

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";

- (b) where the ISO is to required to pay a sum of money under this Section, this is defined as a "Payment".
- (c) All financial transactions are denominated in US dollars and cents.
- (d) All payments by the ISO to Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire. All payments to the ISO by Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire.

11.2 Calculations of Settlements.

The ISO shall calculate, account for and settle, based on the Settlement Quality Meter Data it has received, or, if Settlement Quality Meter Data is not available, based on the best available information or estimate it has received, the following charges in accordance with this ISO Tariff.

11.2.1 Grid Management Charge.

The Grid Management Charge will be levied in accordance with this Section and Appendix F, Schedule 1 of this ISO Tariff. The Charges shall accrue on a monthly basis.

11.2.2 Grid Operations Charge.

The Grid Operations Charge will be levied in accordance with Section 27.1.3 and Appendix F, Schedule 2 of this ISO Tariff. These charges shall accrue on a monthly basis.

11.2.2.1 ISO's Obligations.

11.2.2.1.1 FERC's Uniform System of Accounts.

The ISO shall maintain a set of financial statements and records in accordance with the FERC's Uniform System of Accounts.

11.2.2.1.2 [Not Used]

11.2.2.2 Costs Included in the Grid Management Charge.

11.2.2.2.1 [Not Used]

11.2.2.2.2 Operating Costs.

Budgeted annual operating costs, which shall include all staffing costs including remuneration of contractors and consultants, salaries, benefits and any incentive programs for employees, costs of operating, replacing and maintaining ISO systems, lease payments on facilities and equipment necessary for the ISO to carry out its business, and annual costs of financing the ISO's working capital and other operating costs ("Operating Costs").

11.2.2.2.3 Financing Costs.

The financing costs that are approved by the ISO Governing Board, including capital expenditures that may be financed over such period as the ISO Governing Board shall decide. Financing Costs shall also include the ISO start up and development costs standing to the credit of the ISO Memorandum Account plus any additional start up or development costs incurred after the date of Resolution E-3459 (July 17, 1996), plus any additional capital expenditure incurred by the ISO in 1998 ("Start Up and Development Costs"). The amortized amount to be included in the Grid Management Charge shall be equal to the amount necessary to amortize fully all Start Up and Development Costs over a period of five (5) years, or such longer period as the ISO Governing Board shall decide ("Financing Costs").

11.2.2.2.4 Operating and Capital Reserves Cost.

The budgeted annual cost of pay-as-you-go capital expenditures and reasonable coverage of debt service obligations. Such reserves shall be utilized to minimize the impact of any variance between forecast and actual costs throughout the year ("Operating and Capital Reserves Costs").

11.2.2.3 Allocation of the Grid Management Charge Among Scheduling Coordinators.

The costs recovered through the Grid Management Charge shall be allocated to the eight service charges that comprise the Grid Management Charge. If the ISO's revenue requirement for any service charge

changes from the most recent FERC-approved revenue requirement for that service charge, the costs recovered through that service charge shall be delineated in a filing to be made at FERC as set forth in Section 11.2.2.4. The eight service charges are as follows:

- (1) Core Reliability Services - Demand Charge,
- (2) Core Reliability Services – Energy Exports Charge
- (3) Energy Transmission Services Net Energy Charge,
- (4) Energy Transmission Services Uninstructed Deviations Charge,
- (5) Forward Scheduling Charge,
- (6) Congestion Management Charge,
- (7) Market Usage Charge, and
- (8) Settlements, Metering, and Client Relations Charge.

The eight charges shall be levied separately monthly in arrears on all Scheduling Coordinators based on the billing determinants specified below for each charge in accordance with formulae set out in Appendix F, Schedule 1, Part A of this Tariff, subject to the requirements set out in Appendix F, Schedule 1, Part F of this Tariff.

11.2.2.3.1 Core Reliability Services – Demand Charge.

The Core Reliability Services - Demand Charge for a Scheduling Coordinator's Load that is not associated with Energy Exports is calculated using the Scheduling Coordinator's metered non-coincident peak hourly Demand during the month (in megawatts) less the volume of Energy Exports included in the Scheduling Coordinator's non-coincident peak hourly Demand for the month, if any; provided that if the Scheduling Coordinator's metered non-coincident peak hour during the month occurs during the hours ending 0100 through 0600, or during the hours ending 2300 through 2400 the rate shall be sixty-six (66) percent of the standard CRS rate. The standard rate for the Core Reliability Services – Demand Charge is determined by dividing the GMC costs allocated to this service category, including a specified

percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total of the forecasted metered non-coincident peak hourly Demand for all months during the year (excluding the portion of such Demand associated with Energy Exports, if any), reduced by thirty-four (34) percent of the sum of all Scheduling Coordinators' metered non-coincident peak hour during the month occurs between the hour ending 2300 and the hour ending 0600, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.2 Core Reliability Services – Energy Exports Charge.

The Core Reliability Services – Energy Exports Charge for the load associated with a Scheduling Coordinator's Energy Exports is calculated using the Scheduling Coordinator's metered volume of Energy Exports (in megawatt-hours); The rate for the Core Reliability Services – Energy Exports Charge is determined by dividing the GMC costs allocated to the Core Reliability Services service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.3 Energy Transmission Services Net Energy Charge.

The Energy Transmission Services Net Energy Charge for each Scheduling Coordinator is calculated using that Scheduling Coordinator's Metered Control Area Load (in megawatt-hours). The rate for the Energy Transmission Services Net Energy Charge is determined by dividing the GMC costs allocated to this service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total forecasted Metered Control Area Load, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.4 Energy Transmission Services Uninstructed Deviations Charge.

The Energy Transmission Services Uninstructed Deviations Charge for each Scheduling Coordinator is calculated using that Scheduling Coordinator's net uninstructed deviations by Settlement Interval. The rate for the Energy Transmission Services Uninstructed Deviations Charge is determined by dividing the

GMC costs allocated to this service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total forecasted net uninstructed deviations by Settlement Interval according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.5 Forward Scheduling Charge.

The Forward Scheduling Charge for each Scheduling Coordinator is calculated using the sum of that Scheduling Coordinator's Final Hour-Ahead Schedules, including all awarded Ancillary Services bids, with a value other than 0.03 MW. The Forward Scheduling Charge attributable to Final Hour-Ahead Schedules for Inter-Scheduling Coordinating Energy and Ancillary Service Trades for each Scheduling Coordinator is fifty (50) percent of the standard Forward Scheduling Charge. The rate for the Forward Scheduling Charge is determined by dividing the GMC costs allocated to this service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total forecasted Final Hour-Ahead Schedules and awarded Ancillary Service bids submitted to the ISO, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.6 Congestion Management Charge.

The Congestion Management Charge for each Scheduling Coordinator is calculated as the product of the rate for the Congestion Management Charge and the absolute value of the net scheduled inter-zonal flow (excluding flows pursuant to Existing Contracts) per path for that Scheduling Coordinator. The rate for the Congestion Management Charge is determined by dividing the GMC costs allocated to this service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total forecasted inter-zonal scheduled flow (excluding flows pursuant to Existing Contracts) per path in MWh, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.7 Market Usage Charge.

The Market Usage Charge for each Scheduling Coordinator is calculated using the absolute value of the Scheduling Coordinator's market purchases and sales of Ancillary Services, Supplemental Energy, Instructed Imbalance Energy, and net Uninstructed Imbalance Energy (with uninstructed deviations being netted by Settlement Interval). The rate for the Market Usage Charge is determined by dividing the GMC costs allocated to this service category, including a specified percentage of the costs for the Settlements, Metering, and Client Relations Charge determined to be in excess of what is recovered by that charge, by the total forecasted number of market purchases and sales, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

11.2.2.3.8 Settlements, Metering, and Client Relations Charge.

The Settlements, Metering, and Client Relations Charge for each Scheduling Coordinator is fixed at \$500.00 per month, per Scheduling Coordinator ID with an invoice value other than \$0.00 in the current trade month, as indicated in Appendix F, Schedule 1, Part A of this Tariff. Excess GMC costs related to the provision of these services that are not recovered through this charge are allocated to the other GMC service categories as specified above and in Appendix F, Schedule 1, Part E of this Tariff.

11.2.2.4 Calculation and Adjustment of the Grid Management Charge.

The eight charges set forth in Section 11.2.2.3 that comprise the Grid Management Charge shall be calculated through the formula set forth in Appendix F, Schedule 1, Part A of this Tariff. The formula set forth in Appendix F, Schedule 1, Part C of this Tariff sums the Operating Costs (less any available expense recoveries), Financing Costs, and Operating and Capital Reserves Costs associated with each of the eight ISO service charges to obtain a total revenue requirement. This revenue requirement is allocated among the eight charges of the GMC through the application of the factors specified in Appendix F, Schedule 1, Part E of this Tariff.

The revenue requirement for each service then shall be divided by the forecast annual or periodic billing determinant volume to obtain a rate for each service, which will be payable by Scheduling Coordinators as set forth in Section 11.2.2.3. The rates so established will be adjusted annually, through the operation

of the formula set forth in Appendix F, Schedule 1, Part A of this Tariff. The ISO shall post on its website each year, before the adjusted rates go into effect, as described in Appendix F, Schedule 1,

Part D of this Tariff, data showing the rates adjusted to reflect any change in the annual revenue requirement, variance between forecast and actual costs for the previous year or period, or any surplus revenues from the previous year or period (as defined in Section 11.2.2.5), or the inability to recover from a Scheduling Coordinator its share of the Grid Management Charge, or any under-achievement of a forecast of the billing determinant volumes used to establish the rates. The circumstances under which the ISO is permitted to put the adjusted rates into effect without submitting a filing to the FERC are described in Appendix F, Schedule 1, Part D of this Tariff. Appendix F, Schedule 1, Part B of this Tariff sets forth the conditions under which a quarterly adjustment to the Grid Management Charge will be made.

11.2.2.4.1 Credits and Debits of the Grid Management Charge.

In addition to the adjustments permitted under Section 11.6.3.3, the ISO shall credit or debit, as appropriate, the account of a Scheduling Coordinator for any overpayment or underpayment of the Grid Management Charge that the ISO determines occurred due to error, omission, or miscalculation by the ISO or the Scheduling Coordinator.

11.2.2.5 Operating and Capital Reserves Account.

Revenues collected to fund the ISO financial operating reserves shall be deposited in an Operating and Capital Reserves Account until such account reaches a level specified by the ISO Governing Board. The Operating and Capital Reserves Account shall be calculated separately for each GMC service category (Core Reliability Services – Demand, Core Reliability Services – Energy Export, Energy Transmission Services – Net Energy, Energy Transmission Services – Uninstructed Deviations, Forward Scheduling, Congestion Management, Market Usage, and Settlements, Metering and Client Relations). The allocation factors, reassignments and reallocations specified in Schedule 1, Parts E and F, will be accounted for in the development of the Operating and Capital Reserves Account for each component. If

the Operating and Capital Reserves Account as calculated for such service category is fully funded, surplus funds will be considered an offset to the revenue requirement of the next fiscal year.

11.2.3 Ancillary Services.

The ISO shall calculate, account for and settle charges and payments for Ancillary Services as set out in Sections 8.11.1 to 8.11.3A, 8.12.1 to 8.12.3A of this Tariff and Part C of Appendix N.

11.2.4 Imbalance Energy.

The ISO shall calculate, Dispatch and account for Imbalance Energy for each Dispatch Interval and settle Imbalance Energy in the Real Time Market for each Settlement Interval for the relevant Zone or Scheduling Point within the ISO Controlled Grid. Imbalance Energy is the difference between the Metered Quantity and the Energy that corresponds to the Final Hour-Ahead Schedule. Instructed Imbalance Energy is the portion of Imbalance Energy that is produced or consumed due to Dispatch Instructions. The Instructed Imbalance Energy will be calculated based on all Dispatch Instructions taking into account applicable ramp rates and time delays. All Dispatch Instructions shall be deemed delivered. The remaining Imbalance Energy constitutes Uninstructed Imbalance Energy, and will be calculated based on the difference between the Metered Quantity and the Generator's Dispatched Operating Point.

11.2.4.1 Net Settlements for Uninstructed Imbalance Energy.

Uninstructed Imbalance Energy attributable to each Demand Take-Out Point, Generating Unit, System Unit or System Resource for which a Scheduling Coordinator has a Final Hour-Ahead Schedule or Metered Quantity, for each Settlement Interval, shall be deemed to be sold or purchased, as the case may be, by the ISO and charges or payments for Uninstructed Imbalance Energy shall be settled by debiting or crediting, as the case may be, the Scheduling Coordinator with an amount for each Settlement Interval in accordance with Section 34.9.2.1. Positive or negative Uninstructed Imbalance Energy as described in SABP Appendix D Section 2.1.1 shall be paid or charged the Resource-Specific Settlement Interval Ex Post Price or the Zonal Settlement Interval Ex Post Price, as the case may be.

11.2.4.1.1 Settlement for Instructed Imbalance Energy.

Instructed Imbalance Energy attributable to each Scheduling Coordinator in each Settlement Interval shall be deemed to be sold or purchased, as the case may be, by the ISO and charges or payments for Instructed Imbalance Energy shall be settled by debiting or crediting, as the case may be, the Scheduling Coordinator with an amount for each Settlement Interval in accordance with Section 34.9.

11.2.4.1.1.1 Bid Cost Recovery for Generating Units, System Units, Dynamically Scheduled System Resources, and Curtailable Demand.

The ISO shall determine, for each Trading Day, for each Generating Unit, System Unit, dynamically scheduled System Resource, and Curtailable Demand, Dispatched in the Real Time Market pursuant to Section 34.3.0, whether there exists a surplus or deficit in that resource's recovery of its Energy Bid costs, that are less than or equal to the Maximum Bid Level, through Instructed Imbalance Energy credits, as set forth in Section 11.2.4.1.1. This determination of market revenue surplus or deficit shall be calculated as the difference between: 1) the Instructed Imbalance Energy payment as based on the relevant Resource-Specific Settlement Interval Ex Post Price and 2) the resource's Energy Bid cost for each Settlement Interval. Bid cost recovery payment will be based on Settlement Intervals in which the resource: 1) did not recover its Energy Bid costs, and 2) generated or consumed an amount of Energy resulting from any Dispatch Instructions pursuant to Section 34.3.0. These Settlement Intervals will be netted against all Settlement Intervals in which the Instructed Imbalance Energy payments to the resource exceeded its Energy Bid costs. The resulting total bid cost recovery payment is then divided equally amongst the same Settlement Intervals to yield a per-Settlement Interval bid cost recovery payment. Payments for unrecovered bid costs for portions of Energy associated with bids above the Maximum Bid Level will not be netted with other surpluses or deficits and are subject to recall if the such bids above have not been adequately justified pursuant to Section 39.2. Energy Bid cost recovery associated with Residual Energy as provided for in Section 34.3.2.5 shall be based on the Energy Bids for the previous or next operating hour, whichever the case may be, upon which the Dispatch Instruction was based.

11.2.4.1.1.2 Bid Cost Recovery for System Resources.

The ISO shall settle predispached Energy from System Resources based on each resource's Energy Bid costs for each Settlement Interval, for each System Resource submitting bids in the Real Time Market pursuant to Section 8.2.2. This Energy bid cost settlement shall be calculated as set forth in Sections D 2.1.2 and D 2.6.3 in Part B of Appendix T. Bid cost settlement shall apply to both incremental and decremental predispached Energy.

An uplift payment will be made as necessary for each Settlement Interval to assure that the System Resource recovers its Energy Bid costs for the quantity of Energy delivered. Payments for un-recovered bid costs for portions of Energy associated with bids above the Maximum Bid Level are subject to recall if such bids have not been adequately justified pursuant to Section 39.2.

The settlement methodology set forth in this section will continue in effect until such time as the ISO implements a methodology for settling bids from System Resources as part of its Market Redesign and Technology Upgrade process.

11.2.4.1.2 Penalties for Uninstructed Imbalance Energy.

Effective December 1, 2004, the ISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.2.4.1.2 until FERC issues an order authorizing the ISO to charge Uninstructed Deviation Penalties pursuant to this section. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the ISO to charge Uninstructed Deviation Penalties pursuant to this section, the ISO shall charge Scheduling Coordinators Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Final Hour-Ahead Schedule otherwise. The Dispatch Operating Point will take into account the expected Ramping of a resource as it moves to a new Hour-Ahead Schedule at the top of each hour and as it responds to Dispatch Instructions. The Uninstructed Deviation Penalty will be applied as follows:

- a) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval. The Uninstructed Deviation Penalty for

positive Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval in which the ISO has not declared a staged System Emergency;

- b) The Uninstructed Deviation Penalty will apply to pre-Dispatched bids from non-dynamically scheduled System Resources identified, when such a pre-Dispatch Instruction is issued more than 40 minutes prior to the relevant Operating Hour, subject to the following conditions: i) The Uninstructed Deviation Penalty will only apply to the pre-Dispatched amount of the bid that is declined or not delivered, ii) the Uninstructed Deviation Penalty will not apply to a portion of a pre-Dispatched bid that is subsequently not delivered at the direction of a Control Area, including the ISO, due to a curtailment of transmission capability or to prevent curtailment of native firm load occurring subsequent to issuing the pre-Dispatch Instruction, iii) the Uninstructed Deviation Penalty will not apply to uninstructed energy resulting from declining subsequent intra-hour Dispatch Instructions. Dynamically scheduled System Resources, to the extent they deviate from their Final Hour-Ahead Schedule plus any real-time Dispatch Instructions, will be subject to the Uninstructed Deviation Penalty;
- c) The Uninstructed Deviation Penalty will not apply to Load or Curtailable Demand;
- d) **[Not Used]**
- e) The Uninstructed Deviation Penalty will not apply to Regulatory Must-Run Generation. No other applicable charges will be affected by this exemption. The Uninstructed Deviation Penalty also will not apply to Qualifying Facilities (QFs), including those that are dynamically scheduled, that have not executed a Participating Generator Agreement (PGA), pending resolution of QF-PGA issues at FERC;
- f) For the Scheduling Coordinator of an MSS that has elected to follow the MSS Load and associated Transmission Losses pursuant to Section 4.9.9, the deviation penalties in Sections 4.9.9.2.1 and 4.9.9.2.2 will apply. For the Scheduling Coordinator of an MSS that has not elected to follow the MSS Load, the Uninstructed Deviation Penalties in this Section 11.2.4.1.2 will apply;

- g) The Uninstructed Deviation Penalty will apply to Generating Units providing Regulation and dynamically scheduled System Resources providing Regulation to the extent that uninstructed deviations from such resources exceed each resource's actual Regulation range plus the applicable Tolerance Band. Resources providing Regulation and generating within their relevant Regulating range (or outside their relevant Regulating range as a direct result of ISO control or instruction) will be deemed to have zero deviations for purposes of the Uninstructed Deviation Penalty.
- h) The Uninstructed Deviation Penalty will be calculated and assessed for each resource individually, except that as specified in Appendix R, uninstructed deviations from individual resources may be aggregated.
- i) **[Not Used]**
- j) **[Not Used]**
- k) The Uninstructed Deviation Penalty will not apply when the Zonal Settlement Interval Ex Post Price is negative or zero;
- l) The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be the amount of the Uninstructed Imbalance Energy in excess of the Tolerance Band multiplied by a price equal to 100% of the corresponding Zonal Settlement Interval Ex Post Price. The net effect of the Uninstructed Deviation Penalty and the Settlement for positive Uninstructed Imbalance Energy beyond the Tolerance Band will be that the ISO will not pay for such Energy;
- m) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be the amount of the Uninstructed Imbalance Energy in excess of the Tolerance Band multiplied by a price equal to 50% of the corresponding Zonal Settlement Interval Ex Post Price;
- n) The Uninstructed Deviation Penalty will not apply to deviations from Energy delivered as part of a scheduled test so long as the test has been scheduled by the Scheduling Coordinator with the ISO or the ISO has initiated the test for the purposes of validating unit performance;

- o) The Uninstructed Deviation Penalty shall not apply to any excess Energy delivered from or any shortfall of Energy not delivered from an out-of-market (OOM) transaction involving a Generating Unit or a System Unit unless the ISO and the supplier have agreed upon the time of, duration of, and the amount of Energy to be delivered in the OOM transaction and the ISO reflects the OOM transaction in its real-time Expected Energy calculations. The Uninstructed Deviation Penalty shall apply to Energy outside the Tolerance Band from firm OOM transactions with dynamically scheduled System Resources to the extent the agreed-to Energy is not delivered or over-delivered, and to any Energy from non-dynamically scheduled System Resources to the extent the agreed-to Energy is not delivered if that over- or under-delivery was due to action taken by or not taken by the System Resource and not the result of action taken by a Control Area operator due to a curtailment of firm transmission capability or to prevent curtailment of native firm load occurring subsequent to the OOM transaction;
- p) Generating Units and dynamically scheduled System Resources with Uninstructed Imbalance Energy will be exempted from the Uninstructed Deviation Penalty if the Generating Unit or dynamically scheduled System Resource was physically incapable of delivering the expected Energy, provided that the Generating Unit or dynamically scheduled System Resource had notified the ISO within 30 minutes of the onset of an event that prevents the resource from performing its obligations. A Generating Unit or dynamically scheduled System Resource must notify ISO operations staff of its reasons for failing to deliver the expected Energy in accordance with Section 9.3.10.5 and must provide information to the ISO that verifies the reason the resource failed to comply with the Dispatch instruction within 48 hours of the operating hour in which the instruction is issued;
- q) **Adjustments to any Generating Unit, Curtailable Demand and System Resource Final Hour-Ahead Schedules made in accordance with the terms of Existing Contracts shall not be subject to Uninstructed Deviation Penalties.**
- r) Any changes made to Schedules prior to the ISO issuing Final Hour-Ahead Schedules shall not be subject to Uninstructed Deviation Penalties.**

- s) Uninstructed Deviation Penalties shall not be charged to any deviation from a Dispatch Instruction that does not comply with the requirements set forth in this ISO Tariff.
- t) Amounts collected as Uninstructed Deviation Penalties shall first be assigned to reduce the portion of above-MCP costs that would otherwise be assigned pro rata to all Scheduling Coordinators in that Settlement Interval pursuant to Section 11.2.4.2.2. Any remaining portion of amounts collected as Uninstructed Deviation Penalties after satisfying these sequential commitments shall be treated in accordance with Section 11.8.5.3.
- u) Condition 2 RMR Units shall be exempt from Uninstructed Deviation Penalties.
- v) The Uninstructed Deviation Penalty shall not apply to positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level from the time the Generating Unit synchronizes to the grid to the earlier of (1) the Settlement Interval in which the Generating Unit produces a quantity of Energy that represents an average rate of delivery over such Settlement Interval in excess of the Generating Unit's minimum operating level plus the applicable Tolerance Band, or (2) the first Settlement Interval after the expiration of a period of time that begins at the end of the Settlement Interval in which the Generating Unit synchronizes to the grid and ends after the Generating Unit's maximum start-up time as specified in the Master File. The Uninstructed Deviation Penalty shall not apply to any positive Uninstructed Imbalance Energy attributable to operation below the Generating Unit's minimum operating level for a duration equal to the time specified in the Generating Unit's Resource Data Template for the Generating Unit to disconnect from the grid after reaching its minimum operating level following either (1) the last Settlement Interval of an hour in which the Generating Unit had a non-zero Final Hour-Ahead Schedule or (2) the Settlement Interval in which the Generating Unit is expected to reach its minimum operating level based on the applicable ramp rate when the ISO instructed the Generating Unit to shut down. The amount of Uninstructed Imbalance Energy exempted from the Uninstructed Deviation Penalty shall not exceed the amount of the Generating Unit's minimum operating level plus the applicable Tolerance Band.

- (w) UDP shall not apply to deviations by a Generating Unit that are attributable to any automatic response to a system disturbance in accordance with Applicable Reliability Criteria.

11.2.4.2 Payment Options for ISO Dispatch Orders.

With respect to all resources which have not bid into the Imbalance Energy or Ancillary Services markets but which have been dispatched by the ISO to avoid an intervention in market operations, to prevent or relieve a System Emergency, or to satisfy a locational requirement, the ISO shall calculate, account for and, if applicable, settle deviations from the Final Schedule submitted on behalf of each such resource, with the relevant Scheduling Coordinator for each Settlement Period for each such resource by application of either of the following payment options described below. For resources subject to a Reliability Must-Run Contract, the ISO will dispatch such resources according to the terms of the RMR Contract, except as provided for below. In circumstances where an RMR Unit would be used to resolve Intra-Zonal Congestion and there are no such RMR Units available, a resource may be called upon and paid under this Section to resolve the Intra-Zonal Congestion.

By December 31 of each year for the following calendar year, each Scheduling Coordinator for a resource shall select one of the following payment options for each resource it schedules:

(a) the Uninstructed Imbalance Energy charge price as calculated in accordance with Section 34.9.2.4 (i.e., using the Hourly Ex Post Price) or

(b) a calculated price:

(i) for decremental dispatch orders that is an Energy payment to the ISO that is equal to the Market Clearing Price for the relevant Settlement Period for the applicable Energy market less verifiable daily gas imbalance charges, if any, that are solely attributable to the ISO's Dispatch Instruction and that the Scheduling Coordinator or Generator was not able to eliminate or reduce despite the application of best efforts, if the Scheduling Coordinator provides the resource's daily gas imbalance charges to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched; and

(ii) for incremental dispatch orders is the sum of: 1) a capacity payment equal to the average Day-Ahead Market prices for Spinning Reserve

and Non-Spinning Reserve for the three (3) most recent similar days for the same Settlement Period for which the resource is dispatched; 2) an Energy payment equal to the average calculated using the ISO Real Time Market Energy prices for the three (3) most recent similar days for the same Settlement Period for which the resource is dispatched; 3) such resource's verifiable Start-Up Costs, if the start-up was solely attributable to the ISO's Dispatch Instruction and if the Scheduling Coordinator provides the resource's Start-Up Costs to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched; and 4) verifiable daily gas imbalance charges, if any, that are solely attributable to the ISO's Dispatch Instruction and that the Scheduling Coordinator or Generator was not able to eliminate or reduce despite the application of best efforts, if the Scheduling Coordinator provides the resource's daily gas imbalance charges to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched. References to "similar days" in this Section refer to Business Days when the resource is dispatched on a Business Day and otherwise to days that are not Business Days.

To the extent a Scheduling Coordinator does not specify a payment option, the ISO will apply the payment provisions of the payment option described in Section 11.2.4.2(a).

If the ISO Dispatches an RMR Unit that has selected Condition 2 of its RMR Contract to start-up or provide energy other than a start-up or energy requested pursuant to the RMR Contract, as provided in Section 5.2.9 of the ISO Tariff, the ISO shall pay as follows:

(a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction;

(b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction.

Equation 1a

$$\text{Energy Price (\$/MWh)} = \frac{(AX^3 + BX^2 + CX + D) * P * E}{X} + \text{Variable O\&M Rate}$$

Equation 1b

$$\text{Energy Price (\$/MWh)} = \frac{A * (B + CX + De^{FX}) * P * E}{X} + \text{Variable O\&M Rate}$$

Where:

- for Equation 1a, A, B, C, D and E are the coefficients given in Table C1-7a of the applicable RMR Contract;
- for Equation 1b, A, B, C, D, E and F are the coefficients given in Table C1-7b of the applicable RMR Contract;
- X is the Unit output level during the applicable settlement period, MWh;
- P is the Hourly Fuel Price as calculated by Equation C1-8 in Schedule C using the Commodity Prices in accordance with the applicable RMR Contract;
- Variable O&M Rate (\\$/MWh): as shown on Table C1-18 of the applicable RMR Contract.

11.2.4.2.1 Allocation of Costs Resulting From Dispatch Instructions.

Pursuant to Section 11.2.4.1, the ISO may, at its discretion, Dispatch any Participating Generator, Participating Load and dispatchable System Resource that has not bid into the Imbalance Energy or Ancillary Services markets, to avoid an intervention in market operations or to prevent or relieve a System Emergency. Such Dispatch may result from, among other things, planned and unplanned transmission facility Outages; bid insufficiency in the Ancillary Services and real-time Energy markets; and location-

specific requirements of the ISO. The cost associated with each Dispatch instruction is broken into two components:

- a) the portion of the Energy payment at or below the Market Clearing Price (“MCP”) for the Settlement Interval, and
- b) the portion of the Energy payment above the MCP, if any, for the Settlement Interval.

For each Settlement Interval, costs above the MCP incurred by the ISO for such Dispatch instructions necessary as a result of a transmission facility Outage or in order to satisfy a location-specific requirement in that Settlement Interval shall be payable to the ISO by the Participating Transmission Owner in whose PTO Service Territory the transmission facility is located or the location-specific requirement arose. The costs incurred by the ISO for such Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement will be recovered in the same way as for Instructed Imbalance Energy.

11.2.4.2.1.1 Allocation of Costs from Out-Of-Market calls to Condition 2 RMR Units.

All costs associated with energy provided by a Condition 2 RMR Unit operating other than according to a dispatch notice issued under the RMR Contract shall be allocated in accordance with Section 11.2.4.2.1. Until either the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups exceed the relevant RMR Contract Service Limit, any cost incurred for energy provided under the RMR Contract above the rate specified in equation 1a or 1b as set forth in Section 11.2.4.2 shall be allocated in accordance with Section 11.2.4.2.1, not to the Responsible Utility.

Start-Up Costs for Condition 2 RMR Units providing service outside the RMR Contract, and any additional Start-Up Cost associated with a Condition 2 RMR Unit providing service under the RMR Contract when the unit’s total service has exceeded an RMR Contract Service Limit but neither the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups have exceeded the applicable RMR Contract Service Limit, shall be invoiced in accordance with Section 40.12.6 and collected in accordance with Section 40.12.1.

11.2.4.2.2 Allocation of Above-MCP Costs For Accepted Bids.

For each Settlement Interval, the at or below-MCP costs incurred as a result of accepted bids in the ISO Imbalance Energy Markets shall be allocated in accordance with 11.2.4.1. Allocation of above-MCP costs for accepted bids in the ISO Imbalance Energy Markets shall be in accordance with this Section 11.2.4.2.2 as follows.

11.2.4.2.2.1 Allocation of Bid Costs Above the Maximum Bid Level.

For each Settlement Interval, costs that are both above the MCP and above the Maximum Bid Level, incurred by the ISO as a result of Instructed Imbalance Energy and Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement shall be charged to Scheduling Coordinators as follows in a three-step process. First, each Scheduling Coordinator's charge shall be the lesser of:

(a) the pro rata share of the total costs that are both above the MCP and above the Maximum Bid Level based upon the ratio of each Scheduling Coordinator's Net Negative Uninstructed Deviations to the total system Net Negative Uninstructed Deviations; or

(b) the amount obtained by multiplying the Scheduling Coordinator's Net Negative Uninstructed Deviation for each Settlement Interval and a weighted average price. The weighted average price is equal to the total costs that are both above the MCP and above the Maximum Bid Level divided by the MWh delivered as a result of ISO instructions with a cost component above the MCP.

Second, any remaining unallocated costs shall be reduced pursuant to Section 11.2.4.1.2.

Third, any remaining unallocated costs shall be allocated amongst all Scheduling Coordinators in that Settlement Interval pro rata based on their metered Demand, including exports.

A Scheduling Coordinator shall be exempt from the first allocation step of costs that are both above the MCP and above the Maximum Bid Level in a Settlement Interval if the Scheduling Coordinator has sufficient incremental Energy bids from physically available resources in the Imbalance Energy market to

cover its Net Negative Uninstructed Deviation in the given Settlement Interval and the prices of such Energy bids do not exceed the applicable **Maximum Bid Level as set forth in Section 39.2 of this Tariff.**

11.2.4.2.2 Allocation of Bid Costs Above-MCP and Below the Maximum Bid Level.

For each Settlement Interval, the total unrecovered costs pursuant to Section 11.2.4.1.1.1 that are above the MCP and below the Maximum Bid Level for each Trading Day will be allocated pro-rata to each Scheduling Coordinator based on its metered Demand. For a Scheduling Coordinator of an MSS Operator that has elected to follow Load, allocation of such unrecovered costs will be based on net metered Demand.

11.2.4.3 Unaccounted For Energy (UFE).

For settlement purposes, UFE is treated as Imbalance Energy. For each Settlement Interval, the ISO will calculate UFE on the ISO Controlled Grid, for each utility Service Area for which separate UFE calculation is performed. The UFE will be settled as Imbalance Energy at the Zonal Settlement Interval Ex Post Price. UFE attributable to meter measurement errors, load profile errors, Energy theft, and distribution loss deviations will be allocated to each Scheduling Coordinator based on the ratio of their metered Demand (including exports to neighboring Control Areas) within the relevant utility Service Area to total metered Demand within the utility Service Area.

11.2.4.4 High Voltage Access Charge.

High Voltage Access Charges and Transition Charges will be levied in accordance with Section 26.1 of this ISO Tariff and Appendix F, Schedule 3.

11.2.4.5 Participating Intermittent Resources.

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.

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

Coordinator's aggregate Net Negative Uninstructed Deviations in that month bears to the aggregate Net Negative Uninstructed Deviations for all Scheduling Coordinators in the Control Area in that month.

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;

(b) amounts in regard to penalties or sanctions which may be levied by the ISO in accordance with the ISO Tariff. These charges will be levied on the Market Participants liable for payment of the penalty or sanction;

(c) amounts required to reach an accounting trial balance of zero in the course of the Settlement process in the event that the charges calculated as due from ISO Debtors are lower than payments calculated as due to the ISO Creditors for the same Trading Day. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day. In the event that the charges due from ISO Debtors are higher than the payments due to ISO Creditors, the ISO shall allocate a payment to the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day;

(d) amounts required with respect to payment adjustments for regulating Energy as calculated in accordance with Section 8.11.1. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (excluding exports) in MWh for that Trading Day; and

(e) awards payable by or to the ISO pursuant to good faith negotiations or ISO ADR Procedures that the ISO is not able to allocate to or to collect from a Market Participant or Market Participants in accordance with Section 13.5.3. 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.

11.2.9.1 The total annual charges levied under Section 11.2.9 shall not exceed \$0.095/MWh, applied to Gross Loads in the ISO Control Area and total exports from the ISO Controlled Grid, unless: (a) the ISO Governing Board reviews the basis for the charges above that level and approves the collection of charges above that level for a defined period; and (b) the ISO provides at least seven days' advance notice to Scheduling Coordinators of the determination of the ISO Governing Board.

11.2.10 Payments Under Section 42.1 Contracts.

The ISO shall calculate and levy charges for the recovery of costs incurred under contracts entered into by the ISO under the authority granted in Section 42.1 in accordance with Section 42.1.8 of this ISO Tariff.

11.2.11 Obligation for FERC Annual Charges.

11.2.11.1 Each Scheduling Coordinator shall be obligated to pay for the FERC Annual Charges for its use of the ISO Controlled Grid to transmit electricity, including any use of the ISO Controlled Grid through Existing Contracts scheduled by the Scheduling Coordinator. Any FERC Annual Charges to be assessed by FERC against the ISO for such use of the ISO Controlled Grid shall be assessed against Scheduling Coordinators at the FERC Annual Charge Recovery Rate, as determined in accordance with this Section 11.2.11. Such assessment shall be levied monthly against all Scheduling Coordinators based upon each Scheduling Coordinator's metered Demand and exports.

11.2.11.2 Scheduling Coordinators may elect, each year, to pay the FERC Annual Charges assessed against them by the ISO either on a monthly basis or an annual basis. Scheduling Coordinators that elect to pay FERC Annual Charges on a monthly basis shall make payment for such charges within five (5) Business Days after issuance of the monthly invoice. The FERC Annual Charges will be issued to Market Participants once a month, on the first business day after the final market and Grid Management Charge invoices are issued for the trade month. Once the final FERC Annual Charge Recovery Rate is received from FERC in the Spring/Summer of the following year, a supplemental invoice will be issued. Scheduling Coordinators that elect to pay FERC Annual Charges on an annual basis shall make payment for such charges within five (5) Business Days after the ISO issues such supplemental invoice. Scheduling Coordinators that elect to pay FERC Annual Charges on an annual basis shall maintain either an Unsecured Credit Limit or shall maintain Financial Security in accordance with Section 12.1.

11.2.12 FERC Annual Charge Trust Account.

All funds collected by the ISO for FERC Annual Charges shall be deposited in the FERC Annual Charge Trust Account. The FERC Annual Charge Trust Account shall be an interest-bearing account separate from all other accounts maintained by the ISO, and no other funds shall be commingled in it at any time. The ISO shall disburse funds from the FERC Annual Charge Trust Account in order to pay the FERC any and all FERC Annual Charges assessed against the ISO.

11.2.13 Determination of the FERC Annual Charge Recovery Rate.

11.2.13.1 The FERC Annual Charge Recovery Rate shall be set at the projected total FERC Annual Charge obligation with regard to transactions on the ISO Controlled Grid during the year in which the FERC Annual Charge Recovery Rate is collected, adjusted for interest projected to be earned on the monies in the FERC Annual Charge Trust Account ("Annual Charge Obligation"), divided by the projected Demand and exports during that year for all entities subject to assessment of FERC Annual Charges by the ISO ("Annual Charge Demand"). The FERC Annual Charge Recovery Rate for the period from January 1, 2001 until the first adjustment of the FERC Annual Charge Recovery Rate goes into effect shall be posted on the ISO Home Page at least fifteen (15) days in advance of the date on which the initial rate will go into effect.

11.2.13.2 The ISO may adjust the FERC Annual Charge Recovery Rate on a quarterly basis, as necessary, to reflect the net effect of the following:

- (a) the difference, if any, between actual Annual Charge Demand and projected Annual Charge Demand during the year-to-date;
- (b) the difference, if any, between the projections of the Annual Charge Obligation and the Annual Charge Demand upon which the charge for the year is based and the ISO's most current projections of those values, provided that the projection of the Annual Charge Obligation may only be adjusted on an annual basis for changes in the Federal Energy Regulatory Commission's budget for its electric regulatory program or changes in the projected total transmission volumes subject to assessment of FERC Annual Charges;

- (c) the difference, if any, between actual and projected interest earned on funds in the FERC Annual Charge Trust Account; and
- (d) any positive or negative balances of funds collected for FERC Annual Charges in a previous year after all invoices for FERC Annual Charges for that year have been paid by the ISO, other than those that are addressed through the mechanism described in Section 11.2.13.4.

11.2.13.3 The adjusted FERC Annual Charge Recovery Rate shall take effect on the first day of the calendar quarter. The ISO shall publish all data and calculations used by the ISO as a basis for such an adjustment on the ISO Home Page at least fifteen (15) days in advance of the date on which the new rate shall go into effect.

11.2.13.4 If the FERC Annual Charges assessed by FERC against the ISO for transactions on the ISO Controlled Grid during any year exceed or fall short of funds collected by the ISO for FERC Annual Charges with respect to that year by a range of 10% or less, the ISO shall take such under- or over-recovery into account through an adjustment to the FERC Annual Charge Recovery Rate in accordance with Section 11.2.13.2. Any deficiency of available funds necessary to pay for any assessment of FERC Annual Charges payable by the ISO may be covered by an advance of funds from the ISO's Grid Management Charge, provided any such advanced funds will be repaid. If the ISO's collection of funds for FERC Annual Charges with respect to any year results in an under- or over-recovery of greater than 10%, the ISO shall either assess a surcharge against all active Scheduling Coordinators for the amount under-recovered or shall issue a credit to all active Scheduling Coordinators for the amount over-recovered. Such surcharge or credit shall be allocated among all active Scheduling Coordinators based on the percentage of each active Scheduling Coordinators metered Demand and exports during the relevant year. For purposes of this section, an "active Scheduling Coordinator" shall be a Scheduling Coordinator certified by the ISO in accordance with Section 4.5.1 of this ISO Tariff at the time the ISO issues a surcharge or credit under this section. The ISO will issue any surcharges or credits under this section within 60 days of receiving a FERC Annual Charge assessment from the FERC.

11.2.14 Credits and Debits of FERC Annual Charges Collected from Scheduling

Coordinators.

In addition to the surcharges or credits permitted under Sections 11.2.13 or 11.6.3.3 of this ISO Tariff, the ISO shall credit or debit, as appropriate, the account of a Scheduling Coordinator for any over- or under-assessment of FERC Annual Charges that the ISO determines occurred due to the error, omission, or miscalculation by the ISO or the Scheduling Coordinator.

11.2.15 The ISO shall calculate the amount due from each UDC or MSS, or from a Scheduling Coordinator delivering Energy for the supply of Gross Load not directly connected to the facilities of a UDC or MSS, for the High Voltage Access Charge and Transition Charge in accordance with operating procedures posted on the ISO Home Page. These charges shall accrue on a monthly basis.

11.2.16 Emissions and Start-Up Fuel Cost Charges.

The ISO shall calculate, account for and settle charges and payments for Emissions Costs and Start-Up Fuel Costs in accordance with Sections 40.11 and 40.12 of this ISO Tariff.

11.2.17 The ISO shall calculate, charge and disburse all collected default Interest in accordance with the ISO Tariff.

11.2.18 Auditing

All of the data, information, and estimates the ISO uses to calculate these amounts shall be subject to the auditing requirements of Section 10.2.11 of the ISO Tariff. The ISO shall calculate these amounts using the software referred to in Section 11.4. 4except in cases of system breakdown when it shall apply the procedures set out in 11.9a (Emergency Procedures).

11.2.19 NERC/WECC Charges

11.2.19.1 Responsibility for NERC/WECC Charges

- (a) The ISO shall invoice Scheduling Coordinators for all of the NERC/WECC Charges that are invoiced to the ISO by the WECC on behalf of itself, NERC, and/or regional advisory bodies. Each Scheduling Coordinator shall be obligated to pay the ISO all of the

NERC/WECC Charges it is invoiced by the ISO in accordance with this Section 11.2.19. Each Scheduling Coordinator's responsibility for NERC/WECC Charges is based on the Scheduling Coordinator's NERC/WECC Metered Demand.

- (b) The ISO's calculation of collateral requirements and other credit requirements under the ISO Tariff will not include any adjustment for a Scheduling Coordinator's NERC/WECC Charges.

11.2.19.2 Process for Invoicing NERC/WECC Charges Assessed for 2007.

With regard to the NERC/WECC Charges assessed by the WECC for 2007, the following process shall apply:

- (a) The ISO will issue a market notice that will include the following: (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC and (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005. Each Scheduling Coordinator shall have sixty (60) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005.
- (b) The ISO will issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2007 WECC assessment. The Final NERC/WECC Charge Rate for the 2007 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005, including any adjustments to the calculation of NERC/WECC Metered Demand for 2005 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.2(a).

- (c) Within thirty (30) Calendar Days after the ISO issues the market notice in Section 11.2.19 (b), the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2007 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2005 multiplied by (ii) the Final NERC/WECC Charge Rate for the 2007 WECC assessment. The ISO shall deduct from the Final NERC/WECC Charge Invoices for the 2007 WECC assessment any amounts that Scheduling Coordinators have already paid directly to the WECC for NERC/WECC Charges for 2007 as reported to the ISO by the WECC.

11.2.19.3 Process for Invoicing NERC/WECC Charges Assessed for 2008.

With regard to the NERC/WECC Charges to be assessed by the WECC for 2008, the following process shall apply:

- (a) The ISO will issue a market notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand 2006. Each Scheduling Coordinator shall have sixty (60) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006.
- (b) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC Metered Demand for 2006 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.3(a). This report shall facilitate the WECC calculation of actual NERC/WECC Charges to be invoiced to the ISO for 2008.

- (c) Within five (5) Business Days after receipt of the WECC invoice to the ISO setting forth the assessment for NERC/WECC Charges 2008, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2008. The Final NERC/WECC Charge Rate for the 2008 shall be based on (i) the total NERC/WECC Charges for 2008 that were invoiced to the ISO by the WECC, divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, as reported to the WECC.

- (d) Within fifteen (15) Business Days after receipt of the WECC invoice to the ISO setting forth the assessment for NERC/WECC Charges for 2008, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006, multiplied by (ii) the Final NERC/WECC Charge Rate for 2008.

11.2.19.4 Process for Invoicing NERC/WECC Charges Assessed for Years After 2008.

With regard to the NERC/WECC Charges to be assessed by the WECC for each NERC/WECC Charge Assessment Year after 2008, the following processes shall apply:

- (a) The ISO will issue a market notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. Each Scheduling Coordinator shall have sixty (60) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year.
- (b) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year, including any adjustments to the calculation of NERC/WECC Metered Demand for that year made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.4(a). The report will also include any adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the ISO has time to reflect in the report and that the WECC provides to the ISO in a written statement in accordance with the ISO-WECC Billing Services Agreement. This report shall facilitate the WECC's calculation of actual NERC/WECC Charges to be invoiced to the ISO for the NERC/WECC Charge Assessment Year.

- (c) The ISO will issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year.
- (d) By August 31 of the year preceding the NERC/WECC Charge Assessment Year, the ISO will issue Preliminary NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year.
- (e) Within five (5) Business Days after receipt of the WECC's invoice to the ISO setting forth the assessment of NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. The Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the NERC/WECC Charge Assessment Year that were invoiced to the ISO by the WECC, divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand including any adjustments to the calculation of NERC/WECC Metered Demand as reported to the WECC pursuant to Section 11.2.19.4(b), and including any additional adjustments to the calculation of NERC/WECC Metered Demand, based on decisions by the WECC to permit such adjustments, that the WECC provides to the ISO in a written statement in accordance with the ISO-WECC Billing Services Agreement.

- (f) Within fifteen (15) Business Days after receipt of the WECC invoice to the ISO setting forth the assessment for NERC/WECC Charges for the NERC/WECC Charge Assessment Year, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand as adjusted pursuant to Sections 11.2.19.4(b) and 11.2.19.4(e) and pursuant to any additional adjustments that the WECC provides to the ISO in a written statement in accordance with the ISO-WECC Billing Services Agreement, multiplied by (ii) the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that it is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay, the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

11.2.19.5 Timely Payments.

Scheduling Coordinators shall make timely payments to the ISO pursuant to Preliminary NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices. Scheduling Coordinators shall make timely payments to the ISO pursuant to Final NERC/WECC Charge Invoices within fifteen (15) Business Days of issuance of such invoices.

11.2.19.6 NERC/WECC Charge Trust Account.

The ISO shall deposit all payments received pursuant to Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices in the NERC/WECC Charge Trust Account. The NERC/WECC Charge Trust Account shall be separate from all other accounts maintained by the ISO, and no other funds shall be commingled in it at any time. The ISO shall disburse funds from the NERC/WECC Charge Trust Account in order to pay the WECC any and all NERC/WECC Charges invoiced to the ISO.

11.2.19.7 Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices.

The ISO shall invoice NERC/WECC Charges to Scheduling Coordinators by issuing Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices. The Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices shall be issued in accordance with the schedules set forth in this Section 11.2.19, provided that the ISO may issue a market notice informing Scheduling Coordinators that the ISO will implement a temporary modification to that schedule and setting forth the reasons for such modification, in which case the modified schedule described in that market notice shall govern.

11.2.19.7.1 Confirmation.

It is the responsibility of each Scheduling Coordinator to notify the ISO if the Scheduling Coordinator fails to receive a Preliminary NERC/WECC Charge Invoice or a Final NERC/WECC Charge Invoice in accordance with the applicable schedule. Each Scheduling Coordinator shall be deemed to have received its Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice on the date specified in the applicable schedule, unless the Scheduling Coordinator notifies the ISO to the contrary.

11.2.19.7.2 Validation.

Each Scheduling Coordinator shall have the opportunity to review the terms of the Preliminary NERC/WECC Charges Invoices and the Final NERC/WECC Charge Invoices that it receives. The Scheduling Coordinator shall be deemed to have validated each Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice unless it has raised a dispute within ten (10) Calendar Days from the date of issuance. Once validated, a Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice shall be binding on the Scheduling Coordinator to which it relates.

11.2.19.6.3 Disputes and Dispute-Related Corrections.

11.2.19.7.3 Disputes and Dispute-Related Corrections.

Scheduling Coordinators shall be prohibited from disputing any Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice, except on grounds that an error in a Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice is due to a mere typographical or other ministerial error by the ISO. A Scheduling Coordinator that wishes to dispute a NERC/WECC Charge Invoice on such grounds shall give the ISO notice of dispute in writing within ten (10) Calendar Days of issuance. The notice of dispute shall state clearly the issue date of the Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice, the item or calculation disputed, and the reasons for the dispute, and shall be accompanied by all available evidence reasonably required to support the claim. If the Scheduling Coordinator is correct that the Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice contains a typographical or other ministerial error and the resolution of the dispute makes correction necessary, the ISO shall issue a corrected Preliminary NERC/WECC Charge Invoice or a corrected Final NERC/WECC Charge Invoice within fifteen (15) Calendar Days of issuance of the invoice that is being corrected.

Each Scheduling Coordinator that receives a Preliminary NERC/WECC Charge Invoice or a Final NERC/WECC Charge Invoice shall pay any net debit and shall be entitled to receive any net credit in a Preliminary NERC/WECC Charge Invoice or a Final NERC/WECC Charge Invoice on the Payment Date, regardless of whether there is any dispute regarding the amount of the debit or credit. The ISO will issue corrected Preliminary NERC/WECC Charge Invoices or corrected Final NERC/WECC Charge Invoices if the resolution of a dispute concerning a Preliminary NERC/WECC Charge Invoice or a Final NERC/WECC Charge Invoice, brought pursuant to this Section 11.2.19, makes such a correction necessary.

11.2.19.8 Provision of Payments and Information to the WECC.

- (a) With regard to NERC/WECC Charges assessed for 2007, the ISO will forward to the WECC, within five (5) Business Days after the deadline for timely payments of Final NERC/WECC Charge Invoices pursuant to Section 11.2.19.2 has expired, (i) the amounts collected pursuant to Final NERC/WECC Charge Invoices for 2007 and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their Final NERC/WECC Charge Invoices and the amounts that are unpaid.
- (b) With regard to NERC/WECC Charges assessed for years after 2007, the ISO will forward to the WECC, at least three (3) Business Days prior to January 2 of each NERC/WECC Charge Assessment Year, (i) the amounts collected pursuant to Final NERC/WECC Charge Invoices for the NERC/WECC Charge Assessment Year and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their NERC/WECC Charge Invoices and the amounts that are unpaid.
- (c) Under no circumstances shall the ISO be obligated to pay to the WECC, NERC or any regional advisory body, or to their successors or assignees, any NERC/WECC Charges or any interest charges related to NERC/WECC Charges except for those NERC/WECC Charges actually paid to the ISO by Scheduling Coordinators. The ISO shall have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as provided for in the ISO Tariff. Notwithstanding the foregoing, the ISO shall have the right, at its sole discretion, to recoup, set off and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC Charges in accordance with Section 11.12.4.

- (d) The ISO shall, on request, certify in writing the NERC/WECC Charges owed by a Scheduling Coordinator that remain unpaid and shall provide certified copies of the relevant Preliminary NERC/WECC Charge Invoices, Final NERC/WECC Charge Invoices, and other documentation on which the ISO's certificate was based to the WECC, NERC, and the applicable Scheduling Coordinators. An ISO certificate given under this Section 11.2.19.8(d) may be used as prima facie evidence of the amount due in any legal proceedings.

11.3 Billing and Payment Process.

The ISO will calculate for each charge the amounts payable by the relevant Scheduling Coordinator, Black Start Generator or Participating TO for each Settlement Period of the Trading Day, and the amounts payable to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for each Settlement Period of that Trading Day and shall arrive at a net amount payable for each

charge by or to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for that Trading Day. Each of these amounts will appear in the Preliminary and Final Settlement Statements that the ISO will provide to the relevant Scheduling Coordinator, Black Start Generator or Participating TO.

The eight components of the Grid Management Charge will be included in the Preliminary Settlement Statement and Final Settlement Statement with the other types of charges referred to in Section 11.2, but a separate invoice for the Grid Management Charge, stating the rate, billing determinant volume, and total charge for each of its eight components, will be issued by the ISO to the Scheduling Coordinator.

11.3.1 The billing and payment process shall be based on the issuance of Preliminary and Final Settlement Statements for each Settlement Period in each Trading Day.

11.3.2 Payment for the charges referred to in Section 11.1.6 of the ISO Tariff (except for the charges payable under long-term contracts) for each Trading Day in each calendar month shall be made five (5) Business Days after issuance of the Preliminary Settlement Statement for the last day of the relevant calendar month. Payment for adjustments will be made five (5) Business Days after issuance of the Final Settlement Statement for the last day of the relevant month. Payments for FERC Annual Charges will be made in accordance with Section 17 of this ISO Tariff.

11.3.3 Prepayments.

(a) A Scheduling Coordinator may choose to pay at an earlier date than the Payment Date specified in the ISO Payments Calendar by way of prepayment provided it notifies the ISO by electronic means before submitting its prepayment.

(b) Prepayment notifications must specify the dollar amount prepaid.

(c) Prepayments must be made by Scheduling Coordinators via Fed-Wire into their ISO prepayment account designated by the ISO. The relevant Scheduling Coordinator shall grant the ISO a security interest on all funds in its ISO prepayment account.

(d) On any Payment Date the ISO shall be entitled to cause funds from the relevant Scheduling Coordinator's ISO prepayment account to be transferred to the ISO Clearing Account in such amounts as may be necessary to discharge in full that Scheduling Coordinator's payment obligation arising in relation to that Payment Date.

(e) Any funds held in the relevant Scheduling Coordinator's ISO prepayment account shall be treated as part of that Scheduling Coordinator's Security.

(f) Interest (or other income) accruing on the relevant Scheduling Coordinator's ISO prepayment account shall inure to the benefit of that Scheduling Coordinator and shall be added to the balance of its ISO prepayment account on a monthly basis.

(g) Funds held in an ISO prepayment account by a Scheduling Coordinator may be recouped, offset or applied by the ISO to any outstanding financial obligations of that Scheduling Coordinator to the ISO or to other Scheduling Coordinators under this ISO Tariff,

11.3.4 System Failure.

11.3.4.1 At ISO Debtor's Bank.

If any ISO Debtor becomes aware that a payment will not, or is unlikely to be, remitted to the ISO Bank by 10:00 am on the relevant Payment Date for any reason (including failure of the Fed-Wire or any computer system), it shall immediately notify the ISO, giving full details of the payment delay (including the reasons for the payment delay). The ISO Debtor shall make all reasonable efforts to remit payment as soon as possible, by an alternative method if necessary, to ensure that funds are received for value no later than 10:00 am on the Payment Date, or as soon as possible thereafter.

11.3.4.2 At the ISO's Bank.

In the event of failure of any electronic transfer system affecting the ISO Bank, the ISO shall use reasonable efforts to establish alternative methods of remitting funds to the ISO Creditors' Settlement Accounts by close of banking business on that Payment Date, or as soon as possible thereafter. The ISO

shall notify the ISO Debtors and the ISO Creditors of occurrence of the system failure and the alternative methods and anticipated time of payment.

11.4 General Principles for Production of Settlement Statements.

11.4.1 Basis of Settlement.

The basis of each Settlement Statement shall be the debiting or crediting of an account in the name of the relevant Scheduling Coordinator in the general ledger set up by the ISO to reflect all transactions, charges or payments settled by the ISO.

11.4.2 Right to Dispute.

All Scheduling Coordinators shall have the right to dispute any item or calculation set forth in any Preliminary Settlement Statement in accordance with this ISO Tariff.

11.4.3 Data Files.

Settlement Statements relating to each Scheduling Coordinator shall be accompanied by a data file of supporting information that includes the following for each Settlement Period of the Trading Day on a Zone-by-Zone basis:

- (a) the aggregate quantity (in MWh) of Energy supplied or withdrawn by the Metered Entities represented by the Scheduling Coordinator;
- (b) the aggregate quantity (in MW) and type of Ancillary Services capacity provided or purchased;
- (c) the relevant prices that the ISO has applied in its calculations;
- (d) details of the Scheduled quantities of Energy and Ancillary Services accepted by the ISO in the Day-Ahead Market and the Hour-Ahead Market;
- (e) details of Imbalance Energy and penalty payments; and
- (f) detailed calculations of all fees, charges and payments allocated amongst Scheduling Coordinators and each Scheduling Coordinator's share.

11.4.4 Settlement Software.

The ISO Settlement software shall be audited by an independent firm of auditors competent to carry out audits of such software to determine its consistency with the ISO Tariff. In any dispute regarding Settlement calculations, a certificate of such firm of auditors that the ISO software is consistent with the ISO Tariff shall be prima facie proof that the charges shown in a Settlement Statement have been calculated in a method consistent with the ISO Tariff. Nothing in this section will be deemed to establish the burden of proof with respect to Settlement calculations in any proceeding.

11.5 Calculation in the Event of Lack of Meter Data for the Balancing of Market Accounts.

Settlements shall not be cleared for final processing until the accounting trial balance is zero. In order to publish a Settlement Statement, the ISO may use estimated, disputed or calculated Meter Data. When actual verified Meter Data is available and all of the disputes raised by Scheduling Coordinators during the validation process described in Section 11.7 of this ISO Tariff have been determined, the ISO shall recalculate the amounts payable and receivable by the affected Scheduling Coordinators or by all Scheduling Coordinators, if applicable, as soon as reasonably practical and shall show any required adjustments as a debit or credit in the next Settlement Statement.

11.6 Settlements Cycle.

11.6.1 Timing of the Settlements Process.

11.6.1.1 Preliminary Statements.

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO for validation a Preliminary Settlement Statement for each Trading Day within thirty-eight (38) Business Days of the relevant Trading Day, covering all Settlement Periods in that Trading Day. Each Preliminary Settlement Statement will include a statement of:

- (a) the amount payable or receivable by the Scheduling Coordinator, Black Start Generator or Participating TO for each charge referred to in Section 11.2 for each Settlement Period in the relevant Trading Day;
- (b) the total amount payable or receivable by that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for all Settlement Periods in that Trading Day after the amounts payable and the amounts receivable under (a) have been netted off pursuant to Section 11.3; and
- (c) the components of each charge in each Settlement Period except for information contained in the Imbalance Energy Report referred to in Section 11.6.1.1.

Each Preliminary Settlement Statement shall also be accompanied by a breakdown of the components of the Imbalance Energy Charge (the "Imbalance Energy Report").

11.6.1.2 Each Scheduling Coordinator, Black Start Generator or Participating TO shall have a period of eight (8) Business Days from the issuance of a Preliminary Settlement Statement during which it may review the Preliminary Settlement Statement and notify the ISO of any errors. No later than fifty-one (51) Business Days after the Trading Day to which it relates, the ISO shall issue a Final Settlement Statement to each Scheduling Coordinator for that Trading Day.

11.6.1.2A Final Statements.

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO a Final Settlement Statement in accordance with the ISO Tariff and the ISO Payments Calendar. The Final Settlement Statement shall be in a format similar to that of the Preliminary Settlement Statement and shall include all the information provided in the Preliminary Settlement Statement as amended following the validation procedure.

11.6.1.3 Each Scheduling Coordinator, Black Start Generator or Participating TO shall have a period of ten (10) Business Days from the issuance of the Final Settlement Statement during which it may

review the Incremental Changes on the Final Settlement Statement and notify the ISO of any errors. No later than twenty-five (25) Business Days from the date of issuance of the Final Settlement Statement, the ISO shall incorporate any required corrections in a subsequent Preliminary Settlement Statement.

11.6.2 Basis for Billing and Payment.

The Preliminary and the Final Settlement Statements shall constitute the basis for billing and associated automatic funds transfers in accordance with this ISO Tariff. The Preliminary Settlement Statement shall constitute the basis for billing and associated automatic funds transfers for all charges in the first instance. The Final Settlement Statement shall constitute the basis for billing and associated automatic funds transfers for adjustments to charges set forth in the Preliminary Settlement Statement. Each Scheduling Coordinator shall pay any net debit and shall be entitled to receive any net credit shown in an invoice on the Payment Date, whether or not there is any dispute regarding the amount of the debit or credit.

11.6.2.1 Elimination of Invoices under \$10.00.

Preliminary and final invoices either due to or from any Market Participant for amounts less than \$10.00 will be adjusted to \$0.00 and no amount will be due to or from that Market Participant for that invoice.

11.6.3 Settlement Statement Re-runs and Post Final Adjustments.

The ISO is authorized to perform Settlement Statement Re-runs following approval of the ISO Governing Board. A request to perform a Settlement Statement Re-run may be made at any time by a Scheduling Coordinator by notice in writing to the ISO Governing Board. The ISO Governing Board shall, in considering whether to approve a request for a Settlement Statement Re-run, determine in its reasonable discretion, whether there is good cause to justify the performance of a Settlement Statement Re-run.

11.6.3.1 If a Settlement Statement Re-run is ordered by the ISO Governing Board, the ISO shall arrange to have the Settlement Statement Re-run carried out as soon as is reasonably practicable following the ISO Governing Board's order, subject to the availability of staff and computer time, compatible software, appropriate data and other resources.

11.6.3.2. The cost of a Settlement Statement Re-run shall be borne by the Scheduling Coordinator requesting it, unless the Settlement Statement Re-run was needed due to a clerical oversight or error on the part of the ISO staff.

11.6.3.3 Where a Settlement Statement Re-run indicates that the accounts of Scheduling Coordinators should be debited or credited to reflect alterations to Settlements previously made under this ISO Tariff, for those Scheduling Coordinators affected by the statement re-run, the ISO shall reflect the amounts to be debited or credited in the next Preliminary Settlement Statements that it issues following the Settlement Statement Re-run to which the provisions of this Section 11 apply.

11.6.3.4 Reruns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

11.7 Confirmation and Validation.

11.7.1 Confirmation.

It is the responsibility of each Scheduling Coordinator to notify the ISO if it fails to receive a Preliminary Settlement Statement or a Final Settlement Statement on the date specified for the publication of such Settlement Statement in the ISO Payments Calendar. Each Scheduling Coordinator shall be deemed to have received its Settlement Statement on the dates specified, unless it notifies the ISO to the contrary.

11.7.2 Validation.

Each Scheduling Coordinator, Black Start Generator, or Participating TO shall have the opportunity to review the terms of the Preliminary Settlement Statements that it receives. The Scheduling Coordinator, Black Start Generator, or Participating TO shall be deemed to have validated each Preliminary Settlement Statement unless it has raised a dispute or reported an exception within eight (8) Business Days from the date of issuance. Once validated, a Preliminary Settlement Statement shall be binding on the Scheduling Coordinator, Black Start Generator or Participating TO to which it relates, unless the ISO performs a Settlement re-run pursuant to Section 11.6.3 of this ISO Tariff.

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The notice of dispute, if any, shall state clearly the Trading Day, the issue date of the Preliminary Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim.

11.7.3 Validation of Final Settlement Statements.

Each Scheduling Coordinator, Black Start Generator or Participating TO shall have the opportunity to review the Incremental Changes that appear on the Final Settlement Statement that it receives. The Scheduling Coordinator, Black Start Generator or Participating TO shall be deemed to have validated the Incremental Changes on each Final Settlement Statement unless it has raised a dispute or reported an exception regarding those Incremental Changes within ten (10) Business Days from the date of issuance. Once validated, the Incremental Changes on the Final Settlement Statement shall be binding on the Scheduling Coordinator, Black Start Generator or Participating TO to which it relates, unless the ISO performs a Settlement re-run pursuant to Section 11.6.3 of this ISO Tariff.

The notice of dispute shall state clearly the Trading Day, the issue date of the Final Settlement Statement, the item disputed, the reasons for the dispute, the amount claimed (if appropriate) and shall be accompanied with all available evidence reasonably required to support the claim.

11.7.4 Recurring Disputes or Exceptions.

A Scheduling Coordinator, Black Start Generator or Participating TO may request the ISO to treat as recurring a dispute or exception raised in accordance with Sections 11.7.2 and 11.7.3 above, if a dispute or exception would apply to subsequent Preliminary and Final Settlement Statements. A request for recurring treatment may be made for any valid reason provided that subsequent Preliminary and Final Settlement Statements would be affected, including but not limited to, that the disputed calculation will recur, or that a disagreement as to policy will affect calculations in subsequent Preliminary and Final Settlement Statements. If a Scheduling Coordinator, Black Start Generator or Participating TO wishes to request that the ISO treat a dispute as recurring, it shall, in the notice, clearly indicate that it requests such treatment and set forth in detail the reasons that support such treatment. To the extent possible, the Scheduling Coordinator, Black Start Generator or Participating TO shall state the types of charges and dates to which the dispute will apply, and provide estimates of the amounts that will likely be claimed on each date.

The ISO shall make a determination on such a request within five (5) Business Days of receipt. To preserve its right to dispute an item, a Scheduling Coordinator, Black Start Generator or Participating TO must continue to raise a dispute or report an exception until it is notified by the ISO that the ISO agrees to treat the dispute or exception as recurring. If the ISO grants a request to treat a dispute or exception as recurring, the dispute raised or exception reported by the Scheduling Coordinator, Black Start Generator or Participating TO shall be deemed to apply to every subsequent Preliminary and Final Settlement Statement provided to the Scheduling Coordinator, Black Start Generator or Participating TO from the date that the ISO grants the request for recurrent treatment until: a) ninety (90) days have elapsed, unless the ISO indicates a different expiration date on its response to the request, in which case the expiration date stated by the ISO, in its response or b) the dispute or exception is resolved, whichever is shorter. The ISO may deny a request that the ISO treat a dispute as recurring for any valid reason, including because the request is not adequately specific as to the basis for recurring treatment or the subsequent calculations that will be affected.

11.7.5 Amendment.

Regarding a dispute related to a Preliminary Settlement Statement, if the ISO agrees with the amount claimed, it shall incorporate the relevant data into the Final Settlement Statement. Regarding a dispute related to an Incremental Change in a Final Settlement Statement, the ISO shall make a determination on the dispute no later than twenty-five (25) Business Days from the issuance of the Final Settlement Statement, and, if the ISO agrees with the amount claimed, shall incorporate the relevant data into the next available Preliminary Settlement Statement.

11.7.6 ISO Contact.

If the ISO does not agree with the amount claimed or if it requires additional information, it shall make reasonable efforts (taking into account the time it received the notice of dispute and the complexity of the issue involved) to contact the relevant Scheduling Coordinator, Black Start Generator or Participating TO to resolve the issue before issuing the Final Settlement Statement. If it is not possible to contact the

relevant party, the ISO shall issue the Final Settlement Statement without taking into account the dispute notice.

11.7.7 Payment Pending Dispute.

Each Scheduling Coordinator, Black Start Generator or Participating TO which receives an invoice shall pay any net debit and shall be entitled to receive any net credit shown in the invoice on the Payment Date, whether or not there is any dispute regarding the amount of the debit or credit. The provisions of Section 13 (Dispute Resolution) of the ISO Tariff shall apply to the disputed amount.

11.8 Payment Procedures.

11.8.1 All Payments to Be Made Through the ISO.

All Scheduling Coordinators shall discharge their obligations to pay the amounts owed by them and shall receive payments of all amounts owed to them under this ISO Tariff only through the ISO.

11.8.2 Accounts to be Established.

The ISO is authorized to establish and maintain bank accounts held in trust for Market Participants and obtain lines of credit and other banking facilities (not exceeding an aggregate amount set by the ISO Governing Board) necessary for the operation of its Settlement and billing procedures. Unless otherwise specified in this Tariff the ISO will recover all costs incurred in connection with these ISO banking facilities through the appropriate component of the Grid Management Charge. The ISO shall establish and operate the following accounts:

11.8.2.1 An ISO Clearing Account to and from which all payments are made;

11.8.2.2 An ISO Reserve Account from which any debit balances on the ISO Clearing Account at the close of banking business on each Business Day shall be settled or reduced in accordance with this ISO Tariff. The ISO shall use the security provided by a Scheduling Coordinator pursuant to Section 12.1 of this ISO Tariff, if necessary, to clear any debit balances on the ISO Reserve Account that may arise as a result of that Scheduling Coordinator's failure to pay an amount due under this ISO Tariff.

11.8.2.2.a An ISO Surplus Account.

11.8.2.3 Such other accounts as the ISO deems necessary or convenient for the purpose of efficiently implementing the funds transfer system under this ISO Tariff. The ISO shall notify Market Participants of the establishment of such accounts through the ISO Home Page.

11.8.2.4 Accounts of the Scheduling Coordinators and Participating TOs.

Each Scheduling Coordinator and each Participating TO shall establish and maintain a Settlement Account at a commercial bank located in the United States and reasonably acceptable to the ISO which can effect money transfers via Fed-Wire where payments to and from the ISO Clearing Account shall be made in accordance with this ISO Tariff. Scheduling Coordinators may, but will not be required to, maintain separate accounts for receipts and payments. Each Scheduling Coordinator shall notify the ISO of its account details and of any changes to those details in accordance with the provisions of its Scheduling Coordinator Agreement. Participating TOs will notify the ISO of their Settlement Account details in accordance with Section 2.2.1 of their Transmission Control Agreement and may notify the ISO from time to time of any changes by giving at least 7 days written notice before the new account becomes operational.

11.8.3 Declaration of Trust.

All ISO Accounts established pursuant to Section 11.8.2 of this ISO Tariff shall be opened and operated by the ISO on trust for Market Participants, in accordance with this ISO Tariff. Each such account shall be maintained at a bank or other financial institution in California and shall bear a name indicating that it is a trust account.

11.8.4 No Co-Mingling.

The ISO shall not co-mingle any funds standing to the credit of an ISO Account with its other funds and shall promptly withdraw any amounts paid into an ISO Account representing amounts paid for the account of the ISO.

11.8.5 Use of Accounts.

11.8.5.1 Clearing Account

- (a) Subject to Section 11.3.3 each ISO Debtor shall remit to the ISO Clearing Account the amount shown on the invoice as payable by that ISO Debtor for value not later than 10:00 am on the Payment Date.
- (b) On the Payment Date the ISO shall be entitled to cause the transfer of such amounts held in a Scheduling Coordinator's ISO prepayment account to the ISO Clearing Account as provided in Section 11.3.3.

The ISO shall calculate the amounts available for distribution to ISO Creditors on the Payment Date and shall give irrevocable instructions to the ISO Bank to remit from the ISO Clearing Account to the relevant Settlement Accounts maintained by the ISO Creditors, the aggregate amounts determined by the ISO to be available for payment to ISO Creditors for value by close of business on the Payment Date if no ISO Debtors are in default. If an ISO Debtor is in default and until all defaulting amounts have been collected, the ISO shall make payments as soon as practical within five (5) business days of the collection date posted in the ISO Payments Calendar. If required, the ISO shall instruct the ISO Bank to transfer amounts from the ISO Reserve Account to enable the ISO Clearing Account to clear.

The ISO is authorized to instruct the ISO Bank to debit the ISO Clearing Account and transfer to the relevant ISO account sufficient funds to pay in full the Grid Management Charge falling due on any Payment Day with priority over any other payments to be made on that or on subsequent days out of the ISO Clearing Account.

11.8.5.2 Reserve Account.

The ISO Reserve Account shall be available to the ISO for the purpose of providing funds to clear the ISO Clearing Account in the event that there are insufficient funds in the ISO Clearing Account to pay ISO Creditors. If there are insufficient funds in the ISO Clearing Account to pay ISO Creditors and clear the account on any Payment Date, due to payment default by one or more ISO Debtors, the ISO shall

transfer funds from the ISO Reserve Account to the ISO Clearing Account to clear it by close of banking business on that Payment Date pursuant to Section 11.12.2.2.

If the ISO Reserve Account is drawn upon, the ISO shall as soon as possible thereafter take any necessary steps against the defaulting Scheduling Coordinator, including making any calculations or taking any other appropriate action, to replenish the ISO Reserve Account including drawing on any credit support provided by the defaulting Scheduling Coordinator pursuant to Section 12.1 of this ISO Tariff or serving demands on any defaulting Scheduling Coordinators with an Unsecured Credit Limit.

The proceeds of drawings under any line of credit or other credit facility of the ISO Reserve Account shall be held on trust for ISO Creditors. If the Reserve Account is replenished as provided for in 11.8.5.2.1, any credits shall be held on trust for all ISO Creditors.

11.8.5.2.1 Replenishing the ISO Reserve Account Following Payment Default.

If the ISO has debited the ISO Reserve Account then:

- (a) If, after the ISO has debited the ISO Reserve Account on a Payment Date, the ISO Bank receives a remittance from an ISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the ISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the ISO Reserve Account, such remittance shall be credited to the ISO Reserve Account.
- (b) The proceeds of any enforcement of Security and/or amounts recovered under proceedings shall be credited to the ISO Reserve Account.
- (c) If after taking reasonable action the ISO determines that the Default Amount (or any part) and/or Interest cannot be recovered, such amounts shall be deemed to be owing by those Market Participants who were ISO Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date and shall be accounted for by way of a charge in the next

Settlement Statements of those ISO Creditors. Such charge shall be credited to the Reserve Account.

11.8.5.3 Surplus Account.

The ISO shall establish and maintain a bank account in accordance with this Protocol denominated the "ISO Surplus Account". The ISO Surplus Account shall include:

- (a) Any amounts paid to the ISO in respect of penalties or sanctions referred to in Section 11.2.9 shall be credited to the Surplus Account, subject, however, to Section 11.8.5.3 (b).
- (b) The funds referred to in Section 11.8.5.3 (a) pertaining to penalties or sanctions as provided in Section 11.2.9 shall first be applied towards any expenses, loss or costs incurred by the ISO except for that portion of those amounts collected pursuant to EP 9.4. Any excess after such application will be credited to the Surplus Account pursuant to Section 11.8.5.3 (a).
- (c) The funds referred to in Section 11.8.5.3 (a) pertaining to default interest referred to in Section 11.12.1 shall first be applied towards any unpaid creditor balances for the trade month in which the default interest was assessed and second to any other unpaid creditor balances. Only after all unpaid creditor balances are satisfied in full will any excess funds pertaining to default interest be credited to the Surplus Account pursuant to Section 11.8.5.3 (a).

In the event that there are funds in the ISO Surplus Account in excess of an amount to be determined by the ISO Governing Board and noticed by the ISO to Market Participants, the amount of such excess will be distributed to Scheduling Coordinators using the same method of apportioning the refund as the method employed in apportioning the liability for the Grid Management Charge.

11.9 Invoices.

The ISO shall prepare and send to each Scheduling Coordinator, Black Start Generator or Participating TO two invoices for each calendar month. The first invoice will be based on the Preliminary Settlement Statements and the second invoice will be based on the Final Settlement Statement(s). Each invoice will show amounts which are to be paid by or to each Scheduling Coordinator, Black Start Generator or Participating TO, the Payment Date, being the date on which such amounts are to be paid or received and details of the ISO Clearing Account to which any amounts owed by Scheduling Coordinators, Black Start Generator or Participating TO are to be paid.

A separate invoice for the Grid Management Charge, stating the rate, billing determinant volume and total charge for each of its eight components, will be issued by the ISO to the Scheduling Coordinator. A separate invoice for Interest, issued on the preliminary invoice date, stating the total charges for each Trade Month in which interest is charged, will be issued by the ISO. The ISO will issue separate invoices for NERC/WECC Charges as described in Section 11.2.19.

Reruns, post closing adjustments and the financial outcomes of Dispute Resolution may be invoiced separately from monthly market activities. The ISO shall provide a market notice at least 30 days prior to such invoicing identifying the components of such invoice.

11.9A Emergency Procedures.

11.9A.1 Use of Estimated Data.

In the event of an emergency or a failure of any of the ISO software or business systems, the ISO may use estimated Settlement Statements and invoices and may implement any temporary variation of the timing requirements relating to the Settlement and billing process contained in the ISO Tariff. Details of the variation and the method chosen to produce estimated data, Settlement Statements and invoices will be published on the ISO Home Page.

11.9A.2 Payment of Estimated Statements and Invoices.

When estimated Settlement Statements and invoices are issued by the ISO, payments between the ISO and Market Participants shall be made on an estimated basis and the necessary corrections shall be

made by the ISO as soon as practicable. The corrections will be reflected as soon as practicable in later Settlement Statements and invoices issued by the ISO in the manner set forth in Section 11.5 of the ISO Tariff. Failure to make such estimated payments shall result in the same consequences as a failure to make actual payments.

11.9A.3 Validation and Correction of Estimated Statements and Invoices.

The ISO shall use its best efforts to verify the estimated data and to make the necessary corrections as soon as practicable. The corrections will be reflected as soon as practicable in later Settlement Statements and invoices issued by the ISO.

11.9A.4 Estimated Statements to be Final.

In the event that the ISO is of the opinion that, despite its best efforts, it is not possible for it to verify the estimated data because actual data is not reasonably expected to become available to the ISO in the foreseeable future, the ISO shall consult with the Market Participants in order to develop the most appropriate substitute data including using data provided by Market Participants. Following such determination of substitute data, the ISO shall send to the relevant Market Participants revised Settlement Statements and Invoices. The provisions of Section 11.7.6 shall apply to payment of revised invoices issued in accordance with these emergency procedures. Failure to make payments of such revised invoices shall result in the same consequences as a failure to make actual payments.

11.10 Instructions for Payment.

Each Scheduling Coordinator shall remit to the ISO Clearing Account the amount shown on the invoice as payable by that Scheduling Coordinator for value not later than 10:00 a.m. on the Payment Date.

11.11 ISO's Responsibilities.

On the due date for payment of amounts shown in an invoice, the ISO shall ascertain whether all amounts required to be remitted to the ISO Clearing Account have been credited to it. If any such amount has not been so credited, it shall ascertain which Scheduling Coordinators have failed to pay the amount owed by them and it may take steps to recover any overdue amount.

11.12 Non-payment by a Scheduling Coordinator.

11.12.1 Notification and Interest.

If a Scheduling Coordinator becomes aware that a payment for which it is responsible will not be remitted to the ISO Clearing Account on time, it shall immediately notify the ISO of the fact and the reason for the non-payment. If the Scheduling Coordinator fails to pay any sum to the ISO when due and the ISO is unable to enforce the Security (if any) provided by the defaulting Scheduling Coordinator, the Scheduling Coordinator shall pay interest on the overdue amount for the period from the Payment Date to the date on which the payment is remitted to the ISO Clearing Account, together with any related transaction costs incurred by the ISO. The ISO shall apply all such Interest payments on the Default Amount on a pro rata basis to ISO Creditors in relation to amounts past due in the order of the creation of such debts.

11.12.2 Payment Default.

Subject to Section 11.12.3, if by 10:00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the ISO Clearing Account by any Scheduling Coordinator will not or has not been remitted and there are insufficient funds in the relevant Scheduling Coordinator's ISO prepayment account (the amount of insufficiency being referred to as the "Default Amount"), the ISO shall take the following actions to enable the ISO Clearing Account to clear not later than the close of banking business on the relevant Payment Date:

11.12.2.1 Enforcing the Security of a Defaulting Scheduling Coordinator.

Subject to Section 11.12.3, the ISO shall make reasonable endeavors to enforce the defaulting Scheduling Coordinator's Security (if any) to the extent necessary to pay the Default Amount. If it is not practicable to obtain clear funds in time to effect payment to ISO Creditors on the same day the ISO shall proceed in accordance with 11.12.2.2 or 11.16.1 as applicable.

11.12.2.2 Use of ISO Reserve Account.

If there are funds standing to the credit of the ISO Reserve Account (including the proceeds of drawings under banking facilities described in Section 11.8.5.2) the ISO shall debit the ISO Reserve Account with the Default Amount in order to clear the ISO Clearing Account and effect payment to the ISO Creditors.

11.12.2.3 Action against a Defaulting Scheduling Coordinator.

The ISO shall as soon as possible after taking action under 11.12.2.2 take any steps it deems appropriate against the defaulting Scheduling Coordinator to recover the Default Amount (and any Interest as set out in Section 11.12.1) including enforcing any Security, exercising its rights of recoupment or set-off and/or bringing proceedings against the defaulting Scheduling Coordinator pursuant to Section 11.20.1 of the ISO Tariff.

11.12.3 Default to be Remedied Promptly.

In the event that the ISO reasonably believes that an outstanding amount which has not been paid by 10:00 am on the relevant Payment Date, is likely to be paid no later than close of banking business on the next Business Day then the ISO may, but shall not be obliged to, delay enforcing that ISO Debtor's Security or taking other measures to recover payment until after the close of banking business on the next Banking Day but Interest shall nonetheless accrue pursuant to Section 11.12.1.

11.12.4 Set-Off.

The ISO is authorized to recoup, set off and apply any amount to which any defaulting ISO Debtor is or will be entitled, in or towards the satisfaction of any of that ISO Debtor's debts arising under the ISO Settlement and billing process. Each ISO Creditor and each ISO Debtor expressly acknowledges the following application of funds: first to the current month's Grid Management Charge, and then as described in 11.12.5 unless otherwise specified in accordance with Section 11.16.

11.12.5 Order of Payments.

Unless otherwise specified in accordance with Section 11.16, the ISO shall apply payments received in respect of amounts owing to ISO Creditors to repay the relevant debts in the order of the creation of such debts.

11.12.6 Interest Accruing while Enforcing the Security.

If the ISO has debited the Reserve Account and it subsequently succeeds in enforcing the Security provided by the defaulting Scheduling Coordinator, the ISO shall be entitled to withdraw from such Security in addition to the Default Amount, all costs incurred and interest accrued to the ISO as a result of debiting the Reserve Account from the date of such debit to the date of enforcement of the said Security.

11.12.7 Application of Funds Received.

Amounts credited to the ISO Clearing Account in payment of a Default Amount (as set out in Section 11.8.5.2.1) or as a result of enforcing the defaulting ISO Debtor's Security shall be applied to the ISO Reserve Account pursuant to Section 11.8.5.2.1 to reduce amounts outstanding under any ISO banking facilities used to fund the ISO Reserve Account on the relevant Payment Date and the balance (if any) shall be applied to reimburse pro rata any ISO Creditors whose payments were reduced pursuant to Section 11.16.1.

11.13 [Not Used]

11.14 [Not Used]

11.15 Prohibition on Transfers.

The ISO shall at no time instruct the ISO Bank to transfer any sum from an ISO Account to another account (not being an ISO Account) unless that account is a Settlement Account or the amount is owed to the ISO under this ISO Tariff.

11.16 Alternative Payment Procedures.

11.16.1 Pro Rata Reduction to Payments.

If it is not possible to clear the ISO Clearing Account on a Payment Date because of an insufficiency of funds available in the ISO Reserve Account or by enforcing any guarantee, letter of credit or other credit support provided by a defaulting Scheduling Coordinator, the ISO shall reduce payments to all ISO Creditors proportionately to the net amounts payable to them on the relevant Payment Date to the extent necessary to clear the ISO Clearing Account. The ISO shall account for such reduction in the ISO ledger

accounts as amounts due and owing by the non-paying ISO Debtor to each ISO Creditor whose payment was so reduced. The provisions of this section shall not apply to non-payment of any penalty amount that a Scheduling Coordinator has disputed and FERC has specifically authorized the Scheduling Coordinator to net its payment to the ISO by the amount of the penalty in question in accordance with Section 37.9.3, in which case the non-payment amount will be allocated exclusively to the ISO penalty trust account and not allocated to ISO Creditors.

11.16.2 Payment of Defaulted Receivables.

Collections of defaulted receivables (other than Interest) will be distributed pro rata to ISO Creditors for the month of default.

(1) If the total collected in that closing related to the past due trade month is less than \$5,000, then the funds shall accumulate in an Interest-bearing account until either: (a) the account exceeds \$5,000, (b) there have been no distributions from the account for six months, or (c) all defaults for that month have been collected exclusive of any bankruptcy defaults.

(2) If all ISO Creditors for that trade month have been paid, then the proceeds will be paid pro rata to the ISO Creditors in the oldest unpaid trade month.

(3) This provision is also applicable to the amounts netted against ISO Creditor balances related to prior defaulted receivables.

(4) All defaulted receivables disbursed under this Section shall be disbursed in accordance with the timeframes set forth in Section 11.8.5.1.

11.17 [DELETED]

11.18 Payment Errors.

11.18.1 Overpayments.

If for any reason, including the negligence of the ISO Bank or the ISO, an ISO Creditor receives an overpayment on any Payment Date, the ISO Creditor shall within two (2) Business Days from the date of

receipt of the funds into its Scheduling Coordinator Settlement Account, notify the ISO of the amount of the overpayment and shall forthwith pay the overpayment into an ISO Account specified by the ISO.

11.18.2 Repayment of Overpayment.

If prior to an ISO Creditor notifying the ISO of the overpayment, the ISO receives notice (from the ISO Bank or otherwise) of the overpayment, the ISO shall within two (2) Business Days notify the recipient of the overpayment. The ISO shall be responsible for payment to those entitled to the sum which has been overpaid.

11.18.2.a Overpayment Held In Trust.

Until an ISO Creditor refunds the overpayment to the ISO, the ISO Creditor shall be deemed to hold the amount of such overpayment on trust for any ISO Creditor which may have been underpaid in consequence of such overpayment, pro rata to the amount of the underpayment.

11.18.2.b Interest on Overpayment.

- (a) If an overpayment is repaid by an ISO Creditor in accordance with Section 11.18.1 of the ISO Tariff, the ISO shall be entitled to Interest on the amount of the overpayment at the prime rate of the bank where the Settlement Account of the overpaid ISO Creditor is located from the date the overpayment was received to the time that the repayment is credited to the relevant ISO Account.
- (b) If the overpayment (or any part of it) is not repaid by an ISO Creditor in accordance with Section 11.18.1 of the ISO Tariff, the ISO shall be entitled to Interest on the amount of the overpayment from the expiry of the two day period referred to in that Section until the repayment is credited to the relevant ISO Account and the ISO will be entitled to treat the overpayment (and any Interest accruing thereon) as a Default Amount to which Section 11.12.2 will apply.

11.18.2.c Treatment of Amounts Outstanding as a Result of an Overpayment.

The ISO shall apply the amount of any overpayment repaid (including interest received) to credit any underpaid ISO Creditors pro rata to the amounts of their underpayments on the same day of receipt, or if not practicable, on the following Business Day.

11.18.3 Underpayments.

If for any reason, including the negligence of the ISO Bank or the ISO, an ISO Creditor receives on the relevant Payment Date an underpayment, the ISO Creditor shall within two (2) Business Days from receipt into its Settlement Account, notify the ISO of the amount of the underpayment, and the ISO after consultation with the ISO Bank, shall use all reasonable endeavors to identify such entity as shall have received any corresponding overpayment and promptly correct the underpayment. If, by reason of negligence, the ISO holds or has under its control after five (5) Business Days from receipt in the ISO Clearing Account amounts which it ought properly to have paid to ISO Creditors, such ISO Creditors shall be entitled to interest on such amounts, for such period as the ISO improperly holds or has such amounts under its control.

11.19 Defaults.

Each ISO Creditor shall give notice to the ISO before instituting any action or proceedings in any court against an ISO Debtor to enforce payments due to it.

11.20 Proceedings to Recover Overdue Amounts.

11.20.1 Proceedings Brought by the ISO.

Without prejudice to the right of any Scheduling Coordinator to bring such proceedings as it sees fit in connection with matters related to the recovery of amounts owed to it, the ISO may bring proceedings against any Scheduling Coordinator on behalf of those Scheduling Coordinators who have indicated to the ISO their willingness for the ISO first so to act, for the recovery of any amounts due by that Scheduling Coordinator, if the ISO has first reached agreement with the Scheduling Coordinators as to the appropriate remuneration, is indemnified to its reasonable satisfaction and receives such security as it

may reasonably request against all costs, claims, expenses (including legal fees) and liabilities which it will or may sustain or incur in complying with such instructions.

11.20.2 Evidence of Unpaid Amount.

The ISO shall, on request, certify in writing the amounts owed by an ISO Debtor that remain unpaid and the ISO Creditors to whom such amounts are owed and shall provide certified copies of the relevant Preliminary and Final Settlement Statements, invoices and other documentation on which the ISO's certificate was based to the ISO Debtor and the relevant ISO Creditors. An ISO certificate given under this Section 11.20.2 may be used as prima facie evidence of the amount due by an ISO Debtor to ISO Creditors in any legal proceedings.

11.21 Data Gathering and Storage.

11.21.1 Required Capabilities.

The ISO shall ensure that the Settlement process shall contain, at a minimum, the following data gathering and storage capabilities:

- (a) the accurate, time-sequenced, end-to-end traceability of the Settlements process so that Scheduling Coordinators and Participating TOs can fully verify their Settlement Statements;
- (b) the ability to specify and accept data that is specifically needed for audit trail requirements; and
- (c) the archiving of Meter Data, Settlement runs and other information used to prepare Settlement Statements to be consistent with the time frame required to re-run the Settlement process by state laws and the rules of the Local Regulatory Authority.

11.21.2 Data Dissemination.

Data shall not be disseminated by the ISO except as permitted in this ISO Tariff.

11.23 Communications.

Preliminary Settlement Statements, Final Settlement Statements and invoices will be considered issued to ISO Creditors or ISO Debtors when released by the ISO via direct computer link. Communications on a Payment Date relating to payment shall be made by the fastest practical means including by telephone. If there is a failure of a communication system and it is not possible to communicate by electronic means, then the ISO or ISO Creditor or ISO Debtor, as the case may be, shall communicate by facsimile but only if the recipient is first advised by telephone to expect the facsimile. Methods of communication between the ISO and Market Participants may be varied by the ISO giving not less than 10 days notice to Market Participants on the WEnet.

11.24 ISO Payments Calendar.

11.24.1 Preparation.

In September of each year, the ISO will prepare a draft ISO Payments Calendar for the following calendar year showing for each Trading Day:

- (a) The date by which Scheduling Coordinators are required to provide Settlement Quality Meter Data for all their Scheduling Coordinator Metered Entities for each Settlement Period in the Trading Day;
- (b) The date on which the ISO will issue Preliminary Settlement Statements and invoices to Scheduling Coordinators, Black Start Generators and Participating TOs for that Trading Day;
- (c) The date by which Scheduling Coordinators, Black Start Generators and Participating TOs are required to notify the ISO of any disputes in relation to their Preliminary Settlement Statements pursuant to Section 11.7.2;
- (d) The date on which the ISO will issue Final Settlement Statements and invoices to Scheduling Coordinators, Black Start Generators and Participating TOs for that Trading Day;

- (e) The date and time by which ISO Debtors are required to have made payments into the ISO Clearing Account in payment of invoices for that Trading Day; and
- (f) The dates and times on which ISO Creditors will receive payments from the ISO Clearing Account of amounts owing to them for that Trading Day.
- (g) In relation to Reliability Must-Run Charges and Payments, the details set out in paragraph 3 of Appendix N, Part J.

The ISO will make a draft of the ISO Payments Calendar available on the ISO Home Page to Scheduling Coordinators, Black Start Generators, Participating TOs and Owners any of which may submit comments and objections to the ISO within two weeks of the date of posting of the draft on the ISO Home Page. No later than October 31st in each year, the ISO will publish the final ISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, Black Start Generators, Participating TOs and Owners. The final ISO Payments Calendar will be posted on the ISO Home Page, and will show for the period from 1 January to 31 December in the next succeeding year (both dates inclusive), the dates on which Settlement Statements shall be published by the ISO and the Payment Dates on which the ISO will pay the Participating TO the Wheeling revenues allocated to them pursuant to Section 26.1.4.3 of this ISO Tariff.

11.24.2 Distribution.

Any ISO Payments Calendar prepared pursuant to this Section 11.24 shall be distributed promptly to each Scheduling Coordinator, each Participating TO, the ISO Bank, the ISO Audit Committee and the ISO Governing Board and shall be published on the ISO Home Page.

11.24.3 Final Calendar Binding.

The final ISO Payments Calendar shall be binding on the ISO and on Scheduling Coordinators, Black Start Generators, Participating TOs and Owners.

11.24.4 Calendar Content and Format

The ISO may change the content or format of the ISO Payments Calendar. The ISO may also produce a summary outline of the Settlement and billing cycles.

11.24.5 Update the Final Payments Calendar.

If as a result of a tariff amendment approved by FERC, the final ISO Payments Calendar developed in accordance with Section 11.24 is rendered inconsistent with the timing set forth in the tariff, the ISO shall update the final ISO Payments Calendar to make it consistent with the tariff as approved by FERC on the date on which the tariff amendment goes into effect. The ISO shall simultaneously send out a notice to Market Participants that the final ISO Payments Calendar has been revised.

11.25 [NOT USED]

11.26 [NOT USED]

11.27 [NOT USED]

11.28 [NOT USED]

11.29 [NOT USED]

11.30 [NOT USED]

11.31 Decline Charge for Hourly Pre-Dispatch Supplemental Energy.

The Decline Potential Charge – Imports shall apply to any portion of an Hourly Pre-Dispatch Supplemental Energy bid for an import that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). The Decline Potential Charge – Exports shall apply to any portion of an Hourly Pre-Dispatch bid for an export that is not delivered for any reason (with no exceptions based on the circumstances of a particular failure to deliver). For any Settlement Interval, the Decline Potential Charge – Imports or Decline Potential Charge – Exports, as the case may be, shall equal the MWh quantity of the import or export not delivered multiplied by the greater of \$10/MWh or fifty percent (50%) of the bid price. The Decline Potential Charge – Imports and Decline Potential Charge - Exports will be calculated for each Hourly Pre-Dispatch bid that is not delivered, provided that only the Decline Monthly Charge – Imports and Decline Monthly Charge - Exports shall be payable by the Scheduling Coordinator as described in Section 11.31.1.

11.31.1 Decline Monthly Charge – Imports.

The Decline Monthly Charge – Imports shall be applied to each Scheduling Coordinator on the Settlement Statements issued for the last Trading Day of each trading month, and shall be the sum of the Scheduling Coordinator's Decline Potential Charges – Imports for each Settlement Interval during that trading month multiplied by a ratio. The ratio will represent the portion of the Scheduling Coordinator's declined Hourly Pre-Dispatch Supplemental Energy bids for imports that exceed the applicable exemption threshold during the trading month.

- (a) The ratio will be calculated as follows:
 - (i) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that were not delivered during that Trading Month minus the applicable exemption threshold, divided by
 - (ii) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that were not delivered during the trading month.

- (b) The applicable exemption threshold is the greater of the following:
 - (i) the Decline Threshold Quantity – Imports/Exports; or
 - (ii) the total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports during the trading month multiplied by the Scheduling Coordinator's Decline Threshold Percentage – Imports/Exports.

Notwithstanding the foregoing, the Decline Monthly Charge – Imports shall equal zero if either:

- (a) The percentage of the MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that the Scheduling Coordinator did not deliver during the trading month is less than the Decline Threshold Percentage – Imports/Exports;
or
- (b) The total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for imports that the Scheduling Coordinator did not deliver in the applicable trading month is less than the Decline Threshold Quantity – Imports/Exports.

11.31.2 Decline Monthly Charge – Exports.

The Decline Monthly Charge – Exports shall be applied to each Scheduling Coordinator on the Settlement Statements issued for the last Trading Day of each trading month, and shall be the sum of the Scheduling Coordinator's Decline Potential Charges – Exports for each Settlement Interval during that trading month multiplied by a ratio. The ratio will represent the portion of the Scheduling Coordinator's declined Hourly Pre-Dispatch Supplemental Energy bids for exports that exceed the applicable exemption threshold during the trading month.

- (a) The ratio will be calculated as follows:
 - (i) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for exports that were not delivered during that trading month minus the applicable exemption threshold, divided by
 - (ii) the Scheduling Coordinator's total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for exports that were not delivered during the trading month.

- (b) The applicable exemption threshold is the greater of the following:
 - (i) the Decline Threshold Quantity – Imports/Exports; or
 - (ii) the total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for exports during the trading month multiplied by the Scheduling Coordinator's Decline Threshold Percentage – Imports/Exports.

Notwithstanding the foregoing, the Decline Monthly Charge – Exports shall equal zero if either:

- (a) The percentage of the MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for exports that the Scheduling Coordinator did not deliver during the trading month is less than the Decline Threshold Percentage – Imports/Exports;
or
- (b) The total MWh quantity of Hourly Pre-Dispatch Supplemental Energy bids for exports that the Scheduling Coordinator did not deliver in the applicable trading month is less than the Decline Threshold Quantity – Imports/Exports.

11.31.3 Allocation of Import/Export Decline Monthly Charges Collected.

On the Settlement Statements issued for the last Trading Day of the applicable trading month, each Scheduling Coordinator shall receive a credit for its share of the total of all Decline Monthly Charges – Imports and Decline Monthly Charges – Exports assessed to Scheduling Coordinators for the applicable trading month. The credits shall be allocated according to the proportion of each Scheduling Coordinator's Demand (including exports) to total Demand (including exports) in (or from) the ISO Control Area during the trading month.