

2.2.7 and that it is capable of complying with the requirements of all ISO Protocols;

- (b) identify each of the Eligible Customers (including itself if it trades for its own account) which it is authorized to represent as Scheduling Coordinator and confirm that the metering requirements under Section 10 are met in relation to each Eligible Customer for which it is submitting bids under this ISO Tariff;
- (c) confirm that each of the End-Use Customers it represents is eligible for Direct Access;
- (d) confirm that none of the Wholesale Customers it represents is ineligible for wholesale transmission service pursuant to the provisions of FPA Section 212(h);
- (e) demonstrate to the ISO's reasonable satisfaction that it meets the financial criteria set out in Section 2.2.3.2;
- (f) enter into an SC Agreement with the ISO; and
- (g) provide NERC tagging data.

2.2.3.2 Each Scheduling Coordinator, UDC or MSS shall either maintain an Approved Credit Rating (which may differ for different types of transactions with the ISO) or provide in favor of the ISO one of the following forms of security for an amount to be determined by the Scheduling Coordinator, UDC or MSS and notified to the ISO under Section 2.2.7.3:

- (a) an irrevocable and unconditional letter of credit confirmed by a bank or financial institution reasonably acceptable to the ISO;
- (b) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the ISO;
- (c) an unconditional and irrevocable guarantee by a company which has and maintains an Approved Credit Rating;

- (d) a cash deposit standing to the credit of an interest bearing escrow account maintained at a bank or financial institution designated by the ISO;
- (e) a certificate of deposit in the name of the ISO from a financial institution designated by the ISO; or
- (f) a payment bond certificate in the name of the ISO from a financial institution designated by the ISO.

Letters of credit, guarantees, surety bonds, payment bond certificates, escrow agreements and certificates of deposit shall be in such form as the ISO may reasonably require from time to time by notice to Scheduling Coordinators, UDCs or MSSs. A Scheduling Coordinator, UDC or MSS which does not maintain an Approved Credit Rating shall be subject to the limitations on trading set out in Section 2.2.7.3.

2.2.3.3 Review of Creditworthiness.

The ISO may review the creditworthiness of any Scheduling Coordinator which delays or defaults in making payments due under the ISO Tariff and, as a consequence of that review, may require such Scheduling Coordinator, whether or not it has (or is deemed to have) an

Approved Credit Rating, to provide credit support in the form of:

- (a) an irrevocable and unconditional letter of credit by a bank or financial institution reasonably acceptable to the ISO;
- (b) a cash deposit standing to the credit of an interest-bearing escrow account maintained at a bank or financial institution designated by the ISO;
- (c) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the ISO; or

- (d) a payment bond certificate in the name of the ISO from a financial institution designated by the ISO.

The ISO may require the Scheduling Coordinator, UDC or MSS to maintain such credit support for at least one (1) year from the date of such delay or default.

2.2.4 Certification Procedure.

2.2.4.1 The ISO shall certify Scheduling Coordinators in accordance with the following application procedure. An SC Applicant shall furnish the ISO with the following:

- (a) a completed SC Application Form; and

ISO shall reject that Schedule provided that Scheduling Coordinators shall have an opportunity to validate their Schedules prior to the deadline for submission to the ISO by requesting such validation prior to the applicable deadline.

2.2.7.3 Limitation on Trading. A Scheduling Coordinator, UDC or MSS that does not maintain an Approved Credit Rating, as defined with respect to either payment of the Grid Management Charge, or payment of other charges, shall maintain security in accordance with Section 2.2.3.2. For the avoidance of doubt, the ISO Security Amount is intended to cover the entity's outstanding liability for either (i) Grid Management Charge; and/or (ii) Imbalance Energy, Ancillary Services, Grid Operations Charge, Wheeling Access Charge, High Voltage Access Charge, Transition Charge, and Usage Charges. Each Scheduling Coordinator, UDC or MSS required to provide an ISO Security Amount under Section 2.2.3.2 shall notify the ISO of the initial ISO Security Amount (separated into amounts securing payment of the Grid Management Charge and amounts securing payment of other charges) that it wishes to provide at least fifteen (15) days and shall ensure that the ISO has received such ISO Security Amount prior to the date the Scheduling Coordinator commences trading or the UDC or MSS commences receiving bills for the High Voltage Access Charge and Transition Charge. A Scheduling Coordinator, UDC or MSS may at any time increase its ISO Security Amount by providing additional guarantees or credit support in accordance with Section 2.2.3.2. A Scheduling Coordinator, UDC or MSS may reduce its ISO Security Amount by giving the ISO not less than fifteen (15) days notice of the reduction, provided that the Scheduling Coordinator, UDC or MSS is not then in breach of this Section 2.2.7.3. The ISO shall release, or permit a reduction in the amount of, such guarantees or other credit support required to give effect to a permitted reduction in the ISO Security Amount as the Scheduling Coordinator, UDC or MSS may select.

Following the date on which a Scheduling Coordinator commences trading, the Scheduling Coordinator shall not be entitled to submit a Schedule to the ISO and the ISO shall reject any Schedule submitted if, at the time of submission, the Scheduling Coordinator's ISO Security Amount is exceeded by the Scheduling Coordinator's

estimated aggregate liability for (i) Grid Management Charge, and/or Imbalance Energy, Ancillary Services, Grid Operations Charge, Wheeling Access Charge, and Usage Charges on each Trading Day for which Settlement has not yet been made in accordance with Section 11.3.1 and the Scheduling Coordinator's estimated liability for High Voltage Access Charge and Transition Charge for which Settlement has not yet been made in accordance with Section 11.3. The ISO shall notify a Scheduling Coordinator if at any time such outstanding liabilities exceed 90% of the relevant portion of the ISO Security Amount. For the purposes of calculating the Scheduling Coordinator's liability, for any Trading Day for which all relevant Settlement data is not yet available, calculation of the Scheduling Coordinator's liability shall be equal to the gross Energy (in kWh) scheduled for delivery to Gross Load by the Scheduling Coordinator on that Trading Day multiplied by (i) the Grid Management Charge rate per kWh, (ii) the ISO's estimated average cost for Imbalance Energy, Ancillary Services and Usage Charges per kWh of Energy traded, as such estimated cost is notified by the ISO to Scheduling Coordinators from time to time, and each calculated with regard to the relevant portion of the ISO Security Amount. Following the date on which a UDC or MSS commences operation, the UDC's or MSS's Scheduling Coordinator shall not be entitled to submit a Schedule to the ISO and the ISO shall reject any Schedule submitted if, at the time of submission, the UDC's or MSS's ISO Security Amount is exceeded by the UDC's or MSS's estimated aggregate liability for High Voltage Access Charges and Transition Charges for which Settlement has not yet been made in accordance with Section 11.3. The ISO shall notify a UDC or MSS if at any time such outstanding liability exceeds 90% of the ISO Security Amount. For

mismatch as to quantities and provided that there is no dispute as to whether the mismatched trade occurred or over its location, the ISO will adjust the Schedule containing the higher quantity to match the scheduled quantity of Energy in the other Schedule, except where the Schedule to be reduced contains only Inter-Scheduling Coordinator Energy Trades, in which case the ISO will adjust the other Schedule to match the Schedule containing the higher quantity. If there is a dispute between the Scheduling Coordinators as to whether the Inter-Scheduling Coordinator Energy Trade occurred or over its location, the ISO will remove the disputed trade from the Schedules in which it appears. The ISO will then balance the Schedules which are no longer Balanced Schedules by adjusting resources in the relevant Scheduling Coordinator's portfolio in accordance with the procedures detailed in the ISO Protocols.

2.2.11.3.5 The Generating Unit or Dispatchable Load that the source or recipient of Energy traded.

2.2.11.3.6 The MW and \$/MWh values representing the Adjustment Bid for any Generating Unit or Dispatchable Load that is the source or recipient of Energy traded.

2.2.11.4 For Self Provided Ancillary Services: Scheduling Coordinators electing to self provide Ancillary Services shall supply the information referred to in Section 2.5.20.5 in relation to each Ancillary Service to be self provided.

2.2.11.5 For Interruptible Imports: the quantity (in MWh) of Energy categorized as Interruptible Imports and whether the Scheduling Coordinator intends to self provide the Operating Reserve required by Section 2.5.3.2 to cover such Interruptible Imports or to purchase such Operating Reserve from the ISO.

2.2.15 Verification of Information.

The ISO shall be entitled to take all reasonable measures to verify that Scheduling Coordinators meet the technical and financial criteria set forth in Section 2.2.3 hereof and the accuracy of information submitted to the ISO pursuant to Section 2.2.11.

2.2.16 Relationship Between ISO and Participating Loads

The ISO shall only accept bids for Supplemental Energy or Ancillary Services, or Schedules for self-provision of Ancillary Services, from Loads if such Loads are Participating Loads which meet standards adopted by the ISO and published on the ISO Home Page. The ISO shall not schedule Energy or Ancillary Services from a Participating Load other than through a Scheduling Coordinator.

2.3 System Operations under Normal and Emergency Operating Conditions.

2.3.1 ISO Control Center Operations.

2.3.1.1 ISO Control Center.

2.3.1.1.1 Establish ISO Control Center. The ISO shall establish a WSCC approved Control Area and control center to direct the operation of all facilities forming part of the ISO Controlled Grid, Reliability Must-Run Units and Generating Units providing Ancillary Services.

2.3.1.1.2 Establish Back-up Control Facility. The ISO shall establish back-up control facilities remote from the ISO Control Center sufficient to enable the ISO to continue to direct the operation of the ISO Controlled Grid, Reliability Must-Run Units and Generating Units providing Ancillary Services in the event of the ISO Control Center becoming inoperable.

Service Energy bids, issue Dispatch instructions to Scheduling Coordinators to reduce Generation and imports for the next operating hour.

2.3.4.2 To the extent that there are insufficient decremental Energy bids available for the operating hour to fully mitigate the Overgeneration condition, the ISO will notify Scheduling Coordinators of the projected amount of Overgeneration to be mitigated in that hour.

2.3.4.3 In addition to the action taken under 2.3.4.2, the ISO will, if it considers it necessary to maintain the reliable operation of the ISO Control Area, offer Energy for sale on behalf of Scheduling Coordinators to adjacent Control Area operators at the estimated Beep Interval Ex Post Price or, if the ISO considers it necessary, at a price established by the ISO on behalf of Scheduling Coordinators, to be paid to adjacent Control Area operators.

2.3.4.4 [Not Used]

2.3.4.5 To the extent that the above steps fail to fully mitigate the Overgeneration, the ISO will issue mandatory Dispatch instructions for specific reductions in

