start and end dates, delivery point(s), quantity in MW, other temporal terms, i.e., seasonal or hourly limitations.

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The certification must be updated by resubmission to the ISO (1) upon a request to modify the composition of the Participating Intermittent Resource under EIRP 2.4.2; or (2) within ten (10) calendar days of final execution of a new contract or any change in counterparty, start and end dates, delivery point(s), quantity in MW, or other temporal terms, as described above, for any prior certified contract. All other contractual changes will not trigger the obligation for recertification;

- (b) Copies of all contracts, including changes, identified in the above-referenced certification; however, price information may be redacted from the contracts provided.

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Each Participating Intermittent Resource, as of November 1, 2006, must initially provide the information requested by EIRP 2.2.5 in accordance with a market notice provided by the ISO to Participating Intermittent Resources. All other Eligible Intermittent Resources must satisfy EIRP 2.2.5 in order to become a Participating Intermittent Resource after November 1, 2006.

EIRP 2.4.2 Modification of Participating Intermittent Resource Composition

A Participating Intermittent Resource may seek to modify the composition of the Participating Intermittent Resource (e.g., by adding or eliminating an Eligible Intermittent Resource from the Participating Intermittent Resource). Such changes shall not be implemented without prior compliance with the written approval by the ISO. The ISO will apply consistent criteria and expeditiously review any proposed changes in the composition of a Participating Intermittent Resource.

EIRP 2.4.4 Continuing Obligation

A Participating Intermittent Resource must meet all obligations established for Participating Intermittent Resources under the ISO Tariff and this EIRP, and must fully cooperate in providing all data, other information, and authorizations the ISO reasonably requests to fulfill its obligation to validate forecast models, explain deviations, and implement the Participating Intermittent Resource Export Fees.

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EIRP 5.3 Participating Intermittent Resource Export Fee

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EIRP 5.3.1 Exemptions

After November 1, 2006, Participating Intermittent Resources shall be subject to the Participating Intermittent Resource Export Fee, as set forth in Schedule 4 of Appendix F, for Energy generated, except to the extent the Participating Intermittent Resource is exempt under one or more of the following conditions:

- (a) The owner of a Participating Intermittent Resource, as of November 1, 2006, utilizes the Energy generated from the Participating Intermittent Resource to meet its own Native Load outside the ISO Control Area. Should any Participating Intermittent Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will not apply to the added capacity unless exempt under another subsection of EIRP 5.3.1.

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If the Participating Intermittent Resource subject to this exemption changes ownership, the Participating Intermittent Resource Export Fee will apply, except where the prior exempt owner demonstrates that the entire output of the Participating Intermittent Resource continues to be delivered to the exempt owner under a power purchase agreement for the purpose of serving the prior exempt owner's Native Load. The exemption will then continue only for the period of the power purchase agreement as provided in accordance with EIRP 2.2.5 and cannot exceed the MW quantity originally exempted.

- (b) A Participating Intermittent Resource demonstrates in its certification under EIRP 2.2.5(a) an export contract with a starting term prior to November 1, 2006. An export contract is any power purchase agreement to sell Energy to any entity other than a load serving entity with an obligation under law or franchise to serve Demand within the ISO Control Area.

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The exemption will apply to any extension of the current export contract through an evergreen or other existing extension provision. The exemption terminates upon termination of the export contract. Should any Participating Intermittent

Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will apply only to Energy generated up to the contract quantity, unless the Participating Intermittent Resource demonstrates a basis for exemption under subsection (c) for the expanded capacity.

- (c) A Participating Intermittent Resource demonstrates in its certification under EIRP 2.2.5(a) a contract to sell Energy to a load serving entity with Native Load within the ISO Control Area. Energy Service Providers with contractual obligations with customers within the ISO Control Area would be deemed a load serving entity with an obligation to serve Native Load within the ISO Control Area.

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The exemption will apply to any extension of the current contract through an evergreen or other existing extension provision. The exemption terminates upon termination of the contract. Should any Participating Intermittent Resource subject to this exemption increase its Pmax set forth in the ISO's Master File by modification under EIRP 2.4.2, the exemption will continue to apply only to Energy generated up to the contract quantity unless the Participating Intermittent Resource demonstrates a basis for exemption under this subsection (c) for the expanded capacity.

EIRP 5.3.2 Participating Intermittent Resource Export Percentage

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Based on the information required in EIRP 2.2.5 and application of the exemptions to the Participating Intermittent Resource Export Fee in EIRP 5.3.2, the ISO will determine an "Export Percentage" for each Participating Intermittent Resource that will be calculated as the ratio of the Participating Intermittent Resource's Pmax in the ISO Master File subject to an exemption under EIRP 5.3.2 on a MW basis to the Participating Intermittent Resource's Pmax in the ISO Master File. For example, a Participating Intermittent Resource with a Pmax of 100 MW and a contract with an ISO Control Area load serving entity for 60 MW would have an export percentage of $(100-60)/100 = 60\%$. A Participating Intermittent Resource with Export Percentage greater than zero (0) will be deemed an Exporting Participant Intermittent Resource. The ISO will notify the Participating Intermittent Resource and its Scheduling Coordinator of the facility's Export Percentage. Any dispute regarding the ISO's determination of Export Percentage shall be subject to the dispute resolution procedures under Section 13 of the ISO Tariff.

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EIRP 5.3.3 Quarterly Application of Participating Intermittent Resource Export Fee

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Each quarter the ISO will charge Exporting Participating Intermittent Resources the Participating Intermittent Resource Export Fee, as set forth in Schedule 4 of Appendix F.

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EIRP 5.3.4 Allocation of Credit for Participating Intermittent Resource Export Fees Received

Payments received by the ISO from application of the Participating Intermittent Export Fee in accordance with EIRP 5.3 shall be allocated as a credit on a quarterly basis to Scheduling Coordinators with Net Negative Uninstructed Deviations in proportion to the to the amount of Net Negative Uninstructed Deviations that each Scheduling Coordinator was assessed for Participating Intermittent Resources settlement charges for ISO Charge Type 721 during the prior quarter.

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EIRP 5.3.5 Recording of Exemptions and Notice of Termination

The ISO will record any exemption period ending date, if applicable, for each Participating Intermittent Resource. At the conclusion of the exemption period, the ISO will notify the Scheduling Coordinator for the Participating Intermittent Resource that the facility is no longer exempt from the Participating Intermittent Resource Export Fee.

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EIRP 5.3.6 Annual Confirmation

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On December 31 of each calendar year, each Participating Intermittent Resource shall confirm in the form posted on the ISO Homepage, signed by an officer of the Participating Intermittent Resource, that the operations of the Participating Intermittent Resource are consistent with any certification(s) provided to the ISO under EIRP 2.2.5.

EIRP 5.3.7 Audit Rights

In addition to the rights set forth in ISO Tariff Section 4.6.9, the ISO shall have the right to contact any counterparty to a contract relied upon under EIRP 5.3.1 for purposes of determining compliance with this EIRP.

* * *

Attachment C

Memorandum

To: ISO Board of Governors

From: Keith Johnson, Senior Market and Product Developer
Phil Pettingill, Manager, Infrastructure Policy and Contracts Negotiation

cc: ISO Officers

Date: October 12, 2006

Re: *Tariff Filing to Establish Fee on Exports of PIRP Energy*

This memorandum requires Board action.

Executive Summary

ISO staff has worked closely with stakeholders over the past three months to address the issue of the export of Energy produced by facilities that are participants in the Participating Intermittent Resources Program ("PIRP") to entities outside of the ISO control area. Staff has been able to develop a tariff amendment that has the near unanimous support of the stakeholders that were involved in the process. Management recommends that the Board of Governors approve the PIRP export policy proposals described in this memorandum and attachments, and authorize management to file the necessary tariff provisions to implement the new PIRP requirements as the consensus proposal achieves the following:

- Provides a solution to the issue, through imposition of an export fee, which can be implemented prior to implementation of the Market Redesign and Technology Update project ("MRTU"), without impacting the ISO's ability to deliver MRTU.
- Can be filed at FERC shortly after Board approval to immediately limit market participants' exposure to this issue, which is one of the primary concerns expressed by stakeholders.
- Establishes a reasonable fee that would be applied to exported megawatt hours ("MWh") of PIRP Energy to reimburse the ISO market participants for PIRP uplift costs that they funded to support the PIRP program.
- Creates an exemption that recognizes the approximately 150 megawatts ("MW") of existing export contracts and facilities used to serve an entity's own retail native load, but also provides that an export fee will apply as soon as those contracts expire or are amended.
- Revises the tariff to better reflect cost causation principles, and reduces current cross-subsidies.

Background

The PIRP export issue arose in 2005 when it was brought to the ISO's attention that Energy being produced at PIRP resources was being exported to entities located outside of the ISO control area. This practice raises a policy concern to the extent the PIRP monthly netting settlement scheme does not net out to zero dollars, since the entities that are benefiting from the export of PIRP Energy are not the same entities that pay the portion of the uplift costs associated with the PIRP Energy. Although the relative dollar amount associated with this issue that is actually billed to each Scheduling Coordinator with Net Negative Deviations is currently not large (less than \$3.0 million in 2005), there is concern that if participation in PIRP grows in the future, as it is expected to do, the relative dollars-at-issue also will likely grow. Currently there is approximately 150 megawatts of PIRP Energy being exported under existing export contracts and owned facilities used to serve retail native load. The total megawatt capacity in the PIRP program is currently 688 megawatts.

In 2005 ISO management advised stakeholders that this issue was an unintended consequence in the design of PIRP and that the ISO would work with stakeholders to develop modifications to PIRP that addresses this issue. The culmination of these efforts is this proposed tariff amendment.

Stakeholder Process

The stakeholder process for this issue started early this summer. It has included seven conference calls and one meeting with stakeholders. Attachment 2 provides a list of the various stakeholder engagements, the people and organizations that participated, the parties that support the proposal, and the issues that were addressed to develop the final proposal. There are no outstanding issues. At the most recent conference call on September 27, 2006, stakeholders voiced near unanimous support for the proposal described in this memorandum and attachments (one party, Cal WEA, has elected to be neutral). The stakeholders have considered this proposal as a "package" proposal, and support it as such.

Proposed Tariff Amendment

The criteria that the ISO and stakeholders collectively considered in developing this package proposal are provided below:

- The solution must be able to be implemented prior to Phase 1 of MRTU with minimal impacts to ISO resources, legacy systems or new MRTU systems, and sustainable if necessary after MRTU. It must not impact the ISO's ability to timely implement MRTU.
- It is appropriate to create an exemption to honor existing export contracts.
- Tariff provisions should strive to reflect cost causation and minimize cross-subsidies.

The key elements of the proposal are listed below:

- Tariff language would be filed at end of October 2006 to change, going forward, PIRP requirements.
- The filing letter would request that the amendment be made effective on the date of the filing at FERC to limit market participants' exposure to this issue.

- The revised tariff would allow exports of PIRP Energy, and would charge exporters an export fee, sized to reimburse most of the PIRP subsidy (exporters would only receive monthly netting of Uninstructed Energy)
- All PIRP facilities would be required to provide:
 - Certification signed by officer of company; and
 - Copies of all executed contracts supporting the certification.
- Existing export contracts in place as of the date of the FERC filing would be exempt for the MW quantity and term set forth in those contracts, including any extension provision.
- Facilities, as of November 1, 2006, used to serve a PIRP facility owner's Native Load would be exempt for the life of the facility. The exemption would apply only for the capacity of the facility as a November 1, 2006. Any subsequent augmentation to the facility's capacity would not be exempt. Moreover, if such facilities change ownership, the exemption would terminate, except in the case where (1) the entire output of the facility continues to be delivered to the original owner/beneficiary of the exemption and (2) the original owner/beneficiary continues to use the facility output to serve its Native Load.
- Resource developers would be allowed to utilize two different types of contracting strategies to avoid being subject to the export fee, which will continue to allow the PIRP program to help facilitate the development of wind resources.
- Several mechanisms are provided to encourage compliance, including (1) submittal of an initial certification signed by an officer of the company and copies of actual contracts, (2) submission of periodic reports on facility status, (3) recertification upon changes in status, and (4) enforcement mechanisms included in the ISO Enforcement Protocol and CAISO audit rights.

Attachment 1 provides the latest package proposal that was developed with stakeholders. Implementation details may be subject to non-material change as the tariff language reflecting the proposal is developed.

Conclusion of Management and Recommendation

Management recommends that the Board of Governors approve the policies summarized above. Management recommends the following motion.

MOVED,

That the ISO Board of Governors approve the PIRP export policy proposals, as described in this memorandum dated October 12, 2006, and related attachments; and

That the ISO Board of Governors authorize management to make all appropriate and necessary filings with FERC in support of tariff provisions to implement these new PIRP requirements.

Attachments

Package Consensus Proposal Agreed to by Stakeholders

Tariff Amendment for Export Fee
To Address Export of Energy from Participating
Intermittent Resources Program ("PIRP") Resources

The California Independent System Operator ("CAISO") considered comments that it received from stakeholders, and revised its September 12, 2006 and September 22, 2006 proposals in response to those comments. The stakeholders that participated in the most recent PIRP conference call on September 27, 2006 expressed near unanimous support for the package proposal described below (one entity, Cal WEA, took a neutral position).

Establishing an Export Fee and Effective Date

A tariff amendment would be filed at the end of October 2006 to establish, effective going forward from the date of the Federal Energy Regulatory Commission ("FERC") filing, a fee on Energy exported from the CAISO Control Area by PIRP resources (the CAISO would request that FERC make the amendment effective as of the date of the filing).

Exemption

From the effective date of the proposed CAISO tariff amendment, the export fee would be charged to all exported PIRP Energy, except that current PIRP participants that have export contracts in place on the date of the filing would be exempt from the new tariff requirements for the megawatt ("MW") quantity and term set forth in those contracts.

An export contract would be any power purchase agreement to sell to any entity other than a load serving entity with an obligation to serve within the CAISO Control Area. Energy Service Providers with contractual obligations with customers within the CAISO Control Area would be deemed a load serving entity with an obligation to serve within the CAISO Control Area. The exemption from the export fee would apply to any extension of the current export contract through an existing evergreen or other existing extension provision

Current PIRP participants whose facilities are now being used to serve their own Native Load outside of the ISO Control Area would be exempt from the new tariff requirements for the life of the facility. The exemption would apply only to the capacity of the resource as of November 1, 2006. Any expansion of the facility would not fall under the existing exemption. Further, if such facilities change ownership the exemption would terminate, except in the case where (1) the entire output of the facility continues to be delivered to the original owner/beneficiary of the exemption and (2) the original owner/ beneficiary continues to use the facility output to serve its Native Load.

Current PIRP participants would be required to provide the CAISO with the following documentation within 30 calendar days of the effective date of the tariff amendment:

- A certification, signed by an officer of the company, identifying the contracts in place for the PIRP facility, including the counterparty, term and ending date of each contract, and a statement that all contractual arrangements for the facility are being disclosed.
- Copies of all of the executed contracts supporting the certification.

The CAISO would record the applicable exemption period ending date for each existing PIRP contract (by PIRP facility). At the conclusion of the exemption period, the CAISO would notify the existing PIRP facility that it is no

longer exempt from the new tariff requirements and that the new requirements will now apply. A new certification and contract showing would then be required.

PIRP participants would be required to inform the CAISO when the purchaser, quantity purchased, or length of term of the contract changes for the PIRP facility. A PIRP facility that was being used to serve its owner's retail native load would have to inform the CAISO if it sells the facility to another entity. If a contract arrangement that was initially exempt were subsequently changed to extend the term, the original termination date would continue to establish the exemption period. A new certification and contract showing would then be required.

There currently are 13 CAISO Resource IDs (i.e., facilities) that are participants in the PIRP program, with a total capacity of 688 MW. The PIRP participants have informed the CAISO that approximately 150 MW of PIRP Energy is currently being exported under existing export contracts.

Other Means of Avoiding Export Fee

In addition to obtaining an exemption from the export fee through demonstration of an exempt existing export contract, a PIRP facility would avoid paying the export fee if it:

- Demonstrates in writing to the CAISO that it has a contract with a load serving entity obligated to serve load within the CAISO Control Area as described above, or
- Obligates itself to bid, under the Market Redesign and Technology Update ("MRTU") Integrated Forward Market, its entire available Energy into the Hour-Ahead Scheduling Procedure as a price taker.

If the PIRP facility could not certify to the CAISO either of these conditions, then the facility would be deemed to be exporting its Energy for that uncertified portion of the output of the facility, and the export fee will apply for that portion (if no demonstration of any kind was provided by the facility, the entire output of the facility would be deemed to be an export). Note that it is possible for a facility to be split for settlement purposes, with a portion of the facility exporting and the other portion non-exporting (see below for further discussion).

Based on the foregoing, to avoid paying an export fee, a facility would provide the CAISO with the following:¹

- A certification, signed by an officer of the company, stating the contracts in place for the PIRP facility, including the counterparty, quantity of output sold, and the term and ending date of each contract, and a statement that all contractual arrangements for the facility are being disclosed. When entering PIRP, and when there are changes to the contracts or other operating arrangements for the facility's output, the facility would have to provide a certification that would state the amount of capacity or Energy under contract to load serving entities in the CAISO control area, the amount of Energy the facility is obligated to bid into the Hour-Ahead Scheduling Procedure as a price taker, and the amount the facility plans to export.
- The applicable load serving entity also would sign the certification.
- At periodic intervals, PIRP facilities would have to submit a report that would include an affirmative statement, also signed by the load serving entity, that the operations of the facility are consistent with the original certification to the CAISO.
- Copies of all of the executed contracts supporting the certification.

The CAISO would record the applicable contract dates for the PIRP facility. At the conclusion of the contract period, the CAISO would contact the PIRP facility and request a new certification.

¹ When a resource is added to an existing PIRP facility, or when a new resource is developed "green field," the resource must go through the CAISO New Resource Interconnection ("NRI") process. As part of the NRI process, a "new" facility that desires to be in the PIRP program would be required to provide to the CAISO a certification and copies of actual contracts for the facility.

PIRP participants would be required to inform the CAISO when the contractual arrangements for the PIRP facility change, including amendments and terminations. However, for purposes of informing the CAISO of contract changes, the key changes triggering notification to the CAISO are: identity of purchaser, quantity purchased, or contract term. A PIRP facility that was being used to serve its owner's Native Load must inform the CAISO if it sells the facility to another entity. If a contract or ownership changed, it would trigger the need for submission of a new certification.

A PIRP participant would be required to maintain contracts with CAISO load in order to avoid paying the export fee. For example, when a contract with a CAISO load serving entity expires, that portion of the facility would be subject to the export fee if it did not obtain a new contract to serve CAISO load or demonstrate that it will schedule all its Energy output into the Hour-Ahead Scheduling Procedure as a price taker.

A PIRP facility could be divided into a portion that would not be subject to the export fee and a portion that would be subject to the export fee. It would work as described below.

In providing copies of executed contracts supporting a certification, PIRP facilities would be allowed to redact sensitive commercial information such as price. However, as described above, the CAISO must be able to determine from the executed contract the identity of the purchaser, quantity purchased, and length of term of the contract for the PIRP facility.

Calculation of Export Fee

Based on the certification and executed contracts, the CAISO would record the applicable percent of each facility that is exporting PIRP Energy and the starting and ending dates. This "percent of facility" value would be used by the CAISO to calculate the export fee that would be applied to exports of PIRP Energy. For example, if a facility was an existing PIRP facility with a Pmax capacity of 40 MW that was exempt from the export fee, and it later adds 25 MW of additional capacity that does not meet the criteria to avoid the export fee (i.e., it is exporting), then the CAISO would record that 38.4615% of the PIRP facility is exporting, and this factor would be used in calculating the export charge.

An export fee would be applied to actual exports of PIRP Energy each quarter, as applicable, as described below. (A numerical example is provided at the end of this paper.) The billing determinant (or quantity) would be the percentage of the Resource ID that is shown in the CAISO records as the "percent of facility" that is being exported, multiplied by the actual PIRP megawatt hours ("MWh") produced by that PIRP Resource ID over the previous quarter. (If the facility could only demonstrate in its certification to the CAISO that 30% of the facility either would serve CAISO load through a contract or would bid into the Hour-Ahead Scheduling Procedure, then 70% of the facility's actual output each quarter is considered to be PIRP Energy that is exported and this proportion is subject to the export fee, multiplied by the actual PIRP MWh produced by that Resource ID over the previous quarter.)

The billable price for the export fee for the previous quarter would be the total of all actual PIRP costs for that same previous quarter as reported in the CAISO's calendar year "Settlement Charges Report for Participating Intermittent Resources Program," excluding the Uninstructed Energy charges associated with "Charge Type 4407 – Real-Time Uninstructed Energy Settlement," divided by the total actual MWh produced by all PIRP facilities in that quarter as reporting in the CAISO's calendar year "Settlement Charges Report for Participating Intermittent Resources Program." The export fee would be invoiced quarterly for the actual generation produced by that Resource ID during the preceding quarter.

Payments received each quarter from the quarterly export fee would be later allocated as a credit to a future invoice to Scheduling Coordinators with Net Negative Deviations in proportion to the amount of Net negative Deviations that each Scheduling Coordinator was assessed for PIRP settlement charges for CAISO Charge Type 721, PIRP Intermittent Resources Net Deviation Allocation Charge, during the applicable previous quarter.

The export fee would not include a charge for Regulation Up or Regulation Down Ancillary Services costs. The CAISO is looking at potential additional regulation requirements for intermittent resources generally as part of a Renewables Integration effort that is currently underway at the CAISO. This change to the tariff to establish an export fee is not intended to exempt PIRP participants from potential future wind integration costs, such as Regulation Services costs, or other costs or charges that might be developed and filed at FERC.

A \$10,000 per calendar year fee would be added to the PIRP export fee for CAISO costs to manually process the quarterly invoice and allocate quarterly payments back to Scheduling Coordinators with Net Negative Deviations.

Audit Rights

The tariff amendment would include language that provides the CAISO with the ability to audit, at its discretion, a PIRP facility and its records to confirm compliance with the PIRP requirements.

Penalties

If the CAISO identifies that a PIRP facility is exporting PIRP Energy (and the CAISO may conduct audits to monitor market behavior), and that facility has not reported such exports to the CAISO, then that kind of behavior potentially could be interpreted to violate the CAISO rules of conduct, including provide factually accurate information (Section 37.5) and/or no market manipulation (Section 37.7), and both have monetary fines. Such behavior also potentially could be interpreted by FERC to violate its regulations regarding market behavior.

Term of Amendment

The tariff amendment would remain in effect unless superseded by a subsequent filing.

Program Monitoring

Going forward, the CAISO would monitor participation and the effectiveness of the PIRP program, as it does with other CAISO programs, and propose changes to the PIRP program as warranted.

Numerical Example of Settlement of the Export Fee

Provided below is a numerical example of the calculation of the export fee for a hypothetical situation.

Example of Settlement of Quarterly PIRP Export Fee

Charge			
Type	Description	Total	Comment
CT 4487	Allocation of Excess Cost for Instructed Energy	\$298,954	Actual Costs for Previous Quarter
CT 4450	Transmission Loss	\$194,408	Actual Costs for Previous Quarter
CT 1697	MLCC Tier 1	<u>\$179,253</u>	Actual Costs for Previous Quarter
	Total	\$672,615	
CT 701	Forecasting Fee MWh (generated MWh for prev. qtr.)	321,289	Actual MWh for Previous Quarter
TBD	Export Fee (\$/MWh)	\$2.09	Rate for Exports for Previous Qtr.
Assume only one PIRP facility is exporting in this quarter			
Assume this PIRP facility is split as follows:			
	Exporting % of PIRP Resource ID is	38.4615	%
	Non- Exporting % of PIRP Resource ID is	61.5385	%
	Actual metered generation for that PIRP Resource ID for quarter	22,950	Total MWh for quarter
	Portion of metered generation considered an export for Res. ID	8,826	Exported MWh for quarter
Export Fee for Previous Quarter based on Actual Export MWh and Actual Costs:			
	Volumetric Rate (\$/MWh charge * volume in MWh)	\$18,446.34	
	Portion of ISO Monthly Charge ((\$10,000/4 * 1)	<u>\$2,500.00</u>	Only one SC exports this quarter
	Total	<u>\$20,946.34</u>	Total invoice for previous quarter

Stakeholder Process

Stakeholder Positions on PIRP Tariff Filing to Address Exports of PIRP Energy

Support	Neutral	Oppose
Southern California Edison Company Sacramento Municipal Utility District Pacific Gas and Electric Company California Public Utility Commission FPL Energy PPM Energy	California Wind Energy Association	

Stakeholder Process to Date

Activity	Date	Number of Stakeholder Representatives
First white paper posted	June 28, 2006	N/A
Conference call	July 12, 2006	47 by conference call
Written comments due	July 18, 2006	5 received
Conference call	July 26, 2006	36 by conference call
Meeting at ISO offices	August 1, 2006	13 in person at meeting and 13 by conference call
Conference call	August 9, 2006	30 by conference call
Conference call	August 14, 2006	24 by conference call
Written comments due	August 15, 2006	7 received
Conference call	August 21, 2006	20 by conference call
Draft of exports proposal posted	September 12, 2006	N/A
Conference call	September 15, 2006	27 by conference call
Written comments due	September 20, 2006	7 received
Revised draft of exports proposal posted	September 22, 2006	N/A
Conference call	September 27, 2006	24 by conference call
Written comments due	October 2, 2006	6 received
Memo from ISO Staff to Board of Governors	October 10, 2006	N/A

Stakeholder Process Going Forward

Activity	Date
Distribute draft tariff language	October 11, 2006
Conference call on draft tariff language	October 17, 2006
Written comments due	October 20, 2006
Distribute revised draft tariff language	October 24, 2006
Written comments due	October 27, 2006
File ISO tariff amendment	October 31, 2006

Entities that Participated in Stakeholder Process

<u>NAME</u>	<u>COMPANY</u>
1. JOHNSON, KEITH - HOST	CALIFORNIA ISO
2. AHLSTROM, MARK	WINDLOGICS
3. ANDERSON, MARK	MOUNTAINVIEW POWER PARTNERS
4. AOKI, ROD	CAC
5. AUDETTE, JESSIE	(NOT PROVIDED)
6. BASUPULATI, SUBBAIAH	OAK CREEK ENERGY
7. BLAIR, KIT	SMUD
8. BRACHT, KIRK	CPUC
9. BROZO, MIKE	NAVIGANT CONSULTING
10. CAFER, HOLLY	GKRSE
11. CALDWELL, JIM	PPM ENERGY
12. CHEN, BILL	CONSTELLATION ENERGY
13. CONNELLY, JOE	SEMPRA ENERGY TRADING
14. CORDNER, CHRISTINE	CALIFORNIA ENERGY MARKETS
15. DAN, DAVID	CYCG
16. DEAL, MATTHEW	CALIFORNIA PUBLIC UTILITIES COMMISSION
17. DEANE, MARIANNE	FPL ENERGY POWER
18. DIAMOND, JEFF	CALIFORNIA ELECTRICITY OVERSIGHT BOARD
19. ELLING, NATE	ERG ENERGY
20. FARROKHPAY, SAEED	FERC
21. GALLOEGOS, CRIS	APX
22. GENSLER, KATHRYN	FERC
23. GHAEIRI, STEVE	CALIFORNIA ELECTRICITY OVERSIGHT BOARD
24. GILBERT, SCOTTIE	PPM ENERGY
25. GOLDBECK, GLENN	PACIFIC GAS & ELECTRIC COMPANY
26. GREIF, CLAUDIA	PACIFIC GAS & ELECTRIC COMPANY
27. HANGER, ALAN	ALAMEDA POWER & TELECOM
28. HANSEN, BERT	SOUTHERN CALIFORNIA EDISON COMPANY
29. HITSON, BRIAN	PACIFIC GAS & ELECTRIC COMPANY
30. HO, ERIC	CDWR
31. HOLDSWORTH, GARY	SOUTHERN CALIFORNIA EDISON COMPANY
32. ISAAC, JERRY	SOUTHERN CALIFORNIA EDISON COMPANY
33. JONES, LAWRENCE	RBI
34. JYLKKA, CHRIS	EDISON MISSION
35. KARP, JOE	CALWEA
36. KEHREIN, CAROLYN	EMS
37. KIENER, KIM	IID
38. LAM, TONY	CALIFORNIA ELECTRICITY OVERSIGHT BOARD

39. LAUFENBERG, CLARE
 40. LEE, NANCY
 41. LLOYD, DEBORA
 42. LYNCH, MARY
 43. LYNN, LIZ
 44. MAHMUD, DIANA
 45. MAJOK, SARAH
 46. MARA, SUE
 47. MARCUEZ, JOANNE
 48. MARTIN, JULIE
 49. MASON, BILL
 50. MCALLISTER, BRUCE
 51. MEADE, DANIEL
 52. MELCHER, JERRY
 53. MERRIAM, HUGH
 54. NELSON, JEFF
 55. NELSON, TIFF
 56. PESTISA, JOHN
 57. REALE, KAREN
 58. RIMER, BOBETTE
 59. ROCHLIN, CLIFF
 60. SCHNEIDER, SUSAN
 61. SCHWARTZ, JENNIFER
 62. SCHWARZ, GREG
 63. SEGESMAN, ANN
 64. SHIVELEY, TRACI
 65. SMITH, KEVIN
 66. SMITH, MARK
 67. STEPHENS, SUE
 68. SUTPHIN, DON
 69. SZOT, LISA
 70. TAKAYESU, KIM
 71. TANG, BOB
 72. TERRY, LEE
 73. THAI, ALBERTINA
 74. THOMPSON, VIRGINA
 75. TORRES, RICHARD
 76. TRACE, JEFF
 77. ULBERG, BRIAN
 78. WHIELDON, ESTHER
 79. WHITEHEAD, JEFF
 80. WILLIAMS, STEVE
 81. WRIGHT, KATHLEEN
 82. YOUNG, FRED

CALIFORNIA ENERGY COMMISSION
 CITY OF ANAHEIM
 CITY OF PALO ALTO
 CONSTELLATION ENERGY
 WAPA
 METROPOLITAN WATER DISTRICT
 SMUD
 RTO ADVISORS
 PACIFIC GAS & ELECTRIC COMPANY
 BP ENERGY
 ENXCO
 CONSTELLATION ENERGY
 AWS TRUEWIND
 ENERNEX
 PACIFIC GAS & ELECTRIC COMPANY
 SOUTHERN CALIFORNIA EDISON COMPANY
 SAN DIEGO GAS & ELECTRIC COMPANY
 SOUTHERN CALIFORNIA EDISON COMPANY
 SMUD
 ENERGY INTELLIGENCE
 SOUTHERN CALIFORNIA GAS COMPANY
 PHOENIX CONSULTING
 CALIFORNIA ELECTRICITY OVERSIGHT BOARD
 SMUD
 PACIFIC GAS & ELECTRIC COMPANY
 SMUD
 SMUD
 FPL ENERGY
 CITY OF ANAHEIM
 VIASYN
 BP ALTERNATIVE ENERGY
 BABCOCK & BROWN
 CITY OF AZUSA
 STATE WATER PROJECT
 PACIFIC GAS & ELECTRIC COMPANY
 CONSTELLATION ENERGY
 CITY OF AZUSA
 SAN DIEGO GAS & ELECTRIC COMPANY
 MOUNTAINVIEW PARTNERS
 PLATTS
 (NOT PROVIDED)
 SAN DIEGO GAS & ELECTRIC COMPANY
 CDWR
 NORTHERN CALIFORNIA POWER AGENCY

Issues Addressed to Develop Final Proposal Sent to Board

Stakeholder Comments on September 12, 2006 Draft Proposal
 (Discussed on September 15, 2006 Stakeholder Conference Call; Comments due on September 20, 2006)
 (Documents available at: <http://www.caiso.com/1817/181783ae9a90.html>)

Stakeholder	Comment	ISO Response
Southern California Edison Company	SCE seeks clarification that the grandfathering of existing resources would only apply to the current owners.	In a previous version of the proposal, the grandfathering of existing resources would apply only to the current owners of PIRP facilities. However, this aspect of the proposal was changed following the September 27 conference call in response to a proposal by SMUD that was acceptable to stakeholders. See the latest proposal for the treatment of this topic.
	SCE understands that units must maintain contracts with CAISO load in order to remain in PIRP. That is, if on day 1a unit demonstrates it has a 5-year contract to serve CA load, that unit is eligible to stay in PIRP for 5-years.	In order to remain in PIRP, a PIRP facility must maintain contracts with ISO load (or maintain their obligation during MRTU to bid all available PIRP Energy into the Hour Ahead Scheduling Procedure as a price taker).
	SCE supports the CAISO's proposal.	No response is needed.
	Parties discussed the possibility of assessing an "export" charge to wind. SCE is willing to participate in such discussion to see if an appropriate charge can be developed in the context of cost associated in the MRTU market design.	In the proposal we have proposed a straightforward simple export fee.
	Participants discussed a method to avoid a "showing" that a generator actually had a contract with CAISO load, and instead parties suggested some form of "promise" that participants would not export. SCE believes that the CAISO current proposal requiring a showing is more enforceable, understandable and appropriate. Thus we support the CAISO's proposal for a "showing".	We have concluded that it is inadequate for the PIRP participants simply to declare that they will not export. Rather, the ISO proposes to require both a contract showing and a declaration.

Stakeholder	Comment	ISO Response
Pacific Gas and Electric Company	<p>PG&E strongly supports the CAISO efforts to immediately develop and implement tariff changes to address the export of energy from PIRP resources; to delay such revisions until after MTRU would continue the unfair subsidy of current PIRP exports and would potentially allow this to problem to grow unchecked as significant quantities of new renewable resources will be developed in the future.</p> <p>PG&E requests that the CAISO consider a simple export fee. The fee should focus just on the PIRP benefits and associated uplift costs; it is pre-mature to include any as of yet-to-be determined integration costs.</p> <p>The special export exemptions contemplated for PIRP energy exports can be supported by PG&E and may be a necessary compromise to accommodate the strong interests of others. However grandfathering should not reflect ALL PIRP eligible resources (688mw as of September 6, 2006) as proposed by the CAISO, but should fairly reflect just those PIRP resources with export agreements as of that date (approximately 140mw). In summary, the CAISO should grandfather based on 'existing agreements' and not on 'existing mws.</p> <p>The CAISO has proposed that for eligibility, new PIRP resources must provide a copy of an energy contract showing that 100% of the facility is contracted to serve CAISO load, or comparable documentation that the resource will bid all available energy to the CAISO energy markets. The provision of contracts for verification to the CAISO may not be necessary. PG&E recommends rather that the CAISO consider a simple Scheduling Coordinator 'declaration' attesting to the PIRP mws under export arrangements</p>	<p>No response is needed.</p> <p>In the proposal, we have proposed a simple export fee, and the export fee does not include any yet-to-be determined integration costs such as Regulation service.</p> <p>The proposal also has been revised to establish grandfathering based on existing agreements and not on existing megawatts. Further, the existing PIRP export contracts are grandfathered only for their current term, including any existing rollover or extension provisions.</p> <p>Although PG&E suggested that the provision of contracts for verification to the ISO may not be necessary, after careful consideration, the ISO concluded that a contract showing, coupled with a declaration, is needed for due diligence.</p>

Stakeholder	Comment	ISO Response
Energy Users Forum	<p>Energy Users Forum (EUF) believes that action needs to be taken to set a grandfathering date as soon as possible. However, we strongly believe that grandfathering should be contract-based not unit-based and it should be limited to the term of current supply contracts, without any extensions or evergreens.</p>	<p>In the proposal we have taken steps to set the grandfathering date as soon as possible, and will make a tariff filing as soon as we can after Board approval (expected to be by the end of October 2006). In the new proposal we have established that the grandfathering would be contract-based and not unit based. Further, only existing PIRP export contracts are grandfathered, and only for the current term of the contracts in place. However, we do propose to honor all of the provisions of the existing export contracts, including extension provisions, because the contracts were negotiated as a whole and we believe it is appropriate to honor the entire agreement in each case.</p> <p>The current proposal includes changes that were proposed by PG&E, FPL and others.</p>
California Public Utility Commission	<p>We ask that you give full consideration, including consideration of implementation cost and effort, to the proposals of PG&E, FPL and others.</p> <p>CPUC Staff is interested in working cooperatively with other stakeholders toward the goal of developing an "export" charge for wind energy in the context of the MRTU market design.</p> <p>The CPUC agrees with SCE that it would be inadequate for PIRP participants to provide some form of "declaration" that they would not export; rather, we support the CAISO's proposal requiring an enforceable "showing."</p> <p>The CPUC Staff understands that there are only (approximately) 150MW of current resources in the PIRP program that have contracts allowing them to export power outside of the CAISO control area. In our view, only those contracts should be "grandfathered."</p>	<p>In the proposal, we have proposed a straightforward simple export fee.</p> <p>We have concluded that it is inadequate for the PIRP participants simply to declare that they will not export. Rather, the ISO proposes to require both a contract showing and a declaration.</p> <p>The previous proposal has been revised to grandfather only existing PIRP export contracts, and only for their current term, including any existing rollover or extension provisions. Also, the grandfathering of existing resources would apply only to the current owners of PIRP facilities (note above that this provision has since been changed – see the current proposal for treatment of changes in ownership). In order to remain in PIRP, PIRP facilities must maintain contracts with ISO load (or maintain their obligation during MRTU to bid all available PIRP Energy into the Hour Ahead Scheduling Procedure as a price taker).</p>

Stakeholder	Comment	ISO Response
FPL Energy	<p>FPLE supports the most recent proposal of the CAISO. In particular, FPLE supports qualifications for PIRP participation that include the concept of "documentation" of bus bar MRTU I/FM sales, rather than the single criteria of a LSE contract demonstration. This proposal allows for the growth of an alternate generation development business model.</p> <p>Several parties have suggested a "simple fee" structure for PIRP exports. FPLE would not object to this concept, so long as the fee is intended to recover costs that are avoided through participation in PIRP. If however, costs are allocated to PIRP exports that are unrelated to the program, FPLE would object to this proposal as discriminatory. In particular, FPLE believes that allocations of regulation costs to PIRP exports is discriminatory and has not been based on any causal relationships.</p>	<p>The ISO has included the concept that, in addition to a load serving entity contract demonstration, a facility can avoid the export fee by agreeing to bid all available PIRP Energy into the Hour Ahead Scheduling Procedure as a price taker following implementation of MRTU. This option is an attempt to facilitate an alternate generation development business model.</p> <p>In the proposal, we have proposed a straightforward "simple fee" export charge, structured to recover only costs that are avoided through participation in PIRP. The export fee does not include costs that are unrelated to the PIRP program itself such as Regulation service.</p>
RTO Advisors	<p>ESPs do not support perpetual grandfathering of PIRPs. The CAISO's original concept should be reinstated that PIRPs are only grandfathered for the current term of their contracts in place at this time. In addition, grandfathering would not apply to any extension of the current contract through an evergreen provision.</p>	<p>The ISO has revised its previous proposal to eliminate the perpetual grandfathering of PIRP resources. In the new proposal only existing PIRP export contracts are grandfathered, and only for the current term of the contracts in place. However, we do propose to honor all of the provisions of the existing export contracts, including extension provisions, because the contracts were negotiated as a whole and we believe it is appropriate to honor the entire agreement in each case.</p>
CalWEA	<p>The "simple fee" proposal might be better than a PIRP export ban before MRTU. However, the fee should include only costs avoided by PIRP participants, e.g., Charge Type 4487, not Regulation or other "wind integration costs."</p> <p>The requirement for separate metering would not easily accommodate the "merchant plant" model, because re-wiring turbines to meters is impractical for shorter-term contracts.</p> <p>The "simple declaration" model with ISO audit rights would be better, with the declaration changeable on a monthly basis.</p>	<p>In the proposal, we have proposed a straightforward "simple fee" export charge, structured to recover only costs avoided through participation in PIRP. The export fee does not cover costs that are unrelated to the PIRP program itself, such as Regulation service or other wind integration costs.</p> <p>The current proposal does not require separate metering (this aspect was considered in a previous proposal).</p> <p>Although CalWEA has suggested that the provision of contracts for verification to the ISO may not be necessary and a "simple declaration" could be made to work, after careful consideration, and given that the ISO has agreed to propose a "simple fee" rather than an export ban, the ISO has concluded that a contract showing, coupled with a formal declaration, is needed for due diligence</p>

Stakeholder	Comment	ISO Response
	<p>CalWEA continues to support addition of a "status quo" option, including benefit and cost data analysis needed to make an informed assessment of the option.</p>	<p>ISO does not believe that a "do nothing" approach is an option. Stakeholders have expressed a strong desire for the ISO to act now on this topic.</p>
	<p>CalWEA continues to believe that changes are not needed at this time, and that this and other ISO proposals on this issue are solutions in search of a problem. There's no evidence that entities outside California are seeking to locate plants here due to the PIRP program; that is, the "problem" is very small.</p>	<p>Stakeholders have expressed a strong desire to the ISO for the ISO to act now on this topic.</p>
	<p>Bilateral sales to others at delivery points within the ISO Control Area should not disqualify facility output from full PIRP treatment.</p>	<p>The proposal does allow bilateral contracts to count as "non-export", but they must be between an entity that is serving load in the ISO control area and a PIRP facility.</p>

**Stakeholder Comments on September 22, 2006 Draft Proposal
(Discussed on September 27, 2006 Stakeholder Conference Call; Comments due on **October 2, 2006**)
(Document comments available at: <http://www.caiso.com/1817181783ae9a90.html>)**

Stakeholder	Comment	ISO Response
Southern California Edison Company	SCE agrees with the approach where a facility is deemed to be exporting unless it can demonstrate otherwise.	No response is needed.
	SCE still prefers that resources that cannot show they are serving CAISO load should simply be excluded from PIRP. A grandfathering exception could be made for existing PIRP resources along the lines proposed by the CAISO.	The ISO and other stakeholders believe that the current proposal is superior to this approach.
	If the CAISO decides to allow exporting resources in to PIRP, a balancing account mechanism should be established to recover the actual costs of the PIRP program attributed to the exporting.	A balancing account is not needed now that the proposal includes a quarterly invoice based on actual costs and actual MWh for the previous quarter.
	PIRP exporters should not view this proposed PIRP export fee as a comprehensive and final fee associated with their exports. Rather, exporters should expect that, after the CAISO properly studies and quantifies integration costs, additional fees will be applied to all wind exports.	The ISO has made this change in its latest draft of the proposal to the Board.
Pacific Gas and Electric Company	PG&E supports the latest proposal as it reflects significant and very positive changes from the prior proposal.	No response is needed.
	The proposal successfully resolves key PG&E concerns of addressing PIRP exports as soon as possible, use of a simple export fee thereby preserving PIRP export rights, and establishing clear exemption limits based on current export arrangements.	No response is needed.
	The proposal should be modified to establish the "date of tariff filing" as the cut-off date for grandfathering current PIRP exports.	The ISO has made this change in its latest draft of the proposal to the Board.
	PG&E suggests that the current proposal utilizing a simple, proxy export fee is sufficient and is superior to the use of a balancing account.	The proposal includes a simple export fee issued quarterly based on actual costs and actual MWh for the previous quarter. A balancing account is not needed when using this approach.
	PG&E recommends that all non-exempt PIRP exports should be assessed the export fee; there should not be special provisions for PIRP energy exports that may result from balancing or shaping requirements.	The export fee could be applied to these types of contracts if they are "new" (not existing) contracts.

Stakeholder	Comment	ISO Response
Energy Users Forum	<p>EUf can support the package described on the September 27 conference call.</p> <p>If any changes are made, EUf will need to re-evaluate its position.</p>	<p>No response is needed.</p> <p>No response is needed.</p>
California Public Utility Commission	<p>CPUC staff supports the proposed export fee as a reasonable approach for ending the subsidies for wind exports that were an unintended consequence of the PIRP. CPUC staff applauds the ISO for its proposed fee.</p> <p>CPUC staff recommends that proposed export fee should take effect, subject to refund, on the date when the proposed tariff amendment incorporating this fee is filed at FERC.</p> <p>We recommend that no proposed intermittent resources that are currently in the interconnection queue should be allowed to export energy without being subject to the proposed new fee.</p>	<p>The ISO has made this change in its latest draft of the proposal to the Board.</p> <p>The current proposal language is specific enough to achieve its objectives – and this CPUC issue should not occur as a facility would have to have a contract in place by November 1 and that will not happen.</p> <p>ISO will address this in the tariff language.</p>
	<p>We recommend that the CAISO incorporate additional details as to how the CAISO will certify and monitor the amount of power that is exported from the CAISO control area by intermittent resources.</p>	<p>ISO will address this in the tariff language.</p>
	<p>CAISO should clarify the exact amount of MW that it initially intends to grandfather under the proposed limited export fee exemption, as well as to clearly identify the resource and load identifications that will qualify for this exemption.</p>	<p>ISO will address this in the tariff language.</p>
	<p>Tariff revision should provide a detailed explanation of those existing contracts that will initially qualify for the exemption and of those material changes to such existing contracts that would eliminate their entitlement to the export fee exemption.</p>	<p>The ISO has made this change in its latest draft of the proposal to the Board.</p>
	<p>To the extent that avoided costs such as regulation up/down can be identified, the CPUC would propose that the CAISO work with stakeholders to identify and quantify these additional costs, if any, and amend the proposed export fee to include them.</p>	<p>As discussed above, a balancing account is not needed now that invoicing for the export fee will be done quarterly on actual costs and MWh.</p>
	<p>CPUC staff believes that the balancing account mechanism needs to be defined in a way that is equitable for all parties and that will not distort the true costs of the PIRP program.</p>	<p>The latest proposal, with quarterly invoices on actual costs and MWhs, addresses this concern.</p>
	<p>CPUC staff notes the concern that the export fee would be calculated on a monthly basis, while imbalance energy is priced on much shorter terms. Accordingly, the proposed export fee does not consider times when imbalance energy is scarce and its costs are high. This results in an inequity that the ISO should work to resolve this inequity.</p>	

Stakeholder	Comment	ISO Response
Sacramento Municipal Utility District	<p>SMUD supports, in general, the proposal posted as of September 22, 2006. We believe it to be a practical and reasonable approach.</p> <p>We agree that not every type of contract amendment need necessarily be reported to the CAISO, and suggest that ISO develop a list of material contract changes that are relevant to PIRP and therefore require reporting, such as those affecting volume, term of deal, delivery point and ultimate consumer of the power.</p> <p>SMUD would also like to propose clarification to the language regarding change of ownership of an "exempt" facility. SMUD believes that the exemption of a facility from the PIRP Export Fee should continue so long as the facility continues to serve its originally contemplated load and as long as the beneficiary of the exemption does not change. Therefore, SMUD suggests changing the following underlined changes to the CAISO's proposal: <i>Current PIRP participants whose facilities are now being used to serve their own retail native load would be exempt from the new tariff requirements for the life of the facility. In such cases, the exemption would only apply to the current load served by the facility and current beneficiary of the exemption. If such facilities change ownership, except in the documented case where (a) the entire output of the facility continues to be delivered to the current beneficiary of the exemption and (b) the facility continues to be used to serve the retail native load of such beneficiary, the new PIRP requirements would then apply.</i></p>	<p>No response is needed.</p> <p>ISO will address this in the tariff language.</p> <p>This concept is included in the latest proposal. The ISO received positive responses from stakeholders on the SMUD proposed modification. As a result, the proposal was revised to include this modification. The ISO will work with stakeholders to develop specific tariff language to accomplish the intent.</p>
CalWEA	<p>The present proposal is a significant improvement over the previous version, and if the ISO is determined to take action on the export issue at this time, CalWEA does not oppose it.</p> <p>CalWEA particularly appreciates the following changes in this latest version: substitution of an export fee for the previously-proposed ban on PIRP exports; exclusion from that fee of regulation or other "system integration" costs; substitution of a percentage approach in settlements to allocate PIRP facility output between exports and non-exports for the previously-proposed separate metering requirement; and confidentiality protection for submitted contracts and related information.</p> <p>The ISO requested comments on sensitive information that might be redacted before contracts are submitted to ISO. CalWEA suggests that, at a minimum, the following data are not needed by ISO: price and financial payment information; credit-related provisions; performance-related elements, e.g., force majeure provisions and performance guarantees/penalties, etc.; and day-to-day communications provisions (e.g., contact phone numbers). However, a better approach would be for the ISO to identify the contract information it requires for purposes of this proposal and enable facilities to redact any other information that they deem to be commercially sensitive.</p>	<p>No response is needed.</p> <p>No response is needed.</p> <p>ISO will address in the tariff language.</p>

Stakeholder	Comment	ISO Response
	<p>CalWEA also believes that, as part of the ISO's commitment to consider PIRP changes as the market changes, ISO should consider in the future allowing PIRP facilities to sell to marketers without loss of settlements benefits.</p> <p>CalWEA continues to support addition of a "status quo" option, including benefit and cost data analysis needed to make an informed assessment of the option.</p> <p>CalWEA continues to believe that changes are not needed at this time, and that this and other ISO proposals on this issue are solutions in search of a problem. There's no evidence that entities outside California are seeking to locate plants here due to the PIRP program; that is, the "problem" is very small.</p>	<p>ISO will monitor PIRP program going forward and propose changes as warranted.</p> <p>ISO does not believe that a "do nothing" approach is an option. Stakeholders have expressed a strong desire for the ISO to act now on this topic.</p> <p>Stakeholders have expressed a strong desire to the ISO for the ISO to act now on this topic.</p>