

EXHIBIT B-1
(to PG&E APPENDIX B)

Path 15 Operating Instructions
For Existing Encumbrances Across the Path 15 Interface
January 19, 1999

Introduction

As contemplated by the ISO Tariff, and as directed by the Federal Energy Regulatory Commission in its orders on Amendments 3 and 7 to the ISO Tariff, which were filed by the ISO, Pacific Gas and Electric Company (PG&E) has worked with the parties with whom it has existing contracts for transmission service over Path 15 (ETC Parties), in order to develop these Operating Instructions, which, pursuant to sections 2.4.3.1, 2.4.4.4.1, and 2.4.4.4.3 of the ISO Tariff, are to be followed by the ISO in operating this constrained Path. The constraints on Path 15 have been known by all transmission users for many years and have not been alleviated by the creation or operation of the ISO. The Operating Instructions which follow are intended to preserve each ETC Party's pre-existing contract rights to transmission service over Path 15 and PG&E's use of that transmission path. These Operating Instructions will remain in place until the earlier of (a) April 1, 2003 or (b) the expiration of the Regulatory Must-Take status of PG&E's Diablo Canyon Nuclear Power Plant. Unless otherwise mutually agreed by all parties, these Operating Instructions will be in effect for this interim period, only, and all parties reserve all rights to argue for the implementation of different Operating Instructions and priorities for Path 15 consistent with their ETC contract rights, following this interim period. Further, any party may oppose any modification of these Operating Instructions that materially affects the rights of such party as set forth herein.

Purpose and Objectives

These Path 15 Operating Instructions provide direction to the ISO regarding the management of congestion on Path 15 during the ISO's Day Ahead, Hour Ahead and Real Time markets. The objective of these instructions is to assure, on an ongoing basis, the efficient use each day of available Path 15 transfer capability while maintaining the transmission rights and priorities on Path 15 that were in existence as of the ISO Operations Date. These instructions also clarify individual and joint responsibilities between the ISO as the Control Area Operator and PG&E as the Path 15 Existing Transmission Contract (ETC) Facilitator.^{1/}

These instructions are to be adhered to except when the ISO determines that system reliability requires that other steps be taken. The ISO is solely responsible for continued system reliability and must unilaterally take all steps necessary to preserve the system in times of emergency.

^{1/} Specific operating instructions have been provided to the ISO by PG&E in other documents for each of the Existing Contracts for which it is the Responsible Participating Transmission Owner on Path 15. In the contract specific instructions, information is provided on the maximum MW of transmission service available over the path; the quality of transmission service; daily, hourly and real time scheduling rights and responsibilities; curtailment procedures; points of receipt and points of delivery and effective and termination dates of the contract. This set of additional instructions will clarify how the relative transmission rights and priorities of the parties should be managed and administered during times of congestion and possible curtailment on Path 15.

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Path 15 Existing Transmission Contract Facilitator (ETC Facilitator)

PG&E will serve in the capacity of ETC Facilitator to assist the ISO and to provide necessary guidance to the ISO in the administration of Path 15 ETC rights. The ETC Facilitator shall:

1. Provide to the ISO for each hour of the Trading Day, the total amount of megawatts that should be reserved for use by the ETC Parties.^{2/} Such amounts shall be provided generally by 8:30 a.m. of each weekday prior to the start of a Trading Day for the Day-Ahead Market, and generally by 4:30 p.m. of the weekday prior to the start of a Trading Day for the Hour-Ahead Market.³
2. Facilitate all Path 15 schedules from ETC Parties, including those ETC Parties for which the ETC Facilitator is not the Scheduling Coordinator (SC).
3. Schedule all SC to SC transfers^{4/} that utilize ETC rights across Path 15.
4. Inform ETC Parties, affected SCs, and the ISO, pursuant to these Operating Instructions, when an ETC Party's scheduled usage of Path 15 is reduced and the amount of such reduction.
5. In performing these tasks, ensure that all transmission rights and priorities on Path 15 that were in existence as of the ISO Operations Date are maintained and protected.

Day-Ahead Market Congestion Management

Prior to the start of the ISO Day-Ahead process, the ETC Facilitator will provide the ISO with an hourly reservation for ETC schedules utilizing Path 15. The ISO will determine the hourly amount of the Path 15 operating limit available for New Firm Uses^{5/} for use in its Congestion Management Process^{6/} by subtracting the ETC megawatt reservation amount from the operating limit for Path 15 for each hour. After the deadline for receiving Day-Ahead Preferred Schedules, the ISO performs its Congestion Management Process and determines the Usage Charges, if any,

^{2/} The ETC Facilitator's specification of the megawatt reservation amount does not limit, in any way, ETC Parties' ability to exercise their rights, including making schedule changes in real time.

^{3/} PG&E and most of the ETC Parties pre-schedule Monday through Friday only. PG&E generally provides its ETC reservation for Sunday and Monday by close-of-business on Friday and to the extent practicable, encourages ETC Parties to provide pre-schedules in time to meet the ISO's Day-Ahead market deadline.

^{4/} Currently, Southern California Edison Company (Edison) schedules its SC-SC transfers for its Existing Contracts directly with the ISO. Upon mutual agreement by Edison and PG&E, PG&E may become a party to these SC-SC transfers across Path 15.

^{5/} Regulatory Must Take and Regulatory Must Run resources that contribute to the "imputed use" of Path 15 are treated as New Firm Uses for this purpose. The "imputed use" is the expected power flow resulting from the load, interchange, and resource schedules of all SCs.

^{6/} The ISO's Congestion Management Process uses Adjustment Bids to reduce the amount of New Firm Use, if necessary, so that such use does not exceed the amount of the Path 15 operating limit less the ETC reservation megawatt amount.

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for each hour of congestion on Path 15. ETC schedules over Path 15 will not be assessed Usage Charges.

Hour-Ahead Market Congestion Management

Because scheduling timelines in ETC Parties' contracts (including third party contracts using ETC Party rights) differ from the ISO's scheduling timeline, some pre-schedules from such parties are likely to be scheduled in the Hour-Ahead Market. The ETC Facilitator's ETC megawatt reservation amount submitted in the Day-Ahead Market is intended to provide sufficient reservation to accommodate the schedules submitted in the Hour-Ahead Market. After the close of the Hour-Ahead Preferred Market, the ISO performs its Congestion Management Process and determines the Usage Charges, if any, for such hour on Path 15. ETC schedules over Path 15 will not be assessed Usage Charges.

Real Time Curtailment Priorities

Any and all ETC Parties' rights (including third party contracts using ETC Party rights) to change schedules after the close of the ISO's Hour-Ahead market will continue to be honored. In the event of curtailments on Path 15 South-to-North in real time, the ETC Facilitator will determine the appropriate order and magnitude of curtailments given the circumstances that occur in real time and the terms and provisions of the ETCs. This determination will be made consistent with the following table "Path 15 South-to-North Real-Time Curtailment Priorities", a copy of which is Attachment A, which is incorporated into and made a part of these Path 15 Operating Instructions by this reference.

In Attachment A, the relative priorities of the various ETC Parties' transmission service rights across Path 15 in real-time are identified by grouping the various rights into separate blocks and ordering the blocks by their relative priority. Attachment A addresses only Path 15 South to North real-time curtailment priorities. The Path 15 North-to-South real-time curtailment priorities will be addressed in a separate and distinct set of Operating Instructions and will be separately submitted to the ISO after review by the Path 15 ETC Parties.