UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	)))	Docket No. ER03-___-000

AMENDMENT NO. 49 TO THE TARIFF

Dated: March 11, 2003

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March 11, 2003

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: California Independent System Operator Corporation
Docket No. ER03-____- 000
Amendment No. 49 to the Tariff

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13, the California Independent System Operator Corporation ("ISO")[1] respectfully submits for filing an original and six copies of an amendment ("Amendment No. 49") to the ISO Tariff. Amendment No. 49 should resolve a number of outstanding issues regarding the transmission Access Charge methodology set forth in Amendment No. 27 to the ISO Tariff, as well as address certain issues that have arisen in the implementation of that transmission Access Charge methodology.

I. BACKGROUND - THE REVISED ACCESS CHARGE METHODOLOGY

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining transmission Access Charges, through which the Participating Transmission Owners ("Participating TOs") recover the embedded costs of the transmission facilities constituting the ISO Controlled Grid. That filing was required by legislation restructuring the California electric industry, and later by the Commission.[2] The ISO Governing Board

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[1] Capitalized terms not otherwise defined are used in the sense given in the Master Definitions Supplement, ISO Tariff Appendix A.

[2] Section 9600(a)(2)(A) of California's AB 1890 required the ISO to recommend a new rate methodology within two years after commencement of operations. *See Pacific Gas & Electric Company, et al.*, 77 FERC ¶ 61,204 at 61,827 (1996).

approved the transmission Access Charge filing after an extensive stakeholder process. By Order dated May 31, 2000, the Commission accepted Amendment No. 27 for filing, suspended it, and set for hearing the proposed Access Charge methodology and related tariff revisions. *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000). The Commission also held the hearing in abeyance pending efforts at settlement and established settlement judge procedures with the Chief Judge acting as Settlement Judge. After lengthy negotiations, the parties were unable to resolve the issues. The Chief Judge therefore terminated settlement proceedings on December 9, 2002, and the matter is currently pending hearing before Administrative Law Judge Bobbie McCartney.

The Access Charge methodology that preceded Amendment No. 27 consisted of three separate transmission rates, based on the Transmission Revenue Requirement of the Original Participating TO[3] whose Service Area constituted the zone. Under Amendment No. 27, this methodology was to continue in effect until a New Participating TO joined the ISO. When a New Participating TO joined the ISO – which occurred on January 1, 2002, when the City of Vernon joined – a new transmission Access Charge took effect. The portion of that charge that was to be administered by the ISO, the High Voltage Access Charge ("HVAC"), was based on a combination, as described below, of: (1) the sum of the High Voltage Transmission Revenue Requirements ("HVTRRs") of all the Participating TOs in each TAC Area – which approximately represented the former Control Areas of the Original Participating TOs – dividing by the sum of their Gross Loads, and (2) the sum of the HVTRRs of all Participating TOs divided by the sum of their Gross Loads.[4]

Over a ten-year transition period, the TAC area portion of the HVAC will be phased out, resulting in a single ISO Grid-wide Access Charge. During the ten-year transition period, ten percent per year of each TAC Area's HVTRR has been and will continue to be combined as the ISO Grid-wide component of the HVAC. The proportion represented by the ISO Grid-wide portion thus increases by ten percent each year, such that, at the end of the ten-year period, the HVAC will be one rate for the entire ISO Controlled Grid. In addition, capital investments in any New High Voltage Facilities, or additions to Existing High Voltage Facilities, would be included in the ISO Grid-wide component of the

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[3] The Original Participating TOs are Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), and Southern California Edison ("Edison").

[4] The City of Pasadena ("Pasadena") was its own Control Area but joined the ISO Control Area on July 1, 1999. Pasadena is in the same TAC Area as Edison, the East Central TAC Area. If the Los Angeles Department of Water and Power chooses to become a Participating TO, its Control Area would become a fourth TAC Area.

HVAC. The Low Voltage Access Charge for transmission would continue to be a "license plate" rate based on each Participating TO's Low Voltage Transmission Revenue Requirements and assessed in its PTO Service Area.

Amendment No. 27 also established a Transition Charge, which will be in effect for the duration of the ten-year transition period. This is a mechanism under which the Original Participating TOs collect increased revenues from their customers, up to a certain level, that are then used to compensate customers of New Participating TOs (via rates lower than would otherwise be possible) for any net increased costs the latter would otherwise have borne under High Voltage Access Charges during the ten-year transition. The compensating revenues collected from and distributed to the customers of the Participating TOs under this provision become part of the Transition Charge. The Transition Charge limits the cost-shift burden that it imposes on the Load of the Original Participating TO to an annual amount of $32 million for PG&E and SCE and $8 million for SDG&E.

Subsequent to Amendment No. 27, the ISO has filed four amendments to the ISO Tariff that directly or indirectly affected the transmission Access Charge. Amendment No. 34 was filed with the Commission in December 2000 when the City of Vernon became a New Participating TO (thus triggering the new Access Charge methodology). The amendment clarified revenue distribution among the Participating TOs and the timing of the semi-annual adjustment of the Access Charge and the Wheeling Access Charge. The Commission accepted the filing, made it effective January 1, 2001, subject to refund, and consolidated Amendment No. 34 with the ongoing Amendment No. 27 proceeding.

Amendment No. 45 was filed in June 2002. It modified the process for updating the Access Charge to provide for revisions any time the Commission accepts a modified Transmission Revenue Requirement from a Participating TO, and clarified who pays the Wheeling Access Charge, which is according to use of the ISO Controlled Grid, and who pays the Access Charge, which is assessed based on the Gross Load served by the transmission systems of Participating TOs. The Commission accepted the filing on August 27, 2002, with minor modifications, and made it effective July 1, 2002. The compliance filing was made on September 11, 2002.

Amendment 46, filed on July 15, 2002, amended the ISO Tariff to include changes to implement the Metered Subsystem concept negotiated with the Northern California Power Agency, Silicon Valley Power, and the City of Roseville. The Commission conditionally accepted the tariff changes, subject to modification. Amendment No. 46, among other changes, eliminated the provision that limited eligibility for Metered Subsystem Agreements to New Participating TOs. The compliance filing was made on September 27, 2002. Rehearing of the

Commission's order on Amendment No. 46 was denied on February 7 of this year.

Amendment No. 47 was filed with the Commission in December 2002 to address issues regarding four utilities that became Participating TOs effective January 1, 2003: the Cities of Anaheim, Azusa, Banning and Riverside (collectively referred to as the "Southern Cities"). As the result of differences between the Transmission Control Agreement executed by Southern Cities and previous Transmission Control Agreements, corresponding changes had to be made in the ISO Tariff. The tariff amendment required Participating TOs to refund FTR Auction revenues if they withdraw from the ISO due to an adverse tax action, and clarified a number of definitions such that if the ISO does not have Operational Control of the High Voltage Transmission Facility, its costs are not included in the ISO's Access Charge. The Commission approved the amendment on January 24, 2003, without modification, and made it effective January 1, 2003.

II. TARIFF CHANGES

During the course of the extensive, but unsuccessful, settlement negotiations, the ISO was able to identify a number of modifications to the transmission Access Charge methodology that would address certain concerns of a number of parties without disturbing the balanced approach represented by Amendment No. 27. In addition, based on three years of administering the revised transmission Access Charge, the ISO determined that there were a number of amendments that were necessary to facilitate the use of the new methodology and the application process for New Participating TOs. As a result, in testimony filed in the proceeding on Amendment No. 27 by Ms. Deborah A. Le Vine, the ISO indicated a number of modifications to the ISO Tariff that it hoped the Commission would direct. In addition, as Ms. Le Vine noted, there are four areas of the ISO Tariff that should be clarified. The relevant portions of Ms. Le Vine's testimony are enclosed as Attachment C.

The ISO believes that it would be advantageous to put these modifications in place as soon as possible, rather than await a final Commission order on Amendment No. 27. Accordingly, the ISO is today filing these modifications as Amendment No. 49 and requesting that they be made effective on June 1, 2003.

A. Modifications to Access Charge

Amendment No. 49 would make twelve modifications to the transmission Access Charge:

(1) waiving the requirement that a New Participating TO turn over all of its transmission facilities to ISO Operational Control in the limited circumstance of a federal power marketing agency that constructs a high value project having overriding regional significance, such as the upgrade to Path 15;

(2) defining the methodology for allocating the costs of joint use facilities between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement of each Participating TO;

(3) eliminating the impact of New High Voltage Facilities on the Transition Charge;

(4) removing an outdated reference to the impact of Grid Management Charge ("GMC") on the Transition Charge;

(5) eliminating the Revenue Review Panel;

(6) clarifying cost responsibility for transmission upgrades to ensure consistency with Amendment No. 17;

(7) revising the definition of Transmission Revenue Credit to allow New Participating TOs to net Usage Charges and charges under Section 7.3.1.7 of the ISO Tariff against Firm Transmission Right ("FTR") revenues (from auction or Usage Charges);

(8) establishing an application due date for applicant Participating TOs and eliminating the Transmission Control Agreement execution deadline;

(9) revising the market notification process;

(10) modifying metering data requirements for Wheeling Out transactions and scheduled transactions for Non-Participating TOs located within the ISO Control Area;

(11) exempting all the behind-the-meter Load of that receives transmission through Stand-by Service from the transmission Access Charge (not just those in service as of March 31, 2001, as originally proposed in Amendment No. 27; and

(12) providing the ISO flexibility to negotiate the conversion of Existing Rights for New Participating TOs with unusual circumstances.

Changes 1 through 7 and 11 and 12 are occasioned by the settlement negotiations.

1. Requirement that a New Participating TO Relinquish Operational Control of All Transmission to the ISO

Amendment No. 27 requires that a transmission owner seeking to become a Participating TO turn over all of its transmission facilities and Entitlements, not just some. This feature was included to prevent New Participating TOs from "cherry-picking" transmission and unduly increasing the average HVAC by turning over to ISO Operational Control expensive High Voltage Transmission Facilities while retaining operational control of low cost High Voltage Transmission Facilities. While the ISO continues to support the all-or-nothing approach in most circumstances, the ISO recognizes that, in certain situations, it may be beneficial to permit a Participating TO to turn over selected facilities. In particular, the ISO considers the upgrade of Path 15 to be a special case that calls for an exception for federal power marketing agencies. The ISO believes that waiving the "all-or-nothing" requirement is justified in the limited circumstances presented by the Path 15 upgrade in order to allow the Western Area Power Administration – Sierra Nevada Region ("Western") to turn over to ISO Operational Control its entitlement to Path 15, but not the remainder of its transmission entitlements.

Path 15 has been identified by the Commission and the Department of Energy as a critical bottleneck in the west. A Department of Energy report listed Path 15 as the only path in the WSCC having critical congestion. Moreover, the ISO conducted an assessment of the economic benefits of upgrading Path 15, which showed that, considering the market power mitigation benefits of the project, the upgrade could pay for itself within four years. The ISO estimated project benefits to exceed $100 million in a normal hydro year and $300 million in a dry hydro year, and estimated project costs at approximately $300 million. Based on this assessment, the ISO Governing Board approved the need for the upgrade in June 2002.

The upgrade is being coordinated by the Department of Energy through Western. Western has joined with PG&E and Trans-Elect NTD Path 15, LLC ("Trans-Elect") to undertake the project. However, Western has indicated that, while it is willing to turn its share of the additional capacity created by the upgrade of Path 15 over to the ISO Operational Control, it will not do so if it is required to turn over the remainder of its transmission facilities and Entitlements to the ISO at the same time.

In the case of the Path 15 upgrade, because of the overriding regional importance of the project and its value to the ISO's customers, the ISO believes that an exception from the requirement to turn over all facilities to the Operational Control of the ISO is justified. The exception will provide an additional incentive for Western and its partners to proceed with the Path 15 upgrade.

Accordingly, Amendment No. 49 adds Section 3.1.3 of the ISO Tariff to allow the ISO to provide such exemption in these limited circumstances, subject to the Commission's approval. The ISO reserves in the proposed tariff language the ability to make the exemption available for a limited period of time, to ensure that the justification for the upgrade and the exemption has not changed substantially by the time the project is placed in service. (In the case of the Path 15 upgrade, the ISO has decided that the line must be energized by December 31, 2010, in order for Western to be eligible for this exemption. This limitation will be submitted to the Commission at the time Western applies to become an ISO Participating TO.)

2. Transmission Revenue Requirement Split Between High Voltage and Low Voltage

During the settlement negotiations, the ISO has worked with Commission Trial Staff and the parties to develop a "Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charge," which is a new methodology for allocating the costs of multi-voltage substations, transmission towers that carry both high voltage and low voltage, general expenses, and Existing Contracts. Indeed, this procedure was incorporated into the settlement of the Dockets in which the Original Participating TOs made corresponding changes to their respective TO tariffs to implement Amendment No. 27. The ISO believes it would be appropriate to post this procedure on the ISO website and include a cross-reference to the requirements in the ISO Tariff. Amendment No. 49 implements this approach in new Section 11 of Schedule 3, Appendix F of the ISO Tariff.

3. Calculation Of The Transition Charge

Under Amendment No. 27, New and Existing High Voltage Facilities are incorporated in the cost-shift calculation as part of the basis for determining the net costs or benefits of a Participating TO. Amendment No. 49 revises Section 8.6 of the ISO Tariff and Sections 1.1 and 5.7 of Schedule 3, Appendix F of the ISO Tariff such that New High Voltage Facilities should be treated as an adder and not be incorporated into the cost-shift calculation. This would ensure that the costs of New High Voltage Facilities will be borne by all ISO customers from the outset, rather than being assigned in greater proportion to customers within a particular TAC Area through the operation of the Transition Charge. This result in turn is consistent with the goal of a single charge for access to the High Voltage transmission system and the rationale for that goal: that customers throughout the region rely on and benefit from High Voltage Transmission Facilities and thus should pay for their costs uniformly.

Further, this approach is more likely to encourage construction of New High Voltage Facilities. First, it allows the Original Participating TOs to construct New High Voltage Facilities that would benefit the region, without the concern that the Participating TOs' own Loads would have to bear a disproportionate share of the costs of such facilities. Second, it allows third parties, such as Trans-Elect having little or no Gross Load to finance and construct New High Voltage Facilities without uncertainty about how the costs of such facilities would be recovered. Because the cost shift calculation establishes the cost impact on Loads, it cannot accommodate a New Participating TO that does not have Load because it would entail dividing that Participating TO's transmission revenue requirement by zero. [5] Finally, the analysis on which the stakeholders and the ISO Governing Board focused during the development of Amendment No. 27 examined cost shifts based on Existing High Voltage Facilities, with limited consideration of the impact of building New High Voltage Facilities. In essence, the cost shift caps were established at a level that would provide a sufficient incentive for the governmental entities to turn over their existing transmission facilities to the ISO's Operational Control. That incentive is diminished if the cost-shift allowances under the cap are decreased because of the governmental entities provision of new regional transmission.

4. Elimination of the Impact of the GMC from the "Hold Harmless" Provisions

The GMC methodology in effect at the time the ISO filed Amendment 27 assessed the GMC according to a Scheduling Coordinator's use of the ISO Controlled Grid, except that deliveries under Existing Contracts were charged 50% of the otherwise applicable charge. Consequently, a governmentally owned utility's responsibility for the GMC could increase significantly if it became a Participating TO. For example, if a governmentally owned utility that used exclusively Existing Contracts became a Participating TO and converted its Existing Contracts, the GMC assessed to that utility would have doubled. Under section 8.6 as proposed in Amendment No. 27, any New Participating TOs that had an overall increase in their costs (including these additional GMC expenses) by virtue of their joining the ISO would have been held harmless against such an increase.

[5] The rates used for evaluation in the Access Charge process were calculated by forecasting a transmission revenue requirement for each potential Participating TO and dividing that amount by the Gross Load served by that Transmission Owner. These values range from $0.50/MWH to over $12.00/MWH.

On November 1, 2000, the ISO implemented a new GMC methodology, under which there is no difference between what a publicly owned utility would pay for the GMC as a Non-Participating TO and as a Participating TO. Effective January 1, 2001, GMC charges are based on the use of various ISO services (*i.e.*, Control Area Services, Congestion Management and Ancillary Services and Real-time Energy Operation). Because there is no difference between the GMC costs that a Non-Participating TO pays and those that a Participating TO pays for the same services under the new GMC methodology, New Participating TOs will not experience higher costs because of the GMC. Accordingly, Amendment No. 49 revises Section 8.6 of the ISO Tariff and Sections 1.2 and 7 of Schedule 3, Appendix F of the ISO Tariff to eliminate the GMC as a factor in calculating cost shifts.

5. Elimination of the Revenue Review Panel

Amendment No. 27 proposed a Revenue Review Panel ("RRP") to review the Transmission Revenue Requirement and Gross Load for governmental entities. The Commission, in its order on Amendment 27, directed that any decision by the RRP be appealable to the Commission, negating much of the RRP's potential value as a forum to review the transmission revenue requirements of the governmental entities. Moreover, to date, all five municipal utilities that have become New Participating TOs have chosen to file their rates with the Commission. In light of the requirement for Commission acceptance of the ISOs revenue requirement, including any contribution by governmental entities, the ISO believes the RRP is unnecessary, potentially puts an unjustified burden on the ISO, and could result in increases to the GMC to pay for the RRP. Accordingly, Amendment No. 49 amends Section 7.1.1 to delete this provision.

6. Clarification Regarding Transmission Upgrades

Amendment 27 failed to reconcile the cost recovery methodology under Section 3.2.7.2 of the ISO Tariff with new Sections 4.1 and 7.1 of the ISO Tariff, creating inconsistencies. Section 3.2.7.2 requires that the costs associated with transmission additions and upgrades be borne by the beneficiaries of the additions or upgrades, while the revised Access Charge methodology requires that the costs associated with High Voltage Transmission Facility additions and upgrades be included in the ISO Grid-wide component of the High Voltage Access Charge. Amendment No. 49 revises Section 3.2.7.2 to be consistent with Sections 4.1 and 7.1. In addition, the Amendment revises additional parts of Section 3.2 and Sections, 7.1.4.3.1, 7.3.1.6, 7.3.1.7, and 9.5.3 to be consistent with the changes being made in this amendment in other sections of the ISO Tariff.

7. Revised Definition Of Transmission Revenue Credit And Definition Of Net Transmission Revenue Credit

Ordinarily, a Participating TO that receives revenues from Usage Charges associated with its transmission facilities and Entitlements or the auction of FTRs associated with its transmission facilities and Entitlements must credit those revenues against its costs in determining its Transmission Revenue Requirement ("TRR"). If an entity, such as the Original Participating TOs, wishes to hold FTRs in order to receive the Usage Charges associated with those FTRs, it must purchase them through the auction. Under Section 9.4.3, New Participating TOs are given FTRs, without charge, during the ten year transition period so that they may hedge against the ISO congestion-based Usage Charge costs, which they did not bear under their Existing Contracts as Non-Participating TOs. The New Participating TOs have been concerned that, if all FTR and Usage Charge revenues must be credited against the TRR, they will have no ability to hedge against the Usage Charges costs they are required to pay after the conversion of their Existing Contracts and the transfer of Operational Control of their transmission facilities.

In addition, under the ISO settlement system, a Scheduling Coordinator with an FTR for a path is charged Usage Charges based on the use of the path and then credited the Usage Charge revenue associated with the FTR on such path. If the Usage Charges are greater than the revenues, the New Participating TO must make a net payment for use of the congested path.

Amendment No. 49 revises the definition of Transmission Revenue Credit and includes a definition of Net FTR Revenue such that New Participating TOs that are given FTRs in accordance with Section 9.4.3 of the ISO Tariff are required to credit against their TRR only the positive difference between the Usage Charges paid and the FTR and Usage Charge revenue received.

8. Application Process

Section 3.1.1 of the ISO Tariff currently requires a Participating TO applicant to declare its intent to become a Participating TO by January 1 or July 1 of any year. The actual application process does not begin, however, until the ISO receives a completed application from the Participating TO applicant. Although a Participating TO applicant must declare its intent to become a New Participating TO by January 1 or July 1, so that an agreement can be negotiated and filed by the following April 1 or October 1, respectively, as required by the ISO Tariff, there is no due date specified for the application. As a result, an application may be delayed, making it impossible to negotiate an agreement in time to meet the tariff deadline. Additionally, the ISO has learned from experience that without timely information and data, the acceptance of the application and the negotiation of the TCA may not be possible within the deadlines currently established in the ISO Tariff. Amendment No. 49 modifies Section 3.1.1 to provide that the application must be filed within fifteen days from the date the ISO receives the notice of intent, so that the process can begin promptly and the ISO has sufficient time to negotiate and file with the Commission an amendment to the TCA. Amendment 49 also deletes the contract execution deadline as unrealistic.

9. Market Notifications

Section 3.1 of the ISO Tariff requires that the ISO provide 60 days notice of a change to the Access Charge. Under Amendment No. 27 as filed, the transmission Access Charge could be changed only on January 1 or July 1 of each year, in order to provide rate stability. Under these circumstances the notice provision was quite reasonable. In Amendment No. 45, however, the ISO modified the rate change methodology to immediately update the Access Charge formula rate upon Commission action regarding a Participating TOs Transmission Revenue Requirement filing. . As a result the ISO does not have 60 days notice of rate revisions. Amendment No. 49 amends Section 3.1 to require the ISO to issue a market notice as soon as the ISO is aware of revised rates of Participating TOs.

10 Information Required from Scheduling Coordinators

Section 7.1.4.4 of the original ISO Tariff (1998) allowed Scheduling Coordinators that either scheduled Wheeling Out or Wheeling Through transactions or scheduled transactions for Non-Participating TOs located within the ISO Control Area to provide details of the scheduled transactions to the ISO rather than maintain ISO certified meters at the Scheduling Point. Because the drafters of the ISO Tariff, based on an early California Public Utilities Commission Order on restructuring anticipated that all ISO transmission customers would be required to install ISO metering, this simplified procedure was to have been eliminated once the ISO reached Full-Scale Operations. That expectation was not fulfilled. A number of the interconnection points between Participating TOs and Non-Participating TOs have metering equipment that is owned by the Participating TOs and does not qualify for ISO certification. Although some Non-Participating TOs have proposed to replace such meters with ISO certified meters, at their own cost, this has not yet been accomplished. Until the ISO has ISO certified metering at every Scheduling Point in the ISO Controlled Grid, it is technically impossible to operate without the simplification. Amendment No. 49 deletes Sections 7.1.4.4.1 through 7.1.4.4.3, which provide for the termination of the simplification. If sometime in the future adequate ISO certified metering is in place, the ISO would amend the tariff to delete the simplified procedure at that time.

11. Treatment of Behind-the-Meter Load

Amendment No. 27 excluded from the determination of Gross Load behind-the-meter Load of existing Qualifying Facilities that were operational as of March 31, 2001, and received Standby Service. Since filing Amendment No. 27, the ISO has been persuaded, based on further discussions with stakeholders, that the date limitation was unjustified. The ISO now proposed to exclude from the definition of Gross Load the Load of any entity that pays for Standby Service pursuant to retail tariffs. As the standby rates already incorporate a charge established by appropriate regulatory authorities for transmission service, the proposed change eliminates the potential for double charging customers taking Standby Service. Since the transmission-related revenues received by the Participating TOs from Standby Service are taken as a credit against the Participating TO's TRR, other customers are not disadvantaged by the exemption. Accordingly, Amendment No. 49 revises the definition of Gross Load in Appendix A to exclude retail Load served by a Generating Unit that (a) is located on the customer's site or provides service to the customer's site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an outage of the Generating Unit serving the Load.

12. Conversion of Existing Rights

In recognition of the fact that certain New Participating TOs may present special or unusual circumstances, Amendment No. 49 adds Section 4.5 in Schedule 3 of Appendix F that allows for flexibility in the manner in which New Participating TOs convert Existing Rights to FTRs. In addition, this Section includes a clarification regarding the characteristics to be considered in the determination of the number of FTRs and a clarification, also included in a revision to Section 9.4.3, that only New Participating TOs with an obligation to serve Load are entitled to such FTRs. In the future, the ISO intends to include in the Section 203 filing for the transfer of a New Participating TO's transmission facilities and Entitlements to the ISO's Operational Control a statement of the number of FTRs and what path the FTRs are given on for ease of Market Participants' understanding.

B. Clarifications

Amendment No. 49 would also make five additional clarifications to Amendment No. 27 based on feedback from Market Participants:

- The Low Voltage Access Charge is utility-specific. It is charged and collected by the Participating TO. Amendment No. 49 amends Section 7.1 and Section 1.1 of Appendix F, Schedule 3, to clarify the method of billing and the fact that Participating TOs serving Load in the PTO Service Area of another Participating TO must pay the latter Participating TO's Low Voltage Access Charge and the method of billing for the charge. The ISO would continue to charge and collect the Wheeling Access Charge for Low Voltage Transmission Facilities. Responsibility for payment also needs to be clarified.

- Section 7.1 of the ISO Tariff refers to the Transmission Revenue Requirement prior to the adjustment for Transmission Revenue Credits. The definition of Transmission Revenue Requirement, however, includes an adjustment of costs for those credits, and the reference is thus circular. Amendment No. 49 amends Section 7.1 to refer to the costs of facilities and entitlements.

- The new transmission Access Charge in Amendment 27 made the terms Base Transmission Revenue Requirements and Self-Sufficiency Test Period irrelevant. The definitions of these terms should have been deleted accordingly. Amendment No. 49 would delete these two definitions from Appendix A of the ISO Tariff.

- Amendment No. 27 explicitly required that Participating TO's provide to the ISO any changes that the Participating TO proposes to make to its TRR, Transmission Revenue Balancing Account or Gross Load. Amendment No.45 added a requirement that Participating TOs also provide a copy of the submittal to the ISO to the other Participating TOs by serving the person named for service in the notice provisions of the TCA. Although the informational filings are now eventually getting to the correct individuals, the data is not consistently included in those filings. The ISO and Market Participants have had trouble in the past determining the actual amounts to be included in the Access Charge calculation. Therefore, Amendment No. 49 amends Section 7.1 to require that a specific appendix be added to the filing that states the High Voltage Transmission Revenue Requirement, the Low Voltage Transmission Revenue Requirement (if applicable), and the appropriate Gross Load. Amendment No. 49 amends Section 9.2 to clarify that these requirements apply to federal power market agencies.

- To avoid confusion regarding the confidentiality of data, and allow the Participating TOs to ensure that the ISO has correctly calculated and disbursed the Wheeling Access Charge revenue, Amendment No. 49

includes in Section 7.1.4.3 a list of the data that the ISO will release to the Participating TOs.

C. Miscellaneous Changes

Amendment No. 49 also makes a number of corrections to grammatical errors, typographical errors, and inconsistent or outdated use of terminology in various sections related to Amendment No. 27: Sections 3.1.2, 3.2, 3.2.1.1.2, 3.2.1.1.3, 3.2.1.2, 3.2.2.1, 3.2.2.3, 3.2.2.4, 3.2.3, 3.2.6, 3.2.7, 3.2.8.2, and 7.1.4.1; Appendix A, Definitions of Access Charge, New High Voltage Facility, and TRBA; Appendix F, Schedule 3, Sections 1.1, 2, 3, 4.3, 5, 6.1, 7 and 10.1.

Finally, Amendment No. 49 deletes certain language from Section 7.1.6.3 of the ISO Tariff consistent with the Commission's order in *California Independent System Operator Corp.*, 101 FERC ¶61,219 at P 58 (2002), that corresponding language be removed from Section 2.2.3 of the Transmission Control Agreement.

III. REQUESTS FOR WAIVERS AND EFFECTIVE DATE

To the extent necessary the ISO requests waiver of the Part 35 requirements. The ISO requests that the Commission accept these amendments and make them effective on June 1, 2003.

IV. REQUEST FOR CONSOLIDATION

The ISO requests that, unless the Commission accepts this amendment without suspension, this matter be consolidated with the ongoing proceedings concerning Amendment No. 27, Docket No. ER00-2019. As discussed above, the substance of these amendments was included in the testimony of Ms. Deborah A. Le Vine, submitted on February 14, 2003. Intervenor testimony is not due until April 11, 2003. Accordingly, no party will be prejudiced by the consolidation.

VI. NOTICE AND SERVICE OF DOCUMENTS

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

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VII. SUPPORTING DOCUMENTS

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

- Revised Tariff sheets[6] (Attachment A);
- Black-lined Tariff provisions showing the changes (Attachment B);
- Testimony of Deborah A. Le Vine (Attachment C); and
- A form of notice suitable for publication in the Federal Register (Attachment D), which is also provided in electronic form on the enclosed diskette.

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

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[6] The text of Attachments A and B includes the revisions made by Amendment No. 48 to the ISO Tariff, on which the Commission has not yet acted.

ATTACHMENT A

3. RELATIONSHIP BETWEEN ISO AND PARTICIPATING TOs.

3.1 Nature of Relationship.

Each Participating TO shall enter into a Transmission Control Agreement with the ISO. In addition to converting Existing Rights in accordance with Section 2.4.4.2, New Participating TOs will be required to turn over Operational Control of all facilities and Entitlements that: (1) satisfy the FERC's functional criteria for determining transmission facilities that should be placed under ISO Operational Control; (2) satisfy the criteria adopted by the ISO Governing Board identifying transmission facilities for which the ISO should assume Operational Control; (3) are the subject of mutual agreement between the ISO and the Participating TOs; and (4) are not exempted by the ISO in accordance with Section 3.1.3. The ISO shall notify Market Participants when an application has been received from a potential Participating TO and shall notify Market Participants that a New Participating TO has executed the Transmission Control Agreement and the date on which the ISO will have Operational Control of the transmission facilities and Entitlements.

3.1.1 In any year, a Participating TO applicant must declare its intent in writing to the ISO to become a New Participating TO by January 1 or July 1, and provide the ISO with an application within 15 days of such notice of intent. Applicable agreements will be negotiated and filed with the Federal Energy Regulatory Commission as soon as possible for the New Participating TO, such that the Agreements can be effective the following July 1 or January 1.

3.1.2 With respect to its submission of Schedules to the ISO, a New Participating TO shall become a Scheduling Coordinator or obtain the services of a Scheduling Coordinator that has been certified in accordance with Section 2.2.4, which Scheduling Coordinator shall not be the entity's Responsible Participating TO in accordance with the Responsible Participating Transmission Owner Agreement, unless mutually agreed, and shall operate in accordance with the ISO Tariff and applicable agreements. The New Participating TO shall assume responsibility for paying all Scheduling Coordinators charges regardless of whether the New Participating TO elects to become a Scheduling Coordinator or obtains the services of a Scheduling Coordinator.

3.1.3 The ISO may exempt a federal power marketing agency seeking to become a New Participating TO from the obligation to turn over Operational Control to the ISO of all its facilities and Entitlements that meet the criteria set forth in Section 3.1 above to the extent the federal power marketing agency proposes to place under ISO Operational Control a transmission facility or Entitlement having overriding regional importance. The ISO may condition such exemption on construction of the transmission facility or Entitlement within a reasonable period of time. Such exemption would be filed for approval by the Federal Energy Regulatory Commission with the Transmission Control Agreement or at the time a filing is made with the FERC under Section 203 of the Federal Power Act transferring the facilities and Entitlements to ISO Operational Control.

3.2 Transmission Expansion.

A Participating TO shall be obligated to construct all transmission additions and upgrades within its PTO Service Area that are determined to be needed in accordance with the requirements of this Section 3.2. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 3.2.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

3.2.1 Determination of Need.

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

3.2.1.1 Economically Driven Projects. The Participating TO and Market Participants shall provide the necessary assistance and information to the ISO, as part of the coordinated planning process, to enable the ISO to determine that a project is needed to promote economic efficiency, including, at the ISO's discretion, studies comporting with ISO guidelines that demonstrate whether the project will promote economic efficiency or the information the ISO requires to carry out its own studies for economically driven projects. The ISO shall treat market sensitive information provided to the ISO in accordance with this Section by Participating TOs, Project Sponsors and applicable Market Participants confidentially in accordance with Section 20.3 provided that such information is clearly marked "Confidential" at the time it is provided to the ISO. The determination that a transmission addition or upgrade is needed to promote economic efficiency shall be made in any of the following ways:

3.2.1.1.1 If the Participating TO or any party questions the economic need for the project (except where the Project Sponsor commits to pay the full cost of construction) the proposal will be submitted to the ISO ADR Procedures for resolution.

3.2.1.1.2 Where a Project Sponsor other than the Participating TO commits to pay the full cost of construction of a transmission addition or upgrade and its operation, and demonstrates to the ISO financial capability to pay those costs, such commitment and demonstration shall be sufficient to demonstrate need to the ISO. To ensure that the Project Sponsor is financially able to pay the costs of the project to be constructed by the Participating TO, the Participating TO may require (1) a demonstration of creditworthiness (e.g. an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.

3.2.1.1.3 Where a Project Sponsor asserts that a transmission addition or upgrade is economically beneficial, but that Project Sponsor is unwilling to commit to pay the full cost of the addition or upgrade; where (1) the proposed transmission addition or upgrade was submitted to the Participating TO but was not included in the transmission expansion plan of that Participating TO in accordance with Section 3.2.2 or (2) the operation date of the planned expansion is not acceptable to the ISO or the Project Sponsor or (3) the Participating TO unreasonably delays implementing or subsequently decides not to proceed with the project, the Project Sponsor may submit its proposal to the ISO ADR Procedure for determination of need. A determination of need shall be made as follows:

3.2.1.1.3.1 The Project Sponsor shall include in its proposal: (1) a showing that the economic benefits of the proposed transmission addition or upgrade are expected to exceed its costs (giving consideration to any reasonable alternatives to the construction of transmission additions or upgrades) using an economic analysis that comports with ISO guidelines, and (2) a statement of the proposed pricing methodology for the transmission upgrades or additions that the Project Sponsor elects in accordance with Section 3.2.7 of the ISO Tariff.

3.2.1.1.3.2 If neither any Market Participant nor the ISO disputes the Project Sponsor's showing, then the proposal is determined to be needed.

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

3.2.1.2 Reliability Driven Projects. The ISO in coordination with the Participating TO, will identify the need for any transmission additions or upgrades required to ensure system reliability consistent with all Applicable Reliability Criteria. In making this determination, the ISO, in coordination with the Participating TO and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, demand-side management, remedial action schemes, constrained-on Generation, interruptible Loads or reactive support. The Participating TO, in cooperation with the ISO, shall perform the necessary studies to determine the facilities needed to meet all Applicable Reliability Criteria. The Participating TO shall provide the ISO and other Market Participants with all information relating to a proposed transmission addition or upgrade that they may reasonably request (other than information available to them through the WSCC or any other applicable regional organization) and shall, through the WSCC or any other applicable regional organization coordinated planning processes, develop the scope of and assumptions for such studies that are acceptable to the ISO and those other Market Participants. The ISO shall be free to propose any transmission upgrades or additions it deems necessary to ensure System Reliability consistent with Applicable Reliability Criteria, and, subject to appropriate appeals, the Participating TO shall be obligated to construct such lines. After the ISO Operations Date, the ISO, in consultation with Participating TOs and any affected UDCs and MSSs, will work to develop a consistent set of reliability criteria for the ISO Controlled Grid which the Participating TOs will use in their transmission planning and expansion studies or decisions.

3.2.2 Transmission Planning and Coordination.

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

3.2.2.1 Each Participating TO shall develop annually a transmission expansion plan covering a minimum five-year planning horizon for its PTO Service Area. Such Participating TO shall coordinate with the ISO and other Market Participants in the development of such plan. The Participating TO shall be responsible for ensuring that its transmission expansion plan meets all Applicable Reliability Criteria.

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

3.2.2.3 The Participating TO will act as a Project Sponsor for Participating TO proposed economic or reliability projects that are included in its expansion plan. The Participating TO shall provide to the ISO any information that the ISO requires to enable the ISO to comply with WSCC and any other applicable regional coordination requirements pursuant to Section 3.2.6.

3.2.2.4 The ISO will be a member of the WSCC and other applicable regional organizations and participate in WSCC's operation and planning committees, and in other applicable regional coordinated planning processes. No Participating TO, Market Participant nor the ISO shall take any position before the WSCC or a regional organization that is inconsistent with a binding decision reached through the ISO ADR Procedure.

3.2.3 Studies to Determine Facilities to be Constructed.

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

3.2.4 Operational Review.

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

3.2.5 State and Local Approval and Property Rights.

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

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

3.2.5.3 Where it is possible for a third party to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this ISO Tariff (including the use of eminent domain authority, where provided by state law) the ISO may confer on a third party the right to build the transmission addition or upgrade which shall enter into the Transmission Control Agreement in relation to such transmission addition or upgrade.

3.2.6 WSCC and Regional Coordination.

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

3.2.7 Cost Responsibility for Transmission Additions or Upgrades.

Cost responsibility for transmission additions or upgrades constructed pursuant to this Section 3.2 (including the responsibility for any costs incurred under Section 3.2.6) shall be determined as follows:

3.2.7.1 Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in Section 3.2.1.1.2, the full costs shall be borne by the Project Sponsor.

3.2.7.2 Where the need for a transmission addition or upgrade is determined by the ISO or as a result of the ISO ADR Procedure as set forth in Section 3.2.1.1.3, the cost of the transmission addition or upgrade shall be borne by the Participating TO that will be the owner of the transmission addition or upgrade and shall be reflected in its Transmission Revenue Requirement.

3.2.7.3 Provided that the ISO has Operational Control of the transmission upgrade or addition, a Project Sponsor that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive:

(a) its share, as determined in subsection (d) below, of the Wheeling revenues attributable to the transmission addition or upgrade;

(b) its share, as determined in subsection (d) below, of the proceeds of the FTR auction for FTRs defined on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part as set forth in Section 9.5.3, provided that the Project Sponsor does not receive FTRs from the ISO in accordance with Section 9.4.3 of the ISO Tariff; and

(c) its share, as determined in subsection (d) below, of the Congestion revenues provided as calculated pursuant to Section 7.3.1.6 on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part.

(d) The Project Sponsor(s) and the Participating TO shall agree in writing as to the shares of FTR auction, Wheeling and Congestion revenues to be allocated to each Project Sponsor. If the Project Sponsor(s) and the Participating TO cannot agree on the allocated shares of FTR auction, Congestion and Wheeling revenues by the later of the date the incremental capacity is placed in service or ninety (90) days after this provision becomes effective, the dispute shall be resolved in accordance with the procedures set forth in Section 13 of the ISO Tariff. If the capacity associated with the upgrade is placed in service before the allocated shares are finally determined, the ISO shall place all FTR auction, Wheeling and Congestion revenues associated with the transmission addition or upgrade in escrow from the time the capacity associated with the upgrade is placed in service until the time the allocated shares are finally determined. Interest accruing on the escrow amounts shall be disbursed in proportion to the allocated shares.

3.2.7.4 Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the ISO Grid-wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F. The

Participating TO who is supporting the cost of the New High Voltage Facility shall include such costs in its High Voltage Transmission Revenue Requirement, regardless of which TAC Area the facility is geographically located.

3.2.8 Ownership of and Charges for Expansion Facilities.

3.2.8.1 All transmission additions and upgrades constructed in accordance with this Section 3.2 shall form part of the ISO Controlled Grid and shall be operated and maintained by a Participating TO in accordance with the Transmission Control Agreement.

3.2.8.2 Each Participating TO that owns or operates transmission additions and upgrades constructed in accordance with this Section 3.2 shall provide access to them and charge for their use in accordance with this ISO Tariff and its TO Tariff.

3.2.9 Expansion by "Local Furnishing" Participating TOs.

Notwithstanding any other provision of this ISO Tariff, a Local Furnishing Participating TO shall not be obligated to construct or expand facilities, (including interconnection facilities as described in Section 8 of the TO Tariff) unless the ISO or Project Sponsor has tendered an application under FPA Section 211 that requests FERC to issue an order directing the Local Furnishing TO to construct such facilities pursuant to Section 3.2 of the ISO Tariff. The Local Furnishing TO shall, within 10 days of receiving a copy of the Section 211 application, waive its right to a request for service under FPA Section 213(a) and to the issuance of a proposed order under FPA Section 212(c). Upon receipt of a final order from FERC that is no longer subject to rehearing or appeal, such Local Furnishing TO shall construct such facilities in accordance with this Section 3.2.

6.5 Confidentiality.

All information posted on WEnet shall be subject to the confidentiality obligations contained in Section 20.3 of this ISO Tariff.

6.6 Standards of Conduct.

The ISO and all Market Participants shall comply with their obligations, to the extent applicable, under the standards of conduct set out in 18 C.F.R. §37.

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by each UDC or MSS delivering the Energy for the supply of Gross Load in the PTO Service Area and by Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area, where such End-Use Customers are not directly paying for the use of transmission facilities of a UDC or MSS, and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The High Voltage Access Charge and the Transition Charge shall be paid to the ISO by Scheduling Coordinators based on all Energy delivered for the supply of Gross Load directly or indirectly connected to a High Voltage Transmission Facility by the Scheduling Coordinator and by any UDC or MSS served by the Scheduling Coordinator in the PTO Service Area. The High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid based on all Energy delivered to all other Gross Load in the PTO Service Area by the Scheduling Coordinator and by any UDC or MSS served by the Scheduling Coordinator in the PTO Service Area. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge as provided in its TO Tariff. The ISO shall provide to the Participating TO a statement of the amount of Energy delivered to UDC, MSS and Scheduling Coordinators in its PTO Service Area by each Scheduling Coordinator on a monthly basis. If a Scheduling Coordinator or other entity has an Existing Right to use a Participating TO's Low Voltage Transmission Facilities, the Scheduling Coordinator or other such entity shall not be charged for delivery of Energy to Gross Load using the Existing Right. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO. Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

7.1.1 Publicly Owned Electric Utilities Access Charge

Local Publicly Owned Electric Utilities whose transmission facilities are under ISO Operational Control shall file with the FERC their proposed High Voltage Transmission Revenue Requirements, and any proposed changes thereto, under procedures determined by the FERC to be applicable to such filings and shall give notice to the ISO and to all Scheduling Coordinators of any such filing. A prospective New Participating TO that is a Local Publicly Owned Electric Utility shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC and the ISO at the time the Local Publicly Owned Electric Utility submits its application to become a New Participating TO in accordance with the Transmission Control Agreement. Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirement pursuant to applicable federal laws and regulations.

The procedures for public participation in a federal power marketing agency's ratemaking process are posted on the federal power marketing agency's website. Each federal power marketing agency shall also post on its website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. At the time the federal power marketing agency submits its application to become a New Participating TO in accordance with the Transmission Control Agreement, it shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC and the ISO.

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs, MSSs and Scheduling Coordinators serving Gross Load in the PTO Service Area shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and all Energy delivered for the supply of Gross Load connected to the facilities of the UDC or MSS in the PTO Service Area, or for a Scheduling Coordinator in the PTO Service Area with respect to the Gross Load of End-Use Customers not directly connected to the facilities of a UDC or MSS, all Energy delivered to such Gross Load. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC or an MSS that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

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

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

7.1.3.1 [Not Used]

7.1.3.2 [Not Used]

7.1.3.3 [Not Used]

7.1.3.4 [Not Used]

7.1.3.5 [Not Used]

7.1.4 Wheeling.

Any Scheduling Coordinator or other such entity scheduling a Wheeling transaction shall pay to the ISO the product of (i) the applicable Wheeling Access Charge, and (ii) the total hourly schedules of Wheeling in kilowatt-hours for each month at each Scheduling Point associated with that transaction. Schedules that include Wheeling transactions shall be subject to the Congestion Management procedures and protocols in accordance with Sections 7.2 and 7.3.

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

Access Charge for Scheduling Points contained within a single TAC Area, that are not joint facilities, shall be equal to the High Voltage Access Charge for the applicable TAC Area in accordance with Section 3 of Appendix F plus the applicable Low Voltage Access Charge if the Scheduling Point is on a Low Voltage Transmission Facility. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996.

7.1.4.2 Wheeling Over Joint Facilities. To the extent that more than one Participating TO owns or has Entitlement to transmission capacity, less all Encumbrances, exiting the ISO Controlled Grid at a Scheduling Point, the Scheduling Coordinator shall pay the ISO each month a rate for Wheeling at that Scheduling Point which reflects an average of the Wheeling Access Charge applicable to those Participating TOs, weighted by the relative share of such ownership or Entitlement to transmission capacity, less all Encumbrances, at such Scheduling Point. If the Scheduling Point is located at High Voltage Transmission Facilities, the Wheeling Access Charge will consist of a High Voltage Wheeling Access Charge component. Additionally, if the Scheduling Point is located at Low Voltage Transmission Facilities, the applicable Low Voltage Wheeling Access Charge component will be added to the Wheeling Access Charge. The methodology for developing the weighted average rate for Wheeling at each Scheduling Point is set forth in Appendix H.

7.1.4.3 Disbursement of Wheeling Revenues. The ISO shall collect and pay to Participating TOs and other entities as provided in Section 3.2.7.3 all Wheeling revenues at the same time as other ISO charges and payments are settled. The ISO shall provide to the applicable Participating TO and other entities as provided in Section 3.2.7.3 a statement of the aggregate amount of Energy delivered to each Scheduling Coordinator using such Participating TO's Scheduling Point to allow for calculation of Wheeling revenue and auditing of disbursements. Wheeling revenues shall be disbursed by the ISO based on the following:

7.1.4.3.1 Scheduling Point with All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of High Voltage Wheeling Access Charges for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in the same TAC Area, Wheeling revenues shall be disbursed to each such Participating TO based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all such Participating TO's High Voltage Transmission Revenue Requirements. If the Scheduling Point is located at a Low Voltage Facility, revenues received with respect to Low Voltage Wheeling Access Charges for Wheeling to that Scheduling Point shall be disbursed to the Participating TOs that own facilities and Entitlements making up the Scheduling Point in proportion to their Low Voltage Transmission Revenue Requirements. Additionally, if a Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to such Participating TO shall be disbursed as provided in Section 3.2.7.3.

7.1.4.3.2 Scheduling Point without All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of Wheeling Access Charges for Wheeling to a Scheduling Point at which the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in different TAC Areas, Wheeling revenues shall be disbursed to such Participating TOs as follows. First, the revenues shall be allocated between such TAC Areas in proportion to the ownership and Entitlements of transmission capacity, less all Encumbrances, at the Scheduling Point of the Participating TOs in each such TAC Area. Second, the revenues thus allocated to each TAC Area shall be disbursed among the Participating TOs in the TAC Area in accordance with Section 7.1.4.3.1.

7.1.4.4 Information Required from Scheduling Coordinators. Scheduling Coordinators that schedule Wheeling Out or Wheeling Through transactions to a Bulk Supply Point, or other point of interconnection between the ISO Controlled Grid and the transmission system of a Non-Participating TO, that are located within the ISO Control Area, shall provide the ISO, within 5 days from the end of the calendar month to which the relevant Trading Day relates, details of such transactions scheduled by them (other than transactions scheduled pursuant to Existing Contracts) sorted by Bulk Supply Point or point of interconnection for each Settlement Period (including kWh scheduled). The ISO shall use such information, which may be subject to review by the ISO, to settle Wheeling Access Charges and payments. The ISO shall publish a list of the Bulk Supply Points or interconnection points to which this Section 7.1.4.4 applies together with details of the electronic form and procedure to be used by Scheduling Coordinators to submit the required information on the ISO "Home Page".

7.1.6.2 Addition of New Facilities After ISO Implementation. The costs of transmission facilities placed in service after the ISO Operations Date shall be recovered consistent with the cost recovery determinations made pursuant to Section 3.2.7.

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

7.2 Zonal Congestion Management.

7.2.1 The ISO Will Perform Congestion Management.

7.2.1.1 Transmission Congestion. Congestion occurs when there is insufficient transfer capacity to simultaneously implement all of the Preferred Schedules that Scheduling Coordinators submit to the ISO.

7.2.1.2 Zone-Based Approach. The ISO will use a Zone-based approach to manage Congestion. A Zone is a portion of the ISO Controlled Grid within which Congestion is expected to occur infrequently or have relatively low Congestion Management costs. Inter-Zonal Interfaces consist of transmission facilities that are expected to have relatively high Congestion Management costs, as described in Section 7.2.7.1. For these interfaces, allocation of usage based on the value placed on these interfaces by the Scheduling Coordinators will increase efficient use of the ISO Controlled Grid.

7.2.1.3 Types of Congestion. Congestion that occurs on Inter-Zonal Interfaces is referred to as "Inter-Zonal Congestion." Congestion that occurs due to transmission system constraints within a Zone is referred to as "Intra-Zonal Congestion."

Charge for each hour they have counter-scheduled on the Congested Inter-Zonal Interfaces. The amount payable shall be the product of the Usage Charge referred to in Section 7.3.1.2 for that particular hour, multiplied by the Scheduling Coordinator's scheduled flows.

7.3.1.5.2 If a Scheduling Coordinator fails to provide the scheduled flows in a counter direction, it must reimburse the ISO for the ISO's costs of buying or selling Imbalance Energy in each of the Zones affected by the non-provided scheduled flows in a counter direction, at the ISO's Zonal Imbalance Energy prices. That is, for any Scheduling Coordinator that does not produce, in real time, the amount of Energy scheduled in the Day-Ahead Market or Hour-Ahead Market will be deemed to have purchased/sold the amount of Energy under/over produced in the real time imbalance market at the real time price.

7.3.1.6 ISO Disbursement of Net Usage Charge Revenues. The ISO will determine the net Usage Charges on an interface-by-interface basis by subtracting the Usage Charge fees paid to Scheduling Coordinators from the Usage Charge fees paid by Scheduling Coordinators. The net Usage Charge revenues collected by the ISO for each Inter-Zonal Interface shall be, subject to the provisions of Section 7.3.1.7 of the ISO Tariff, paid to: (i) FTR Holders, in accordance with Section 9.6; and (ii) to the extent not paid to FTR Holders, to Participating TOs who own the Inter-Zonal Interfaces and Project Sponsors as provided in Section 3.2.7.3. Participating TOs will credit in turn the Usage Charge revenue to their Transmission Revenue Balancing Accounts, or, for those Participating TOs that do not have such accounts, to their Transmission Revenue Requirements.

7.3.1.7 ISO Debit of Net Usage Charge Revenues. If, after the issuance of Final Day-Ahead Schedules by the ISO, (a) Participating TOs instruct the ISO to reduce interface limits based on operating conditions or (b) an unscheduled transmission outage occurs and as a result of either of those events, Congestion is increased and Available Transfer

Capacity is decreased in the Inter-Zonal Interface in the Hour-Ahead Market, the ISO shall: (1) charge each Participating TO and Project Sponsor as provided in Section 3.2.7.3, and FTR Holder with an amount equal to its proportionate share, based on its financial entitlement to Usage Charges in the Day-Ahead Market in accordance with Section 7.3.1.6, of the product of (i) the Usage Charge in the Day-Ahead Market and (ii) the reduction in Available Transfer Capacity across the Inter-Zonal Interface in the direction of the Congestion (such amount due to the Participating TOs to be debited by them in turn from their Transmission Revenue Balancing Accounts or, for those Participating TOs that do not have such accounts, to their Transmission Revenue Requirements); (2) charge each Scheduling Coordinator with its proportionate share, based on Schedules in the Day-Ahead Market across the Inter-Zonal Interface in the direction of the Congestion, of the difference between the amount charged to Participating TOs and Project Sponsors as provided in Section 3.2.7.3, and FTR Holders under clause (1) and the Usage Charges in the Hour-Ahead Market associated with the reduced Available Transfer Capacity across the Congested Inter-Zonal Interface; and (3) credit each Scheduling Coordinator whose Schedule in the Hour-Ahead Market for the transfer of Energy across the Congested Inter-Zonal Interface was adjusted due to the reduction in Available Transfer Capacity an amount equal to the product of the adjustment (in MW) and the Usage Charge in the Hour-Ahead Market (in$/MW).

The ISO will issue a notice to Scheduling Coordinators of the operating hour, and extent, for which the derate will apply in the relevant Hour-Ahead Markets. The timing and form of such notices shall be set forth in ISO procedures.

7.3.2 Grid Operations Charge for Intra-Zonal Congestion.

Scheduling Coordinators whose resources are redispatched by the ISO, in accordance with Intra-Zonal Congestion Management, will be paid or charged based on the Adjustment Bids or Imbalance Energy bids that they have provided to the ISO. The net

8.5 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. If the Operating and Capital Reserves Account is fully funded, surplus funds will be considered an offset to the revenue requirement in the next fiscal year's operating budget.

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to, annually, for all New Participating TOs, the amount, if any, by which the New Participating TO's cost of Existing High Voltage Facilities associated with deliveries of Energy to Gross Loads in the PTO Service Area of the New Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in accordance with Schedule 3 to Appendix F. Amounts payable by Original Participating TOs under this section shall be recoverable as part of the Transition Charge calculated in accordance with Schedule 3 of Appendix F. Amounts received by the ISO under this section shall be disbursed to New Participating TOs with Existing High Voltage Facilities based on the ratio of each New Participating TO's net increase in costs in the categories described in the first sentence of this section, to the sum of the net increases in such costs for all New Participating TOs with Existing High Voltage Facilities.

9. FIRM TRANSMISSION RIGHTS

9.1 General

9.1.1 Commencing in 2000, on the effective date established by the ISO Governing Board, the ISO shall make FTRs available in the amounts determined in accordance with Section 9.3, with the rights and other characteristics described in Sections 9.2, 9.6, 9.7 and 9.8, and through the processes described in Section 9.4. Proceeds of the ISO's auction of FTRs shall be distributed as described in Section 9.5. The owners of FTRs shall be entitled to share in Usage Charge revenues associated with Inter-Zonal Congestion in accordance with Section 9.6, and to scheduling priority in the event of congestion in the Day-Ahead Market, as described in Section 9.7. For the purpose of Section 9, the term "Zone" shall be construed to mean both "Zone" and "Scheduling Point."

9.2 Characteristics of Firm Transmission Rights

9.2.1 Each FTR shall be defined by a transmission path from an originating Zone to a contiguous receiving Zone. Each FTR shall entitle the FTR Holder to a share of Usage Charges attributable to Inter-Zonal Congestion for transfers on that path from the designated originating Zone to the designated receiving Zone in accordance with Section 9.6. An FTR is a right in one direction only. An FTR Holder shall not be entitled to share in (i) Usage Charges attributable to Inter-Zonal Congestion from the designated receiving Zone to the designated

FTR Market in the first round of the auction was less than the quantity of FTRs being made available for that FTR Market, the price of FTRs in that FTR Market shall be the first round price and each FTR Bidder in that FTR Market will receive a number of FTRs equal to the quantity of bids they submitted in the first round. Any remaining FTRs in that FTR Market will not be awarded in that auction.

9.4.2.7 Each FTR Bidder shall pay the ISO an amount equal to the sum, for all FTR Markets, of the products of the FTR price in each FTR Market (determined in accordance with Section 9.4.2.6) and the total quantity of FTRs awarded to that FTR Bidder in that FTR Market (determined in accordance with Section 9.4.2.4 or Section 9.4.2.5, as applicable). FTR Bidders shall pay the amount determined in accordance with the foregoing sentence within ten (10) business days of receiving an invoice from the ISO by making payment to the ISO Clearing Account in accordance with Section 11.10. If the FTR Bidder fails to make timely payment of the full amount due, the ISO may enforce any guarantee, letter of credit or other credit support provided by the defaulting FTR Bidder in accordance with Section 9.4.2.7 and, if the ISO is required to institute proceedings to collect any unpaid amount, the defaulting FTR Bidder shall pay interest on the unpaid amount at the ISO Default Interest Rate for the period from the Payment Date until the date on which payment is remitted to the ISO Clearing Account.

9.4.2.8 The ISO shall post on the ISO Home Page the prices at which FTRs are sold in each FTR Market through the primary auction.

9.4.3 For the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, a New Participating TO that has an obligation to serve Load shall receive FTRs for Inter-Zonal Interfaces to which the transmission facilities and Converted Rights for Inter-Zonal Interfaces that the New Participating TO turns over to the ISO's Operational Control give it transmission rights. The amount of FTRs will be determined when the Transmission Control Agreement is executed and shall be commensurate with the transmission capacity the New Participating TO is turning over to ISO Operational Control. FTRs issued in accordance with this section shall entitle the FTR Holder to receive Usage Charge revenues and to priority in the scheduling of Energy in the Day-Ahead Market in accordance with the provisions of the ISO Tariff. FTRs associated with Converted Rights shall terminate on the earlier of termination of the Existing Contract or the end of the ten-year transition period.

9.5 Distribution of Auction Revenues Received by the ISO for Firm Transmission Rights

9.5.1 For each Inter-Zonal Interface and direction for which an FTR is defined, the total proceeds received by the ISO through the auction described in Section 9.4 shall be allocated and paid by the ISO to the Participating TO that is entitled in accordance with Section 7.3.1.6 to receive Usage Charge revenues with respect to the corresponding Inter-Zonal Interface. Each Participating TO shall credit its FTR auction proceeds against its high voltage TRBA if the FTR is for a High Voltage Transmission Facility or against its low voltage TRBA if the FTR is a for a Low Voltage Transmission Facility.

9.5.2 In the event the transmission facilities or rights making up an Inter-Zonal Interface with respect to which FTRs are defined are owned by more than one Participating TO, the proceeds of the auction of such FTRs shall be allocated to those Participating TOs who auction FTRs in proportion to the FTRs associated with their Inter-Zonal Interface as of the date of the FTR auction compared to all FTRs auctioned for such Inter-Zonal Interface.

9.5.3 In the event the transmission facilities or rights making up an Inter-Zonal Interface with respect to which FTRs are defined have been upgraded resulting in increased transmission capacity on the Inter-Zonal Interface, and the costs of construction and operation were paid for by a Project Sponsor pursuant to Section 3.2.7.1 and were not included in the ISO's transmission Access Charge or a reimbursement or direct payment from a Participating TO, the proceeds of the auction of such

FTRs shall be allocated to the Project Sponsors according to the allocated shares determined as set forth in Section 3.2.7.3 (d).

9.6 Distribution of Usage Charges to FTR Holders

9.6.1 The FTR Holder shall be entitled to receive from the ISO a portion of the total Congestion revenues related to Inter-Zonal Congestion calculated by the ISO in the Day-Ahead Market and collected by the ISO with respect to the Inter-Zonal Interface and direction combination for which the FTR was defined. This portion equals the Usage Charge calculated by the ISO in the Day-

Access Charge A charge paid by all UDCs, MSSs and, in certain cases, Scheduling Coordinators, delivering Energy to Gross Load in the PTO Service Area, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.

Active Zone The Zones so identified in Appendix I to the ISO Tariff.

Actual Imbalance A deviation between scheduled Generation and metered Generation at each UDC/ISO Controlled Grid boundary or at each Participating Generator's delivery point or a deviation between scheduled Load and metered Load at each UDC/ISO Controlled Grid boundary or ISO Control Area boundary.

Adjustment Bid A bid in the form of a curve defined by (i) the minimum MW output to which a Scheduling Coordinator will permit a resource (Generating Unit or Dispatchable Load) included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (ii) the maximum MW output to which a Scheduling Coordinator will permit the resource included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (iii) up to a specified number of MW values in between; (iv) a preferred MW operating point; and (v) for the ranges between each of the MW values greater than the preferred operating point, corresponding prices (in $/MWh) for

Available Transfer Capacity For a given transmission path, the capacity rating in MW of the path established consistent with ISO and WSCC transmission capacity rating guidelines, less any reserved uses applicable to the path.

Balanced Schedule A Schedule shall be deemed balanced when Generation, adjusted for Transmission Losses equals forecast Demand with respect to all entities for which a Scheduling Coordinator schedules.

Balancing Account An account set up to allow periodic balancing of financial transactions that, in the normal course of business, do not result in a zero balance of cash inflows and outflows.

BEEP Interval The time period, which may range between five (5) and thirty (30) minutes, over which the ISO's BEEP Software measures deviations in Generation and Demand, and selects Ancillary Service and Supplemental Energy resources to provide balancing Energy in response to such deviations. As of the ISO Operations Date, the BEEP Interval shall be ten (10) minutes. Following a decision, by the ISO Governing Board, the ISO may, by seven (7) days' notice published on the ISO's Home Page, at http://www.caiso.com (or such other internet address as the ISO may publish from time to time), increase or decrease the BEEP Interval within the range of five (5) to thirty (30) minutes.

Distribution System	The distribution assets of an IOU or Local Publicly Owned Electric Utility.
EEP (Electrical Emergency Plan)	A plan to be developed by the ISO in consultation with UDCs to address situations when Energy reserve margins are forecast to be below established levels.
Effective Price	The price, applied to undelivered Instructed Imbalance Energy, calculated by dividing the absolute value of the total payment or charge for Instructed Imbalance Energy by the absolute value of the total Instructed Imbalance Energy, for the Settlement Period; provided that, if both the total payment or charge and quantity of Instructed Imbalance Energy for the Settlement Period are negative, the Effective Price shall be multiplied by -1.0 (minus one).
Electric Capacity	The continuous demand-carrying ability for which a Generating Unit, or other electrical apparatus is rated, either by the user or by the manufacturer.

Existing Contracts	The contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.
Existing High Voltage Facility	A High Voltage Transmission Facility of a Participating TO that was placed in service on or before the Transition Date defined in section 4.2 of Schedule 3 of Appendix F.
Existing Rights	Those transmission service rights defined in Section 2.4.4.1.1 of the ISO Tariff.
Expedited Interconnection Agreement	A contract between a party which has submitted a Request for Expedited Interconnection Procedures and an Interconnection PTO under which the ISO and an Interconnecting PTO agree to process, on an expedited basis, the Interconnection Application of a New Facility Operator and which sets forth the terms, conditions, and cost responsibilities for such interconnection.
Facility Owner	An entity owning transmission, Generation, or distribution facilities connected to the ISO Controlled Grid.
Facility Study	An engineering study conducted by a Participating TO to determine required modifications to the Participating TO's transmission system, including the cost and scheduled completion date for such modifications that will be required to provide needed services.
Facility Study Agreement	An agreement between a Participating TO and either a Market Participant, Project Sponsor, or identified principal beneficiaries pursuant to which the Market Participants, Project Sponsor, and identified principal beneficiaries agree to reimburse the Participating TO for the cost of a Facility Study.

Grid Management Charge The ISO monthly charge on all Scheduling Coordinators and other appropriate parties that provides for the recovery of the ISO's costs through the three service charges described in Section 8.3: 1) the Control Area Services Charge, 2) the Inter-Zonal Scheduling Charge, and 3) the Market Operations Charge. The three component charges are formula rates.

Grid Operations Charge An ISO charge that recovers redispatch costs incurred due to Intra-Zonal Congestion in each Zone. These charges will be paid to the ISO by the Scheduling Coordinators, in proportion to their metered Demand within, and metered exports from, the Zone to a neighboring Control Area.

Gross Load For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and

(c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

High Voltage Access Charge The Access Charge applicable under Section 7.1 to recover the High Voltage Transmission Revenue Requirements of each Participating TO in a TAC Area.

High Voltage Transmission Facility A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

High Voltage Transmission Revenue Requirement The portion of a Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities that are under the ISO Operational Control.

ISP (Internet Service Provider)	An independent network service organization engaged by the ISO to establish, implement and operate Wenet.
Load	An end-use device of an End-Use Customer that consumes power. Load should not be confused with Demand, which is the measure of power that a Load receives or requires.
Load Shedding	The systematic reduction of system Demand by temporarily decreasing the supply of Energy to Loads in response to transmission system or area capacity shortages, system instability, or voltage control considerations.
Local Furnishing Bond	Tax-exempt bonds utilized to finance facilities for the local furnishing of electric energy, as described in section 142(f) of the Internal Revenue Code, 26 U.S.C. § 142(f).
Local Furnishing Participating TO	Any Tax-Exempt Participating TO that owns facilities financed by Local Furnishing Bonds.
Local Publicly Owned Electric Utilities	A municipality or municipal corporation operating as a public utility furnishing electric service, a municipal utility district furnishing electric service, a public utility district furnishing electric services, an irrigation district furnishing electric services, a state agency or subdivision furnishing electric services, a rural cooperative furnishing electric services, or a joint powers authority that includes one or more of these agencies and that owns Generation or transmission facilities, or furnishes electric services over its own or its members' electric Distribution System.

Municipal Tax Exempt Debt	An obligation the interest on which is excluded from gross income for federal tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986 or the corresponding provisions of prior law without regard to the identity of the holder thereof. Municipal Tax Exempt Debt does not include Local Furnishing Bonds.
Municipal Tax Exempt TO	A Transmission Owner that has issued Municipal Tax Exempt Debt with respect to any transmission facilities, or rights associated therewith, that it would be required to place under the ISO's Operational Control pursuant to the Transmission Control Agreement if it were a Participating TO.
Must-Offer Generator	All entities defined in Section 5.11.1 of the ISO Tariff
Native Load	Load required to be served by a utility within its Service Area pursuant to applicable law, franchise, or statute.
NERC	The North American Electric Reliability Council or its successor.
Net FTR Revenue	The sum of: 1) the revenue received by the New Participating TO from the sale, auction, or other transfer of the FTRs provided to it pursuant to Section 9.4.3 FTR, or any substantively identical successor provision of the ISO Tariff; and 2) for each hour: a) the Usage Charge revenue received by the New Participating To associated with its Section 9.4.3 FTRs; minus b) Usage Charges that are: i) incurred by the Scheduling Coordinator for the New Participating TO under ISO Tariff Section 7.3.1.4, ii) associated with the New Participating TO's Section 9.4.3 FTRs, and iii) incurred by the New Participating TO for its energy transactions but not

incurred as a result of the use of the transmission by a third-party and minus c) the charges paid by the New Participating TO pursuant to Section 7.3.1.7, to the extent such charges are incurred by the Scheduling Coordinator of the New Participating TO on congested Inter-Zonal Interfaces that are associated with the Section 9.4.3 FTRs provided to the New Participating TO. The component of New FTR Revenue represented by item 2) immediately above shall not be less than zero for any hour.

Net Negative Uninstructed Deviation The real time change in Generation or Demand associated with underscheduled Load (i.e., Load that appears unscheduled in real time) and overscheduled Generation (i.e., Generation that is scheduled in forward markets and does not appear in real time). Deviations are netted for each BEEP Interval, apply to a Scheduling Coordinator's entire portfolio, and include Load, Generation, Imports and Exports.

New Facility	A planned or Existing Generating Unit that requests, pursuant to Section 5.7 of the ISO Tariff, to interconnect or modify its interconnection to the ISO Controlled Grid.
New Facility License	A license issued by a federal, state or Local Regulatory Authority that enables an entity to build and operate a Generating Unit.
New Facility Operator	The owner of a planned New Facility, or its designee.
New High Voltage Facility	A High Voltage Transmission Facility of a Participating TO that is placed in service after the beginning of the transition period described in Section 4 of Schedule 3 of Appendix F, or a capital addition made and placed in service after the beginning of the transition period described in Section 4.1 of Schedule 3 of Appendix F to an Existing High Voltage Facility.
New Participating TO	A Participating TO that is not an Original Participating TO.
Nomogram	A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet NERC and WSCC operating criteria.

Preliminary Settlement Statement	The initial statement issued by the ISO of the calculation of the Settlements and allocation of the charges in respect of all Settlement Periods covered by the period to which it relates.
Price Overlap	The price range of bids for Supplemental Energy or Energy associated with Ancillary Services bids for any BEEP Interval that includes decremental and incremental Energy Bids where the price of the decremental Energy Bids exceeds the price of the incremental Energy Bids.
Project Sponsor	A Market Participant or group of Market Participants or a Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 3.2 of the ISO Tariff.
Proxy Price	The value determined for each gas-fired Generating Unit owned or controlled by a Must-Offer Generator in accordance with Section 2.5.23.3.4.
PTO Service Area	An area in which a Participating TO provides transmission service, directly or indirectly, to its own Load, the Load of a UDC, the Load of a MSS, or the Load of End-Use Customers.
PX (Power Exchange)	The California Power Exchange Corporation, a state chartered, nonprofit corporation charged with providing a Day-Ahead forward market for Energy in accordance with the PX Tariff. The PX is a Scheduling Coordinator and is independent of both the ISO and all other Market Participants.
PX Auction Activity Rules	The rules by which bids submitted to and validated by the PX may be modified or withdrawn during a PX Energy market auction.
Qualifying Hours	Qualifying Hours has the meaning set forth in Section 5.12.7.1.1.2.5.

Responsible Utility	The utility which is a party to the TCA in whose Service Area the Reliability Must-Run Unit is located or whose Service Area is contiguous to the Service Area in which a Reliability Must-Run Unit owned by an entity outside of the ISO Controlled Grid is located.
Revenue Requirement	The revenue level required by a utility to cover expenses made on an investment, while earning a specified rate of return on the investment.
Revised Schedule	A Schedule submitted by a Scheduling Coordinator to the ISO following receipt of the ISO's Suggested Adjusted Schedule.
RMR Owner	The provider of services under a Reliability Must-Run Contract.
RTG (Regional Transmission Group)	A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion and use of transmission on a regional and inter-regional basis.
SCADA (Supervisory Control and Data Acquisition)	A computer system that allows an electric system operator to remotely monitor and control elements of an electric system.
SC Agreement	An agreement between a Scheduling Coordinator and the ISO whereby the Scheduling Coordinator agrees to comply with all ISO rules, protocols and instructions, as those rules, protocols and instructions may be amended from time to time.
SC Applicant	An applicant for certification by the ISO as a Scheduling Coordinator.

Scheduling Point	A location at which the ISO Controlled Grid is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the ISO's Operational Control. A Scheduling Point typically is physically located at an "outside" boundary of the ISO Controlled Grid (e.g., at the point of interconnection between a Control Area utility and the ISO Controlled Grid). For most practical purposes, a Scheduling Point can be considered to be a Zone that is outside the ISO's Controlled Grid.
Security Monitoring	The real time assessment of the ISO Controlled Grid that is conducted to ensure that the system is operating in a secure state, and in compliance with all Applicable Reliability Criteria.
Service Area	An area in which an IOU or a Local Publicly Owned Electric Utility is obligated to provide electric service to End-Use Customers.
Set Point	Scheduled operating level for each Generating Unit or other resource scheduled to run in the Hour-Ahead Schedule.

Severance Fee	The charge or periodic charge assessed to customers to recover the reasonable uneconomic portion of costs associated with Generation-related assets and obligations, nuclear decommissioning, and capitalized Energy efficiency investment programs approved prior to August 15, 1996 and as defined in the California Assembly Bill No. 1890 approved by the Governor on September 23, 1996.
Spinning Reserve	The portion of unloaded synchronized generating capacity that is immediately responsive to system frequency and that is capable of being loaded in ten minutes, and that is capable of running for at least two hours.
Standby Rate	A rate assessed a Standby Service Customer by the Participating TO that also provides retail electric service, as approved by the Local Regulatory Authority, or FERC, as applicable, for Standby Service which compensates the Participating TO, among other things, for costs of High Voltage Transmission Facilities.
Standby Service	Service provided by a Participating TO that also provides retail electric service, which allows a Standby Service Customer, among other things, access to High Voltage Transmission Facilities for the delivery of backup power on an instantaneous basis to ensure that Energy may be reliably delivered to the Standby Service Customer in the event of an outage of a Generating Unit serving the customer's Load.
Standby Service Customer	A retail End-Use Customer of a Participating TO that also provides retail electric service that receives Standby Service and pays a Standby Rate.

Standby Transmission Revenue	The transmission revenues, with respect to cost of both High Voltage Transmission Facilities and Low Voltage Transmission Facilities, collected directly from Standby Service Customers through charges for Standby Service.

Transfer Schedule	A Schedule for Energy that is delivered from one Scheduling Coordinator to another. Each Transfer Schedule must originate and terminate completely within the ISO Control Area and may not involve more than two (one sending and one receiving) Scheduling Coordinators.
Transition Charge	The component of the Access Charge collected by the ISO with the High Voltage Access Charge in accordance with Section 5.7 of Appendix F, Schedule 3.
Transition Period	The period of time established by the California Legislature and CPUC to allow IOUs and Local Publicly Owned Electric Utilities an opportunity to recover Transition Costs or Severance Fees.
Transmission Losses	Energy that is lost as a natural part of the process of transmitting Energy from Generation to Load delivered at the ISO/UDC boundary or Control Area boundary.
Transmission Revenue Credit	For an Original Participating TO, the proceeds received from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. After the 10-year transition period, the New Participating TO Transmission

Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

TRBA (Transmission Revenue Balancing Account)	A mechanism to be established by each Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6 and 8 of Appendix F, Schedule 3, flow through to transmission customers.

TRR (Transmission Revenue Requirement)	The TRR is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.
Trustee	The trustee of the California Independent System Operator trust established by order of the California Public Utilities Commission on August 2, 1996 Decision No. 96-08-038 relating to the Ex Parte Interim Approval of a Loan Guarantee and Trust Mechanism to Fund the Development of an Independent System Operator (ISO) and a Power Exchange (PX) pursuant to Decision 95-12-063 as modified.
UDC (Utility Distribution Company)	An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.

ISO Tariff Appendix F

Schedule 3

High Voltage Access Charges

1. Objectives and Definitions

1.1 Objectives

(a) The Access Charge will remain utility-specific until a New Participating TO executes the Transmission Control Agreement, at which time the Access Charge will change as discussed below.

(b) The Access Charge is the charge assessed for using the ISO Controlled Grid. It consists of three components, the High Voltage Access Charge (HVAC), the Transition Charge and the Low Voltage Access Charge (LVAC).

(c) The HVAC ultimately will be based on one ISO Grid-wide rate. Initially, the HVAC will be based on TAC Areas, which will transition 10% per year to the ISO Grid-wide rate. In the first year after the Transition Date described in Section 4.2 of this Schedule 3, the HVAC will be a blend based on 10% ISO Grid-wide and 90% TAC Area.

(d) New High Voltage Facility additions and capital additions to Existing High Voltage Facilities will be immediately included in the ISO Grid-wide component of the HVAC. The Transmission Revenue Requirement for New High Voltage Facilities will not be included in the calculation of the Transition Charge.

(e) The LVAC will remain utility-specific and will be determined by each Participating TO. Each Participating TO will charge for and collect the LVAC.

(f) The cost-shift associated with transitioning from utility-specific rates to one ISO Grid-wide rate will be mitigated in accordance with the ISO Tariff, including this schedule.

1.2 Definitions

(a) **Master Definition Supplement**

Unless the context otherwise requires, any word or expression defined in the Master Definition Supplement shall have the same meaning where used in this Schedule 3.

(b) **Special Definitions for this Appendix**

When used in this Schedule 3 with initial capitalization, the following terms shall have the meanings specified below.

"High Voltage Utility-Specific Rate" means a Participating TO's High Voltage Transmission Revenue Requirement divided by such Participating TO's forecasted Gross Load.

"TAC Benefit" means the amount, if any, for each year by which the cost of Existing High Voltage Transmissin Facilities associated with deliveries of Energy to Gross Loads in the PTO Service Area of, or directly served by, the Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. The TAC Benefit of a New Participating TO shall not be less than zero.

"Transition Date" means the date defined in Section 4.2 of this Schedule.

2. Assessment of High Voltage Access Charge and Transition Charge.

All UDCs or MSSs in a PTO Service Area providing Energy delivered for the supply of all Gross Loads directly connected to the transmission facilities or Distribution System of the UDC or MSS in a PTO Service Area, and all Scheduling Coordinators providing Energy delivered for the supply of all Gross Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC or a MSS that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the PTO Service Area of Pacific Gas and Electric Company and the PTO Service Area of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the PTO Service Area of Southern California Edison Company and the PTO Service Area of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the PTO Service Area of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited PTO Service Areas are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its PTO Service Area will form a fourth TAC Area, the West Central Area.

3.3 If any of the following entities becomes a Participating TO, its PTO Service Area will become part of the Northern Area: Sacramento Municipal Utility District, Western Area Power Administration - Sierra Nevada Region, the Department of Energy California Labs, Northern California Power Agency, City of Redding, Silicon Valley Power, City of Palo Alto, City and County of San Francisco, Alameda Bureau of Electricity, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc Utility Department, Modesto Irrigation District, Turlock Irrigation District, Plumas County Water Agency, City of Roseville Electric Department, City of Shasta Lake, and City of Ukiah or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Pacific Gas and Electric Company's Control Area prior to the ISO Operations Date.

3.4 If any of the following entities becomes a Participating TO, its PTO Service Area will become part of the East Central Area: City of Anaheim Public Utility Department, City of Riverside Public Utility Department, City of Azusa Light and Water, City of Banning Electric, City of Colton, City of Pasadena Water and Power Department, The Metropolitan Water District of Southern California and City of Vernon or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Southern California Edison Company's Control Area prior to the ISO Operations Date.

3.5 If the California Department of Water Resources becomes a Participating TO, its High Voltage Transmission Revenue Requirements associated with High Voltage Transmission Facilities in the Northern Area would become part of the High Voltage Transmission Revenue Requirement for the Northern Area while the remainder would be included in the East Central Area.

3.6 If the City of Burbank Public Service Department (Burbank) and/or the City of Glendale Public Service Department (Glendale) become Participating TOs after or at the same time as the Los Angeles Department of Water and Power becomes a Participating TO, then the PTO Service Area of Burbank and/or Glendale would become part of the West Central Area. Otherwise, if Burbank or Glendale becomes a Participating TO, prior to Los Angeles, its PTO Service Area will become part of the East Central Area. Once either Burbank or Glendale are part of the East Central Area, they will not move to the West Central Area if such area is established.

3.7 If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO, the ISO Governing Board will review the reasonableness of integrating the entity into one of the existing TAC Areas. If the entity cannot be integrated without the potential for significant cost shifts, the ISO Governing Board may establish a separate TAC Area.

4. Transition Date

4.1 New Participating TOs shall provide the ISO with a notice of intent to join and execute the Transmission Control Agreement by either January 1 or July 1 of any year and provide the ISO with an application within 15 days of such notice of intent.

4.2 The transition shall begin on either January 1 or July 1 after the date the first New Participating TO's execution of the Transmission Control Agreement takes effect (Transition Date). The Transition Date shall be the same for the Northern Area, East Central Area and the Southern Area. The Transition Date shall also be the same for the West Central Area, should it come into existence in accordance with Section 3.2 of this Schedule 3, unless the ISO provides additional information demonstrating the need for a deferral. The 10-year transition defined in Section 5.8 of Schedule 3 shall start from that date. If the West Central TAC Area is created after the Transition Date, the applicable High Voltage Access Charge shall transition to an ISO Grid-wide High Voltage Access Charge over the period remaining from the Transition Date, on the same schedule as the other TAC Areas.

4.3 **Application to Additional TAC Areas.** For any TAC Areas other than those specified in Section 4.2 of this Schedule 3, created after the Transition Date, including any TAC Area created as a result of the application of Section 3.7 of this Schedule 3, whether and over what period the applicable High Voltage Access Charge shall transition to an ISO Grid-wide charge shall be determined by the ISO Governing Board.

4.4 **Application to Wheeling Access Charges.** The transition described in this Section 4 shall also apply, on the same schedule, to High Voltage Wheeling Access Charges.

4.5 **Conversion of Existing Rights.** During the process by which a New Particpating TO executes the Transmission Control Agreement, the ISO and potential New Participating TO that has an obligation to serve Load shall determine the amount of FTRs to be allocated to the New Participating TO for each Existing Right that the New Participating TO converts to Converted Rights. In making that determination, the ISO will consider the amount of contracted transmission capacity, the firmness of the contracted transmission capacity, and other characteristics of the contracted transmission capacity to determine the amount of FTRs to be given to the New Participating TO in accordance with Section 9.4.3 of the ISO Tariff.

5. Determination of the Access Charge.

5.1 The Access Charge consists of a High Voltage Access Charge (HVAC) that is based on a TAC Area component and an ISO Grid-wide component, a Transmission Charge, and a Low Voltage Access Charge (LVAC) that is based on a utility-specific rate established by each Participating TO in accordance with its TO Tariff..

5.2 Each Participating TO will develop, in accordance with Section 6 of this Schedule 3, a High Voltage Transmission Revenue Requirement ($HVTRR_{PTO}$) consisting of a Transmission Revenue Requirement for Existing High Voltage Facility ($EHVTRR_{PTO}$) and a Transmission Revenue Requirement for New High Voltage Facility ($NHVTRR_{PTO}$). The $HVTRR_{PTO}$ includes the TRBA adjustment described in Section 6.1 of this Schedule 3.

5.3 The Gross Load amount in MWh shall be established by each Participating TO and filed at FERC with each Participating TO's Transmission Revenue Requirement (GL_{PTO}).

5.4 The HVAC applicable to each UDC and MSS in a PTO Service Area and Scheduling Coordinator serving Demand in the PTO Service Area, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

5.5 The Existing Transmission Revenue Requirement for the TAC Area component ($ETRR_A$) is the summation of each Participating TO's $EHVTRR_{PTO}$ in that TAC Area. The Gross Load in the TAC Area (GL_A) is the summation of each Participating TO's Gross Load in that TAC Area (GL_{PTO}). The TAC Area component will be based on the product of Existing Transmission Revenue Requirement for the TAC Area ($ETRR_A$) and the applicable annual transition percentage (%TA) in Section 5.8 of this Schedule 3, divided by the Gross Load in the TAC Area (GL_A).

$$ETRR_A = \Sigma\, EHVTRR_{PTO}$$

$$GL_A = \Sigma\, GL_{PTO}$$

$$HVAC_A = (ETRR_A * \%TA) / GL_A$$

5.6 The Existing Transmission Revenue Requirement for the ISO Grid-wide component ($ETRR_I$) will be the summation of all TAC Areas' $ETRR_A$ multiplied by the applicable annual transition percentage (%IGW) in Section 5.8 of this Schedule 3. The New Transmission Revenue Requirement (NTRR) is the summation of each Participating TO's $NHVTRR_{PTO}$. The ISO Grid-wide component will be based on the $ETRR_I$ plus the NTRR, divided by the summation of all Gross Loads in the TAC Areas (GL_A).

$$ETRR_I = \Sigma\, ETRR_A * \%IGW$$

$$HVAC_I = (ETRR_I + NTRR) / \Sigma\, GL_A$$

The foregoing formulas will be adjusted, as necessary to take account of new TAC Areas.

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the PTO Service Area, including UDCs and MSSs. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of each Participating TO's NHVTRR shall not be included in the Transition Charge calculation.

5.8 The High Voltage Access Charge shall transition over a 10-year period from TAC Area to ISO Grid-wide. The transition percentage to be used for each year will be based on the following:

Year	TAC Area High Voltage (%TA)	ISO Grid-Wide High Voltage (%IGW)
1	90%	10%
2	80%	20%
3	70%	30%
4	60%	40%
5	50%	50%
6	40%	60%
7	30%	70%
8	20%	80%
9	10%	90%
10	0%	100%

5.9 After the completion of the transition period described in Section 4 of this Schedule 3, the High Voltage Access Charge shall be equal to the sum of the High Voltage Transmission Revenue Requirements of all Participating TOs, divided by the sum of the Gross Loads of all Participating TOs.

6 **High Voltage Transmission Revenue Requirement.**

6.1 The High Voltage Transmission Revenue Requirement of a Participating TO will be determined consistent with ISO procedures posted on the ISO Home Page and shall be the sum of:

(a) the Participating TO's High Voltage Transmission Revenue Requirement (including costs related to Existing Contracts associated with transmission by others and deducting transmission revenues actually expected to be received by the Participating TO related to transmission for others in accordance with Existing Contracts, less the sum of the Standby Transmission Revenues); and

(b) the annual TRBA adjustment shall be based on the principal balance in the TRBA as of September 30, which shall be calculated as a dollar amount based on the projected Transmission Revenue Credits as adjusted for the true up of the prior year's difference between projected and actual credits.

7 Limitation

(a) During each year of the transition period described in this Schedule 3, the increase in the total payment responsibility applicable to deliveries of Energy to Gross Loads in the PTO Service Area of an Original Participating TO attributable to the total for the year of (i) the amount applicable for the Original Participating TO under Section 8.6 of the ISO Tariff; plus (ii) theamount applicable to the implementation of the High Voltage Access Charge shall not exceed the amount specified in paragraph (b) of this section. This limitation shall be calculated individually for each Original Participating TO, provided that, if the net effect of clauses (i) and (ii) of this paragraph is positive for one or more Original Participating TOs for any year, the combined net effect shall be allocated among all Original Participating TOs in proportion to the amounts specified in paragraph (b) of this section. This limitation shall be applied by the ISO's calculation annually of amounts payable by New Participating TOs to Original Participating TOs such that the combined effect of clauses (i) and (ii) of this paragraph, and the payments received by each Original Participating TO shall not exceed the amounts specified in paragraph (b) of this section. The amount receivable by the Original Participating TO from the New Participating TOs to implement the limitation in paragraph (b) of this section, shall be credited through the Transition Charge established pursuant to Section 5.7 of this Schedule 3. Payment responsibility under this section, if any, shall be allocated among New Participating TOs in proportion to their TAC Benefits.

(b) The maximum annual amounts for Original Participating TO shall be as follows:

(i) For Pacific Gas and Electric Company and Southern California Edison Company, the maximum annual amount shall be thirty-two million dollars ($32,000,000.00) each; and

(ii) For San Diego Gas & Electric Company, the maximum annual amount shall be eight million dollars ($8,000,000.00).

8. Updates to High Voltage Access Charges.

8.1 High Voltage Access Charges and High Voltage Wheeling Access Charges shall be adjusted: (1) on January 1 and July 1 of each year when necessary to reflect the addition of any New Participating TO and (2) on the date FERC makes effective a change to the High Voltage Transmission Revenue Requirements of any Participating TO. Using the High Voltage Transmission Revenue Requirement accepted or authorized by FERC, consistent with Section 9 of this Schedule 3, for each Participating TO, the ISO will recalculate on a monthly basis the High Voltage Access Charge and Transition Charge applicable during such period. Revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the TRBA as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year.

8.2 For service provided by a Participating TO prior to the Transition Date, no refund ordered by FERC or amount accrued to that Participating TO's Transmission Revenue Balancing Account related to such service shall be reflected in the High Voltage Access Charge, Low Voltage Access Charge, the High Voltage Transmission Revenue Requirement, or the Low Voltage Transmission Revenue Requirement of a Participating TO. For service provided by a Participating TO following the Transition Date, any refund associated with a Participating TO's Transmission Revenue Requirement that has been accepted by FERC, subject to refund, shall be provided as ordered by FERC. Such refund shall be invoiced separately from the Market Invoice.

8.3 If the Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreeement, then the ISO will no longer collect the TRR for that transmission facility through the ISO's Access Charge effective upon the date the transmission facility is no longer under the Operational Control of the ISO. The withdrawing Participating TO shall be obligated to provide the ISO will all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR. The ISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from ISO Operational Control.

9. Approval of Updated High Voltage Revenue Requirements

9.1 Participating TOs will make the appropriate filings at FERC to establish their Transmission Revenue Requirements for their Low Voltage Access Charges and the applicable High Voltage Access Charges, and to obtain approval of any changes thereto. All such filings with the FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the approriate Gross Load data and other information required by the FERC to support the Access Charges. The Participating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

9.2 Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirements pursuant to applicable federal laws and regulations, including filing with FERC. All such filings with FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the appropriate Gross Load data and other information required by the FERC tos upport the Access Charges. The procedures for public participation in a federal power marketing agency's ratemaking process shall be posted on the federal power marketing agency's website. The federal power marketing agency shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. The Particpating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

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

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b) calculate the amount each UDC or MSS Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage Facilities served such UDC or MSS and Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS times the actual Gross Load of such UDC's or MSS's and Scheduling Coordinator's serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS ("Utility-specific HVAC");

(c) if the total Billed HVAC/TC in subsection (a) received by the ISO less the total Utility-specific HVAC in subsection (b) is different from zero, the ISO shall allocate the positive or negative difference among Participating TOs based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all of the Participating TOs' High Voltage Transmission Revenue Requirement. This monthly distribution amount is the "HVAC Revenue Adjustment";

(d) the sum of the Utility-specific HVAC in subsection (b) and the HVAC Revenue Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

10.2 If the same entity is both a Participating TO and a UDC or MSS, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC or MSS in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

11 Determination of Transmission Revenue Requirement Allocation Between High Voltage and Low Voltage Transmission Facilities.

11.1 Each Participating TO shall allocate its Transmission Revenue Requirement between the High Voltage Transmission Revneue Requirement and Low Voltage Transmission Revenue Requirement based on the "Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charges" posted on the ISO Home Page.

ATTACHMENT B

3.1 Nature of Relationship.

Each Participating TO shall enter into a Transmission Control Agreement with the ISO. In addition to converting Existing Rights in accordance with Section 2.4.4.2, New Participating TOs will be required to turn over Operational Control of all facilities and Entitlements that: (1) satisfy the FERC's functional criteria for determining transmission facilities that should be placed under ISO Operational Control; (2) satisfy the criteria adopted by the ISO Governing Board identifying transmission facilities for which the ISO should assume Operational Control; ~~and~~ (3) ~~is~~ are the subject of mutual agreement between the ISO and the Participating TOs; and (4) are not exempted by the ISO in accordance with Section 3.1.3. The ISO shall notify Market Participants when an application has been received from a potential Participating TO ~~sixty (60) days in advance of any associated revision of the High Voltage Access Charge~~ and shall notify Market Participants that a New Participating TO has executed the Transmission Control Agreement and the date on which the ISO will have Operational Control of the transmission facilities and Entitlements~~, either January 1 or July 1, that the revised High Voltage Access Charge shall be effective~~.

3.1.1 In any year, a Participating TO applicant must declare its intent in writing to the ISO to become a New Participating TO by January 1 or July 1, and provide the ISO with an application within 15 days of such notice of intent. Applicable agreements will be negotiated and filed with the Federal Energy Regulatory Commission ~~no later than April 1 or October 1~~as soon as possible for the New

Participating TO, such that the Agreements can ~~to~~ be effective the following July 1 or January 1~~, respectively~~.

3.1.2 With respect to its submission of Schedules to the ISO, a New Participating TO shall become a Scheduling Coordinator or obtain the services of a Scheduling Coordinator that has been certified in accordance with Section 2.2.4, which Scheduling Coordinator shall not be the entity's Responsible Participating TO in accordance with the Responsible Participating Transmission Owner Agreement, unless mutually agreed, and shall operate in accordance with the ISO Tariff and applicable ~~A~~agreements. The New Participating TO shall assume responsibility for paying all Scheduling Coordinators charges regardless of whether the New Participating TO elects to become a Scheduling Coordinator or obtains the services of a Scheduling Coordinator.

3.1.3 The ISO may exempt a federal power marketing agency seeking to become a New Participating TO from the obligation to turn over Operational Control to the ISO of all its facilities and Entitlements that meet the criteria set forth in Section 3.1 above to the extent the federal power marketing agency proposes to place under ISO Operational Control a transmission facility or Entitlement having overriding regional importance. The ISO may condition such exemption on construction of the transmission facility or Entitlement within a reasonable period of time. Such exemption would be filed for approval by the Federal Energy Regulatory Commission with the Transmission Control Agreement or at the time a filing is made with the FERC under Section 203 of the

Federal Power Act transferring the facilities and Entitilements to ISO Operational Control.

3.2 Transmission Expansion.

A Participating TO shall be obligated to construct all transmission additions and upgrades within its PTO Service Area that are determined to be needed in accordance with the requirements of this Section 3.2. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 3.2.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

3.2.1 Determination of Need.

~~The ISO, a~~A Participating TO~~,~~ or any other Market Participant may ~~determine the need for and~~ propose a transmission system addition or upgrade. The ISO ~~A~~ will determine that a transmission addition or upgrade is ~~determined to be~~ needed where it ~~would~~ will promote economic efficiency or maintain system reliability as set forth below.

3.2.1.1 Economically Driven Projects. The Participating TO and Market Participants shall provide the necessary assistance and information to the ISO, as part of the coordinated planning process, to enable the ISO to determine that a project is needed to promote economic efficiency, including, at the ISO's discretion, studies comporting with ISO guidelines that demonstrate whether the project will promote economic efficiency or the information the ISO requires to carry out its own studies for economically driven projects. The ISO shall treat market sensitive information provided to the ISO in accordance with this Section by Participating TOs, Project Sponsors and applicable Market Participants confidentially in accordance with Section 20.3 provided that such information is clearly marked "Confidential" at the time it is provided to the ISO. The determination that a transmission addition or upgrade is needed to promote economic efficiency shall be made in any of the following ways:

3.2.1.1.1 If the Participating TO or any party questions the economic need for the project (except where the Project Sponsor commits to pay the full cost of construction) the proposal will be submitted to the ISO ADR Procedures for resolution.

3.2.1.1.2 Where a Project Sponsor other than the Participating TO commits to pay the full cost of construction of a transmission addition or upgrade and its operation, and demonstrates to the ISO financial capability to pay those costs, such commitment and demonstration shall be sufficient to demonstrate need to the ISO. To ensure that the Project Sponsor is financially able to pay the costs of the project to be constructed by the Participating TO, the Participating TO may require (1) a demonstration of creditworthiness (e.g. an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.

3.2.1.1.3 Where a Project Sponsor asserts that a transmission addition or upgrade is economically beneficial, but that Project Sponsor is unwilling to commit to pay the full cost of the addition or upgrade; where (1) the proposed transmission ~~expansion~~ addition or upgrade was submitted to the Participating TO but was not included in the transmission expansion plan of that Participating TO in accordance with Section 3.2.2 or (2) the operation date of the planned expansion is not acceptable to the ISO or the Project Sponsor or (3) the Participating TO unreasonably delays implementing or subsequently decides not to proceed with the project, the Project Sponsor may submit its proposal to the ISO ADR Procedure for determination of need. A determination of need shall be made as follows:

3.2.1.1.3.1 The Project Sponsor shall include in its proposal ~~a showing:~~ (1) a showing that the economic benefits of the proposed transmission addition or upgrade are expected to exceed its costs (giving consideration to any reasonable alternatives to the construction of transmission additions or upgrades) using an economic analysis that comports with ISO guidelines, and (2) a statement of the proposed pricing methodology for the transmission upgrades or additions that the Project Sponsor elects in accordance with Section 3.2.7 of the ISO Tariff. ~~that, to the extent practicable, assigns the costs of the planned upgrades to the beneficiaries in proportion to their net benefits.~~

3.2.1.1.3.2 If neither any Market Participant nor the ISO disputes the Project Sponsor's showing, then the proposal is determined to be needed.

3.2.1.1.3.3 If any Market Participant or the ISO disputes the Project Sponsor's showing, ~~then if the proposed transmission addition or upgrade is determined to be needed,~~ the disputing Market Participant, the ISO, or the Project Sponsor may submit to resolution through the ISO ADR Procedure the issues of ~~(1)~~ whether the transmission addition or upgrade is needed on the ground that its economic benefits exceed its costs~~, (2) whether the beneficiaries of the transmission addition or upgrade can reasonably be identified, and (3) if so, the identity of those beneficiaries and their respective net benefits~~. If a Market Participant fails to raise through the ISO ADR Procedure a dispute as to whether a proposed transmission addition or upgrade is needed, ~~or as to the identity, if any, of the beneficiary,~~ then the Market Participant shall be deemed to have waived its right to raise such dispute at a later date. The determination under the ISO ADR Procedure as to whether the transmission addition or upgrade is needed, ~~and the identity, if any, of the beneficiaries,~~ including any determination by FERC or on appeal of a FERC determination in accordance with that process, shall be final.

3.2.1.2 **Reliability Driven Projects.** The ISO ~~or the Participating TO,~~ in coordination with the ~~ISO and Market Participants~~Participating TO, ~~through the coordinated planning processes of the WSCC and the RTGs,~~ will identify the need for any transmission additions or upgrades required to ensure system reliability consistent with all Applicable Reliability Criteria. In making this determination, ~~the Participating TO and~~ the ISO, in coordination with the

Participating TO and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, demand-side management, remedial action schemes, constrained-on Generation, interruptible Loads or reactive support. The Participating TO, in cooperation with the ISO, shall perform the necessary studies to determine the facilities needed to meet all Applicable Reliability Criteria. The Participating TO shall provide the ISO and other Market Participants with all information relating to a proposed transmission addition or upgrade that they may reasonably request (other than information available to them through the WSCC or ~~RTG~~any other applicable regional organization) and shall, through the WSCC or ~~RTG~~ any other applicable regional organization coordinated planning processes, develop the scope of and assumptions for such studies that are acceptable to the ISO and those other Market Participants. The ISO shall be free to propose any transmission upgrades or additions it deems necessary to ensure System Reliability consistent with Applicable Reliability Criteria, and, subject to appropriate appeals, the Participating TO shall be obligated to construct such lines. After the ISO Operations Date, the ISO, in consultation with Participating TOs and any affected UDCs and MSSs, will work to develop a consistent set of reliability criteria for the ISO Controlled Grid which the Participating TOs will use in their transmission planning and expansion studies or decisions.

3.2.2 Transmission Planning and Coordination.

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

3.2.2.1 Each Participating TO shall develop annually a transmission expansion plan covering a minimum five-year planning horizon for its PTO ~~s~~Service ~~a~~Area. Such Participating TO shall coordinate with the ISO and other Market Participants in the development of such plan. The Participating TO shall be responsible for ensuring that its transmission expansion plan meets all Applicable Reliability Criteria.

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

3.2.2.3 The Participating TO will act as a Project Sponsor for Participating TO proposed economic or reliability projects that are included in its expansion plan. The Participating TO shall provide to the ISO any information that the ISO requires to enable the ISO to comply with WSCC and any other applicable ~~RTG~~ regional coordination requirements pursuant to Section 3.2.6.

3.2.2.4 The ISO will be a member of the WSCC and other applicable regional organizations ~~RTGs (including WRTA)~~ and participate in WSCC's operation and planning committees, and in other~~the~~ applicable ~~RTG~~ regional coordinated planning processes. No Participating TO, Market Participant nor the ISO shall take any position before the WSCC or ~~an RTG~~a regional organization that is inconsistent with a binding decision reached through the ISO ADR Procedure.

3.2.3 Studies to Determine Facilities to be Constructed.

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

3.2.4 Operational Review.

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

3.2.5 State and Local Approval and Property Rights.

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

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

3.2.5.3 Where it is possible for a third party to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this ISO Tariff (including the use of eminent domain authority, where provided by state law) the ISO may confer on a third party the right to build the transmission addition or upgrade which shall enter into the Transmission Control Agreement in relation to such transmission addition or upgrade.

3.2.6 WSCC and ~~RTG~~ Regional Coordination.

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

3.2.7 Cost Responsibility for Transmission Additions~~Expansions~~ or Upgrades.

Cost responsibility for transmission additions or upgrades constructed pursuant to this Section 3.2 (including the responsibility for any costs incurred under Section 3.2.6) shall be determined as follows:

3.2.7.1 Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in Section 3.2.1.1.2, the full costs shall be borne by the Project Sponsor.

3.2.7.2 Where the need for a transmission addition or upgrade is determined by the ISO or as a result of the ISO ADR Procedure as set forth in Section 3.2.1.1.3, ~~the costs shall be borne by the beneficiaries, in the approximate relative proportions by which they benefit, if those beneficiaries and such proportions can reasonably be determined. If specific beneficiaries cannot be reasonably identified then~~ the cost of the transmission addition or upgrade shall be borne by the Participating TO that ~~is~~ will be the owner of the transmission addition or upgrade and shall be reflected in its Transmission Revenue Requirement.

3.2.7.3 Provided that the ISO has Operational Control of the transmission upgrade or addition, a ~~each~~ Project Sponsor ~~and specifically identified beneficiary~~ that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive:

(a) its share, as determined in subsection (d) below, of the Wheeling revenues attributable to the transmission addition or upgrade;

(b) its share, as determined in subsection (d) below, of the proceeds of the FTR auction for FTRs defined on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part as set forth in Section 9.5.3, provided that ~~each of~~ the Project Sponsor~~s or beneficiaries~~ does not receive FTRs from the ISO in accordance with Section 9.4.3 of the ISO Tariff; and

(c) its share, as determined in subsection (d) below, of the Congestion revenues provided as calculated pursuant to Section 7.3.1.6 on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part.

(d) The Project Sponsor(s)~~, specifically identified beneficiaries~~ and the Participating TO shall agree in writing as to the shares of FTR auction, Wheeling and Congestion revenues to be allocated to each Project Sponsor ~~and specifically identified beneficiary~~. If the Project Sponsor(s)~~, specifically identified beneficiaries~~ and the Participating TO cannot agree on the allocated shares of FTR auction, Congestion and Wheeling revenues by the later of the date the incremental capacity is placed in service or ninety (90) days after this provision becomes effective, the dispute shall be resolved in accordance with the procedures set forth in Section 13 of the ISO Tariff. If the capacity associated with the upgrade is placed in service before the allocated shares are finally determined, the ISO shall place all FTR auction, Wheeling and Congestion revenues associated with the transmission addition or upgrade in escrow from the time the capacity associated with the upgrade is placed in service until the time the allocated shares are finally determined. Interest accruing on the escrow amounts shall be disbursed in proportion to the allocated shares.

3.2.7.4 Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the ISO Grid-wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F. The Participating TO who is supporting the cost of the New High Voltage Facility shall include such costs in its High Voltage Transmission Revenue Requirement, regardless of which TAC Area the facility is geographically located.

3.2.8 Ownership of and Charges for Expansion Facilities.

3.2.8.1 All transmission additions and upgrades constructed in accordance with this Section 3.2 shall form part of the ISO Controlled Grid and shall be operated and maintained by a Participating TO in accordance with the Transmission Control Agreement.

3.2.8.2 ~~The~~ Each Participating TO that ~~which~~ owns or operates transmission additions and upgrades constructed in accordance with this Section 3.2 shall provide access to them and charge for their use in accordance with this ISO Tariff and ~~the~~ its TO Tariff.

3.2.9 Expansion by "Local Furnishing" Participating TOs.

Notwithstanding any other provision of this ISO Tariff, a Local Furnishing Participating TO shall not be obligated to construct or expand facilities, (including interconnection facilities as described in Section 8 of the TO Tariff) unless the ISO or Project Sponsor has tendered an application under FPA Section 211 that requests FERC to issue an order directing the Local Furnishing TO to construct such facilities pursuant to Section 3.2 of the ISO Tariff. The Local Furnishing TO shall, within 10 days of receiving a copy of the Section 211 application, waive its right to a request for service under FPA Section 213(a) and to the issuance of a proposed order under FPA Section 212(c). Upon receipt of a final order from FERC that is no longer subject to rehearing or appeal, such Local Furnishing TO shall construct such facilities in accordance with this Section 3.2.

* * * * *

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise ~~of~~ two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. ~~based on the Transmission Revenue Requirement without any adjustment for revenues associated with Wheeling and Usage Charges ("Transmission Revenue Credits").~~ The second component shall be based on ~~the proceeds of~~ the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits~~, which are~~ calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by ~~the~~ each UDC or MSS delivering the Energy for the supply of Gross Load in the PTO Service Area and by Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area, where such End-Use Customers are not directly paying for the use of transmission~~connected to the~~ facilities of a UDC or MSS, and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. _High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue –Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. ~~without any adjustment for revenues associated with Wheeling and Usage Charges (Transmission Revenue Credits), but including credits for Standby Transmission Revenues.~~ The second component shall be ~~based on the proceeds of~~ the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each

Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each~~the Original~~ Participating TO shall make conforming changes to its~~their~~ TO Tariff.

The High Voltage Access Charge and the Transition Charge shall be paid to the ISO by Scheduling Coordinators based on all Energy delivered for the supply of Gross Load directly or indirectly connected to a High Voltage Transmission Facility by the Scheduling Coordinator and by any UDC or ~~,~~MSS served by the~~, and~~ Scheduling Coordinator in the P~~articipating~~ TO Service Area ~~directly from a High Voltage Transmission Facility~~. The High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid based on all Energy delivered to all other Gross Load in the PTO Service Area by the Scheduling Coordinator and by any UDC or MSS served by the ~~the UDC, MSS, and~~ Scheduling Coordinator in the P~~articipating~~ TO Service Area. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

_____The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge as provided in its TO Tariff. The ISO shall provide to the Participating TO a statement of the amount of Energy delivered to UDC, MSS and Scheduling Coordinators in its PTO Service Area by each Scheduling Coordinator on a monthly basis. If a Scheduling Coordinator or other entity has an Existing Right to use a Participating TO's Low Voltage Transmission Facilities, the Scheduling Coordinator or other such entity shall not be charged for delivery of Energy to Gross Load using the Existing Right. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO. Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

7.1.1 Publicly Owned Electric Utilities Access Charge

Local Publicly Owned Electric Utilities whose transmission facilities are under ISO Operational Control shall~~, if subject to the transmission ratemaking jurisdiction of the FERC,~~ file with the FERC their proposed High Voltage Transmission Revenue Requirements, and any proposed changes thereto, under procedures determined by the FERC to be applicable to such filings and shall give notice to the ISO and to all Scheduling Coordinators of any such filing. ~~Any Local Publicly Owned Electric Utility whose transmission facilities are under ISO Operational Control, and which is not subject to FERC's transmission ratemaking jurisdiction, shall submit its proposed High Voltage Transmission Revenue Requirement to the ISO in accordance with the procedures set forth in Schedule 3 of Appendix F.~~ A prospective New Participating TO that is a Local Publicly Owned Electric Utility shall submit its first proposed High Voltage Transmission

Revenue Requirement to the FERC~~, if applicable,~~ and ~~to~~ the ISO~~, as applicable,~~ at the time the Local Publicly Owned Electric Utility submits its application to become a New Participating TO in accordance with the Transmission Control Agreement. ~~To enable filings to be made on a comparable basis, the ISO will develop and post on the ISO Home Page a procedure for uniform accounting for all such High Voltage Transmission Facilities that is consistent with the FERC Uniform System of Accounts. If the High Voltage Transmission Revenue Requirement is submitted to the ISO and an objection to the submission is raised and cannot be resolved, the justness and reasonableness of the requirement will be evaluated by the Revenue Review Panel in accordance with standards established by FERC pursuant to the Federal Power Act and, if applicable, standards established by the ISO Governing Board. The role and responsibilities of the Revenue Review Panel shall be developed and approved by the ISO Governing Board.~~ Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirement pursuant to applicable federal laws and regulations. The procedures for public participation in a federal power marketing agency's ratemaking process are posted on the federal power marketing agency's website. ~~The~~ Each federal power marketing agency ~~'s~~ shall also post on ~~the~~ its website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. At the time the federal power marketing agency submits its application to become a New Participating TO in accordance with the Transmission Control Agreement, it shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC~~, if applicable,~~ and ~~to~~ the ISO.

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs, MSSs and Scheduling Coordinators serving Gross Load in the P~~articipating~~ TO Service Area shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and all Energy delivered for the supply of Gross Load connected to the facilities of the UDC or MSS in the P~~articipating~~ TO Service Area, or for a Scheduling Coordinator in the P~~articipating~~ TO Service Area with respect to the Gross Load of End-Use Customers not directly connected to the facilities of a UDC or MSS, all Energy delivered to such Gross Load. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the ~~A~~ 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC or an MSS that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

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

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

7.1.3.1 [Not Used]

7.1.3.2 [Not Used]

7.1.3.3 [Not Used]

7.1.3.4 [Not Used]

7.1.3.5 [Not Used]

7.1.4 Wheeling.

Any Scheduling Coordinator or other such entity scheduling a Wheeling transaction shall pay to the ISO the product of (i) the applicable Wheeling Access Charge, and (ii) the total hourly schedules of Wheeling in kilowatt-hours for each month at each Scheduling Point associated with that transaction. Schedules that include Wheeling transactions shall be subject to the Congestion Management procedures and protocols in accordance with Sections 7.2 and 7.3.

7.1.4.1 Wheeling Access Charge. The Wheeling Access Charge ~~Charge~~ shall be determined by the TAC Area and transmission ownership or Entitlement, less all Encumbrances, associated with the Scheduling Point at which the Energy exits the ISO Controlled Grid. The Wheeling Access Charge for Scheduling Points contained within a single TAC Area, that are not joint facilities, shall be equal to the High Voltage Access Charge for the applicable TAC Area in accordance with Section 3 of Appendix F plus the applicable Low Voltage Access Charge if the Scheduling Point is on a Low Voltage Transmission Facility. Wheeling Access Charges shall not apply for Wheeling under a bundled non-economy Energy coordination agreement of a Participating TO executed prior to July 9, 1996.

7.1.4.2 Wheeling Over Joint Facilities. To the extent that more than one Participating TO owns or has Entitlement to transmission capacity, less all Encumbrances, exiting the ISO Controlled Grid at a Scheduling Point, the Scheduling Coordinator shall pay the ISO each month a rate for Wheeling at that Scheduling Point which reflects an average of the Wheeling Access Charge applicable to those Participating TOs, weighted by the relative share of such ownership or Entitlement to transmission capacity, less all Encumbrances, at such Scheduling Point. If the Scheduling Point is located at High Voltage Transmission Facilities, the Wheeling Access Charge will consist of a High Voltage Wheeling Access Charge component. Additionally, if the Scheduling Point is located at Low Voltage Transmission Facilities, the applicable Low Voltage Wheeling Access Charge component will be added to the Wheeling Access Charge. The methodology for developing the weighted average rate for Wheeling at each Scheduling Point is set forth in Appendix H.

7.1.4.3 Disbursement of Wheeling Revenues. The ISO shall collect and pay to Participating TOs and other entities as provided in Section 3.2.7.3 all Wheeling revenues at the same time as other ISO charges and payments are settled. The ISO shall provide to the applicable Participating TO and other entities as provided in Section 3.2.7.3 a statement of the aggregate amount of Energy delivered to each Scheduling Coordinator using such Participating TO's Scheduling Point to allow for calculation of Wheeling revenue and auditing of disbursements. Wheeling revenues shall be disbursed by the ISO based on the following:

7.1.4.3.1 Scheduling Point with All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of High Voltage Wheeling Access Charges for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in the same TAC Area, Wheeling revenues shall be disbursed to each such Participating TO based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all such Participating TO's High Voltage Transmission Revenue Requirements. If the Scheduling Point is located at a Low Voltage Facility, revenues received with respect to Low Voltage Wheeling Access Charges for Wheeling to that Scheduling Point shall be disbursed to the Participating TOs that own facilities and Entitlements making up the Scheduling Point in proportion to their Low Voltage Transmission Revenue Requirements. Additionally, if a Participating TO has ~~an~~ a transmission upgrade or ~~transmission~~ addition that was funded by a Project Sponsor, ~~and specifically~~

~~identified beneficiaries,~~ the Wheeling revenue allocated to such Participating TO shall be distributed as provided in Section 3.2.7.3.

7.1.4.3.2 Scheduling Point without All Participating TOs in the Same TAC Area: With respect to revenues received for the payment of Wheeling Access Charges for Wheeling to a Scheduling Point at which the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in different TAC Areas, Wheeling revenues shall be disbursed to such Participating TOs as follows. First, the revenues shall be allocated between such TAC Areas in proportion to the ownership and Entitlements of transmission capacity, less all Encumbrances, at the Scheduling Point of the Participating TOs in each such TAC Area. Second, the revenues thus allocated to each TAC Area shall be disbursed among the Participating TOs in the TAC Area in accordance with Section 7.1.4.3.1.

7.1.4.4 Information Required from Scheduling Coordinators. Scheduling Coordinators that schedule Wheeling Out or Wheeling Through transactions to a Bulk Supply Point, or other point of interconnection between the ISO Controlled Grid and the transmission system of a Non-Participating TO, that are located within the ISO Control Area, shall provide the ISO, within 5 days from the end of the calendar month to which the relevant Trading Day relates, details of such transactions scheduled by them (other than transactions scheduled pursuant to Existing Contracts) sorted by Bulk Supply Point or point of interconnection for each Settlement Period (including kWh scheduled). The ISO shall use such information, which may be subject to review by the ISO, to settle

Wheeling Access Charges and payments. The ISO shall publish a list of the Bulk Supply Points or interconnection points to which this Section 7.1.4.4 applies together with details of the electronic form and procedure to be used by Scheduling Coordinators to submit the required information on the ISO "Home Page".

~~**7.1.4.4.1 Application.**~~

~~Notwithstanding any other provision in this Tariff, including the ISO Protocols, the temporary simplification measure specified in this Section 7.1.4.4 shall have effect until discontinued by a Notice of Full-Scale Operations issued by the Chief Executive of the ISO.~~

~~**7.1.4.4.2 Notice of Full-Scale Operations.**~~

~~When the Chief Executive Officer of the ISO determines that the ISO is capable of implementing this Tariff, including the ISO Protocols, without modification in accordance with a temporary simplification measure specified in this Section 7.1.4.4, he shall issue a notice ("Notice of Full Scale Operations") and shall specify the relevant temporary simplification measure and the date on which it will permanently cease to apply, which date shall be not less than seven (7) days after the Notice of Full-Scale Operations is issued.~~

~~**7.1.4.4.3** A Notice of Full-Scale Operations shall be issued when it is posted on the ISO Internet "Home Page", at http://www.caiso.com or such other Internet address as the ISO may publish from time to time.~~

7.1.5 Unbundled Retail Transmission Rates.

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

7.1.6 [Not Used]

7.1.6.1 Tracking Account. If the Access Charge rate methodology implemented pursuant to Section 7.1 results in Access Charge rates for any Participating TO which are different from those in effect prior to the ISO Operations Date, an amount equal to the difference between the new rates and the prior rates for the remainder of the period, if any, during which a cost recovery plan established pursuant to Section 368 of the California Public Utilities Code (as added by AB 1890) is in effect for such Participating TO shall be recorded in a tracking account. The balance of that tracking account will be recovered from customers and paid to the appropriate Participating TO after termination of the cost recovery plan set forth in Section 368 of California Public Utilities Code (as added by AB 1890). The recovery and payments shall be based on an amortization period not exceeding three years in the case of electric corporations regulated by the CPUC or five years for Local Publicly Owned Electric Utilities.

7.1.6.2 Addition of New Facilities After ISO Implementation. The costs of transmission facilities placed in service after the ISO Operations Date shall be recovered consistent with the cost recovery determinations made pursuant to Section 3.2.7.

7.1.6.3 Effect on Tax-Exempt Status. Nothing in this Section shall compel any Participating TO to violate any restrictions applicable to facilities financed with tax-exempt bonds or contractual restrictions and covenants regarding the use of transmission facilities ~~existing as of December 20, 1995~~.

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7.3.1.6 ISO Disbursement of Net Usage Charge Revenues. The ISO will determine the net Usage Charges on an interface-by-interface basis by subtracting the Usage Charge fees paid to Scheduling Coordinators from the Usage Charge fees paid by Scheduling Coordinators. The net Usage Charge revenues collected by the ISO for each Inter-Zonal Interface shall be, subject to the provisions of Section 7.3.1.7 of the ISO Tariff, paid to: (i) FTR Holders, in accordance with Section 9.6; and (ii) to the extent not paid to FTR Holders, to Participating TOs who own the Inter-Zonal Interfaces and Project Sponsors ~~and specifically identified beneficiaries~~ as provided in Section 3.2.7.3. Participating TOs will credit in turn the Usage Charge revenue to their Transmission Revenue Balancing Accounts, or, for those Participating TOs that do not have such accounts, to their ~~t~~Transmission ~~r~~Revenue ~~r~~Requirements.

7.3.1.7 ISO Debit of Net Usage Charge Revenues. If, after the issuance of Final Day-Ahead Schedules by the ISO, (a) Participating TOs instruct the ISO to reduce interface limits based on operating conditions or (b) an unscheduled transmission outage occurs and as a result of either of those events, Congestion is increased and Available Transfer Capacity is decreased in the Inter-Zonal Interface in the Hour-Ahead Market, the ISO shall: (1) charge each Participating TO~~,~~ and Project Sponsor ~~and specifically identified beneficiary~~ as provided in Section 3.2.7.3, and FTR Holder with an amount equal to its proportionate share, based on its financial entitlement to Usage Charges in the Day-Ahead Market in accordance with Section 7.3.1.6, of the product of (i) the Usage Charge in the Day-Ahead Market and (ii) the reduction in Available Transfer Capacity across the Inter-Zonal Interface in the direction of the Congestion (such amount due to the Participating TOs to be debited by them in turn from their Transmission Revenue Balancing Accounts or, for those Participating TOs that do not have such accounts, to their ~~t~~Transmission ~~r~~Revenue ~~r~~Requirements); (2) charge each Scheduling Coordinator with its proportionate share, based on Schedules in the Day-Ahead Market across the Inter-Zonal Interface in the direction of the Congestion, of the difference between the amount charged to Participating TOs~~,~~ and Project Sponsors ~~and specifically identified beneficiaries~~ as provided in Section 3.2.7.3, and FTR Holders under clause (1) and the Usage Charges in the Hour-Ahead Market associated with the reduced Available Transfer Capacity across the Congested Inter-Zonal Interface; and (3) credit each Scheduling Coordinator whose Schedule in the Hour-Ahead Market for the transfer of Energy across the Congested Inter-Zonal Interface was adjusted due to the reduction in Available Transfer Capacity an amount equal to the product of the adjustment (in MW) and the Usage Charge in the Hour-Ahead Market (in$/MW).

The ISO will issue a notice to Scheduling Coordinators of the operating hour, and extent, for which the derate will apply in the relevant Hour-Ahead Markets. The timing and form of such notices shall be set forth in ISO procedures.

* * * * *

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to ~~the sum~~, annually, for all New Participating TOs, ~~of: (a) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges in accordance with Schedule 1 of Appendix F; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges if the participant had not become a New Participating TO; reduced by (b) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F; or increased by (c)~~ the amount, if any, by which the New Participating TO's cost of Existing High Voltage ~~Transmission~~ Facilities associated with deliveries of Energy to Gross Loads in the PTO Service Area of the New Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in accordance with Schedule 3 to Appendix F. Amounts payable by Original Participating TOs under this section shall be recoverable as part of the Transition Charge calculated in accordance with Schedule 3 of Appendix F. Amounts received by the ISO under this section shall be disbursed to New Participating TOs with Existing High Voltage Facilities based on the ratio of each New Participating TO's net increase in costs in the categories described in the first sentence of this section, to the sum of the net increases in such costs for all New Participating TOs with Existing High Voltage Facilities.

* * * * *

9.4.3 For the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, a New Participating TO that has an obligation to serve Load shall receive FTRs for Inter-Zonal Interfaces to which the transmission facilities and Converted Rights for Inter-Zonal Interfaces that the New Participating TO turns over to the ISO's Operational Control give it transmission rights. The amount of FTRs will be determined when the Transmission Control Agreement is executed and shall be commensurate with the transmission capacity the New Participating TO is turning over to ISO Operational Control. FTRs issued in accordance with this section shall entitle the FTR Holder to receive Usage Charge revenues and to priority in the scheduling of Energy in the Day-Ahead Market in accordance with the provisions of the ISO Tariff. FTRs associated with Converted Rights shall terminate on the earlier of termination of the Existing Contract or the end of the ten-year transition period.

* * * * *

9.5.3 In the event the transmission facilities or rights making up an Inter-Zonal Interface with respect to which FTRs are defined have been upgraded resulting in increased transmission capacity on the Inter-Zonal Interface, and the costs of construction and operation were paid for by a Project Sponsor pursuant to Section 3.2.7.1 ~~or specifically identified beneficiaries as specified in Section 3.2.7.2.~~ and were not included in the ISO's transmission Access Charge or a reimbursement or direct payment from a Participating TO, the proceeds of the auction of such FTRs shall be allocated to the Project Sponsors ~~or specifically identified beneficiaries~~ according to the allocated shares determined as set forth in Section 3.2.7.3 (d).

* * * * *

Access Charge A charge paid by all UDCs, MSSs and, in certain cases, Scheduling Coordinators, delivering Energy to Gross Load in the PTO Service Area, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.

* * * * *

Balancing Account	An account set up to allow periodic balancing of financial transactions that, in the normal course of business, do not result in a zero balance of cash inflows and outflows.
~~**Base Transmission Revenue Requirements**~~	~~The Transmission Revenue Requirement adjusted to reflect the Transmission Revenue Balancing Account Adjustment (TRBAA).~~

* * * * *

EEP (Electrical Emergency Plan)	A plan to be developed by the ISO in consultation with UDCs to address situations when Energy reserve margins are forecast to be below established levels.~~,~~

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Existing High Voltage Facility	A High Voltage Transmission Facility of a Participating TO that was placed in service on or before the Transition Date defined in Section 4.2 of Schedule 3 of Appendix F.

* * * * *

Gross Load	For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted

for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through ~~over-the-fence~~ arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) ~~was serving the customer's Load on or before March 31, 2000; and (d) secured~~secures Standby Service from a Participating TO under terms approved by a Local

Regulatory Authority or FERC, as applicable, ~~as of March 31, 2000 and continues to secure Standby Service from the Participating TO~~ or can be curtailed concurrently with an outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

* * * * *

ISO Tariff	The California Independent System Operator Corporation Operating Agreement and Tariff, dated March 31, 1997, as it may be modified from time to time.
~~ISO Grid Operations Committee~~	~~A committee appointed by the ISO Governing Board pursuant to Article IV, Section 4 of the ISO bylaws to advise on additions and revisions to its rules and protocols, tariffs, reliability and operating standards and other technical matters.~~

* * * * *

Net FTR Revenue	The sum of: 1) the revenue received by the New Participating TO from the sale, auction, or other transfer of the FTRs provided to it pursuant to

Section 9.4.3 FTR, or any substantively identical successor provision of the ISO Tariff; and 2) for each hour: a) the Usage Charge revenue received by the New Participating TO associated with its Section 9.4.3 FTRs; minus b) Usage Charges that are: i) incurred by the Scheduling Coordinator for the New Participating TO under ISO Tariff Section 7.3.1.4, ii) associated with the New Participating TO's Section 9.4.3 FTRs, and iii) incurred by the New Participating TO for its energy transactions but not incurred as a result of the use of the transmission by a third-party and minus c) the charges paid by the New Participating TO pursuant to Section 7.3.1.7, to the extent such charges are incurred by the Scheduling Coordinator of the New Participating TO on congested Inter-Zonal Interfaces that are associated with the Section 9.4.3 FTRs provided to the New Participating TO. The component of Net FTR Revenue represented by item 2) immediately above shall not be less than zero for any hour.

* * * * *

New High Voltage Facility A High Voltage Transmission Facility of a

Participating TO that is placed in~~enters~~ service after the beginning of the transition period described in Section 4 of Schedule 3 of Appendix F, or a capital addition made and placed in service after the beginning of the transition period described in Section 4.1 of Schedule 3 of Appendix F to an Existing High Voltage ~~Transmission~~ Facility.

* * * * *

PTO Service Area	An area in which a Participating TO provides transmission service, directly or indirectly, to its own Load, the Load of a UDC, the Load of a MSS, or the Load of End-Use Customers.

* * * * *

Revenue Requirement	The revenue level required by a utility to cover expenses made on an investment, while earning a specified rate of return on the investment.
~~**Revenue Review Panel**~~	~~The panel established by the ISO Governing Board to review the Transmission Revenue Requirement of non-FERC jurisdictional Participating TOs.~~

* * * * *

Security Monitoring

The real time assessment of the ISO Controlled Grid that is conducted to ensure that the system is operating in a secure state, and in compliance with all Applicable Reliability Criteria.

~~**Self-Sufficiency Test Period**~~

~~For the initial Self-Sufficiency determination for a Participating TO, the Self-Sufficiency Test Period shall be the twelve-month period ending December 31, 1996. The Self-Sufficiency Test Period for a Participating TO undergoing a new Self-Sufficiency determination as a result of the termination or modification of an Existing Contract as referred in Section 7.1.3.2 of the ISO Tariff shall be the twelve-month period ending in the month prior to the month that the Existing Contract was terminated or modified.~~

* * * * *

Standby Rate

~~Means a~~A rate assessed a Standby Service Customer by the Participating TO that also provides retail electric service, as approved by the Local Regulatory Authority, or FERC, as applicable, for Standby Service which compensates the Participating TO, among other things, for costs of High Voltage Transmission Facilities.

Standby Service

Service provided by a Participating TO that also provides retail electric service, which allows a Standby Service Customer, among other things, access to High Voltage Transmission Facilities for the delivery of backup power on an instantaneous basis to ensure that Energy may be reliably delivered to the Standby Service Customer in the event of an outage of a Generating Unit serving the customer's Load.

Standby Service Customer

A retail End-Use Customer of a Participating TO that also provides retail electric service that receives Standby Service and pays a Standby Rate.

* * * * *

Transmission Revenue Credit

For an Original Participating TO, ~~T~~the proceeds received ~~by the Participating TO~~ from the ISO for Wheeling service~~.~~, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols.

After the 10-year transition period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

TRBA (Transmission Revenue Balancing Account)	A mechanism to be established by each Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6 and 8 of ~~Appenidx~~ Appendix F, Schedule 3, flow through to transmission customers.

TRR (Transmission Revenue Requirement)

The TRR is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.

* * * * *

ISO Tariff Appendix F
Schedule 3
High Voltage Access Charges

1. Objectives and Definitions

1.1 Objectives

(a) The Access Charge will remain utility-specific until a New Participating TO executes the Transmission Control Agreement, at which time the Access Charge will change as discussed below.

(b) The Access Charge is the charge assessed for using the ISO Controlled Grid. It consists of three components, the High Voltage Access Charge (HVAC), the Transition Charge and the Low Voltage Access Charge (LVAC).

(c) The HVAC ultimately will be based on one ISO Grid-wide rate. Initially, the HVAC will be based on TAC Areas, which will transition 10% per year to the ISO Grid-wide rate. In the first year after the Transition Date described in Section 4.2 of this Schedule 3, the HVAC will be a blend based on 10% ISO Grid-wide and 90% TAC Area.

(d) New High Voltage ~~Transmission~~ Facility additions and capital additions to ~~e~~Existing High Voltage ~~Transmission~~ Facilities will be immediately included in the ISO Grid-wide component of the HVAC. The Transmission Revenue Requirement for New High Voltage Facilities will not be included in the calculation of the Transition Charge.

(e) The LVAC will remain utility-specific and will be determined by each Participating TO. Each Participating TO will charge for and collect the LVAC.

(f) The cost-shift associated with transitioning from utility-specific rates to one ISO Grid-wide rate will be mitigated in accordance with the ISO Tariff, including this schedule.

1.2 Definitions

(a) Master Definition Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definition Supplement shall have the same meaning where used in this Schedule 3.

(b) Special Definitions for this Appendix

When used in this Schedule 3 with initial capitalization, the following terms shall have the meanings specified below.

~~**"Existing High Voltage Transmission Facility"** means a High Voltage Transmission Facility of a Participating TO that is not a New High Voltage Transmission Facility.~~

"High Voltage Utility-Specific Rate" means a Participating TO's High Voltage Transmission Revenue Requirement divided by such Participating TO's forecasted Gross Load.

"TAC Benefit" means ~~(a)~~ the amount, if any, for each year by which the cost of Existing High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the PTO Service Area of, or directly served by, the ~~New~~ Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F~~; reduced by (b) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges had the participant not been a New Participating TO~~. The TAC Benefit of a New Participating TO shall not be less than zero.

"Transition Date" means the date defined in Section 4.2 of this Schedule.

2. **Assessment of High Voltage Access Charge and Transition Charge.** All UDCs or MSSs in a P~~articipating~~ TO Service Area providing Energy delivered for the supply of all Gross Loads directly connected to the transmission facilities or Distribution System of the UDC or MSS in a P~~articipating~~ TO Service Area, and all Scheduling Coordinators providing Energy delivered for the supply of all Gross Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on

the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC or a MSS that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC or MSS; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the PTO Service Area of Pacific Gas and Electric Company and the PTO Service Area of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the PTO Service Area of Southern California Edison Company and the PTO Service Area of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the PTO Service Area of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited PTO Service Areas are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its PTO Service Area will form a fourth TAC Area, the West Central Area.

3.3 If any of the following entities becomes a Participating TO, its PTO Service Area will become part of the Northern Area: Sacramento Municipal Utility District, Western Area Power Administration - Sierra Nevada Region, the Department of Energy California Labs, Northern California Power Agency, City of Redding, Silicon Valley Power, City of Palo Alto, City and County of San Francisco, Alameda Bureau of Electricity, City of Biggs, City of Gridley, City of

Healdsburg, City of Lodi, City of Lompoc Utility Department, Modesto Irrigation District, Turlock Irrigation District, Plumas County Water Agency, City of Roseville Electric Department, City of Shasta Lake, and City of Ukiah or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Pacific Gas and Electric Company's Control Area prior to the ISO Operations Date.

3.4 If any of the following entities becomes a Participating TO, its PTO Service Area will become part of the East Central Area: City of Anaheim Public Utility Department, City of Riverside Public Utility Department, City of Azusa Light and Water, City of Banning Electric, City of Colton, City of Pasadena Water and Power Department, The Metropolitan Water District of Southern California and City of Vernon or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Southern California Edison Company's Control Area prior to the ISO Operations Date.

3.5 If the California Department of Water Resources becomes a Participating TO, its High Voltage Transmission Revenue Requirements associated with High Voltage Transmission Facilities in the Northern Area would become part of the High Voltage Transmission Revenue Requirement for the Northern Area while the remainder would be included in the East Central Area.

3.6 If the City of Burbank Public Service Department (Burbank) and/or the City of Glendale Public Service Department (Glendale) become Participating TOs after or at the same time as the Los Angeles Department of Water and Power becomes a Participating TO, then the PTO Service Area of Burbank and/or Glendale would become part of the West Central Area. Otherwise, if Burbank or Glendale becomes a Participating TO, prior to Los Angeles, its PTO Service Area will become part of the East Central Area. Once either

Burbank or Glendale are part of the East Central Area, they will not move to the West Central Area if such area is established.

3.7 If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO, the ISO Governing Board will review the reasonableness of integrating the entity into one of the existing TAC Areas. If the entity cannot be integrated without the potential for significant cost shifts, the ISO Governing Board may establish a separate TAC Area.

4. Transition Date

4.1 New Participating TOs shall provide the ISO with a notice of intent to join and execute the Transmission Control Agreement by either January 1 or July 1 of any year and provide the ISO with an application within 15 days of such notice of intent.

4.2 The transition shall begin on either January 1 or July 1 after the date the first New Participating TO's execution of the Transmission Control Agreement takes effect (Transition Date). The Transition Date shall be the same for the Northern Area, East Central Area and the Southern Area. The Transition Date shall also be the same for the West Central Area, should it come into existence in accordance with Section 3.2 of this Schedule 3, unless the ISO provides additional information demonstrating the need for a deferral. The 10-year transition defined in Section 5.8 of Schedule 3 shall start from that date. If the West Central TAC Area is created after the Transition Date, the applicable High Voltage Access Charge shall transition to an ISO Grid-wide High Voltage Access Charge over the period remaining from the Transition Date, on the same schedule as the other TAC Areas.

4.3 **Application to Additional TAC Areas.** For any TAC Areas other than those specified in Section 4.2 of this Schedule 3, created after the Transition Date, including any TAC Area created as a result of the application of Section 3.7 of this Schedule 3, whether and over what period the applicable High Voltage Access Charge shall transition to an ISO Grid-wide charge shall be determined by the ISO Governing Board.

4.4 Application to Wheeling Access Charges. The transition described in this Section 4 shall also apply, on the same schedule, to High Voltage Wheeling Access Charges.

4.5 Conversion of Existing Rights. During the process by which a New Participating TO executes the Transmission Control Agreement, the ISO and a potential New Participating TO that has an obligation to serve Load shall determine the amount of FTRs to be allocated to the New Participating TO for each Existing Right that the New Participating TO converts to Converted Rights. In making that determination, the ISO will consider the amount of contracted transmission capacity, the firmness of the contracted transmission capacity, and other characteristics of the contracted transmission capacity to determine the amount of FTRs to be given to the New Participating TO in accordance with Section 9.4.3 of the ISO Tariff.

5. Determination of the Access Charge.

5.1 The Access Charge consists of a High Voltage Access Charge (HVAC) that is based on a TAC Area component and an ISO Grid-wide component, a Transition Charge, and a Low Voltage Access Charge (LVAC) that is based on a utility-specific rate established by each Participating TO in accordance with its TO Tariff.

5.2 Each Participating TO will develop, in accordance with Section 6 of this Schedule 3, a High Voltage Transmission Revenue Requirement ($HVTRR_{PTO}$) consisting of a Transmission Revenue Requirement for Existing High Voltage ~~Transmission~~ Facility ($EHVTRR_{PTO}$) and a Transmission Revenue Requirement for New High Voltage ~~Transmission~~ Facility ($NHVTRR_{PTO}$). The HVTRR

$_{PTO}$ ~~deducts Transmission Revenue Credits~~includes the TRBA adjustment described in Section 6.1 of this Schedule 3.

5.3 The Gross Load amount in MWh ~~forecasts, that are consistent~~shall be established by each Participating TO and filed at FERC -with each Participating TO's ~~filed~~ Transmission Revenue Requirement~~,~~ ~~will be determined by the ISO based on information provided by Participating TOs~~ (GL_{PTO}).

5.4 The HVAC applicable to each UDC and MSS in a ~~Participating~~ PTO Service Area and Scheduling Coordinator serving Demand in the ~~Participating~~ TO Service Area, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

5.5 The Existing Transmission Revenue Requirement for the TAC Area component ($ETRR_A$) is the summation of each Participating TO's $EHVTRR_{PTO}$ in that TAC Area. The Gross Load in the TAC Area (GL_A) is the summation of each Participating TO's Gross Load in that TAC Area (GL_{PTO}). The TAC Area component will be based on the product of Existing Transmission Revenue Requirement for the TAC Area ($ETRR_A$) and the applicable annual transition percentage (%TA) in Section 5.8 of this Schedule 3, divided by the Gross Load in the TAC Area (GL_A).

$$ETRR_A = \Sigma\, EHVTRR_{PTO}$$

$$GL_A = \Sigma\, GL_{PTO}$$

$$HVAC_A = (ETRR_A * \%TA) / GL_A$$

5.6 The Existing Transmission Revenue Requirement for the ISO Grid-wide component ($ETRR_I$) will be the summation of all TAC Areas' $ETRR_A$ multiplied by the applicable annual transition percentage (%IGW) in Section 5.8 of this Schedule 3. The New Transmission Revenue Requirement (NTRR) is the summation of each Participating TO's $NHVTRR_{PTO}$. The ISO Grid-wide component will be based on the $ETRR_I$ plus the NTRR, divided by the summation of all Gross Loads in the TAC Areas (GL_A).

$$ETRR_I = \Sigma\, ETRR_A * \%IGW$$

$$HVAC_I = (ETRR_I + NTRR) / \Sigma\, GL_A$$

The foregoing formulas will be adjusted, as necessary to take account of new TAC Areas.

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the

~~Service Area of the Participating~~ TO Service Area, including UDCs and MSSs. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of each Participating TO's NHVTRR shall not be included in the Transition Charge calculation.

5.8 The High Voltage Access Charge shall transition over a 10-year period from TAC Area to ISO Grid-wide. The transition percentage to be used for each year will be based on the following:

Year	TAC Area High Voltage (%TA)	ISO Grid-Wide High Voltage (%IGW)
1	90%	10%
2	80%	20%
3	70%	30%
4	60%	40%
5	50%	50%
6	40%	60%
7	30%	70%
8	20%	80%
9	10%	90%
10	0%	100%

5.9 After the completion of the transition period described in Section 4 of this Schedule 3 ~~applicable to a TAC Area~~, the High Voltage Access Charge ~~for all such TAC Areas which have completed the transition~~ shall be equal to the sum of the High Voltage Transmission Revenue Requirements of all

Participating TOs, divided by the sum of the Gross Loads of all Participating TOs.

6 High Voltage Transmission Revenue Requirement.

6.1 The High Voltage Transmission Revenue Requirement of a Participating TO will be determined consistent with ISO procedures posted on the ISO Home Page and shall be the sum of:

(a) the Participating TO's High Voltage Transmission Revenue Requirement (including costs related to Existing Contracts associated with transmission by others and deducting transmission revenues actually expected to be received by the Participating TO related to transmission for others in accordance with Existing Contracts, less the sum of the Standby Transmission Revenues); and

(b) the annual TRBA adjustment shall be based on the principal balance in the TRBA as of September 30, which shall be calculated as a dollar amount based on the projected Transmission Revenue Credits as adjusted for the true up of the prior year's difference between projected and actual credits.

7 Limitation

(a) During each year of the transition period described in ~~Section 4 of~~ this Schedule 3, the increase in the total payment responsibility applicable to deliveries of Energy to Gross Loads in the PTO Service Area of an Original Participating TO attributable to the total for the year of (i) the amount applicable for the Original Participating TO under Section 8.6 of the ISO Tariff; plus (ii) the amount applicable to the implementation of the High Voltage Access Charge~~; less (iii) the amount by which the GMC payable with respect to deliveries of Energy to Gross Loads in the Service Area of the Original Participating TO is reduced due to the inapplicability to New Participating TOs of the exclusion of certain volumes in the calculation of GMC responsibility in accordance with~~

~~Schedule 1 to this Appendix F,~~ shall not exceed the amount specified in paragraph (b)~~, below~~ of this section. This limitation shall be calculated individually for each Original Participating TO, provided that, if the net effect of ~~items~~clauses (i)~~,~~ and (ii) ~~and (iii) above~~of this paragraph is positive for one or more Original Participating TOs for any year, the combined net effect shall be allocated among all Original Participating TOs in proportion to the amounts specified in paragraph (b) of this section. This limitation shall be applied by the ISO's calculation annually of amounts payable by New Participating TOs to Original Participating TOs such that the combined effect of ~~items~~clauses (i)~~,~~ and (ii)~~, and (iii) above~~of this paragraph, and the payments received by each Original Participating TO shall not exceed the amounts specified in paragraph (b) of this section. The amount receivable by the Original Participating TO from the New Participating TOs to implement the limitation in paragraph (b) ~~below~~of this section, shall be credited through the Transition Charge established pursuant to Section 5.7 of this Schedule 3. Payment responsibility under this section, if any, shall be allocated among New Participating TOs in proportion to their ~~positive~~ TAC Benefits.

(b) The maximum annual amounts for Original Participating TO shall be as follows:

(i) For Pacific Gas and Electric Company and Southern California Edison Company, the maximum annual amount shall be thirty-two million dollars ($32,000,000.00) each; and

(ii) For San Diego Gas & Electric Company, the maximum annual amount shall be eight million dollars ($8,000,000.00).

8. Updates to High Voltage Access Charges.

8.1 High Voltage Access Charges and High Voltage Wheeling Access Charges shall be adjusted: (1) on January 1 and July 1 of each year when necessary to reflect the addition of any New Participating TO and (2) on the date FERC makes effective a change to the High Voltage Transmission Revenue Requirements of any Participating TO. Using the High Voltage Transmission Revenue Requirement accepted or authorized by FERC, consistent with Section 9 of this Schedule 3, for each Participating TO, the ISO will recalculate on a monthly basis the High Voltage Access Charge and Transition Charge applicable during such period. Revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the TRBA as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year.

8.2 For service provided by a Participating TO prior to the Transition Date, no refund ordered by FERC or amount accrued to that Participating TO's Transmission Revenue Balancing Account related to such service shall be reflected in the High Voltage Access Charge, Low Voltage Access Charge, the High Voltage Transmission Revenue Requirement, or the Low Voltage Transmission Revenue Requirement of a Participating TO. For service provided by a Participating TO following the Transition Date, any refund associated with a Participating TO's Transmission Revenue Requirement that has been accepted by FERC, subject to refund, shall be provided as ordered by FERC. Such refund shall be invoiced separately from the Market Invoice.

8.3 If the Participating TO withdraws one or more of its transmission facilities from the ISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreement, then the ISO will no longer collect the TRR for that transmission facility through the ISO's Access Charge effective upon the date the transmission facility is no longer under the Operational Control of the ISO. The withdrawing Participating TO shall be obligated to provide the ISO will all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR. The ISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from ISO Operational Control.

9. **Approval of Updated High Voltage Revenue Requirements**

9.1 Participating TOs ~~that are FERC-jurisdictional entities~~ will make the appropriate filings at FERC to establish their Transmission Revenue Requirements for their Low Voltage Access Charges and the applicable High Voltage Access Charges, and to obtain approval of any changes thereto. All such filings with the FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the appropriate Gross Load data and other information required by the FERC to support the Access Charges. The Participating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

~~9.2 If the Participating TO is not subject to FERC's jurisdiction under Sections 205 and 206 of the Federal Power Act, the Participating TO shall at its sole option: (1) file its High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement for those facilities and Entitlements under the Operational Control of the ISO directly with the Commission in accordance with the rules and requirements established by the Commission; or (2) submit to the ISO and other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement, its Transmission Revenue Requirement for those facilities and Entitlements under the Operational Control of the ISO, and the ISO shall publish such submission on the ISO Home Page. For the second option, the High Voltage and Low Voltage Transmission Revenue Requirement shall be submitted in a format and supported by information that substantially follows the FERC requirement for Transmission Revenue Requirement submissions or reconciles major differences in format. If, within 60 days of publication of such submission, the ISO does not raise an objection with the Participating TO, and no affected party raises an objection by written notification to the ISO and the Participating TO, the~~

~~Transmission Revenue Requirement shall be accepted as submitted. If an objection is raised, the ISO will convene a meeting, the objective of which will be to achieve agreement over the Participating TO's TRR, applying, to the extent practicable, the guidelines and rulings of the FERC applicable to the determination of the TRR of Participating TOs that are subject to FERC's jurisdiction under Sections 205 and 206 of the Federal Power Act. If the ISO determines that a consensual resolution is unlikely, it will so notify the Participating TO and the dispute shall be submitted to a Revenue Review Panel established by the ISO for resolution of the just and reasonable TRR of the Participating TO. The Revenue Review Panel shall consist of three individuals with substantial experience in the establishment of unbundled transmission rates for public utilities. Members of the panel may not have a financial stake in any participant in the California electricity market. The ISO shall establish, modify as necessary and appropriate from time to time, and post on the ISO Home Page rules of procedure for proceedings before the Revenue Review Panel, which rules shall afford the ISO and interested Market Participants the opportunity to participate and to submit information to the panel. In deciding upon a just and reasonable TRR for the Participating TO, the Revenue Review Panel shall, to the extent practicable, apply the guidelines and rulings of the FERC applicable to the determination of the TRR of a Participating TO that is subject to FERC's jurisdiction under Sections 205 and 206 of the Federal Power Act. The decision of the panel shall be subject to review and acceptance by the FERC.~~

9.2~~3~~ Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirements pursuant to applicable federal laws and regulations, including filing with FERC. All such filings with FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the appropriate Gross Load data and other information required by the FERC to support the Access Charges. The procedures for public participation in a federal power marketing agency's ratemaking process shall be posted on the federal power marketing agency's website. The federal power marketing agency~~'s~~ shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. The Participating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

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

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO~~s~~ on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b) calculate the amount each UDC or MSS Scheduling Coordinators serving Gross Load of End-Use Customers in the P~~articipating~~ TO Service Area not directly connected to the facilities of a UDC or MSS would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage ~~Transmission~~ Facilities served such UDC or MSS and Scheduling Coordinators serving Gross Load of End-Use Customers in the P~~articipating~~ TO Service Area not directly connected to the facilities of a UDC or MSS times the actual Gross Load of such UDC's or MSS's and Scheduling Coordinator's serving Gross Load of End-Use Customers in the P~~articipating~~ TO Service Area not directly connected to the facilities of a UDC or MSS ("Utility-specific HVAC");

(c) if the total Billed HVAC/TC in subsection (a) received by the ISO less the total Utility-specific HVAC in subsection (b) is different from zero, the ISO shall allocate the positive or negative difference among

Participating TOs based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all of the Participating TOs' High Voltage Transmission Revenue Requirement. This monthly distribution amount is the "HVAC Revenue Adjustment";

(d) the sum of the Utility-specific HVAC in subsection (b) and the HVAC Revenue Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

10.2 If the same entity is both a Participating TO and a UDC or MSS, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC or MSS in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

~~**10.3** If a Participating TO does not deliver electricity directly to End-Use Customers, prior to any such entity becoming a Participating TO this Section 10 will be amended to specify the method for revenue disbursement to such Participating TO.~~

11. Determination of Transmission Revenue Requirement Allocation Between High Voltage and Low Voltage Transmission Facilities.

11.1 Each Participating TO shall allocate its Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement based on the "Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charges" posted on the ISO Home Page.

ATTACHMENT C

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	)))	Docket No. ER00-2019-000

PREPARED DIRECT TESTIMONY OF
DEBORAH A. LE VINE
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Deborah A. Le Vine and I am the Director of Contracts for the California Independent System Operator (ISO). My business address is 151 Blue Ravine Road, Folsom, California 95630.

Q. IN WHAT CAPACITY ARE YOU EMPLOYED?

A. As the Director of Contracts, I am responsible for negotiation and administration of all *pro forma* agreements executed by Market Participants and reliability agreements executed by certain Generators and Loads. Additionally, I have been assigned a number of special projects for the corporation.

Q. HAVE YOU HAD SPECIFIC RESPONSIBILITIES AT THE ISO IN CONNECTION WITH THE TRANSMISSION ACCESS CHARGE?

A. Yes. I was the project leader for the ISO's development of a new transmission Access Charge, which was filed as Amendment No. 27 to the ISO Tariff. I continue to have responsibility for amendments to, and litigation concerning, the ISO Tariff provisions regarding the transmission Access Charge. In addition, I am responsible for the ISO's implementation of the transmission Access Charge and assist the Settlements Department in any implementation issues.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A. I received a Bachelor of Science degree in Electrical Engineering from San Diego State University in San Diego, California in May 1981. In May 1987, I received a Master in Business Administration from Pepperdine University in Malibu, California. Additionally, I am a registered Professional Electrical Engineer in the State of California.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

A. Yes. I have previously submitted testimony on behalf of the ISO in Docket No. ER98-1057-000, et al., concerning the ISO's Responsible Participating Transmission Owner Agreements; Docket No. ER98-992-000, et al., pertaining to the ISO's Participating Generator Agreements; Docket No. ER98-1499-000, et al., involving the ISO Meter Service Agreements for Scheduling Coordinators and ISO Metered Entities; Docket Nos. ER98-997-000, et al., ("QF PGA proceeding"), regarding the application of the ISO's Participating Generator Agreement to qualifying facilities ("QFs"); Docket No. EL99-93-000, et al., regarding the Turlock Irrigation District and Modesto Irrigation District complaint; Docket No. ER01-66-000, et al., regarding Pacific Gas and Electric Company's ("PG&E") Transmission Owner ("TO") Tariff ("TO 5 Filing"); Docket No. ER00-2019-000, et al., involving the ISO's transmission Access Charge filing as required by California State Legislation; Docket No. ER00-2360-000, et al., regarding the PG&E Reliability Service Tariff; Docket No. ER01-839-000, et al., regarding PG&E's transmission Access Charge implementation; Docket No. ER01-831-000, et al., regarding San Diego Gas & Electric Company's ("SDG&E") transmission Access Charge implementation; Docket No. ER01-832-000, et al., regarding Southern California Edison Company's ("SCE") transmission Access Charge implementation, (collectively referred to as the "Implementation Dockets"); Docket No. ER01-313-000, et al., regarding the ISO's position with regard to certain billing determinants for the ISO's Grid Management Charge ("GMC"); and Docket No. ER02-2192-000, et. al., modifying the rate stabilization plan of the transmission Access Charge and clarifying what Scheduling Coordinators pay the ISO Access Charge. Additionally, I have testified in a number of proceedings before the California Public Utilities Commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A.

I will identify the various modifications to the current transmission Access Charge methodology that the ISO, in light of the extensive settlement discussions in this proceeding and three years experience implementing the revised Access Charge, believes would be reasonable at this time.

Q. WHAT WILL THE REMAINDER OF YOUR TESTIMONY CONSIST OF?

A.

I.

II.

III.

IV.

V.

VI.

VII. A description of further modifications that the ISO proposes to make to the Access Charge methodology based on the experience it has gained implementing the methodology in the last three years, and based on settlement discussions.

Q. AS YOU TESTIFY, WILL YOU BE USING ANY SPECIALIZED TERMS?

A. Yes. I will be using terms defined in the Master Definitions Supplement, Appendix A of the ISO Tariff.

Q.

A.

VII. MODIFICATIONS

Q. DOES THE ISO FAVOR ADDITIONAL MODIFICATIONS TO THE ISO TARIFF REGARDING THE ACCESS CHARGE METHODOLOGY AT THIS TIME? WHY?

A. Yes, based on three years of experience implementing the Access Charge methodology and further discussions with stakeholders, the ISO favors a number of modifications to the Access Charge methodology, many of which would likely be proposed by Intervenors in this proceeding. The ISO asks that the Presiding Judge and the Commission direct such changes.

Q. WHAT MODIFICATIONS ARE THE ISO WILLING TO MAKE?

A. There are twelve modifications to Amendment No. 27 that the ISO urges that the Presiding Judge and Commission direct. Some are the result of the settlement process and further discussions with stakeholders. They are: (1) changing the requirement that a New Participating TO turn over all of its transmission to ISO Operational Control in the limited circumstances of a high value project having overriding regional significance, the upgrade to Path 15; (2) defining the methodology for allocating the costs of joint use facilities between the High Voltage Transmission Revenue Requirement versus the Low Voltage Transmission Revenue Requirement of each Participating TO; (3) revising the impact of New High Voltage Facilities on the Transition Charge; (4) deleting the impact of GMC on the "hold harmless" provision of the Access Charge; (5) deleting the Revenue Review Panel; (6) clarifying tariff language on transmission upgrades; (7) revising the definition of

Transmission Revenue Credit regarding crediting of Usage Charges; (8) defining the Application Due Date; (9) revising the market notification process; (10) deleting the TCA execution deadline; (11) modifying the temporary simplification; and (12) providing tariff language that provides the ISO flexibility to negotiate the conversion of Existing Rights.

Q. OF THE TWELVE CHANGES CITED ABOVE, WHICH OF THESE CHANGES ARE FROM SETTLEMENT?

A. The changes that have resulted from settlement are 1 through 7 and 12. The remaining changes are changes proposed by the ISO based on the last three years of experience.

Q. WHAT CHANGE DOES THE ISO SUPPORT REGARDING THE REQUIREMENT OF A NEW PARTICIPATING TO TO RELINQUISH OPERATIONAL CONTROL OF ALL TRANSMISSION TO THE ISO?

A. Amendment No. 27 requires that a TO seeking to become a Participating TO turn over all of its transmission rights, not just some. This feature was included to prevent New Participating TOs from cherry picking transmission and unduly increasing the average High Voltage Access Charge by turning over to ISO Operational Control expensive High Voltage Transmission Facilities but retaining operational control of low cost High Voltage Transmission Facilities. While the ISO supports the all-or-nothing approach in most cases, the ISO considers that the upgrade of Path 15 presents a special case. For the reasons set forth below, the ISO believes that an exception to the "all-or-nothing" requirement is justified in the limited circumstances presented by the Path 15 upgrade, in order to allow Western to turn over to ISO Operational Control its entitlement to Path 15, but not the remainder of its transmission entitlements.

Path 15 has been identified by the Commission and the Department of Energy as a critical bottleneck in the west. A Department of Energy report listed Path 15 as the only path in the WSCC having critical congestion. Moreover, the ISO conducted an assessment of the economic benefits of upgrading Path 15 which showed that considering the market power mitigation benefits of the project, the upgrade could pay for itself within four years, with project benefits estimated to exceed $100 million in a normal hydro year, and $300 million in a dry hydro year, and project costs estimated at approximately $300 million. Based on this assessment, the ISO Governing Board approved the upgrade in June 2002.

The upgrade is being coordinated by the Department of Energy through Western. Western has partnered with PG&E and Trans-Elect NTD Path 15, LLC ("Trans-Elect") to undertake the project. However, Western has indicated that whereas it is willing to turn its share of the additional capacity created by the upgrade of Path 15 over to the ISO Operational Control, it will not do so if it is required to turn over the remainder of its transmission facilities and Entitlements to the ISO at the same time.

In the case of the Path 15 upgrade because of the overriding regional importance of the project and its value to the ISO's customers, the ISO considers that an exception from the requirement to turn over all facilities to the Operational Control of the ISO is justified. The exception will provide an additional incentive for Western and its partners to proceed with the Path 15 upgrade.

Accordingly, the ISO considers that it is appropriate to modify the tariff to allow the ISO to provide such exemption in these limited circumstances, subject to the Commission's approval, when the revised Transmission Control Agreement is filed with the Commission adding the New Participating TO. However, while the ISO is wiiiing to provide an exception in these limited circumstances, it considers that a time limitation is appropriate to ensure that the justification for the upgrade and the exemption has not changed substantially by the time the project is placed in service. Thus, the ISO considers that the line must be energized by December 31, 2010, for Western to be eligible for this exemption.

Q. WHAT DOES THE ISO CONSIDER APPROPRIATE REGARDING THE TRANSMISSION REVENUE REQUIREMENT SPLIT BETWEEN HIGH VOLTAGE AND LOW VOLTAGE?

A. The ISO has worked with stakeholders to develop a "Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charge," which is a new methodology for splitting the costs at multi-voltage substations, for transmission towers that carry both high voltage and low voltage, for general costs, and Existing Contracts. The procedure is attached as Exhibit No. ISO-16. The ISO believes it would be appropriate to post this procedure on the ISO website and include a cross-reference to the requirements in the ISO Tariff.

Q. WHAT CHANGE TO THE CALCULATION OF THE TRANSITION CHARGE DOES THE ISO RECOMMEND?

A. Under Amendment No. 27, New and Existing High Voltage Facilities were incorporated in the cost-shift calculation. The ISO now believes that New High Voltage Facilities should be treated as an adder and not be incorporated into the cost-shift calculation. This change would ensure that the costs of New High Voltage Facilities will be borne by all ISO customers from the outset rather than potentially being assigned in greater proportion to customers within a particular TAC Area through the operation of the Transition Charge. This result in turn is consistent with objective of moving towards a single charge for access to the High Voltage transmission system and the rationale for that objective: that customers throughout the region rely on and benefit from High Voltage Facilities and should pay for their costs uniformly.

Further, this approach is more likely to facilitate construction of New High Voltage Facilities. First, it allows the Original Participating TOs to construct New High Voltage Transmission Facilities that would benefit the region, without the concern that the Participating TOs' own Load would have to bear a disproportionate share of the costs of such facilities. Second, it allows third parties having little or no Gross Load to finance and construct New High Voltage Transmission Facilities without uncertainty about how the costs of such facilities are recovered. Because the cost shift calculation establishes the cost impact on Loads, it cannot accommodate a Participating TO that does not have Load. Finally, the analysis the TACWG and the ISO Governing Board focused on was cost shifts based on Existing High Voltage Facilities with limited consideration of the impact of building New High Voltage Facilities. In essence, the cost shift caps were designed as an incentive to the governmental entities to turn over their existing transmission facilities to the ISO's Operational Control. This incentive is diminished if for example much of the cap was taken up by the addition of the new regional transmission. The revised calculation, using the current data of the Participating TOs as of January 1, 2003 and assuming a hypothetical New Participating TO that only has New High Voltage Facilities and no Load, is included as Exhibit No. ISO-17

Q. HOW SHOULD THE ISO'S ACCESS CHARGE TREAT NEW PARTICIPATING TOS THAT DO NOT HAVE LOAD?

A. All New High Voltage Facilities should be included in the ISO Grid-wide component of the High Voltage Access Charge rate so that the costs are allocated over the Gross Load of all Participating TOs. In this way, it will not matter if a future Participating TO with new High Voltage Transmission Revenue Requirement does not have Load. Additionally, it should be noted that in California all potential New Participating TOs with Existing High Voltage Facilities have existing Load.

Q. WHY WOULD THE ISO DELETE THE IMPACT OF THE GMC FROM THE "HOLD HARMLESS" PROVISIONS OF THE ACCESS CHARGE?

A. As discussed above, with the new GMC methodology implemented on November 1, 2001, there is no difference between what a publicly owned utility pays for the GMC as a Non-Participating TO and as a Participating TO. The previous GMC structure charged based on the use of the ISO

Controlled Grid. The new GMC structure charges are based on the use of various ISO services. Since there is no difference in what a Non-Participating TO and a Participating TO pay given the new GMC methodology, there is no need for the hold harmless provision with respect to the GMC.

Q. WHY SHOULD THE REVENUE REVIEW PANEL BE ELIMINATED?

A. As discussed above, Amendment No. 27 proposed a Revenue Review Panel ("RRP") to review the Transmission Revenue Requirement and Gross Load for governmental entities. Governmental entities are not FERC-jurisdictional and were adamant that they would not file their TRR with the Commission. Additionally, they would not agree that the decision of the RRP was appealable to FERC. The Commission, in its order on Amendment 27, directed that any decision by the RRP could be appealed to the Commission, negating much of its value to the governmental entities since their rates would thus ultimately be subject to Commission jurisdiction. Moreover, to date, all five municipal utilities that have become Participating TOs have filed their rates with FERC. Since the Commission's order eliminated the potential benefit of the RRP for governmental entities, the ISO believes the RRP is unnecessary, an unjustified burden on the ISO, and could result in increases to the GMC to pay for the review panel. Thus, this provision should be eliminated from the ISO Tariff.

Q. WHY DOES THE ISO BELIEVE THAT THE ISO TARIFF SHOULD BE CLARIFIED REGARDING TRANSMISSION UPGRADES?

A. In filing Amendment 27, ISO staff did not reconcile Section 3.2.7.2 of the ISO Tariff with Sections 4.1 and 7.1 of the ISO Tariff and some inconsistencies were created. Section 3.2.7.2 requires that the costs associated with transmission additions and upgrades be borne by the beneficiaries, whereas the revised Access Charge methodology requires that the costs associated with High Voltage Transmission Facility additions and upgrades be included in the ISO Grid-wide component of the High Voltage Access Charge. However, the Tariff needs to contemplate a variety of potential Transmission Owners. There are currently five types of Transmission Owners in the ISO Control Area: (1) investor-owned utilities that serve Load and have become Participating TOs; (2) governmental entities that serve Load and have become Participating TOs; (3) governmental entities that serve Load that have not become Participating TOs; (4) merchant Transmission Owners that propose to build new transmission facilities; and (5) merchant Transmission Owner that have paid to upgrade an existing transmission facility. The ISO Tariff, because of piecemeal amendments, is unclear regarding the treatment of each of these types of Transmission Owners with respect to the Access Charge. Section 3.2.7.2 should be revised to be consistent with Sections 4.1 and 7.1.

Q. WHY SHOULD THE DEFINITION OF TRANSMISSION REVENUE CREDIT BE REVISED WITH REGARD TO THE USAGE CHARGE?

A. The definition of Transmission Revenue Credit should be revised such that New Participating TOs that are given FTRs in accordance with Section 9.4.3 of the ISO Tariff are required to credit against their TRR only the positive difference between the Usage Charges paid and the Congestion revenue received. New Participating TOs are given FTRs during the Transition Period so that they may hedge against the ISO congestion-based Usage Charges, which the New Participating TOs do not bear under their Existing Contracts. Additionally, while a Scheduling Coordinator may have an FTR for a path, the ISO Settlement systems are such that the Scheduling Coordinator is charged Usage Charges based on the use of the path and then credited the Usage Charge revenue associated with the FTR on such path. Non-Participating TOs have been concerned that, if all Congestion revenues must be credited against the TRR, they will have no ability to hedge against the Usage Charges they will be required to pay once they convert their Existing Contracts and ownership rights. This revision should resolve that concern.

Q. WHAT CHANGE WOULD THE ISO RECOMMEND WITH RESPECT TO THE DEFINITION OF TRANSMISSION REVENUE CREDIT TO ADDRESS THIS ISSUE?

A. The ISO believes that the concerns expressed can be addressed by revising the definition of Transmission Revenue Credit as follows:

Transmission Revenue Credit

For the Original Participating TO, the proceeds received ~~by the Participating TO~~ from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. For the New Participating TO during the Transition Period, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. After the Transition Period, the New Participating TO Transmission Revenue Credit shall be the same as the Original Participating TO.

The additional text of the definition introduces a new term, "Net FTR Revenue" that would also be added to the Master Definitions. Net FTR Revenue would be defined as follows:

Net FTR Revenue

The sum of: 1) the revenue received by the New Participating TO from the sale, auction, or other transfer of the FTRs provided to it pursuant to Section 9.4.3 FTR, or any substantively identical successor provision of the ISO Tariff; and 2) for each hour: a) the Usage Charge revenue received by the New Participating TO associated with its Section 9.4.3

> FTRs; minus b) Usage Charges that are: i) incurred by the Scheduling Coordinator for the New Participating TO under ISO Tariff Section 7.3.1.4, ii) associated with the New Participating TO's Section 9.4.3 FTRs, and iii) incurred by the New Participating TO for its energy transactions but not incurred as a result of the use of the transmission by a third-party and minus c) the charges paid by the New Participating TO pursuant to Section 7.3.1.7, to the extent such charges are incurred by the Scheduling Coordinator of the New Participating TO on congested Inter-Zonal Interfaces that are associated with the Section 9.4.3 FTRs provided to the New Participating TO. The component of Net FTR Revenue represented by item 2) immediately above shall not be less than zero for any hour.

Q. WHAT CHANGE THE ISO BELIEVE WOULD BE APPROPRIATE WITH REGARD TO THE APPLICATION PROCESS?

A. Currently in Section 3.1.1 of the ISO Tariff, a Participating TO applicant must declare its intent to become a Participating TO. However, although the actual process can not begin until a completed application is received by the ISO. While the notice of intent is due by January 1 or July 1, there is no requirement as to when the application is due. Thus the ISO believes it would be advisable to modify 3.1.1 to provide a due date for the application of fifteen days from the date the notice of intent is received by the ISO.

Q. ARE THERE OTHER CHANGES THAT SHOULD BE MADE WITH REGARD TO DATES?

A. Section 3.1 of the ISO Tariff requires that the ISO provide 60 days notice of a change to the Access Charge. Because there is no longer a rate stabilization plan (it was deleted in Amendment 45), the ISO may not have 60 days notice for rate revisions. Additionally, as the ISO has experienced in the past, without timely information and data, the acceptance of the application and the negotiation of the TCA may result in missing deadlines currently established in the ISO Tariff. The ISO Tariff should provide for a market notice as soon as the ISO is aware of revised rates or New Participating TOs.

Section 3.1.1 of the ISO Tariff also requires applicable agreements to be filed with the Commission no later than April 1 or October 1 for the New Participating TO, to be effective July 1 or January 1, respectively. The ISO has concluded that the contract execution deadline is unrealistic and should be deleted.

Q. WHY IS IT APPROPRIATE TO REVISE THE INFORMATION REQUIRED FROM SCHEDULING COORDINATORS?

A. The original ISO Tariff (1998) included a tariff simplification in Section 7.1.4.4 to allow Scheduling Coordinators that either scheduled Wheeling Out or Wheeling Through transactions or scheduled transactions for Non-Participating TOs located within the ISO Control Area to provide the data to the ISO rather than requiring meters at the Scheduling Point. Once the ISO reached Full-Scale Operations, this temporary simplification was to have been deleted. However, until the ISO has proper metering at every

Scheduling Point in the ISO Controlled Grid, technically, it cannot operate without the simplification. A number of the interconnection points between Participating TOs and Non-Participating TOs have metering equipment that is owned by the Participating TOs. The Participating TOs have not been cooperative to date in upgrading that equipment or providing that meter data to the Non-Participating TO's Scheduling Coordinator. Sections 7.1.4.4.1 through 7.1.4.4.3 should therefore be deleted.

Q. ARE THERE ANY DEFINITIONS THE ISO BELIEVES SHOULD BE CHANGED?

A. Yes. The definition of Gross Load should be revised. Since filing, based on further discussions with stakeholders, the ISO has determined that any Load paying Standby Transmission Service (not just load associated with existing Qualifying Facilities as provided in the as-filed version of Amendment 27) already pays the cost of transmission to the service provider (who pays the ISO). Therefore the ISO should not be assessing the Access Charge or Wheeling Access Charge to such Load.

Q. HOW WOULD THE ISO DEFINE GROSS LOAD TO ACHIEVE THIS?

A. The ISO would modify the definition of Gross Load, based on the discussions during the settlement process, to read as follows:

<u>Gross Load</u>	For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for

the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an outage of the Generating Unit serving the Load. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

Q WHAT IS THE LAST CHANGE TO THE ISO TARIFF THAT YOU BELIEVE IS NECESSARY IN CONNECTION WITH THE ACCESS CHARGE?

A. The ISO is proposing to provide tariff language that provides the ISO flexibility to negotiate the conversion of Existing Rights. In recognition of the fact that certain New Participating TOs may present unique circumstances, the ISO proposes to add a section in Schedule 3 of

Appendix F that allows for flexibility in the manner in which New Participating TOs convert Existing Rights and the way Participating TOs can develop their Transmission Revenue Requirement. Of course, any change to the ISO Tariff would be filed at the Commission and subject to its approval.

Q. ARE THERE ANY OTHER CLARIFICATIONS THE ISO IS PROPOSING?

A. Yes, the ISO also favors a number of clarifications based on feedback from Market Participants:.

- The Low Voltage Access Charge is utility-specific. It is charged and collected by the Participating TO. The ISO supports clarifying the responsibility for paying the Low Voltage Access Charge and the method of billing for the charge. The ISO would continue to charge and collect the Wheeling Access Charge for Low Voltage Transmission Facilities. Responsibility for payment also needs to be clarified.
- In Amendment 27, the ISO deleted two concepts, Base Transmission Revenue Requirements and Self-Sufficiency Test Period. However, these two definitions were not deleted from Appendix A of the ISO Tariff, which should be conformed.
- Based on the stakeholder discussions over the last five years and the Commission's May 2000 Order in this proceeding, the ISO believes it should include in the ISO Tariff additional language regarding how FTRs are determined to be commensurate with the transmission capacity that is being turned over to the ISO. However, the ISO does need to keep some flexibility to allow for a negotiation at the time the TCA is executed.

- The calculation for the disbursement of High Voltage Access Charge and Transition Charge revenues in Appendix F, Schedule 3, Section 10, the calculation includes the New High Voltage Facilities in the Transition Charge. As discussed above, the ISO believes that the Transition Charge should only incorporate Existing High Voltage Facilities and therefore modifications would be necessary if the Commission approves the exclusion of New High Voltage Facilities.
- The ISO Tariff did not explicitly require that Participating TO's provide to both the ISO and other Participating TOs any changes the Participating TO was making to its TRR, TRBA or Gross Load. In the past this has resulted in a lag, sometimes significant, in receiving information. With the revisions being made to the Market Participant notifications, the ISO must receive the right data in a timely fashion.
- To avoid confusion regarding confidentiality of data, and allow the Participating TOs to ensure that the ISO has correctly calculated and disbursed the Wheeling Access Charge revenue, the ISO is proposing to include in the tariff a listing of the data that the ISO will release to the Participating TOs.

Q. ARE YOU PROVIDING REVISED TARIFF LANGUAGE THAT INCORPORATES ALL OF THESE CHANGES?

A. No. The ISO intends to file Tariff language shortly in accordance with Section 205 to amend the ISO Tariff. Because these changes either represent positions advocated by Intervenors or are minor changes necessary for the proper implementation of the Access Charge, the ISO believes these issues can and should be litigated in this proceeding.

Q. WHY IS THE ISO MAKING A SEPARATE SECTION 205 FILING?

A. The ISO wants to expeditiously implement a resolution of a number of existing issues, including, but not limited to, accurate charging of the Access Charge to QFs; the need for a revised Access Charge calculation and transmission upgrades in preparation of Trans-Elect becoming a Participating TO (Trans-Elect has already filed a notice of intent and application with the ISO); the GMC increase that might be necessary if the Revenue Review Panel is not terminated; and the need for clarification of the application process and notification process. By including the revisions in a separate filing, the ISO can, if the Commission accepts the filing, implement them quickly, rather await a Commission order on the Presiding Judge's initial decision in this proceeding. Because the ISO believes that these are either issues that would arise independently in the course of these proceedings or minor issues in the implementation of the transmission Access Charge, my testimony has described the ISO's positions on these issues. The ISO will request the Commission to consolidate the filing with this proceeding.

Q. THANK YOU. I HAVE NO FURTHER QUESTIONS.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	Docket No. ER00-2019-000

City of Folsom County of Sacramento State of California	)))))

AFFIDAVIT OF WITNESS

I, Deborah A. Le Vine, being duly sworn, deposes and says that she has read the foregoing questions and answers labeled as her testimony; that if asked the same questions her answers in response would be as shown; and the facts contained in her answers are true and correct to the best of her knowledge, information, and belief.

Executed on this 12 day of February, 2003.

Deborah A. Le Vine

Deborah A. Le Vine

Subscribed and sworn to before me this 12th day of February, 2003.

Virginia B. Davis

Notary Public
State of California

VIRGINIA B. DAVIS
Commission # 1266266
Notary Public - California
Sacramento County
My Comm. Expires Jun 30, 2004

ATTACHMENT D

Form of Notice Suitable for Publication in the *Federal Register*

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))))	ER03-___-000

NOTICE OF FILING

Take notice that on March 11, 2003 the California Independent System Operator Corporation ("ISO") tendered for filing an amendment ("Amendment No. 49") to the ISO Tariff.

With this amendment the ISO seeks to resolve a number of outstanding issues regarding the transmission Access Charge methodology set forth in Amendment No. 27 to the ISO Tariff, filed March 31, 2000, as well as to address certain issues that have arisen in the implementation of that transmission Access Charge methodology. The ISO requests that Amendment No. 49 be made effective June 1, 2003.

The ISO states that this filing has been served on the Public Utilities Commission of California, the California Energy Commission, the California Electricity Oversight Board, and all parties, including the City of Vernon, with effective Scheduling Coordinator Agreements under the ISO Tariff.

Any person desiring to be heard or to protest the filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions or protests must be filed in accordance with Sec. 35.8 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at http://www.ferc.fed.us/online/rims.htm (call 202-208-2222 for assistance).