



California Independent
System Operator Corporation

April 30, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: *California Independent System Operator Corporation*
Docket No. ER07-613-000

Motion for Leave to Answer and Answer

Dear Secretary Bose:

Enclosed for filing in the above-referenced docket is the California Independent System Operator Corporation's Motion for Leave to File Answer and Supplemental Answer to Motions to Intervene, Comments, and Protests.

Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Anna McKenna
Anna McKenna

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System) Docket No. ER07-613-000
Operator Corporation)

**MOTION FOR LEAVE TO FILE ANSWER AND SUPPLEMENTAL ANSWER TO
MOTIONS TO INTERVENE, COMMENTS, AND PROTESTS OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure,¹ the California Independent System Operator Corporation (“CAISO”) respectfully files this motion for leave to answer and supplemental answer to motions to intervene, comments, and protests in the above-captioned docket.

I. Introduction.

On March 9, 2007, the CAISO submitted certain amendments (the “March 9 Filing”) to the currently-effective ISO Tariff² designed to enable implementation of the Market Redesign and Technology Upgrade (“MRTU”). Several entities filed motions to intervene, comments, and protests to the March 9 Filing. On April 16, 2007, the CAISO filed Motion For Leave To File Answer And Answer To Motions To Intervene, Comments, And Protests Of The California Independent System Operator Corporation (“CAISO Answer”) answering certain issues raised in those pleadings to clarify the

¹ 18 C.F.R. §§ 385.212 & 385.213 (2006).

² Capitalized terms, unless otherwise defined, are used in accordance with the definition of the Master Definition Supplement, Appendix A to the ISO Tariff, or Appendix A to the MRTU Tariff. For the purposes of this transmittal letter, the term “ISO Tariff” refers to the CAISO’s tariff currently in effect, and the term “MRTU Tariff” will refer to the tariff filed and conditionally accepted in Docket No. ER06-615-000, and further revised through compliance filings made on November 20, 2006 and December 20, 2006 in FERC Docket No. ER06-615 and on January 29, 2007 in compliance with the Commission’s long-term financial rights Final Rule in Docket No. ER07-475. As described in the March 9 Filing, certain of the amendments to the ISO Tariff filed herewith constitute early implementation of provisions of the MRTU Tariff already conditionally accepted by the Commission or modified versions of provisions of the MRTU Tariff already conditionally accepted by the Commission.

record and aid the Commission in resolving these important issues. As explained in the CAISO's March 9 Filing and the CAISO Answer, the amendments in the March 9 Filing do not pertain to current CAISO Market operations but are designed to enable the CAISO to obtain the necessary information and authority to ensure that previously conditionally accepted aspects of the MRTU market concerning the treatment of ETCs, TORs, Converted Rights, and CRRs are in place and ready to be implemented at the start of MRTU. Following up on the CAISO Answer, the CAISO files this motion and supplemental answer to an issue raised by the Northern California Power Agency ("NCPA") regarding its ability to represent its constituent members in the Congestion Revenue Rights ("CRR") Allocation process to be conducted later this summer. After further discussions, the CAISO and NCPA have arrived to a proposal for treating all similarly situated Metered Subsystem ("MSS") aggregators, which addresses NCPA's concerns and can be accommodated through the CAISO business processes currently being implemented to register Candidate CRR Holders.

II. Motion for Leave to File Answer

Although the Commission's procedural rules generally do not provide for answers to protests, answers, or similar filings unless otherwise ordered,³ the Commission may, for good cause shown, permit such answers.⁴ Good cause exists in this case to permit the CAISO to respond to Motions to Intervene, Protests, and Comments filed in this proceeding. This supplemental answer will assist the Commission's resolution of the issues presented by providing for a complete and accurate record at a time when timely

³ 18 C.F.R. § 385.213(a)(2).

⁴ 18 C.F.R. § 385.101(e).

resolution of these important issues is critical.⁵ To that end, the CAISO's supplemental answer only addresses a single issue that has been resolved by the parties since the CAISO Answer was filed, which will serve to clarify the record and aid the Commission in arriving to its conclusion.⁶

III. Supplemental Answer

As the CAISO noted in the CAISO Answer, the CAISO appreciates NCPA's currently unique role in representing numerous parties as an MSS aggregator. The CAISO has worked with NCPA to address this issue and the CAISO believes that with the resolution proposed in this supplemental answer, the Commission may proceed to complete its consideration of the March 9 Filing. With the additional modifications, as agreed to below, the filing should be accepted by the Commission as a necessary precursor to implementation of MRTU.

NCPA submitted comments stipulating that it does not object to the CAISO's proposed CRR Entity Agreement "per se, but is concerned that they do not properly accommodate NCPA's business structure for the CRR Allocation process."⁷ The CAISO agrees that NCPA's role should be reflected and respected. However, rather than accomplish this by means of an amendment to the NCPA MSS Aggregator Agreement between the CAISO and NCPA (which also would have to be subsequently filed with the Commission), the CAISO proposes to address the agency relationship between NCPA

⁵ See, e.g., *Michigan Elec. Transmission Co., LLC*, 106 FERC ¶ 61,129 at 61,452 (2004) (allowing responses "as they provide additional information that assists the Commission in the decision-making process"); *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 at 61,077 (2003) (admitting answer "since it will not delay the proceeding, will assist the Commission in understanding the issues raised, and will insure a complete record upon which the Commission may act").

⁶ The fact that the CAISO has not addressed every issue in the protests and comments should not be deemed to be agreement or acquiescence by the CAISO on the issues not addressed.

⁷ NCPA at 3-5. As stated by NCPA, it schedules and manages the NCPA aggregated loads and resources as a pool. *Id.*

and its members specifically for the purposes of the CRR Entity Agreement and participation in the CRR processes through a separate agency agreement, regarding which the CAISO has prepared a draft for consideration by NCPA.

More specifically, the CAISO has proposed and NCPA has agreed to facilitate NCPA's representation as an agent for its members by including in the ISO Tariff a *pro forma* "MSS Aggregator CRR Entity Agent Agreement" and has informed the CAISO that it agrees in principle with the terms of the agreement as attached hereto. This *pro forma* would be available to any MSS aggregator that is to represent its members in the CRR Allocation in the aggregate. While currently only NCPA serves as an MSS aggregator, the CAISO believes this tariff approach is more appropriate as it will provide a mechanism for any other MSS aggregators to also represent their constituent MSSs in the CRR Allocation.

Under the conditionally accepted MRTU Tariff, only Load Serving Entities are qualified to participate in the CRR Allocation. NCPA is a Scheduling Coordinator and MSS aggregator for a number of MSSs that are Load Serving Entities and is interested in participating in the CAISO CRR Allocation process on behalf of such entities. Load Serving Entities may designate an agent to participate on their behalf in the CRR process. Serving as an agent for its constituent aggregated MSS members, NCPA intends to submit nominations on behalf of its aggregated MSS members and be allocated CRRs according to such nominations in the aggregate on behalf of all its aggregated MSS members that participate. Because the CAISO must track for Load migration and because the CAISO allocates CRRs to Load Serving Entities on behalf of the Load such Load Serving Entities represent, the CAISO is offering this alternative *pro*

forma CRR entity agreement so that in the event of Load migration, the CAISO may calculate the portion of the allocated CRRs that belong to the migrating Load. To this end, the MSS Aggregator CRR Entity Agent Agreement requires that the MSS aggregator complete a Schedule that specifies the Load ratio share of each Load Serving Entity. The Load ratio shares must be provided in a format and in sufficient detail that would allow the CAISO to track the percentage holdings of CRRs for each Load Serving Entity member based on the Load ratio share provide by NCPA and would allow the CAISO to identify that percentage of holdings to be held as agent by NCPA on behalf of the individual aggregated MSS members so that title continues to be held by the Load Serving Entity on behalf of the Load.

As an MSS aggregator for the constituent Load Serving Entities, in order to participate in the CRR Allocation, NCPA would be required to complete individual source verification forms of each Load Serving Entity based on their individual Load ratio shares. The CRRs allocated to NCPA on behalf of the Load Serving Entities it represents will be based on their respective Load ratio share, but would be issued in aggregate to NCPA as the agent for the LSEs that hold title as trustees for the Load such Load Serving Entities serve.

IV. Procedural Issues

Over the past several months, the CAISO and market participants have been working diligently to prepare and complete the necessary documentation to have all market participants registered and ready to participate in the CRR Allocation and CRR Auction to take place later this summer. The CAISO continues to seek an order and

effectiveness of its filed tariff sheets by May 9 in order to implement the registration of Candidate CRR Holders, collect and verify Load data, and collect, verify and account for Existing Transmission Contract rights, Transmission Ownership Rights and Converted Rights through the TRTC Instructions. The successful completion of these preliminary data collection and registration activities is crucial for the CAISO's implementation of the CRR Allocation later in July. The timely implementation of the CRR Allocation in July is in turn crucial for the implementation of MRTU in February 2008.

The CAISO has attached in this filing as Exhibit A the proposed terms of the *pro forma* MSS Aggregator CRR Entity Agent Agreement for informational purposes and upon the Commission's approval of this proposed treatment will file the actual tariff sheets in compliance.

The CAISO respectfully requests that the Commission not delay an order in this docket in light of this latest filing. The proposed treatment of the MSS aggregator in the CRR Allocation is not salient to the rest of the tariff changes requested and the proposed solution in this supplemental answer resolves all issues raised by NCPA.

V. CONCLUSION

For all the reasons stated herein, the CAISO respectfully requests that the March 9 Filing be accepted, as modified based on this supplemental answer, without suspension or hearing to go into effect on May 9, 2007 as requested.

Respectfully submitted,

/s/ Anna A McKenna

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Dated: April 30, 2007

EXHIBIT A

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

[METERED SUBSYSTEM AGGREGATOR]

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

THIS AGREEMENT is dated this ____ day of _____, _____, and is entered into, by and between:

(1) **[INSERT NAME OF MSS AGGREGATOR]**, a **[INSERT TYPE OF ENTITY]**, having its registered and principal place of business located at **[INSERT ADDRESS]**, acting as the agent on behalf of the following principals: **[INSERT NAMES OF MSS OPERATOR LSEs]**, all of which are MSS Operators and Load Serving Entities, (“CRR Entities”) pursuant to the terms of that certain **[INSERT TITLE OF MSS AGGREGATOR AGREEMENT]** (“MSSAA”) dated _____ (the “CRR Entity Agent”);

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the “CAISO”).

The CRR Entity Agent and the CAISO are hereinafter referred to individually as a “Party” and collectively as the “Parties.”

Whereas:

- A.** The CAISO Tariff provides that any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the terms of the CAISO Tariff (either directly or through its agent), regardless of whether they are to acquire CRRs through the CRR Allocation or CRR Auction, or through the Secondary Registration System.
- B.** The CRR Entity Agent pursuant to the terms of the MSSAA is authorized by the aggregated CRR Entities to act on the behalf of the CRR Entities with regard to matters relating to CRRs, including, but not limited to, allowing the CRR Entity Agent to participate in the CRR nomination process on behalf of the CRR Entities, to accept financial responsibility under this Agreement, to perform settlement functions, and to comply with CAISO Tariff requirements.
- C.** The CRR Entity Agent has completed the Candidate CRR Holder application process on behalf of its aggregated CRR Entities and pursuant to the terms of the MSSAA is eligible to participate on behalf of the CRR Entities in the CRR Allocation or CRR Auction or register through the Secondary Registration System on behalf of the CRR Entities. However, the CRR Entity Agent will not hold title to or ownership of any CRRs issued to any of its aggregated CRR Entities through the CRR Allocation, CRR Auction, or Secondary Registration System processes.
- D.** The CAISO Tariff further provides that any entity that wishes to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System must meet all of the Candidate CRR Holder requirements and creditworthiness provisions in the CAISO Tariff and the relevant Business Practice Manual, including demonstration of its ability to accommodate the financial responsibility associated with holding CRRs.
- E.** The aggregated CRR Entities desire to act through their CRR Entity Agent to comply with all requirements referenced in part D, above, in order to obtain CRRs through the CRR Allocation, CRR Auction, or Secondary Registration System.
- F.** The CRR Entity Agent, on behalf of its aggregated CRR Entities, wishes to undertake such necessary tasks and requirements set forth herein to comply with the applicable provisions of the CAISO Tariff in

order to allow the CRR Entities to participate in the CRR Allocation, CRR Auction, and Secondary Registration System processes.

- G.** The Parties are entering into this Agreement in order to establish the terms and conditions pursuant to which the CAISO and the CRR Entity Agent will discharge their respective duties and responsibilities under the CAISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement in Appendix A of the CAISO Tariff, unless otherwise defined herein.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
 - (b) the singular shall include the plural and vice versa;
 - (c) the masculine shall include the feminine and neutral and vice versa;
 - (d) “includes” or “including” shall mean “including without limitation”;
 - (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
 - (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
 - (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
 - (h) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
 - (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
 - (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and
 - (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

**ARTICLE II
ACKNOWLEDGEMENTS OF CRR ENTITY AND CAISO**

2.1 Scope of Application to Parties. The CRR Entity Agent and CAISO acknowledge that all Metered Subsystem aggregators that are authorized by their aggregated MSS Operators to act as the agent of those MSS Operators in undertaking the responsibilities of Candidate CRR Holders or CRR Holders must sign this Agreement in accordance with section 4.10.1.9.1 of the CAISO Tariff.

**ARTICLE III
TERM AND TERMINATION**

3.1 Effective Date. This Agreement shall be effective as of the later of the date it is executed by both Parties or the date accepted for filing and made effective by FERC if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

3.2 Termination

3.2.1 Termination by CAISO. Upon notice that the agency relationship between all of the aggregated CRR Entities and the CRR Entity Agent has terminated, including any notice that the MSSAA has terminated, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination. Further, subject to Article V, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination in the event that any of the aggregated CRR Entities or the CRR Entity Agent commits any material default under this Agreement and/or the CAISO Tariff as it pertains to this Agreement which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the CRR Entity Agent, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement or unless the CAISO agrees, in writing, to an extension of the time to remedy such material default. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by CRR Entity Agent. In the event that all of its aggregated CRR Entities are no longer CRR Holders, the CRR Entity Agent may terminate this Agreement, on giving the CAISO not less than ninety (90) days' written notice; provided, however, any outstanding financial right or obligation or any other obligation under the CAISO Tariff of the Candidate CRR Holder or CRR Holder (regardless of whether such obligation shall be borne by an aggregated CRR Entity or the CRR Entity Agent) that has arisen while an aggregated CRR Entity was a Candidate CRR Holder or a CRR Holder, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive until satisfied. With respect to any notice of termination given pursuant to this Section, CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60)

days after receipt of such request or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the CRR Entity's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV GENERAL TERMS AND CONDITIONS

- 4.1 CRR Holder Requirements.** The CRR Entity Agent acting on behalf of its aggregated CRR Entities must register and qualify on behalf of the CRR Entities with the CAISO and comply with all terms of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders, regardless of the manner in which it acquires the CRRs on behalf of its aggregated CRR Entities, whether by CRR Allocation or CRR Auction, or through the Secondary Registration System. The CRR Entity Agent shall participate in the CRR nomination process on an aggregated basis on behalf of each of its aggregated CRR Entities on the basis of that individual CRR Entity's Load ratio share set forth in Schedule 3. The CAISO shall allocate CRRs to each individual CRR Entity based on its Load ratio share set forth in Schedule 3, which CRRs will be held in the aggregate by the CRR Entity Agent on behalf of its aggregated CRR Entities. The CRR Entity Agent acknowledges and agrees that it shall not hold title to or ownership of any of the CRRs of its aggregated CRR Entities. Ownership of any CRRs shall remain with the applicable CRR Entity in accordance with each CRR Entity's Load share ratio as set forth in Schedule 3.
- 4.2 CRR Holder Creditworthiness Requirements.** The CRR Entity Agent acting on behalf of its aggregated CRR Entities must comply with the requirements for creditworthiness applicable to Candidate CRR Holders or CRR Holders, including the creditworthiness provisions of the CAISO Tariff and the relevant Business Practice Manual.
- 4.3 Settlement Account.** The CRR Entity Agent on behalf of its aggregated CRR Entities shall maintain at all times an account with a bank capable of Fed-Wire transfer to which credits or debits shall be made in accordance with the billing and Settlement provisions of Section 11 of the CAISO Tariff. Such account shall be the account referred to in Schedule 2 hereof or as notified by the CRR Entity Agent to the CAISO from time to time by giving at least seven (7) days written notice before the new account becomes operational. Such changes to Schedule 2 shall not constitute an amendment to this Agreement.
- 4.4 CRR Entity Agent Responsibility for CRR Entity Load Share Ratio.** The CRR Entity Agent shall track each aggregated CRR Entity's Load share ratio of CRRs separately as set forth in Schedule 3 and shall be solely responsible for tracking such allocations. The CRR Entity Agent acknowledges and agrees that CAISO shall have no responsibility with regard to such pro rata allocations of CRRs as set forth in Schedule 3. The CAISO shall issue CRRs allocated to the aggregated CRR Entities in aggregate to the CRR Entity Agent, and the CRR Entity Agent shall be solely responsible for ensuring the proper allocation of such CRRs to each aggregated CRR Entity. In the event the CRR Entity and CRR Entity Agent aggregation or agency relationship terminates, the CRR Entity Agent shall be solely responsible for ensuring that the appropriate pro rata share of every CRR Source is properly assigned to the applicable CRR Entity.
- 4.5 Provision of Evidence of CRR Entity Agent Authority.** The CRR Entity Agent shall provide the CAISO with a copy of the MSSAA or other sufficient evidence to assure the CAISO of its authority to act as agent on behalf of its aggregated CRR Entities with regard to the matters addressed in this Agreement. The CRR Entity Agent shall provide the CAISO with the contact name, address, e-mail address, and phone number of an individual representative of each of its aggregated CRR Entities whom the CAISO may contact regarding matters addressed in this Agreement. The CRR Entity Agent shall immediately notify the CAISO in writing of any revision to the terms of the MSSAA that affects its authority to act as agent on behalf of its aggregated CRR Entities or any other change in its relationship with any of its aggregated CRR Entities.

- 4.6 Electronic Contracting.** All submitted applications, bids, confirmations, changes to information on file with the CAISO and other communications conducted via electronic transfer (*e.g.*, direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the CAISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the CAISO Tariff as if executed in written format.
- 4.7 Agreement Subject to CAISO Tariff.** The Parties will comply with all provisions of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders. This Agreement shall be subject to the CAISO Tariff, which shall be deemed to be incorporated herein.

ARTICLE V PERFORMANCE

- 5.1 Penalties.** The CRR Entity Agent on behalf of its aggregated CRR Entities shall be subject to all penalties made applicable to Candidate CRR Holders and CRR Holders set forth in the CAISO Tariff. Nothing in this Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the CRR Entity Agent on behalf of its aggregated CRR Entities to oppose or protest the specific imposition by the CAISO of any FERC-approved penalty on the CRR Entity Agent or any CRR Entity.
- 5.2 Corrective Measures.** If the CRR Entity Agent or the CAISO fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff, the CAISO or the CRR Entity Agent shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff as it pertains to this Agreement, which the Party seeking enforcement deems to be necessary to correct the situation.

ARTICLE VI COSTS

- 6.1 Operating and Maintenance Costs.** The CRR Entity Agent shall be responsible for all its costs and any costs of its aggregated CRR Entities incurred in connection with all its CRR related activities.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated CRR Entities and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE VIII
REPRESENTATIONS AND WARRANTIES**

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law, and that the proper agreements providing for the CRR Entity Agent relationship with each aggregated CRR Entity, including, but not limited to, the MSSAA, are in full force and effect.

**ARTICLE IX
LIABILITY**

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to one or more aggregated CRR Entities and/or the CRR Entity Agent (as applicable), and references to the CAISO Tariff shall be read as references to this Agreement. Further, in reliance on the agency relationship between the CRR Entity Agent and each aggregated CRR Entity, CAISO shall treat the CRR Entity Agent as the CRR Entity and shall not be liable to any aggregated CRR Entity for any claims, liabilities, or errors arising from this agency relationship, including, but not limited to, CRR ownership or Settlement Accounts, unless the CAISO causes such claim(s), liability(ies) or error(s) due to its gross negligence or willful conduct.

**ARTICLE X
UNCONTROLLABLE FORCES**

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated CRR Entities and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XI
MISCELLANEOUS**

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff and other CAISO Tariff requirements as applied to Candidate CRR Holders or CRR Holders. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes to Schedule 1 shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations,

in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: (i) any court of the State of California, (ii) any federal court of the United States of America located in the State of California, except to the extent subject to the protections of the Eleventh Amendment of the United States Constitution or (iii), where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 11.8 Section Headings.** Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.
- 11.9 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or by a non-signatory entity shall also be the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.
- 11.10 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[INSERT NAME OF CRR ENTITY AGENT]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

NOTICES
[Section 11.2]

CRR Entity Agent

Name of Primary

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

CAISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

Name of Alternative
Representative:

Title:

Address:

City/State/Zip Code:

Email address:

Phone:

Fax:

SCHEDULE 2
SETTLEMENT ACCOUNT

[Section 4.3]

CRR Entity Agent Account Information

Settlement Account No:

Title:

Sort Code:

Bank:

SCHEDULE 3

[Pro Rata Load Share per Aggregated LSE]

[Section 4.4]

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned docket. Dated at Folsom, California on this 30th day of April, 2007.

/s/ Anna A. McKenna

Anna A. McKenna