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April 27, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER07-_____ - 000
April 2007 NERC/WECC Charge Invoicing Amendment
and Request for Expedited Action**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"),¹ 16 U.S.C. § 824d, and Sections 35.11 and 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 35.11, 35.13, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and five copies of an amendment to the ISO Tariff (the "April 2007 NERC/WECC Charge Invoicing Amendment"). The CAISO submits this filing in order to modify the ISO Tariff to provide for the CAISO's invoicing of certain charges assessed by the Western Electricity Coordinating Council ("WECC") to the CAISO on behalf of load-serving entities in the CAISO's Control Area. These charges provide funding for the functions performed pursuant to Section 215 of the FPA² by the North American Electric Reliability Corporation ("NERC"), the WECC, and Regional Advisory Bodies³ that serve the WECC. The CAISO requests that the Commission expeditiously approve the

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² Section 215 of the FPA, to be codified at 16 U.S.C. § 824o, which was added to the FPA by the Energy Policy Act of 2005 ("EPAct 2005"), Pub. L. No. 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005).

³ The term Regional Advisory Body is defined in Section 39.1 of the Commission's regulations, 18 C.F.R. § 39.1.

April 2007 NERC/WECC Charge Invoicing Amendment so that NERC and the WECC can receive funding for the EAct 2005 reliability activities that they are undertaking in a timely manner.

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

I. BACKGROUND

A. Proceedings Before the Commission

On July 20, 2006, the Commission issued an order in Docket No. RR06-1-000 that, *inter alia*, generally approved a proposal by NERC to have Regional Entities either perform or manage billing and collection functions for NERC in its capacity as an Electric Reliability Organization ("ERO").⁴ The Commission required NERC and the Regional Entities to distinguish between those costs related to reliability functions performed by the ERO and Regional Entities pursuant to Section 215 of the FPA ("statutory costs") and other NERC/Regional Entity functions ("non-statutory costs").⁵ The Commission also accepted NERC's proposal to allocate statutory costs on the basis of "net energy for load," which the Commission defined as "balancing authority area generation (less station use), plus energy received from other balancing authority areas, less energy delivered to balancing authority areas through interchange. This definition includes balancing authority area losses, but excludes energy required for storage at electric energy storage facilities, such as pumped storage."⁶

On October 24, 2006, the Commission issued an order in Docket No. RR06-3-000 that approved a NERC proposal to have the WECC, which will be the Regional Entity for the Western Interconnection (which includes the CAISO Control Area), "invoice LSEs [load-serving entities] or designees within its footprint, collect the assessments and remit the funds to NERC."⁷ The

⁴ *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, at P 169 (2006) ("July 20 Order"). The term Regional Entity is defined in Section 39.1 of the Commission's regulations, 18 C.F.R. § 39.1. The term Electric Reliability Organization is defined in Section 215(a)(2) of the FPA, 16 U.S.C. § 824o(a)(2), and in Section 39.1 of the Commission's regulations

⁵ July 20 Order at PP 184-85.

⁶ *Id.* at P 167 & n.73. The Commission did not, however, require the allocation of statutory costs on the basis of net energy for load in every case. The Commission has stated that allocation of statutory costs on the basis of net energy for load is just and reasonable, but that it "does not rule out other apportionment methods that can be shown to be just and reasonable." *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, 71 Fed. Reg. 8662 (Feb. 17, 2006), FERC Stats. & Regs. ¶ 31,204, at P 35 (2006).

⁷ *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091, at P 135 (2006), *order on reh'g*, 119 FERC ¶ 61,059 (2007).

Commission stated that “NERC may contract with an ISO [independent system operator] or RTO [regional transmission organization] for collection purposes.”⁸

On November 29, 2006, NERC filed with the Commission, in Docket No. RR07-7-000, a delegation agreement between NERC and the WECC (“WECC Delegation Agreement”) that included provisions related to the allocation of NERC and WECC costs to LSEs in the WECC.⁹ The CAISO filed comments on the WECC Delegation Agreement on January 10, 2007.¹⁰ The CAISO stated in its comments that it had not yet agreed to perform collections services for ERO or Regional Entity statutory costs or entered into a contract with NERC or the WECC concerning the CAISO’s role in the allocation and collection process. The CAISO indicated that it would engage in discussions with representatives of the WECC on these issues.¹¹

On April 19, 2007, the Commission issued an order in Docket No. RR07-7-000 and other dockets that, as relevant here, accepted the WECC Delegation Agreement subject to certain required modifications.¹² The Commission also stated that, in principle, it accepted that the WECC could, with the necessary authorization, rely on provisions of the WECC Delegation Agreement to either (1) bill load-serving entities directly or (2) bill the “designated balancing authority” (*i.e.*, the CAISO, assuming the CAISO agrees to undertake this role) and leave it to the designated balancing authority to allocate costs and collect funds from the load-serving entities.¹³ The Commission stated that under the second of these options, “WECC and the California ISO will be required to formalize this arrangement as they see fit.”¹⁴ As described below, the instant filing is consistent with this finding.

A pair of ISOs besides the CAISO have sought and received Commission approval, on an expedited basis, to amend their tariffs in order to invoice statutory costs. In December 2006, PJM Interconnection, L.L.C. (“PJM”), and in January 2007, the New York Independent System Operator, Inc. (“NYISO”), submitted amendments to their respective tariffs in order to invoice participants in their markets for statutory costs that had been invoiced to PJM and the NYISO

⁸ *Id.* at P 136.

⁹ Additional Compliance Filing and Request by the North American Electric Reliability Corporation to Approve Regional Delegation Agreements, Docket No. RR07-7-000 (Nov. 29, 2006).

¹⁰ Motion to Intervene and Comments of the California Independent System Operator Concerning Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council, Docket No. RR07-7-000 (Jan. 10, 2007).

¹¹ *Id.* at 19-20.

¹² *North American Electric Reliability Council, et al.*, 119 FERC ¶ 61,060, at P 432, Ordering Paragraph (B) (2007).

¹³ *Id.* at P 529.

¹⁴ *Id.*

respectively by NERC and/or the Regional Entities for their respective regions.¹⁵ The Commission issued letter orders accepting the tariff amendments submitted by PJM and the NYISO.¹⁶

B. Discussions with the WECC

In December 2006, the WECC issued an invoice to the CAISO for statutory costs for 2007. The WECC also provided a table showing that the amount of statutory costs listed on the invoice was calculated using reported load data for the CAISO Control Area for 2005.¹⁷ The use of 2005 load data to calculate statutory costs for 2007 was consistent with the means the WECC has used in the past to calculate the WECC dues (*i.e.*, non-statutory costs) that WECC members who are CAISO Market Participants have been required to pay. The WECC uses reported load data from two years previous in order to calculate the current year's WECC dues. Thus, the WECC dues for 2006 were based on 2004 reported load data, the WECC dues for 2005 were based on 2003 reported load data, etc.

After the CAISO filed its January 10, 2007, comments in Docket No. RR07-7-000, as described above, the CAISO entered into negotiations with the WECC to reach agreement on a contractual arrangement whereby the CAISO will perform certain invoicing and collections services for ERO and Regional Entity statutory costs. The CAISO anticipates that it will reach agreement with the WECC on this subject in the near future. Although the specific language of the contractual arrangement between the CAISO and the WECC is still being worked out by the parties, the CAISO can describe some of the provisions of the contractual arrangement in general terms now. The contractual arrangement will state that the CAISO will serve a role in invoicing statutory costs from load-serving entities in the CAISO Control Area and remitting any statutory costs collected to the WECC but will provide that NERC or the WECC ultimately will be responsible for the collection of the statutory costs. It will also state that the CAISO will not be required to pay any statutory costs not received from load serving-entities in the CAISO Control Area, and that payment of such costs will be made solely by the Scheduling Coordinators that are responsible for paying them. These principles are also reflected in the instant ISO Tariff revisions being proposed by the CAISO.

¹⁵ Filing of PJM Interconnection, L.L.C., Docket No. ER07-294-000 (Dec. 4, 2006); New York Independent System Operator, Inc.'s Proposed Tariff Revisions Regarding Recovery of NERC Fees, Request for Waiver of 60-Day Notice Period and Request for Expedited Treatment, Docket No. ER07-432-000 (Jan. 16, 2007).

¹⁶ Letter Order, Docket No. ER07-294-000 (Jan. 16, 2007); Letter Order, Docket No. ER07-432-000 (Feb. 5, 2007).

¹⁷ A copy of the WECC invoice for statutory costs for 2007 and the accompanying table are provided in Attachment C to the instant filing.

C. Discussions with Market Participants

Between January 2007 and March 2007, the CAISO began developing a proposed means of invoicing Scheduling Coordinators for statutory costs invoiced to it by the WECC. The CAISO had discussions with the WECC regarding its proposal.

On March 30, 2007, the CAISO issued a market notice announcing that it would conduct a conference call on April 6, 2007, concerning its proposed means of invoicing statutory costs. The CAISO included in the market notice an electronic link to a page on the ISO Website that contained the WECC invoice to the CAISO for statutory charges for 2007, the table showing that the amount of statutory costs listed on the invoice was calculated using the reported load data for the CAISO Control Area for 2005, a white paper concerning the CAISO's proposal, and a copy of a presentation concerning the proposal that the CAISO prepared for use during the April 6, 2007, conference call.¹⁸ No objections to the CAISO's proposal were raised on the conference call.

Pursuant to the conference call, the CAISO solicited written comments from Market Participants on its proposal for invoicing statutory costs. On April 10, 2007, five Market Participants submitted comments. The CAISO took their comments into consideration in developing a revised proposal to recommend to the ISO Governing Board and in preparing, for Market Participant review, draft ISO Tariff changes to implement the latest version of the CAISO's proposal. On April 11, 2007, as corrected on April 12, 2007, the CAISO posted the draft ISO Tariff changes on the ISO Website and asked Market Participants to provide written comments on them by April 17, 2006. One Market Participant submitted comments on April 17. The CAISO made revisions to the draft ISO Tariff changes in light of those comments.¹⁹

On April 19, 2007, the ISO Governing Board unanimously approved the CAISO's final proposal for invoicing statutory costs and authorized the filing of an ISO Tariff amendment to implement the final proposal.²⁰

¹⁸ A copy of the white paper and the presentation are provided in Attachment D to the instant filing.

¹⁹ A matrix of written stakeholder comments on the CAISO's proposal, which was posted on the ISO Website, is provided in Attachment D to the instant filing.

²⁰ Attachment E to the instant filing contains copies of a memorandum and a presentation that were provided to the Board regarding the CAISO's proposal. A copy of the ISO Governing Board's decision on the CAISO's final proposal is provided in Attachment F to the instant filing. All of these materials were posted on the ISO Website.

II. PROPOSED ISO TARIFF CHANGES

In this April 2007 NERC/WECC Charge Invoicing Amendment, the CAISO proposes changes to the ISO Tariff to implement the CAISO's proposal for invoicing statutory costs. Specifically, the CAISO has (1) made changes to the Master Definitions Supplement, Appendix A to the ISO Tariff, that are related to the invoicing of statutory costs, (2) added new Section 11.2.19 to the ISO Tariff, containing a number of sections thereunder, to explain the CAISO's procedures regarding the invoicing of statutory costs, and (3) modified Section 11.9 of the ISO Tariff to state that the CAISO will issue separate invoices for statutory costs as described in Section 11.2.19.

Given that the CAISO currently bills certain non-statutory fees (e.g., reliability coordinator and administrative costs) on behalf of the WECC to WECC members in the CAISO Control Area, the CAISO is uniquely situated to act on the WECC's behalf to bill and collect statutory costs. The CAISO's performance of the services contemplated in this ISO Tariff amendment will facilitate the efficient and economical collection of statutory costs from load in the CAISO Control Area.

A. Changes to the Master Definitions Supplement

The CAISO has added new defined terms to the Master Definitions Supplement, Appendix A to the ISO Tariff, in order to support the provisions in new Section 11.2.19.

The CAISO has added the term "NERC/WECC Charges," which means "[t]he charges approved by FERC, pursuant to Section 215 of the FPA and FERC issuances related thereto, that provide funding for the statutory-related functions performed by NERC, the WECC, and regional advisory bodies that serve the WECC, or their successors or assignees." NERC/WECC Charges are the CAISO equivalent of charges for statutory costs.²¹

The CAISO has also added the term "NERC/WECC Metered Demand" which means, "[f]or purposes of calculating NERC WECC Charges, a Scheduling Coordinator's metered CAISO Demand plus Transmission Losses for metered CAISO Demand, less metered CAISO Demand for Station Power and for energy required for storage at electric energy storage facilities, such as pumped storage (provided such pumped storage load is included in a Scheduling Coordinator's metered CAISO Demand)." NERC/WECC Metered Demand is the CAISO equivalent of net energy for load, which the Commission has stated is an appropriate basis on which to allocate statutory costs.²² The definition of

²¹ See Section I.A, *supra*.

²² See *id.*

NERC/WECC Metered Demand also states that Transmission Losses allocable to metered CAISO Demand will be allocated pro rata to each Scheduling Coordinator based on the Scheduling Coordinator's metered CAISO Demand. To support the definition of NERC/WECC Metered Demand, the CAISO has added the term "CAISO Demand," which means "[p]ower delivered to Load internal to the ISO Control Area." CAISO Demand includes imports and exports, and therefore the term encompasses the components of the definition of net energy for load that specify "energy received from other balancing authority areas, less energy delivered to balancing authority areas through interchange."²³ The definition of CAISO Demand is the same as the definition of CAISO Demand that the Commission approved for inclusion in the CAISO's Market Redesign & Technology Upgrade ("MRTU") Tariff.²⁴

In addition, the CAISO has added defined terms to ensure that the provisions contained in Section 11.2.19 are more concise than would be the case in the absence of those defined terms. The CAISO has added the term "NERC/WECC Charge Assessment Year," which means "[a] given year for which NERC/WECC Charges will be assessed by the WECC based on data from the calendar year two years prior to the year of the NERC/WECC Charge assessment." Further, the CAISO has added the term "Preliminary NERC/WECC Charge Rate," which means "[t]he preliminary rate to be paid by Scheduling Coordinators for NERC/WECC Charges based on the most recent WECC invoice to the ISO for NERC/WECC Charges received by the ISO and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year." The CAISO has also added the term "Final NERC/WECC Charge Rate," which means "[t]he rate to be paid by Scheduling Coordinators to the ISO for NERC/WECC Charges based on the WECC invoice for NERC/WECC Charges for a given year and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year." In addition, the CAISO has added the term "Preliminary NERC/WECC Charge Invoice," which means "[a]n initial invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Preliminary NERC/WECC Charge Rate," and the term "Final NERC/WECC Charge Invoice," which means "[a] final invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Final NERC/WECC Charge Rate." The CAISO has also added the term "NERC/WECC Charge Trust Account," which means "[a]n account to be established by the ISO for the purpose of maintaining funds collected from Scheduling Coordinators and disbursing such funds to the WECC."

²³ July 20 Order at P 167 n.73.

²⁴ See the MRTU Tariff filing submitted by the CAISO on February 9, 2006, in Docket No. ER06-615-000, at Attachment A1, Original Sheet No. 532; *California Independent System Operator Corp.*, 116 FERC ¶ 61,274, at Ordering Paragraph (A) (2006) (accepting the MRTU Tariff in relevant part).

Further, the CAISO has modified the definition of the term NERC to reflect that organization's recent name change to the North American Electric Reliability Corporation.

B. Addition of Section 11.2.19

1. Section 11.2.9.1 – Responsibility for NERC/WECC Charges

Section 11.2.19.1 delineates responsibility for NERC/WECC Charges. Section 11.2.19.1(a) states that the CAISO will invoice Scheduling Coordinators for all of the NERC/WECC Charges that are invoiced to the CAISO by the WECC. Each Scheduling Coordinator will be obligated to pay the CAISO all of the NERC/WECC Charges it is invoiced by the CAISO in accordance with Section 11.2.19, and each Scheduling Coordinator's responsibility for NERC/WECC Charges is based on its NERC/WECC Metered Demand.

The CAISO has made Scheduling Coordinators responsible for all NERC/WECC Charges that are invoiced to the CAISO by the WECC because Scheduling Coordinators – rather than the customers the Scheduling Coordinators represent – are the parties with which the CAISO has a contractual relationship, the parties to whom the CAISO invoices charges pursuant to the ISO Tariff, and the parties which are responsible for paying such charges to the CAISO.²⁵ The Scheduling Coordinators are responsible for making any arrangements with their customers to obtain payment of the charges that the Scheduling Coordinators are invoiced pursuant to the ISO Tariff, and therefore Scheduling Coordinators are responsible for making any arrangements with their customers regarding the payment of NERC/WECC Charges.²⁶

Section 11.2.19.1(b) states that the CAISO's calculation of collateral requirements and other credit requirements under the ISO Tariff will not include any adjustment for a Scheduling Coordinator's NERC/WECC Charges. The CAISO has proposed this provision because the invoicing of NERC/WECC Charges by the CAISO will be done solely on behalf of NERC, the WECC, and the Regional Advisory Bodies that serve the WECC. The invoicing of these charges will be unrelated to authorization to participate in the CAISO's markets and thus will be unrelated to the CAISO's calculation of collateral requirements and other credit requirements.

²⁵ See, e.g., *California Independent System Operator Corp.*, 106 FERC ¶ 61,032, at P 73 (2004) ("We agree with the ISO that the Scheduling Coordinator is the appropriate entity to be billed, since the Scheduling Coordinator acts as the billing representative for the customers it serves. As such, the Scheduling Coordinator is obligated to pay the ISO's charges in accordance with the ISO Tariff.")

²⁶ See *id.*

2. Section 11.2.19.2 – Process for Invoicing NERC/WECC Charges Assessed for 2007; Section 11.2.19.3 – Process for Invoicing NERC/WECC Charges Assessed for 2008; and Section 11.2.19.4 – Process for Invoicing NERC/WECC Charges Assessed for Years After 2008

Sections 11.2.19.2 and 11.2.19.3 describe the processes for invoicing NERC/WECC Charges assessed for 2007 and 2008, respectively. Section 11.2.19.4 describes the process for invoicing NERC/WECC Charges assessed for 2009 and for subsequent years. The CAISO proposes modest differences to the processes used for those three periods because the timing of when the CAISO is able to calculate the Preliminary NERC/WECC Charge Rate (for all years except 2007) and the Final NERC/WECC Charge Rate (for all years), and thus is able to issue Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices, varies for each of those years. To provide a better understanding of the timing of the processes, the following table shows dates for 2007, 2008, and 2009 that relate to the invoicing of NERC/WECC Charges for those years:²⁷

NERC/WECC Charge Assessment Year	Date of Invoicing of the CAISO by the WECC	Time Period of NERC/WECC Metered Demand Used to Determine NERC/WECC Charges	Estimated Date of Preliminary NERC/WECC Charge Invoices	Estimated Date of Final NERC/WECC Charge Invoices
2007	Dec. 2006	2005	N/A	July 2007
2008	Dec. 2007	2006	Aug. 2007	Feb. 2008
2009	Dec. 2008	1 st quarter 2007	July 2007	Feb. 2009
		2 nd quarter 2007	Oct. 2007	
		3 rd quarter 2007	Jan. 2007	
		4 th quarter 2007	Apr. 2008	

The three processes are described in detail in the text of Sections 11.2.19.2, 11.2.19.3, and 11.2.19.4. In each of the processes, the CAISO will notify each Scheduling Coordinator in writing of its NERC/WECC Metered Demand for the calendar year two years prior to the applicable NERC/WECC

²⁷ The following table is adapted from a table that appears on page 4 of the white paper provided in Attachment D to the instant filing. Due to modest revisions to the proposed schedule for implementing the April 2007 NERC/WECC Charge Invoicing Amendment, some of the dates shown in the following table differ from dates shown in the table in Attachment D. Prospective dates shown in the following table are estimates only.

Charge Assessment Year, and the Scheduling Coordinator will then have an opportunity to raise any disputes concerning the CAISO's calculation of that NERC/WECC Metered Demand.²⁸ In each of the processes except the one for 2007, the CAISO will then report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the applicable NERC/WECC Charge Assessment Year, including any adjustments made by the CAISO in response to any disputes raised by Scheduling Coordinators.²⁹

In each of the processes except the one for 2007, the CAISO will issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the applicable NERC/WECC Charge Assessment Year and will subsequently issue Preliminary NERC/WECC Charge Invoices that reflect an allocation of NERC/WECC Charges to Scheduling Coordinators based on the Preliminary NERC/WECC Charge Rate (which rate is based on the most recent invoice for NERC/WECC Charges that the CAISO has received from the WECC). The CAISO will issue a single Preliminary NERC/WECC Charge Invoice to each Scheduling Coordinator for 2008 and quarterly Preliminary NERC/WECC Charge Invoices to each Scheduling Coordinator for 2009 and for subsequent years.³⁰ In each of the three processes, the CAISO will issue a market notice setting forth the Final NERC/WECC Charge Rate for the applicable NERC/WECC Charge Assessment Year and will subsequently issue Final NERC/WECC Charge Invoices that reflect an allocation of NERC/WECC Charges to Scheduling Coordinators (to the extent they have not already been paid by Scheduling Coordinators pursuant to Preliminary NERC/WECC Charge Invoices) based on the Final NERC/WECC Charge Rate.³¹ Thus, the Final NERC/WECC Charge Invoice will serve as a true-up invoice.

3. Section 11.2.19.5 – Timely Payments and Interest on Late Payments

Section 11.2.19.5 requires Scheduling Coordinators to make timely payments to the CAISO pursuant to Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices. Scheduling Coordinators which do not make timely payment of the entire amounts due under such invoices must pay interest charges on the outstanding amounts due under such invoices.

²⁸ See Sections 11.2.19.2(a), 11.2.19.3(a), and 11.2.19.4(e).

²⁹ See Sections 11.2.19.3(b) and 11.2.19.4(f).

³⁰ See Sections 11.2.19.3(c)-(d) and 11.2.19.4(a)-(d).

³¹ See Sections 11.2.19.2(b)-(c), 11.2.19.3(e)-(f), and 11.2.19.4(g)-(h).

4. Section 11.2.19.6 – NERC/WECC Charge Trust Account

Section 11.2.19.6 concerns the NERC/WECC Charge Trust Account (a separate, interest-bearing account) established by the CAISO, in which collected NERC/WECC Charges will be deposited. The CAISO will disburse funds from the NERC/WECC Charge Trust Account in order to pay the WECC for NERC/WECC Charges invoiced to the CAISO.

5. Section 11.2.19.7 – Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices

Section 11.2.19.7 provides details concerning Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices, including provisions concerning confirmation of receipt of such invoices, validation, and disputes and dispute-related corrections.

6. Section 11.2.19.8 – Provision of Payments and Information to the WECC

Section 11.2.19.8(a) provides that thirty (30) Calendar Days after the deadline for timely payments pursuant to Final NERC/WECC Charge Invoices has expired, the CAISO will forward to the WECC (i) the amounts collected pursuant to such Final NERC/WECC Charge Invoices and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their Final NERC/WECC Charge Invoices and the amounts that are unpaid.

Section 11.2.19.8(b) provides that under no circumstances will the CAISO be obligated to pay to the WECC, NERC, or any Regional Advisory Body, or to their successors or assignees, any NERC/WECC Charges or any Interest charges related to NERC/WECC Charges except for those NERC/WECC Charges and any Interest charges actually paid to the CAISO by Scheduling Coordinators. The CAISO will have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as provided for in the ISO Tariff. However, the CAISO will have the right, at its sole discretion, to recoup, set off, and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC charges. These provisions make it clear that the CAISO is only performing certain specific invoicing and collections services for the WECC and does not have any further responsibilities for payment or collections of NERC/WECC Charges. The CAISO has included the provisions regarding the CAISO's discretionary right to recoup, set off, and apply any amount to which a Scheduling Coordinator is or will be entitled to nonetheless provide one mechanism, consistent with approved ISO Tariff

provisions, which the CAISO can employ to assist the WECC in its collections efforts.

Section 11.2.19.8(c) states that the CAISO will, on request, certify in writing the NERC/WECC Charges owed by a Scheduling Coordinator that remain unpaid and will provide certified copies of the relevant Preliminary and Final NERC/WECC Charge Invoices and other documentation on which the CAISO's certificate was based to the WECC, NERC, and the applicable Scheduling Coordinator. A CAISO certificate given under Section 11.2.19.8(c) may be used as prima facie evidence of the amount due in any legal proceedings. These provisions track the similar provisions of Section 11.20.2 of the ISO Tariff regarding the CAISO's certification in writing, on request, of amounts owed by an ISO Debtor that remain unpaid and the ISO Creditors to whom such amounts are owed.³²

C. Modifications to Section 11.9

The CAISO has modified Section 11.9 of the ISO Tariff to state that the CAISO will issue separate invoices for NERC/WECC Charges as described in Section 11.2.19.

III. REQUEST FOR EXPEDITED APPROVAL

The CAISO respectfully requests, pursuant to Section 35.11 of the Commission's regulations, that the Commission expeditiously approve the instant NERC/WECC Charge Invoicing Amendment and that the amendment be made effective upon Commission approval. Expeditious approval will permit the CAISO to invoice NERC/WECC Charges already assessed for 2007 as quickly as possible and will allow NERC and WECC to have sound financial arrangements in place in a timely manner. In this regard, the CAISO notes that the Commission granted expedited effective dates for the tariff amendments filed by the NYISO and PJM in order to invoice participants in their respective markets for statutory costs.³³

³² The CAISO's tracking in Section 11.2.19.8(c) of provisions in Section 11.20.2 is not intended to suggest that NERC, the WECC, or Regional Advisory Bodies are ISO Creditors for purposes of applying the provisions of this April 2007 NERC/WECC Charge Invoicing Amendment. They are not ISO Creditors for purposes of applying those provisions.

³³ See Section I.A, *supra*.

IV. COMMUNICATIONS

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

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V. SERVICE

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

VI. ATTACHMENTS

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

- | | |
|--------------|--|
| Attachment A | Revised ISO Tariff sheets that incorporate the April 2007 NERC/WECC Charge Invoicing Amendment |
| Attachment B | The April 2007 NERC/WECC Charge Invoicing Amendment shown in black-line format |
| Attachment C | Invoice that the WECC provided to the CAISO for statutory costs for 2007; table showing that the amount of statutory costs listed on the invoice was calculated using the reported net energy for load for the CAISO Control Area for 2005 |
| Attachment D | White paper dated March 29, 2007, concerning the CAISO's proposal for invoicing NERC/WECC Charges; presentation concerning the proposal that the CAISO prepared for use |

during the April 6, 2007, conference call with Market Participants; matrix of stakeholders' written comments on the CAISO's proposal

Attachment E Memorandum dated April 12, 2007 and presentation regarding the CAISO's proposal for invoicing NERC/WECC Charges, which were provided to the ISO Governing Board

Attachment F Decision of the ISO Governing Board dated April 19, 2007, which unanimously approved the CAISO's final proposal for invoicing statutory costs and authorizing the filing of an ISO Tariff amendment to implement the proposal

VII. CONCLUSION

For all the foregoing reasons, the Commission should expeditiously approve the April 2007 NERC/WECC Charge Invoicing Amendment. Please feel free to contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

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ATTACHMENT A
NERC/WECC Amendment Filing
Clean Sheets

11.2.14 Credits and Debits of FERC Annual Charges Collected from Scheduling

Coordinators.

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

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

11.2.16 Emissions and Start-Up Fuel Cost Charges.

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

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

11.2.18 Auditing

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

11.2.19 NERC/WECC Charges

11.2.19.1 Responsibility for NERC/WECC Charges

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

NERC/WECC Charges it is invoiced by the ISO in accordance with this Section 11.2.19.

Each Scheduling Coordinator's responsibility for NERC/WECC Charges is based on the Scheduling Coordinator's NERC/WECC Metered Demand.

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

11.2.19.2 Process for Invoicing NERC/WECC Charges Assessed for 2007

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

- (a) The ISO will issue a market notice that will include the following: (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC and (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005. The ISO will issue this market notice and will notify each Scheduling Coordinator in writing of its NERC/WECC Metered Demand for 2005 prior to the date that FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19. Each Scheduling Coordinator shall have twenty (20) Calendar Days from the date FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19 to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005.
- (b) After FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19, the ISO will issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2007 WECC assessment. The Final NERC/WECC Charge Rate for the 2007 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005, including any adjustments to the

calculation of NERC/WECC Metered Demand for 2005 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.2(a).

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

11.2.19.3 Process for Invoicing NERC/WECC Charges Assessed for 2008

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

- (a) The ISO will issue a market notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006. Each Scheduling Coordinator shall have thirty (30) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006.
- (b) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC Metered Demand for 2006 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.3(a). This report shall facilitate the WECC calculation of actual NERC/WECC Charges for 2008 to be invoiced to the ISO.
- (c) After FERC issues an order accepting the amendment to the ISO Tariff proposed in this Section 11.2.19, the ISO will issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the 2008 WECC assessment. The Preliminary

NERC/WECC Charge Rate for the 2008 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC Metered Demand for 2006 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.3(a).

- (d) Within sixty (60) Calendar Days after FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19, the ISO will issue Preliminary NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006 multiplied by (ii) the Preliminary NERC/WECC Charge Rate for the 2008 WECC assessment.
- (e) Within thirty (30) Calendar Days after receipt of WECC's invoice to the ISO setting forth the assessment for NERC/WECC Charges for 2008, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2008 WECC assessment. The Final NERC/WECC Charge Rate for the 2008 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2008 that were invoiced to the ISO divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006 as reported to the WECC.
- (f) Within thirty (30) Calendar Days after the ISO issues a market notice setting forth the Final NERC/WECC Charge Rate for the 2008 WECC assessment, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006 multiplied by (ii) the Final NERC/WECC Charge Rate for the 2008 WECC assessment. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for 2008 that it is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the

Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for 2008 that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

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

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

- (a) The ISO shall issue Preliminary NERC/WECC Charge Invoices for each year after 2008 on a quarterly basis. Because NERC/WECC Charges to be assessed by the WECC for a given year (the NERC/WECC Charge Assessment Year) are based on data from the calendar year two years prior to the NERC/WECC Charge Assessment Year, the ISO shall issue such quarterly Preliminary NERC/WECC Charge Invoices when data for the applicable calendar quarter is available.
- (b) Prior to the issuance of the first quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year, the ISO shall issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the applicable NERC/WECC Charge Assessment Year. The Preliminary NERC/WECC Charge Rate for the applicable NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the most recent year for which the ISO has received an invoice from the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the last full calendar year.

- (c) Each quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year will be issued on the first Business Day of the month following the month on which Settlement Quality Meter Data for the applicable calendar quarter is available. Assuming all Settlement Quality Meter Data for a calendar quarter is available by the end of the third month following the quarter, the ISO will issue quarterly

Preliminary NERC/WECC Charge Invoices pursuant to the following schedule:

First quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year	July of the year two years prior to the NERC/WECC Charge Assessment Year
Second quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year	October of the year two years prior to the NERC/WECC Charge Assessment Year
Third quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year	January of the year one year prior to the NERC/WECC Charge Assessment Year
Fourth quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year	April of the year one year prior to the NERC/WECC Charge Assessment Year

- (d) Each quarterly Preliminary NERC/WECC Charge Invoice shall allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for the applicable calendar quarter multiplied by (ii) the Preliminary NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year.
- (e) In May of the year one year prior to the NERC/WECC Charge Assessment Year, the ISO will issue a market notice. This market notice will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. Each Scheduling Coordinator

shall have thirty (30) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year.

- (f) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year, including any adjustments to the calculation of NERC/WECC Metered Demand for that year made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.4(e). This report shall facilitate WECC's calculation of actual NERC/WECC Charges invoiced to the ISO for the NERC/WECC Charge Assessment Year.
- (g) Within thirty (30) Calendar Days after receipt of WECC's invoice to the ISO setting forth the assessment for NERC/WECC Charges for a NERC/WECC Charge Assessment Year, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. The Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the NERC/WECC Charge Assessment Year that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the year two years prior to the NERC/WECC Charge Assessment Year, as reported to the WECC.
- (h) Within thirty (30) Calendar Days after the ISO issues a market notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for the year two years prior to the NERC/WECC Charge Assessment Year multiplied by (ii) the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC

Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

11.2.19.5 Timely Payments and Interest on Late Payments

Scheduling Coordinators shall make timely payments to the ISO pursuant to Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices. Scheduling Coordinators which do not make timely payment of the entire amount due under Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices shall pay Interest charges on the outstanding amounts due under such invoices.

11.2.19.6 NERC/WECC Charge Trust Account

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

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

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

11.2.19.7.1 Confirmation

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

11.2.19.7.2 Validation

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

11.2.19.7.3 Disputes and Dispute-Related Corrections

Scheduling Coordinators shall be prohibited from disputing any Preliminary NERC/WECC Charge Invoice or Final NERC/WECC Charge Invoice, except on grounds that an error in a Preliminary NERC/WECC Charge Invoice or a Final NERC/WECC Charge Invoice is due to a mere typographical or other ministerial error by the ISO. A Scheduling Coordinator that wishes to dispute a Preliminary NERC/WECC Charge

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

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

11.2.19.8 Provision of Payments and Information to the WECC

- (a) Thirty (30) Calendar Days after the deadline for timely payments pursuant to Final NERC/WECC Charge Invoices has expired, the ISO will forward to the WECC (i) the amounts collected pursuant to such Final NERC/WECC Charge Invoices and (ii) a list of all Scheduling Coordinators that have failed to make full payment pursuant to their Final NERC/WECC Charge Invoices and the amounts that are unpaid.

- (b) Under no circumstances shall the ISO be obligated to pay to the WECC, NERC or any regional advisory body, or to their successors or assignees, any NERC/WECC Charges or any interest charges related to NERC/WECC Charges except for those NERC/WECC Charges and any Interest charges actually paid to the ISO by Scheduling Coordinators. The ISO shall have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as provided for in the ISO Tariff. Notwithstanding the foregoing, the ISO shall have the right, at its sole discretion, to recoup, set off and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC charges in accordance with Section 11.12.4.
- (c) The ISO shall, on request, certify in writing the NERC/WECC Charges owed by a Scheduling Coordinator that remain unpaid and shall provide certified copies of the relevant Preliminary NERC/WECC Charge Invoices, Final NERC/WECC Charge Invoices, and other documentation on which the ISO's certificate was based to the WECC, NERC, and the applicable Scheduling Coordinators. An ISO certificate given under this Section 11.2.19.8(c) may be used as prima facie evidence of the amount due in any legal proceedings.

11.3 Billing and Payment Process.

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

11.9 Invoices.

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

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

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

11.9A Emergency Procedures.

11.9A.1 Use of Estimated Data.

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

11.9A.2 Payment of Estimated Statements and Invoices.

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

rating guidelines, less any reserved uses applicable to the path.

Backup ISO Control Center

The ISO Control Center located in Alhambra, California.

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.

Black Start

The procedure by which a Generating Unit self-starts without an external source of electricity thereby restoring power to the ISO Controlled Grid following system or local area blackouts.

Black Start Generator

A Participating Generator in its capacity as party to an Interim Black Start Agreement with the ISO for the provision of Black Start services, but shall exclude Participating Generators in their capacity as providers of Black Start services under their Reliability Must-Run Contracts.

Bulk Supply Point

A UDC metering point.

Business Day

Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.

C.F.R.

Code of Federal Regulations.

CAISO Demand

Power delivered to Load internal to the ISO Control Area.

Calendar Day

Any day including Saturday, Sunday or a federal holiday.

CDWR-SWP

The California Department of Water Resources, State Water Project.

CDWR-SWP Participating Generating Units

The Generating Units operated by the California Department of Water Resources, State Water Project, that are subject to a Participating Generator Agreement with the ISO.

Certificate of Compliance

A certificate issued by the ISO which states that the Metering Facilities referred to in the certificate satisfy the certification criteria for Metering Facilities contained in the ISO Tariff.

Check Meter

A redundant revenue quality meter which is identical to and of equal accuracy to the primary revenue quality meter connected at the same metering point which must be certified in accordance with the ISO Tariff.

	modifications that will be required to provide needed services.
<u>Facility Study Agreement</u>	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.
<u>Fed-Wire</u>	The Federal Reserve Transfer System for electronic funds transfer.
<u>FERC</u>	The Federal Energy Regulatory Commission or its successor.
<u>FERC Annual Charges</u>	Those charges assessed against a public utility by the FERC pursuant to 18 C.F.R. § 382.201 and any related statutes or regulations, as they may be amended from time to time.
<u>FERC Annual Charge Recovery Rate</u>	The rate to be paid by Scheduling Coordinators for recovery of FERC Annual Charges assessed against the ISO for transactions on the ISO Controlled Grid.
<u>FERC Annual Charge Trust Account</u>	An account to be established by the ISO for the purpose of maintaining funds collected from Scheduling Coordinators for FERC Annual Charges and disbursing such funds to the FERC.
<u>FERC Must-Offer Generator</u>	All entities defined by Section 40.7.1 of this ISO Tariff.
<u>Final Approval</u>	A statement of consent by the ISO Control Center to initiate a scheduled Outage.
<u>Final Day-Ahead Schedule</u>	The Day-Ahead Schedule which has been approved as feasible and consistent with all other Schedules by the ISO based upon the ISO's Day-Ahead Congestion Management procedures.
<u>Final Hour-Ahead Schedule</u>	The Hour-Ahead Schedule of Generation and Demand that has been approved by the ISO as feasible and consistent with all other Schedules based on the ISO's Hour-Ahead Congestion Management procedures.
<u>Final Invoice</u>	The invoice due from a RMR Owner to the ISO at termination of the RMR Contract.
<u>Final NERC/WECC Charge Invoice</u>	A final invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Final NERC/WECC Charge Rate.

Final NERC/WECC Charge Rate The rate to be paid by Scheduling Coordinators for NERC/WECC Charges based on the WECC invoice to the ISO for NERC/WECC Charges for a given year and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year.

Final Schedule A Schedule developed by the ISO following receipt of a Revised Schedule from a Scheduling Coordinator.

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.

Must-Offer Capacity

The payment made in accordance with Section 43.14 of this ISO Tariff.

Payment

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 Corporation or its successor.

NERC/WECC Charge

A given year for which NERC/WECC Charges will be assessed by the WECC based on data from the calendar year two years prior to the year of the NERC/WECC Charge assessment.

Assessment Year

NERC/WECC Charges

The charges approved by FERC, pursuant to Section 215 of the FPA and FERC issuances related thereto, that provide funding for the statutory-related functions performed by NERC, the WECC, and regional advisory bodies that serve the WECC, or their successors or assignees.

NERC/WECC Charge

Trust Account

An account to be established by the ISO for the purpose of maintaining funds collected from Scheduling Coordinators and disbursing such funds to the WECC.

NERC/WECC Metered

Demand

For purposes of calculating NERC/WECC Charges, a Scheduling Coordinator's metered CAISO Demand plus Transmission Losses for metered CAISO Demand, less metered CAISO Demand for Station Power and for Energy required for storage at electric energy storage facilities, such as pumped storage (provided such pumped storage load is included in a Scheduling Coordinator's metered CAISO Demand). For purposes of calculating NERC/WECC Metered Demand, Transmission Losses allocable to metered CAISO Demand will be allocated pro rata to each Scheduling Coordinator based on the Scheduling Coordinator's metered CAISO Demand.

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 36.4.3 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 36.4.3 FTRs; minus b) Usage Charges that are: i) incurred by the Scheduling Coordinator for the New Participating TO under ISO Tariff Section 27.1.2.1.4 ii) associated with the New Participating TO's Section 36.4.3 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 27.1.2.1.7, 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 36.4.3 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.

Preferred Schedule

The initial Schedule produced by a Scheduling Coordinator that represents its preferred mix of Generation to meet its Demand. For each Generator, the Schedule will include the quantity of output, details of any Adjustment Bids, and the location of the Generator. For each Load, the Schedule will include the quantity of consumption, details of any Adjustment Bids, and the location of the Load. The Schedule will also specify quantities and location of trades between the Scheduling Coordinator and all other Scheduling Coordinators. The Preferred Schedule will be balanced with respect to Generation, Transmission Losses, Load and trades between Scheduling Coordinators.

Preliminary

NERC/WECC Charge

Invoice

**Preliminary NERC/WECC
Charge Rate**

An initial invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Preliminary NERC/WECC Charge Rate.

The preliminary rate to be paid by Scheduling Coordinators for NERC/WECC Charges based on the most recent WECC invoice to the ISO for NERC/WECC Charges received by the ISO and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year.

**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 Dispatch Interval that includes decremental and incremental Energy Bids where the price of the decremental Energy Bids exceeds the price of the incremental Energy Bids.

**Primary ISO Control
Center**

The ISO Control Center located in Folsom, California.

ATTACHMENT B

NERC/WECC Amendment Filing

Blacklines

11.2.19 NERC/WECC Charges

11.2.19.1 Responsibility for NERC/WECC Charges

- (a) The ISO shall invoice Scheduling Coordinators for all of the NERC/WECC Charges that are invoiced to the ISO by the WECC on behalf of itself, NERC, and/or regional advisory bodies. Each Scheduling Coordinator shall be obligated to pay the ISO all of the NERC/WECC Charges it is invoiced by the ISO in accordance with this Section 11.2.19. Each Scheduling Coordinator's responsibility for NERC/WECC Charges is based on the Scheduling Coordinator's NERC/WECC Metered Demand.
- (b) The ISO's calculation of collateral requirements and other credit requirements under the ISO Tariff will not include any adjustment for a Scheduling Coordinator's NERC/WECC Charges.

11.2.19.2 Process for Invoicing NERC/WECC Charges Assessed for 2007

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

- (a) The ISO will issue a market notice that will include the following: (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC and (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005. The ISO will issue this market notice and will notify each Scheduling Coordinator in writing of its NERC/WECC Metered Demand for 2005 prior to the date that FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19. Each Scheduling Coordinator shall have twenty (20) Calendar Days from the date FERC issues an order accepting the amendment to the ISO Tariff proposing this

Section 11.2.19 to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2005.

- (b) After FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19, the ISO will issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2007 WECC assessment. The Final NERC/WECC Charge Rate for the 2007 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2005, including any adjustments to the calculation of NERC/WECC Metered Demand for 2005 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.2(a).
- (c) Within thirty (30) Calendar Days after the ISO issues the market notice in Section 11.2.19 (b), the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2007 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2005 multiplied by (ii) the Final NERC/WECC Charge Rate for the 2007 WECC assessment.

11.2.19.3 Process for Invoicing NERC/WECC Charges Assessed for 2008

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

- (a) The ISO will issue a market notice that will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006. On or after the date on which the ISO issues this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006. Each Scheduling Coordinator shall have thirty (30) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for 2006.
- (b) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC

Metered Demand for 2006 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.3(a). This report shall facilitate the WECC calculation of actual NERC/WECC Charges for 2008 to be invoiced to the ISO.

- (c) After FERC issues an order accepting the amendment to the ISO Tariff proposed in this Section 11.2.19, the ISO will issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the 2008 WECC assessment. The Preliminary NERC/WECC Charge Rate for the 2008 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2007 that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006, including any adjustments to the calculation of NERC/WECC Metered Demand for 2006 made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.3(a).
- (d) Within sixty (60) Calendar Days after FERC issues an order accepting the amendment to the ISO Tariff proposing this Section 11.2.19, the ISO will issue Preliminary NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006 multiplied by (ii) the Preliminary NERC/WECC Charge Rate for the 2008 WECC assessment.
- (e) Within thirty (30) Calendar Days after receipt of WECC's invoice to the ISO setting forth the assessment for NERC/WECC Charges for 2008, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the 2008 WECC assessment. The Final NERC/WECC Charge Rate for the 2008 WECC assessment shall be based on (i) the total NERC/WECC Charges for 2008 that were invoiced to the ISO divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for 2006 as reported to the WECC.
- (f) Within thirty (30) Calendar Days after the ISO issues a market notice setting forth the Final NERC/WECC Charge Rate for the 2008 WECC assessment, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for 2008 to

Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for 2006 multiplied by (ii) the Final NERC/WECC Charge Rate for the 2008 WECC assessment. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for 2008 that it is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for 2008 that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

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

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

- (a) The ISO shall issue Preliminary NERC/WECC Charge Invoices for each year after 2008 on a quarterly basis. Because NERC/WECC Charges to be assessed by the WECC for a given year (the NERC/WECC Charge Assessment Year) are based on data from the calendar year two years prior to the NERC/WECC Charge Assessment Year, the ISO shall issue such quarterly Preliminary NERC/WECC Charge Invoices when data for the applicable calendar quarter is available.
- (b) Prior to the issuance of the first quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year, the ISO shall issue a market notice setting forth the Preliminary NERC/WECC Charge Rate for the applicable NERC/WECC Charge Assessment Year. The Preliminary NERC/WECC Charge Rate for the applicable

NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the most recent year for which the ISO has received an invoice from the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the last full calendar year.

- (c) Each quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year will be issued on the first Business Day of the month following the month on which Settlement Quality Meter Data for the applicable calendar quarter is available. Assuming all Settlement Quality Meter Data for a calendar quarter is available by the end of the third month following the quarter, the ISO will issue quarterly Preliminary NERC/WECC Charge Invoices pursuant to the following schedule:

<u>First quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year</u>	<u>July of the year two years prior to the NERC/WECC Charge Assessment Year</u>
<u>Second quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year</u>	<u>October of the year two years prior to the NERC/WECC Charge Assessment Year</u>
<u>Third quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year</u>	<u>January of the year one year prior to the NERC/WECC Charge Assessment Year</u>
<u>Fourth quarterly Preliminary NERC/WECC Charge Invoice for a NERC/WECC Charge Assessment Year</u>	<u>April of the year one year prior to the NERC/WECC Charge Assessment Year</u>

- (d) Each quarterly Preliminary NERC/WECC Charge Invoice shall allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for the applicable calendar quarter multiplied by (ii) the Preliminary NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year.

- (e) In May of the year one year prior to the NERC/WECC Charge Assessment Year, the ISO will issue a market notice. This market notice will include the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. On or after the date on which the ISO issues

this market notice, the ISO will notify each Scheduling Coordinator in writing of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year. Each Scheduling Coordinator shall have thirty (30) Calendar Days from the date the ISO provides it with this notification in writing to raise any disputes concerning the ISO's calculation of the Scheduling Coordinator's NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year.

- (f) The ISO will report to the WECC the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the calendar year two years prior to the NERC/WECC Charge Assessment Year, including any adjustments to the calculation of NERC/WECC Metered Demand for that year made by the ISO in response to disputes raised by Scheduling Coordinators pursuant to Section 11.2.19.4(e). This report shall facilitate WECC's calculation of actual NERC/WECC Charges invoiced to the ISO for the NERC/WECC Charge Assessment Year.
- (g) Within thirty (30) Calendar Days after receipt of WECC's invoice to the ISO setting forth the assessment for NERC/WECC Charges for a NERC/WECC Charge Assessment Year, the ISO shall issue a market notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. The Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year shall be based on (i) the total NERC/WECC Charges for the NERC/WECC Charge Assessment Year that were invoiced to the ISO by the WECC divided by (ii) the total of all Scheduling Coordinators' NERC/WECC Metered Demand for the year two years prior to the NERC/WECC Charge Assessment Year, as reported to the WECC.
- (h) Within thirty (30) Calendar Days after the ISO issues a market notice setting forth the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year, the ISO will issue Final NERC/WECC Charge Invoices that allocate NERC/WECC Charges for the NERC/WECC Charge Assessment Year to Scheduling Coordinators based on (i) each Scheduling Coordinator's NERC/WECC Metered Demand for the year two years

prior to the NERC/WECC Charge Assessment Year multiplied by (ii) the Final NERC/WECC Charge Rate for the NERC/WECC Charge Assessment Year. If and to the extent that a Scheduling Coordinator has not already paid all of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator is still required to pay. If and to the extent that a Scheduling Coordinator has already paid in excess of the NERC/WECC Charges for the NERC/WECC Charge Assessment Year that the Scheduling Coordinator is required to pay (attributing to such Scheduling Coordinator any interest earned on payments made by the Scheduling Coordinator pursuant to Preliminary NERC/WECC Charge Invoices), the Scheduling Coordinator's Final NERC/WECC Charge Invoice will show the amount the Scheduling Coordinator will be credited.

11.2.19.5 Timely Payments and Interest on Late Payments

Scheduling Coordinators shall make timely payments to the ISO pursuant to Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices. Scheduling Coordinators which do not make timely payment of the entire amount due under Preliminary NERC/WECC Charge Invoices and Final NERC/WECC Charge Invoices within thirty (30) Calendar Days of issuance of such invoices shall pay Interest charges on the outstanding amounts due under such invoices.

11.2.19.6 NERC/WECC Charge Trust Account

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

the NERC/WECC Charge Trust Account in order to pay the WECC any and all NERC/WECC Charges invoiced to the ISO.

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

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

11.2.19.7.1 Confirmation

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

11.2.19.7.2 Validation

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

11.2.19.7.3 Disputes and Dispute-Related Corrections

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

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

11.2.19.8 Provision of Payments and Information to the WECC

- (a) Thirty (30) Calendar Days after the deadline for timely payments pursuant to Final NERC/WECC Charge Invoices has expired, the ISO will forward to the WECC (i) the amounts collected pursuant to such Final NERC/WECC Charge Invoices and (ii) a list of

all Scheduling Coordinators that have failed to make full payment pursuant to their Final NERC/WECC Charge Invoices and the amounts that are unpaid.

(b) Under no circumstances shall the ISO be obligated to pay to the WECC, NERC or any regional advisory body, or to their successors or assignees, any NERC/WECC Charges or any interest charges related to NERC/WECC Charges except for those NERC/WECC Charges and any Interest charges actually paid to the ISO by Scheduling Coordinators. The ISO shall have no obligations whatsoever to pursue collections of NERC/WECC Charges other than the obligation to invoice Scheduling Coordinators and to provide information to the WECC or NERC as provided for in the ISO Tariff. Notwithstanding the foregoing, the ISO shall have the right, at its sole discretion, to recoup, set off and apply any amount to which a Scheduling Coordinator is or will be entitled, in or towards the satisfaction of any of that Scheduling Coordinator's past-due NERC/WECC charges in accordance with Section 11.12.4.

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

* * *

11.9 Invoices.

The ISO shall prepare and send to each Scheduling Coordinator, Black Start Generator or Participating TO two invoices for each calendar month. The first invoice will be based on the Preliminary Settlement Statements and the second invoice will be based on the Final Settlement Statement(s). Each invoice will show amounts which are to be paid by or to each Scheduling Coordinator, Black Start Generator or

Participating TO, the Payment Date, being the date on which such amounts are to be paid or received and details of the ISO Clearing Account to which any amounts owed by Scheduling Coordinators, Black Start Generator or Participating TO are to be paid.

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

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

* * *

APPENDIX A

Master Definitions Supplement

* * *

CAISO Demand

Power delivered to Load internal to the ISO Control Area.

* * *

Final NERC/WECC
Charge Invoice

A final invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Final NERC/WECC Charge Rate.

Final NERC/WECC Charge
Rate

The rate to be paid by Scheduling Coordinators for NERC/WECC Charges based on the WECC invoice to the ISO for NERC/WECC Charges for a given year and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year.

* * *

NERC

The North American Electric Reliability Corporation Council or its successor.

* * *

NERC/WECC Charge Assessment Year

A given year for which NERC/WECC Charges will be assessed by the WECC based on data from the calendar year two years prior to the year of the NERC/WECC Charge assessment.

NERC/WECC Charges

The charges approved by FERC, pursuant to Section 215 of the FPA and FERC issuances related thereto, that provide funding for the statutory-related functions performed by NERC, the WECC, and regional advisory bodies that serve the WECC, or their successors or assignees.

NERC/WECC Charge Trust Account

An account to be established by the ISO for the purpose of maintaining funds collected from Scheduling Coordinators and disbursing such funds to the WECC.

NERC/WECC Metered Demand

For purposes of calculating NERC/WECC Charges, a Scheduling Coordinator's metered CAISO Demand plus Transmission Losses for metered CAISO Demand, less metered CAISO Demand for Station Power and for Energy required for storage at electric energy storage facilities, such as pumped storage (provided such pumped storage load is included in a Scheduling Coordinator's metered CAISO Demand). For purposes of calculating NERC/WECC Metered Demand, Transmission Losses allocable to metered CAISO Demand will be allocated pro rata to each Scheduling Coordinator based on the Scheduling Coordinator's metered CAISO Demand.

* * *

**Preliminary
NERC/WECC Charge**

Invoice

**Preliminary NERC/WECC
Charge Rate**

An initial invoice issued by the ISO that reflects an allocation of NERC/WECC Charges to a Scheduling Coordinator based on the Preliminary NERC/WECC Charge Rate.

The preliminary rate to be paid by Scheduling Coordinators for NERC/WECC Charges based on the most recent WECC invoice to the ISO for NERC/WECC Charges received by the ISO and on the NERC/WECC Metered Demand for the NERC/WECC Charge Assessment Year.

* * *

ATTACHMENT C

INVOICE



Western Electricity Coordinating Council

University Of Utah Research Park
615 Arapeen Drive, Suite 210
Salt Lake City, UT 84108
Phone (801) 582-0353 Fax (801) 582-3918

INVOICE #40460R
DATE: DECEMBER 14, 2006

TO:
Armie Perez
California Independent System Operator
151 Blue Ravine Road
Folsom, California 95630-4704

FOR:
2007 Assessment

DESCRIPTION	AMOUNT
STATUTORY COSTS	
Your organizations' share of the \$14,010,032 now being assessed to Western Interconnection Balancing Authorities and/or Load Serving Entities for 2007 Statutory Costs as approved at the July 27-28, 2006 Board meeting and by FERC on October 24, 2006 is listed below.	
The amount was calculated in accordance with Section 12 of the WECC Bylaws.	
2005 Annual Net Energy for Load Assessment (January 1, 2007 – December 31, 2007)	
Western Electricity Coordinating Council Statutory Portion	\$2,862,981.05
North American Electric Reliability Corporation Statutory Portion	\$1,081,412.98
Western Interconnection Regional Advisory Body (WIRAB) FERC approved fees.	\$134,368.11
TOTAL	\$4,078,762.14

Payment is due by January 14, 2007.

WECC does not accept credit cards. Please make checks payable to Western Electricity Coordinating Council.
If you have any questions concerning this invoice, contact Catrina Martin at (801) 582-0353 or catrina@wecc.biz.

Thank you

**WESTERN ELECTRICITY COORDINATING COUNCIL
2007 ADMINISTRATIVE AND RELIABILITY CENTER BUDGET**

Control Areas (34)	2005 Control Area Net Energy for Load (MWh)	Percent of Total NEL (%)	2007 Control Area NEL Assessment Allocation (\$)	2007 Statutory Portion	ERO Assessment	2007 RC Portion	2007 Non-Statutory Portion	2007 WIRAB Portion
Alberta Electric System Operator	55,803,306	6.82	1,424,646.02	\$693,634.63	\$262,001.56	\$462,073.26	\$6,936.57	\$32,554.31
Arizona Public Service Co.	30,320,103	3.71	774,065.50	\$376,878.63	\$142,355.62	\$251,062.34	\$3,768.91	\$17,688.02
Avista Corp	11,892,500	1.45	303,612.89	\$147,823.68	\$55,836.36	\$98,474.56	\$1,478.28	\$6,937.80
Bonneville Power Admin.	46,903,656	5.73	1,197,439.93	\$583,012.06	\$220,216.90	\$388,380.67	\$5,830.31	\$27,362.47
British Columbia Transmission Corp.	61,366,105	7.50	1,566,663.04	\$762,780.18	\$288,119.40	\$508,135.42	\$7,628.04	\$35,799.51
California ISO	230,328,475	28.15	5,880,234.85	\$2,862,981.05	\$1,081,412.98	\$1,907,210.10	\$28,630.72	\$134,368.11
Comision Federal de Electricidad	10,517,519	1.29	268,509.93	\$130,732.67	\$49,380.70	\$87,089.18	\$1,307.37	\$6,135.67
Duke - Arlington Valley	0	0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
El Paso Electric Company	7,334,819	0.90	187,256.30	\$91,171.74	\$34,437.64	\$60,735.18	\$911.75	\$4,278.96
Gila River Maricopa Arizona	0	0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Harquahala Generator Maricopa Arizona	0	0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Idaho Power Company	15,828,663	1.93	404,102.25	\$196,750.15	\$74,317.00	\$131,067.54	\$1,967.56	\$9,234.06
Imperial Irrigation District	3,450,153	0.42	88,081.64	\$42,885.37	\$16,198.78	\$28,568.62	\$428.87	\$2,012.74
LA Dept. of Water & Power	28,649,690	3.50	731,420.23	\$356,115.41	\$134,512.88	\$237,230.67	\$3,561.27	\$16,713.54
Nevada Power Company	23,123,076	2.83	590,327.00	\$287,419.64	\$108,564.93	\$191,468.14	\$2,874.29	\$13,489.45
NorthWestern Energy	10,016,868	1.22	255,728.42	\$124,509.59	\$47,030.10	\$82,943.60	\$1,245.14	\$5,843.60
PacifiCorp (PACE)	41,362,829	5.06	1,055,983.84	\$514,139.62	\$194,202.22	\$342,500.45	\$5,141.56	\$24,130.08
PacifiCorp (PACW)	25,688,063	3.14	655,810.55	\$319,302.41	\$120,607.77	\$212,707.24	\$3,193.13	\$14,985.80
Portland General Electric	20,803,234	2.54	531,101.95	\$258,584.03	\$97,673.06	\$172,258.94	\$2,585.92	\$12,136.11
Public Service Co. of Colorado	39,853,869	4.87	1,017,460.43	\$495,383.26	\$187,117.51	\$330,005.67	\$4,953.99	\$23,249.79
Public Service Co. of New Mexico	13,514,186	1.65	345,014.17	\$167,981.22	\$63,450.32	\$111,902.76	\$1,679.87	\$7,883.85
PUD No. 1 of Chelan County	2,942,355	0.36	75,117.67	\$36,573.45	\$13,814.62	\$24,363.85	\$365.75	\$1,716.50
PUD No. 1 of Douglas County	1,230,154	0.15	31,405.56	\$15,290.80	\$5,775.68	\$10,186.16	\$152.91	\$717.64
PUD No. 2 of Grant County	3,724,428	0.46	95,083.82	\$46,294.61	\$17,486.53	\$30,839.72	\$462.96	\$2,172.74
Puget Sound Energy	24,057,277	2.94	614,176.94	\$299,031.75	\$112,951.09	\$199,203.69	\$2,990.41	\$14,034.44
Sacramento Municipal Utility District	14,821,471	1.81	378,388.87	\$184,230.76	\$69,588.14	\$122,727.59	\$1,842.37	\$8,646.49
Salt River Project	26,349,214	3.22	672,689.59	\$327,520.51	\$123,711.94	\$221,818.83	\$3,275.31	\$15,371.50
Seattle City Light	9,741,431	1.19	248,696.57	\$121,085.91	\$45,736.90	\$80,662.87	\$1,210.90	\$5,682.92
Sierra Pacific Power Company	10,202,738	1.25	260,473.64	\$126,819.95	\$47,902.78	\$84,482.67	\$1,268.24	\$5,952.03
Tacoma Power	4,821,727	0.59	123,097.62	\$59,934.03	\$22,638.44	\$39,925.79	\$599.36	\$2,812.88
Tucson Electric Power Company	12,242,872	1.50	312,557.80	\$152,178.80	\$57,481.39	\$101,375.78	\$1,521.84	\$7,142.20
Turlock Irrigation District	173,159	0.02	4,420.71	\$2,152.36	\$813.00	\$1,433.82	\$21.52	\$101.02
Western Area Power Admin.-WACM	19,632,737	2.40	501,219.42	\$244,034.76	\$92,177.47	\$162,566.76	\$2,440.42	\$11,453.27
Western Area Power Admin.-WALC	10,841,672	1.33	276,785.48	\$134,761.89	\$50,902.63	\$89,773.30	\$1,347.66	\$6,324.77
Western Area Power Admin.-WAUW	561,791	0.07	14,342.40	\$6,983.06	\$2,637.66	\$4,651.85	\$69.83	\$327.74
Totals	818,100,140	100.00	\$ 20,885,915.00 (1)	\$10,168,978.00	\$3,841,054.00	\$6,774,190.00	\$101,693.00	\$477,260.00

Total 2007 Member Assessment 21,573,915.00
Less Class 1-3 Members \$5,000 Assessments (131 @ \$ 5,000 each) -655,000.00
Less Class 4 Members \$1,500 Assessments (22 @ \$ 1,500 each) -33,000.00
Assessment Allocated to Control Areas \$ 20,885,915.00

WECC Statutory Portion 10,168,978.00
ERO Assessment 3,841,054.00
RC Assessment 6,774,190.00
Total 20,784,222.00

Non-Statutory (Assessment-Statutory+ERO+RC) 101,693.00

WIRAB 477,260.00 (2)

(1) All members, excluding 44 Class 4 & 5 members (Transmission Customers, States, and Provinces), pay an additional \$ 5,000 dues assessment.

(2) Western Interconnection Regional Advisory Body (WIRAB) FERC approved fees. WECC is collecting this money for the WIRAB. This is not a WECC/dues related fee.

ATTACHMENT D



California Independent
System Operator Corporation

California ISO

Invoicing WECC NERC/ERO Costs

March 29, 2007

Prepared by: Michael Epstein

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Appendix A - NYISO Treatment of Dues

Appendix B - PJM Treatment of Dues

Invoicing WECC NERC/ERO Costs

1. Executive Summary

The CAISO would propose to invoice SCs for the dues on a quarterly basis using metered demand including gross MSS loads less pump storage using a preliminary rate from the previous WECC billing. There would be a final true-up invoice from the CAISO to SCs after the receipt of the WECC invoice for the year. These dues would be invoiced separately and not be included on the market invoice. This proposal raises implementation issues regarding integration into the settlement system and current invoicing procedures.

2. Background

On July 20, 2006, FERC issued an order (Docket No. RR06-1-000) that generally approved a proposal by NERC to have Regional Entities perform billing and collection functions for NERC in its capacity as an Electric Reliability Organization (ERO). FERC required NERC and the Regional Entities to distinguish between those costs related to reliability functions performed by the ERO and Regional Entities pursuant to Section 215 of the Federal Power Act (statutory costs) and other NERC/Regional Entity functions (non-statutory costs). On October 24, 2006, FERC issued an order (Docket No. RR06-3-000) that approved a NERC proposal to have WECC, which will be the Regional Entity for the Western Interconnection (which includes the CAISO Control Area), "invoice LSEs [load-serving entities] or designees within its footprint, collect the assessments and remit the funds to NERC." FERC stated that "NERC may contract with an ISO or RTO for collection purposes; however . . . NERC must adopt appropriate safeguards to ensure that (1) the collection contractor transfers the money to the ERO in a timely manner and (2) the collection contractor states that it will not use its position as billing agent and collector to unduly influence the ERO's decisions."

On November 29, 2006, NERC filed with FERC, (Docket No. RR07-7-001) a Delegation Agreement between NERC and WECC that included provisions related to the allocation of NERC and WECC costs to LSEs in WECC. The CAISO filed comments on the WECC Delegation Agreement on January 10, 2007. The CAISO stated in its comments that it had not agreed to serve as a collections agent for ERO or Regional Entity statutory costs or entered into a contract with NERC or the WECC concerning the CAISO's role in the allocation and collection process.

Subsequently, the CAISO entered into negotiations with WECC to reach agreement on a contractual arrangement whereby the CAISO will serve as a collections agent for ERO and Regional Entity statutory costs. The CAISO anticipates that it will reach agreement with WECC in the near future and that the CAISO will then file an amendment to the CAISO Tariff with FERC concerning the CAISO's role as a collections agent for the statutory costs. The CAISO will not take the payment risk of an SC for these dues. The collection agreement with WECC will provide for the CAISO to serve a role in invoicing these dues but will provide that WECC or NERC ultimately will be responsible for the collection of these dues.

FERC's July 20, 2006 orders accepts NERC's proposal to allocate costs on the basis of net energy for load. Footnote 73 of FERC's order states: "Net energy for load means balancing authority area generation (less station use), plus energy received from other balancing authority areas, less energy delivered to balancing authority areas through interchange. It includes balancing authority area losses, but excludes energy required for storage at electric energy storage facilities, such as

Invoicing WECC NERC/ERO Costs

pumped storage." Net energy translates closely to metered demand and the CAISO collects metered demand from SCs, including pump storage units. SCs on MSS contracts report gross metered demand. However, the CAISO only collects net load from behind-the-meter entities. Currently there are few if any behind-the-meter entities in the CAISO control area. The CAISO only deals with Scheduling Coordinators (SCs) not LSEs. The SCs schedule on behalf of LSEs.

WECC bills the CAISO for dues in the December prior to the year based on two year old loads i.e. 2007 dues billed in December 2006 and are based on 2005 loads. The amount of the Dues for 2007 amounted to \$4.1M which is 50% of the size of the annual FERC fees.

3. Overview of CAISO Proposal

Generally the CAISO proposes to invoice SCs based on their metered demand less pump storage quarterly using a preliminary rate and to issue SCs a true-up invoice when the CAISO receives the actual invoice for NERC/ERO costs from WECC (the Dues). As the process would not be implemented until after the FERC filing in April there are three periods to consider based on the availability of load data.

- (1) The dues for 2007 uses 2005 loads for which the CAISO already has both the load data and the WECC invoice. The CAISO will issue a final bill for these dues upon FERC approval.
- (2) The dues for 2008 use 2006 loads for which the CAISO already has the load data. The CAISO will issue a preliminary bill using the 2007 WECC rate upon FERC approval. The CAISO will issue a final bill for these dues when it receives the actual 2008 invoice from WECC.
- (3) The dues for 2009 use 2007 loads and the CAISO will issue a preliminary bill quarterly using 2007 rates as the 2007 loads are reported. The CAISO will issue a final bill for these dues when it receives the actual 2008 invoice from WECC.

The WECC Dues will be invoiced separately and not included on the market invoice. Meter data for a given month is available generally 90 days after the trade month, i.e. meter data for December 2006 (trade month) is available in March 2007. The Preliminary Invoices will be issued on the 1st day of the 4th month following the quarter i.e. July 1, October 1, January 1 and April 1. The True-up Invoice will be issued 30 days after the receipt of the WECC Dues invoice. As an example the dues for 2009 will be based on 2007 Loads. The quarterly Preliminary Invoices will occur on 7/1/07, 10/1/07, 1/1/08 and 4/1/08. If the WECC Dues invoice was received on November 15, 2008, the True-up Invoice would be issued on 12/15/08. The CAISO would set up a trust account to hold the funds collected for that year until the payment of the Dues invoice.

The loads, rate and charges would appear on SC statements for the last trade day of that quarter. SCs would be able to validate the charges on the statement that would appear on the dues invoice. The invoices would be sent electronically to the SCs using the FTP system. This process will be in effect through January 2008 when MRTU become effective.

Invoicing WECC NERC/ERO Costs

The rate for the quarterly invoices will use the rate from the previous years WECC Dues invoice. A market notice would be issued in January notifying SCs of the Preliminary Rate to be used for that year. A market notice would be issued after the final quarterly invoicing providing loads for the year by SC. The CAISO would report this load to WECC for purposes of WECC Dues allocation. After receipt of the invoice from WECC the CAISO will issue a market notice notifying SCs of the Final Rate for the year.

The invoices would be payable in 30 days with interest using the FERC method for late payments. Any unpaid invoices outstanding 90 days after the final billing will be forwarded to WECC or NERC for collection.

4. MRTU "Workaround"

The requirements of MRTU are locked down so that WECC invoicing will not go into the initial release of MRTU software (SaMC). When MRTU goes live, the data will be transferred to the Corporate Oracle financial system. The billing determinants will either be transferred to the SC workspace for SCs to validate or the invoices will be modified to contain the billing determinants. The invoices would be transferred electronically using the FTP system as before, which is different from how invoices will be sent in MRTU. During 2008 WECC invoicing will be configured to be compliant with MRTU software (SaMC) and any required changes will be included in MRTU release 1A.

5. Billing Determinants

- **Preliminary rate:** Rate per MWh of Load used for the previous WECC Dues. The rate will be posted annually and will be used for all quarterly billings for that year.
- **Preliminary Invoice:** These are the quarterly invoices using the Preliminary Rate.
- **Final rate:** The Final Rate will be determined by taking the amount of the WECC Dues for that year, subtracting the interest collected on the dues collected for that year and dividing by the aggregate Load in MWh for the that year.
- **Final or True-up Invoice:** This is the final invoice for the year using the Final Rate.
- **Load:** Includes all metered demand of an SC in MWh using gross metered demand for MSS entities and deducting pump storage.
- **WECC Dues:** Are the amount of Statutory Dues invoiced by the WECC to the CAISO.

Invoicing WECC NERC/ERO Costs

6. Timing of the Invoicing

Assuming a FERC filing in April 2007 and approval in June 2007 an estimated calendar would be as follows:

Dues Year	Invoiced By WECC	Uses load data for	Meter data available	Preliminary Invoicing	Preliminary Rate	True-up Invoicing	Final Rate
2007	Dec-06	2005	Apr-06			Jul-07	2007
2008	Dec-07	2006	Apr-07	Aug-07	2007	Dec-07	2008
2009	Dec-08	1 st Qtr 07	Jun-07	Jul-07	2007		
		2 nd Qtr 07	Sep-07	Oct-07	2007		
		3 rd Qtr 07	Dec-08	Jan-07	2007		
		4 th Qtr 07	Mar-08	Apr-08	2007		
		Total 2007				Dec-08	2008

7. Process For 2007 WECC Dues Using 2005 Loads

- (1) The CAISO would issue a market notice apprising SCs of this proposal shortly after the time of the tariff filing. The market notice would include the Load numbers for all SCs for 2005 as well as the WECC Dues.
- (2) SCs would have 30 days to validate and/or question the load numbers.
- (3) Upon FERC approval the CAISO would issue a market notice of Final Invoicing and Rate.
- (4) The Final Invoice would be issued 30 days after the FERC Order and use the Final Rate.
- (5) The CAISO would forward the funds collected and a list of any unpaid invoices to WECC

8. Process For 2008 WECC Dues Using 2006 Loads

- (1) The CAISO would issue a market notice appraising SCs of this proposal shortly after the time of the filing. The market notice would include the Load numbers for all SCs for 2006 as well as the Preliminary Rate.
- (2) SCs would have 30 days to validate and/or question the load numbers.
- (3) Upon FERC approval the CAISO would issue a market notice of Preliminary Invoicing and Rate.
- (4) The 2008 Preliminary Invoice would be issued 60 days thereafter.
- (5) The collections of Preliminary Invoices will be deposited in an interest bearing account and used in determining the Final Rate.
- (6) The CAISO would report the 2006 Load to WECC for WECC's allocation of NERC costs.
- (7) In December 2007 the CAISO receives the 2008 WECC Dues and sends out a market notice notifying the market of the Final Rate.
- (8) The Final Invoice using the Final Rate is issued in December 2007.
- (9) In January 2008 the CAISO issues a market notice notifying the market of the Preliminary Rate to be used for the 2010 dues.
- (10) In 2009 the CAISO would forward the funds collected and a copy of any unpaid invoices to WECC

Invoicing WECC NERC/ERO Costs

9. Process For 2009 WECC Dues Using 2007 Loads

- (1) The CAISO would issue a market notice appraising SCs of this proposal shortly after the time of the filing. The market notice would include the Preliminary Rate.
- (2) Upon FERC approval the CAISO would issue a market notice of Preliminary Invoicing and Rate.
- (3) The Preliminary Invoice for the 1st quarter's Load will occur the later of July 1, 2007 or 30 days after the FERC order. Preliminary Invoices would be issued on a quarterly basis thereafter on October 1, 2007, January 1, 2008 and April 1, 2008.
- (4) The collections of Preliminary Invoices will be deposited in an interest bearing account and used in determining the Final Rate.
- (5) In May 2008 the CAISO would issue a market notice which would include the Load numbers for all SCs for 2007. SCs would have 30 days to validate and/or question the load numbers. The CAISO would report the 2007 Load to WECC for WECC's allocation of NERC costs.
- (6) In December 2008 the CAISO receives the 2009 WECC Dues and sends out a market notice notifying the market of the Final Rate.
- (7) The Final Invoice using the Final Rate is issued in December 2008.
- (8) In January 2009 the CAISO issues a market notice notifying the market of the Preliminary Rate to be used for the 2011 dues.
- (9) In 2009 the CAISO would forward the funds collected and a copy of any unpaid invoices to WECC

10. Credit Issues

The CAISO will not take the payment risk of an SC for these dues. The collection agreement with WECC will provide for WECC or NERC to be responsible for the ultimate collection of these dues. The CAISO will not apply collections for other invoices, such as market or FERC Annual Fees to unpaid WECC invoices. However, the CAISO will deduct (offset) the amount of unpaid WECC Dues invoices from any payment to an SC for any other type of invoice. SCs can elect to pay any quarterly Preliminary Invoice under \$10 with the Preliminary Invoice for the fourth quarter for that year.

11. Preliminary Discussion With Stakeholders

Conference calls were held with PG&E, SCE and WECC.

- All generally agreed with the proposal.
- SCE requested that the aggregate load numbers be reported by SC prior to the true-up invoice for all participants to review.
- PG&E and SCE emphasized that all SCs should be billed and agreed with the definition of Load
- WECC wanted further information on the collection agreement which would be negotiated after the FERC Order on the CAISO's filing.
- WECC was not aware of the details of the NERC collection process

Invoicing WECC NERC/ERO Costs

Appendix A - NYISO Treatment of Dues

Tariff amendment submitted on January 16, 2007 and accepted by FERC letter order issued February 5, 2007

The NYISO stated that, in order to allow the NYISO to issue invoices to its LSEs and collect the NERC charges for the payment due to NERC on April 1, 2007, FERC should waive its 60-day prior notice requirement and issue an order by March 1, 2007, in order to permit a March 1, 2007 effective date for the NYISO tariff amendment. (Transmittal letter at 1, 4.)

The NYISO stated that NERC charges will be recovered from LSEs in the New York control area on a quarterly basis. Pursuant to the NERC-NYISO Billing Services Agreement, NERC will provide the NYISO with the amount of NERC charges due for the following calendar quarter. This notification will be provided at least 60 days in advance of when the funds are due to NERC to allow the NYISO to invoice and collect the funds from LSEs prior to when payment is due to NERC. (Transmittal letter at 2, 3 and footnote 7.)

The NYISO will calculate the load ratio shares for each LSE and include NERC charges on the LSE's monthly invoice. Recovery of NERC charges from LSEs is based on actual energy withdrawals to supply load in the New York control area. The load metering data used to establish the LSEs' load ratio shares will depend on the month in which the customer invoice is issued, as the NYISO is in the process of making improvements regarding when metering data is finalized (transmittal letter at 2-3):

PRIOR TO IMPLEMENTATION OF THE NYISO'S IMPROVEMENTS

For customer invoices issued prior to September 1, 2007, the NYISO will utilize the load metering information for the most recent month for which actual load meter data are available. This reflects a four-month true-up, and typically includes the vast majority of load shifts. (Transmittal letter at 3.) (Under the NYISO's current settlement procedures, a customer's invoice is based on estimates. A four-month true-up is then issued based on revenue quality metering data, and subsequently true-up invoices are issued where loads can continue to shift over time until the invoice month is ultimately closed out. Transmittal letter at footnote 5.)

AFTER IMPLEMENTATION OF THE NYISO'S IMPROVEMENTS

For customer invoices issued on or after September 1, 2007, the NYISO will use the finalized actual metered load data that is no longer subject to challenge. Given the quality of the metering data upon which load ratio shares will be calculated, the NYISO will not make subsequent corrections or adjustments. (Transmittal letter at 3.) (Under the NYISO's improved procedures, the metering data received at the six-month true-up is considered finalized and cannot be changed. As such, using the finalized data at the six-month true-up eliminates the need for true-ups as a result of load shifts. Transmittal letter at footnote 5.)

The NYISO stated that it will not strictly allocate NERC charges based on Net Energy for Load due to the manner in which losses are billed in the New York control area. In addition, the NYISO stated that it would not be allocating any of the NERC charges assigned to the New York control area to behind-the-meter generation, because the NYISO does not have the data necessary to include behind-the-meter generation in the allocation. (Transmittal letter at footnote 4.)

Invoicing WECC NERC/ERO Costs

Pursuant to the NERC-NYISO Billing Services Agreement, the NYISO agreed to pay NERC \$529K to assure timely payment of NERC's first-quarter 2007 charges. The NYISO made the payment in January 2007 and will later collect the funds it advanced from LSEs once FERC has approved the NYISO's tariff amendment. (Transmittal letter at 4.)

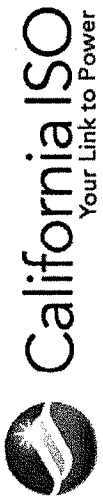
Appendix B - PJM treatment of Dues

Tariff amendment submitted on December 4, 2006 and accepted by FERC letter order issued January 16, 2007

PJM requested that FERC waive its 60-day prior notice requirement and allow the PJM tariff amendment to become effective as of January 1, 2007. (Transmittal letter at 1, 2-3.)

Under PJM's methodology, NERC will provide an estimate of the NERC charges to PJM for the following calendar year by no later than September 30 of the current year. PJM will then calculate a "NERC rate" by dividing NERC's estimate of the NERC charges by PJM's estimate of the total megawatt-hours of energy to be delivered during the following calendar year to load (including losses) in the PJM region by all PJM transmission service customers (both network and point-to-point). (Transmittal letter at 2, Attachment B at Original Sheet No. 269A.)

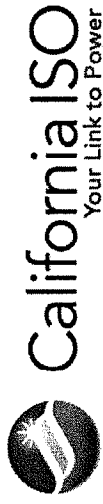
PJM will post the NERC rate for the following calendar year by October 31 of the current year. In the following year, PJM will charge each customer using transmission service under the PJM tariff a monthly amount equal to the NERC rate multiplied by the total quantity of megawatt-hours of energy delivered to the load (including losses) that the customer serves in the PJM region during that month. A fixed rate will be charged during the first eleven billing periods of the year. In the 12th and final billing period for the year, PJM will do a true-up to adjust for any under-collections or over-collections that have occurred over the year. (Transmittal letter at 2, Attachment B at Original Sheet No. 269A.)



Billing WECC NERC/ERO Costs

Stakeholder Meeting
April 6, 2007

Presented by: Michael Epstein, Controller



Background

- July 2006 – FERC issues order approving NERC as Electric Reliability Organization (ERO)
 - Authorized Regional Entities to bill and collect ERO costs pursuant to Section 215 of Federal Power Act (Statutory Costs)
- October 2006 – FERC approves WECC to be Regional Entity for NERC
 - Authorized WECC to bill and collect NERC ERO costs
- CAISO needs tariff authority to bill SCs
- CAISO will seek FERC authority through Tariff Amendment
- Amendment to go to Board of Governors at April meeting
- CAISO will then contract with WECC to perform billing/collection



CAISO Proposed Tariff Amendment to Bill SCs

- Load will be Metered Demand (including MSS load) less pump storage
 - Equivalent to “Net Energy for Load” definition in FERC ERO rulings
- Billing will be quarterly using preliminary rates and a final true-up after invoice received from WECC
 - Billings will not be on market invoices
 - Estimated rates for year from most recent WECC invoice – included in market notice
- Quarterly billing ensures SCs who may leave CAISO are billed
- CAISO will post aggregate load by SC after 4th quarter
 - CAISO will use same load to report to WECC
- CAISO will sign collection agreement with WECC
 - CAISO will not be financially liable for any defaults
 - Unpaid invoices will be turned over to WECC/NERC for collection



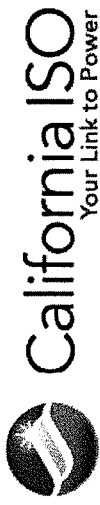
Phase-In After FERC Approval

- Load to be used is 2 years prior to Year Invoiced by WECC
 - costs for 2007 NERC budget use 2005 Loads and invoice sent in December 2006
- 2005 Load data available and WECC invoice for 2007 ERO costs in hand
 - Will invoice SCs 30 days after FERC approval using Final rate
- 2006 Load data available but WECC invoice for 2008 not issued
 - Will invoice SCs 60 days after FERC approval using estimated rate
 - Final invoice in December 2007 when WECC invoice for 2008 ERO costs received
- Quarterly billings effective for 2007 loads
 - 2007 first quarter meter data available to bill in July 2007
 - Will invoice 30 days after FERC approval
 - 2007 Load applies to 2009 WECC ERO costs
 - Invoices will use estimated rate



MRTU “Work-Around”

- 2007 billings will be on separate invoices produced by settlement system
- 2008 MRTU requirements are locked down
 - NERC invoicing cannot be included in SaMC for 2008
- 2008 billings will be from corporate accounting department
 - Meter data obtained from SaMC and invoiced from corporate accounting
 - Line Operator Agreement fees and “non-statutory” WECC dues are currently billed through corporate accounting
- 2009 billings will be included in SaMC as next release to MRTU



Stakeholder Comments

- Conference calls with SCE, PG&E and WECC
 - All generally agreed accepted proposal
 - SCE requested that aggregate load data be posted for review
 - PG&E and SCE stated that all load should be billed
- General stakeholder meeting set for April 6th

STAKEHOLDERS' COMMENTS ON PROPOSAL TO BILL SCHEDULING COORDINATORS FOR NERC AND WECC RELIABILITY COSTS

Name and Organization	Section	Issue/Comments/Rationale	CAISO Response
Southern California Edison; State Water Project		The CAISO should bill SCs based on net energy for load -- consistent with how WECC allocated costs to the CAISO -- not based on metered Demand	The CAISO has modified its proposal to bill SCs based on net energy for load
Constellation, NewEnergy and Strategic Energy		The CAISO should not publicly post each SCs' load	The CAISO has modified its proposal so that it will only publicly post aggregate net energy for load data for the entire CAISO Control Area. The CAISO will provide each SC with its own net energy for load number that was used for billing purposes
Constellation, NewEnergy and Strategic Energy		Prospective billing causes problems for ESPs whose customer base can fluctuate from year-to-year. For the first year, the CAISO will bill for a few years and this could cause recovery issues for ESPs.	WECC has already received approval from FERC for the lag in billing, i.e., billing 2007 costs based on 2005 load, billing 2008 costs based on 2006 loads, and billing 2009 costs based on 2007 loads. The CAISO is committed to working with WECC to implement and seek approval of a more timely billing arrangement for future years. Also, the CAISO will consider whether any modifications to the billing and collection timeline are appropriate.
Southern California Edison		The CAISO should bill reliability costs by individual SC ID for entities with more than one SC ID.	The CAISO will be billing in the manner requested by SCE.

ATTACHMENT E

Memorandum

To: CAISO Board of Governors

From: Michael Epstein, Controller
Anthony Ivancovich, Acting Vice President of Legal Affairs

Date: April 12, 2007

Re: **Decision on Tariff Proposal to Bill Western Electricity Coordinating Council Reliability Costs**

This memorandum requires Board action.

EXECUTIVE SUMMARY

In order to facilitate the collection of charges associated with Electric Reliability Organization ("ERO") and Regional Entity activities under the Energy Policy Act of 2005 ("EPAAct 2005"), the CAISO proposes to invoice Scheduling Coordinators ("SCs") for such charges invoiced to the CAISO by the Western Electricity Coordinating Council ("WECC"). The CAISO will seek Federal Energy Regulation Commission ("FERC") approval for authority to bill SCs for such ERO and Regional Entity costs through a Tariff amendment. Management recommends that the Board of Governors approve the filing of such a tariff amendment.

Background

On July 20, 2006, FERC issued an order certifying the North American Electric Reliability Corporation ("NERC") as the ERO in accordance with EPAAct 2005. In the July 20, 2006 Order, FERC also authorized Regional Entities to bill and collect ERO costs, as well as their own costs, incurred to carry out the reliability functions specified in EPAAct 2005 (hereinafter referred to as "Reliability Costs"). Reliability Costs are to be allocated based on "net energy for load" which FERC defined as "balancing authority generation (less station use), plus energy received from other balancing authority areas, less energy delivered to other balancing authority areas through interchange. It includes balancing authority losses, but excludes energy required for storage at electric energy storage facilities, such as pumped storage."

On October 24, 2006, FERC issued an order approving NERC's proposal to have the WECC -- as the Regional Entity for the Western Interconnection (which includes the CAISO Control Area) -- bill and collect ERO costs and remit such funds to NERC. On November 29, 2006, NERC filed with FERC a Delegation Agreement ("DA") between NERC and the WECC for the WECC to serve as the Regional Entity for the Western Interconnection. The DA included provisions related to the allocation and billing of Reliability Costs to load-serving entities in the Western Interconnection.

On December 14, 2006, the CAISO received an invoice from the WECC for Reliability Costs. Since then, the CAISO

and the WECC have had discussions to work out an arrangement whereby the CAISO would serve as a collections agent on behalf of the WECC to invoice and collect Reliability Costs from load in the CAISO Control Area.

Stakeholder Process

On March 30, 2007, the CAISO posted its proposal for billing Reliability Costs. The CAISO discussed its proposal with representatives of the WECC prior to posting the proposal. On April 6, 2007, the CAISO held a conference call with stakeholders to discuss the CAISO's proposal. A matrix of written stakeholder comments on the CAISO's posted proposal, and the CAISO's response to those comments, is attached hereto.

Proposed Tariff Amendment

The CAISO proposes to bill SCs for the Reliability Costs that WECC invoices the CAISO on behalf of load-serving entities in the CAISO's Control Area. Billings will be based on each SC's metered CAISO Demand, plus transmission losses, less metered CAISO Demand for Station Power and energy required for storage at electric energy storage facilities (*e.g.*, pumped storage). For 2007 Reliability Costs, the CAISO will send a single invoice to each SC for amounts that add up to the total amount that WECC has invoiced the CAISO. For 2008 Reliability Costs, the CAISO will send a preliminary invoice to each SC based on the 2007 rate, followed by a final true-up invoice after the CAISO receives WECC's invoice for 2008 Reliability Costs in late 2007. For subsequent years, the CAISO will bill SCs quarterly, and then will issue a final true-up invoice after the CAISO receives WECC's invoice for Reliability Costs for the relevant calendar year.

The Reliability Costs will be invoiced separately and will not be included in the market invoices that the CAISO sends to SCs. SC obligations for Reliability Costs will not affect SC credit requirements under the CAISO Tariff. The CAISO generally will not pursue collections of unpaid Reliability Costs, provided that the CAISO may, at its sole discretion, apply amounts owed to SCs under other invoices, such as market payments, toward unpaid WECC invoices. Further, the CAISO will not be liable for any SC's failure to pay any charges owed to the WECC and will have no obligation to pursue collection of any Reliability Costs that have been billed by the CAISO to SCs but not paid. The CAISO's roles are simply to invoice and accept payment from SCs, to forward any payments to the WECC, and to report to the WECC which SCs have not paid invoiced Reliability Costs.

Given that the CAISO currently bills certain fees (*e.g.*, reliability coordinator and administrative costs) on behalf of WECC to WECC members in the CAISO Control Area, the CAISO is uniquely situated to act on WECC's behalf to bill and collect Reliability Costs. The CAISO's performance of the services contemplated in the proposed tariff amendment will facilitate the efficient and economical collection of Reliability Costs from load in the CAISO Control Area.

Conclusion of Management and Recommendation

Management recommends that the Board of Governors approve the filing of a tariff amendment consistent with the discussion above. Management recommends the following motion.

MOVED,

That the ISO Board of Governors approve the proposal for the CAISO to bill and collect ERO and Regional Entity Reliability Costs as described in this memorandum dated April 12, 2007 and the related attachments; and

That the ISO Board of Governors authorize Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.



California ISO
Your Link to Power

Decision on Tariff Proposal to Bill Western Electricity Coordinating Council Reliability Costs

Board of Governors Meeting
April 18-19, 2007

Presented by: Michael Epstein, Controller



CAISO Billing of reliability costs requires a Tariff amendment

- CAISO currently bills WECC members located in its control area for WECC administrative and Security Coordinator costs
- In July 2006 FERC issued order approving NERC as Electric Reliability Organization (ERO)
 - NERC's budget for ERO/Regional Entity reliability costs was approved by FERC
 - Regional Entities may bill reliability costs to Load Serving Entities (LSEs)
- In October 2006 FERC authorized WECC to bill reliability costs
- In December 2006 WECC requested CAISO to collect reliability costs
- CAISO needs tariff authority to bill for reliability costs



CAISO proposes to sign an agreement with WECC and file a Tariff amendment to bill Scheduling Coordinators

- CAISO will sign collection agreement with WECC
 - CAISO will not be financially liable for any defaults
- CAISO will bill SCs for reliability costs based on Net Energy For Load
 - Metered Demand + Losses – Energy Storage – Station Power
- Billing will be quarterly on a separate invoice
 - Will have a final true-up invoice after invoice is received from WECC
 - Phase-in for 2007 and 2008



Stakeholder comments were generally supportive

- Results of stakeholder process:
 - WECC requested unpaid invoices be delivered after 30 days
 - ESPs requested that only CAISO annual load data be reported
 - Used metered demand in billing determinant due to availability of data
 - SCE and CDWR requested that generation data be used
 - Generators requested that Load be charged in conformity with FERC
 - PG&E and SCE stated that all load should be billed
 - Williams wanted confirmation that station power will be excluded
 - BP Energy wanted confirmation that real time exports will be excluded
 - ESPs concerned with lag between billing determinant and invoice
 - Will work on issue with WECC and NERC in 2008

ATTACHMENT F

Board of Governors 4/19/2007 Decision on Tariff Proposal to Bill WECC Reliability Costs

MOVED, That the ISO Board of Governors approve the proposal for the CAISO to bill and collect ERO and Regional Entity Reliability Costs as described in this memorandum dated April 12, 2007 and the related attachments; and

That the ISO Board of Governors authorize Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement this proposal.

Moved: Gage Second: Page


Board Action: Passed Vote Count: 4-0-0	
Capuano	X
Gage	Y
Lowe	Y
Page	Y
Willrich	Y

Motion Number: 2007-04-G5

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon each of the entities described in that document in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California on this 27th day of April, 2007.

 ^{BAT}
Anthony J. Ivanovich