

5.2.7.1.3 If the Responsible Utility disputes a final Estimated RMR Invoice, final Adjusted RMR Invoice, or Responsible Utility invoice based in whole or in part on an alleged error by the ISO or breach or default of the ISO's obligations to the Responsible Utility, the Responsible Utility shall notify the ISO of such dispute prior to the later to occur of (i) the date 12 months following the date on which the ISO submitted such invoice to the Responsible Utility for payment or (ii) the date 60 days following the date on which a final report is issued in connection with an operational audit, pursuant to Section 12.2.2, of the ISO's performance of its obligations to Responsible Utilities under this Section 5.27 conducted by an independent third party selected by the ISO Governing Board and covering the period to which such alleged dispute relates. The ISO or any Responsible Utility shall have the right to request, but not to require, that the ISO Governing board arrange for such an operational audit at any time.

5.2.7.1.4 Notwithstanding Article 13, any Responsible Utility dispute relating to a Responsible Utility Invoice, a final Estimated Invoice, a final Adjusted Invoice, or a RMR Charge, RMR Payment or RMR Refund as defined in Annex 1 to the Settlement and Billing Protocol, shall be resolved through the dispute resolution process specified in the relevant RMR Contract. If the Responsible Utility fails to notify the ISO of any dispute as provided above, it shall be deemed to have validated the invoice and waived its right to dispute such invoice.

5.2.7.2 The RMR Owner shall, to the extent set forth herein, be a third party beneficiary of, and have all rights that the ISO has under the ISO Tariff, at law, in equity or otherwise, to enforce the Responsible Utility's obligation to pay all sums

invoiced to it in the Responsible Utility invoices but not paid by the Responsible Utility, to the extent that , as a result of the Responsible Utility's failure to pay, the ISO does not pay the RMR Owner on a timely basis amounts due under the Reliability Must-Run Contract. The RMR Owner's rights as a third party beneficiary shall be no greater than the ISO's rights and shall be subject to the dispute resolution process specified in the relevant RMR Contract. Either the ISO or the RMR Owner (but not both) will be entitled to enforce any claim arising from an unpaid Responsible Utility invoice, and only one party will be a "disputing party" under the dispute resolution process specified in the relevant RMR Contract with respect to such claim so that the Responsible Utility will not be subject to duplicative claims or recoveries. The RMR Owner shall have the right to control the disposition of claims against the Responsible Utility for nonpayments that result in payment defaults by the ISO under a Reliability Must-Run Contract. To that end, in the event of nonpayment by the Responsible Utility of amounts due under the Responsible Utility invoice, the ISO will not take any action to enforce its rights against the Responsible Utility unless the ISO is requested to do so by the RMR Owner. The ISO shall cooperate with the RMR Owner in a timely manner as necessary or appropriate to most fully effectuate the RMR Owner's rights related to such enforcement, including using its best efforts to enforce the Responsible Utility's payment obligations if, as, to the extent, and within the time frame, requested by the RMR Owner. The ISO shall intervene and participate where procedurally necessary to the assertion of a claim by the RMR Owner.

fees and any other payments to which the ISO is liable under Reliability Must-Run Contracts.

5.2.8 Responsibility for Reliability Must-Run Charge The costs incurred by the ISO under each Reliability Must-Run Contract shall be payable to the ISO by the Responsible Utility in whose Service Area the Reliability Must-Run Generating Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Generating Unit is located outside the Service Area of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose Service Areas are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the ISO.

5.3 Identification of Generating Units.

Each Generator shall provide data identifying each of its Generating Units and such information regarding the capacity and the operating characteristics of the Generating Unit as may be reasonably requested from time to time by the ISO.

5.4 Generator Performance Standard.

Participating Generators shall, in relation to each of their Generating Units, meet all applicable WSCC standards including any standards regarding governor response capabilities, use of power system stabilizers, voltage control capabilities and hourly Energy delivery. Unless otherwise agreed by the ISO, a Generating Unit must be capable of operating at capacity registered in the ISO Controlled Grid interconnection data, and shall follow the voltage schedules issued by the ISO from time to time.

In the event no Adjustment Bids or Imbalance Energy bids are available, the ISO will exercise its authority to direct the redispatch of resources.

7.2.6.3 Cost of Intra-Zonal Congestion Management. The net of the amounts paid by the ISO to the Scheduling Coordinators and the amounts charged to the Scheduling Coordinators will be calculated and charged to all Scheduling Coordinators through a Grid Operations Charge, as described in Section 7.3.2.

7.2.7 Creation, Modification and Elimination of Zones.

7.2.7.1 Active Zones. The Active Zones are as set forth in Appendix I to this ISO Tariff.

7.2.7.2 Modifying Zones. The ISO shall monitor usage of the ISO Controlled Grid to determine whether new Zones should be created, or whether existing Zones should be eliminated, in accordance with the following procedures.

7.2.7.2.1 If over a 12-month period, the ISO finds that within a Zone the cost to alleviate the Congestion on a path is equivalent to at least 5 percent of the product of

will be paid or charged based on the Adjustment Bids or Imbalance Energy bids that they have provided to the ISO. The net redispatch cost will be recovered for each Settlement Period through the Grid Operations Charge, which shall be paid to the ISO by all Scheduling Coordinators in proportion to their metered Demands within the Zone with Intra-Zonal Congestion, and scheduled exports from the Zone with Intra-Zonal Congestion to a neighboring Control Area.

7.4 Transmission Losses.

7.4.1 Obligation to Provide for Transmission Losses.

Each Scheduling Coordinator shall ensure that it schedules sufficient Generation to meet both its Demand and Transmission Losses responsibilities as determined in accordance with this Section 7.4.

7.4.2 Determination of Transmission Losses.

The total Demand that may be served by a Generating Unit, in a given hour, taking account of Transmission Losses, is equal to the product of the total Metered Quantity of that Generating Unit in that hour and the Ex Post Generation Meter Multiplier calculated by the ISO in the hour for that Generator location except in accordance with Section 7.4.3. The Ex Post Generation Meter Multiplier shall be greater than one (1) where the Generating Unit's contribution to the ISO Controlled Grid reduces Transmission Losses and shall be less than one (1) where the Generating Unit's contribution to the system increases Transmission Losses. All Generating Units supplying Energy to the ISO Controlled Grid at the same electrical bus shall be assigned the same Ex Post Generation Meter Multiplier.

7.4.2.1 Procedures for Calculating Generation Meter Multiplier.

7.4.2.1.1 By 6:00 p.m. two days preceding a Trading Day, the ISO will calculate, and post on WEnet, an estimated Generation Meter Multiplier for each electrical bus at which one or more Generating Units may supply Energy to the ISO Controlled Grid. The Generation Meter Multipliers shall be determined utilizing the Power Flow Model based upon the ISO's forecasts of total Demand for the ISO Controlled Grid and Demand and Generation patterns throughout the ISO Controlled Grid. The ISO shall continuously update the data to be used in calculating the Generation Meter Multipliers to reflect changes in system conditions on the ISO Controlled Grid, and the ISO shall provide all Scheduling Coordinators with access to such data. The ISO shall not be required to determine new Generation Meter Multipliers for each hour; the ISO will determine the appropriate period for which each set of Generation Meter Multipliers will apply, which period may vary based upon the expected frequency and magnitude of changes in system conditions on the ISO Controlled Grid.

7.4.2.1.2 The ISO will calculate the Ex Post Generation Meter Multiplier for each electrical bus at which one or more Generating Units may supply Energy to the ISO Controlled Grid. The Ex Post Generation Meter Multipliers shall be determined utilizing the Power Flow Model based upon the ISO's total Demand for the ISO Controlled Grid and Demand and Generation patterns throughout the ISO Controlled Grid. The ISO's total Demand shall be determined using real time power flow data based on a state-estimation result.

7.4.2.2 Methodology for Calculating Generation Meter Multiplier. The ISO shall calculate the Generation Meter Multiplier for each Generating Unit location in a given hour by subtracting the Scaled Marginal Loss Rate from 1.0.

7.4.2.2.1 The Scaled Marginal Loss Rate for a given Generating Unit location in a given hour shall equal the product of (i) the Full Marginal Loss Rate for each Generating Unit location and hour, and (ii) the Loss Scale Factor for such hour.

7.4.2.2.2 The ISO shall calculate the Full Marginal Loss Rate for each Generating Unit location for an hour by utilizing the Power Flow Model to calculate the effect on

total Transmission Losses for the ISO Controlled Grid of injecting an increment of Generation at each such Generating Unit location to serve an equivalent incremental MW of Demand distributed on a pro-rata basis throughout the ISO Controlled Grid.

7.4.2.2.3 The ISO shall determine the Loss Scale Factor for an hour by determining the ratio of forecast Transmission Losses to the total Transmission Losses which would be collected if Full Marginal Loss Rates were applied to each Generating Unit in that hour.

7.4.3 In the event that the Power Flow Model fails to determine Ex Post GMMs, for example if GMMs are outside the range of reasonability (typically 0.8 to 1.1), the ISO will use Default GMMs in their place.

9 FIRM TRANSMISSION RIGHTS

9.1 General

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

9.2 Characteristics of Firm Transmission Rights

9.2.1 Each FTR shall be defined by a transmission path from an originating Zone to a contiguous receiving Zone. Each FTR shall entitle the FTR Holder to a share of Usage Charges attributable to Inter-Zonal Congestion for transfers on that path from the designated originating Zone to the designated receiving Zone in accordance with Section 9.6. An FTR is a right in one direction only. An FTR Holder shall not be entitled to share in (i) Usage Charges attributable to Inter-Zonal Congestion from the designated receiving Zone to the designated originating Zone; or (ii) Usage Charges payable in accordance with Section 7.3.1.5.1 to a Scheduling Coordinator that counter-schedules from the designated originating Zone to the designated receiving Zone.

9.2.2 The ISO Governing Board shall, from time to time, approve the amount of FTRs to be auctioned for each FTR Market and the ISO shall publish this information on the ISO Home Page at least 30 days prior to the auction. The ISO may issue FTRs in one or more auctions in any year so long as the total FTRs for any interface do not exceed the maximum amount permitted in Section 9.3.

9.2.2.1 Should the ISO create additional Zones or otherwise change the ISO's defined Inter-Zonal Interface, and if such changes would affect outstanding FTRs, such changes will not take effect prior to the expiration date of any such outstanding FTRs. The ISO shall also publish an announcement of any such pending changes on the ISO Home Page at least 30 days prior to the applicable FTR auction.

9.2.2.2 Any additional FTRs auctioned as a result of changes in the ISO's defined Inter-Zonal Interfaces shall not affect the rights associated with existing FTRs.

9.2.3 Each FTR shall be issued in the denomination of 1 MW. The initial release of FTRs shall start with the hour beginning at 12:00 a.m., on February 1, 2000 and end with the hour beginning at 11:00 p.m., on March 31, 2001. An FTR shall not afford the FTR Holder any right to share in Usage Charges attributable to Inter-Zonal Congestion occurring in any hour before or after the term of the FTR.

9.2.4 The portion of the Usage Charges to which the FTR Holder is entitled shall be determined in accordance with Section 9.6.

9.2.5 FTR Holders shall be entitled to priority in the scheduling of Energy in the Day-Ahead Market as specified in Section 9.7.

9.2.6 Any entity, with the exception of the ISO, shall be eligible to acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, or by purchasing FTRs in secondary markets. To participate in the ISO's auction of FTRs, an entity must either be a certified Scheduling Coordinator or have met financial requirements equivalent to the financial certification criteria required of all Scheduling Coordinators. An entity may not acquire FTRs with a total value that exceeds the financial security proved by that entity to the ISO. In addition, an FTR Bidder must have, or have access to, the necessary technical equipment to participate in the electronic auction.

9.2.7 All entities which acquire FTRs by participating in the ISO's auction of FTRs, as described in Section 9.4, or by purchasing FTRs in secondary markets, must register as an FTR Holder with the ISO. To complete this registration, the FTR Holder must notify the ISO, through the form specified for that purpose by the ISO, of all Affiliates of the FTR Holder that are themselves FTR Holders or Market Participants. The requirement that an FTR Holder notify the ISO of all Affiliates that are FTR Holders or Market Participants is continuing for as long as the FTR Holder owns FTRs, and FTR Holders must provide the ISO with supplemental notification concerning FTR Holders and/or Market Participants that become affiliated with the FTR Holder or Affiliates that subsequently become FTR Holders or Market Participants in order to satisfy this requirement.

9.3 Maximum Number of Firm Transmission Rights

9.3.1 On each Inter-Zonal Interface and direction combination for which FTRs are issued, the ISO shall issue a number of FTRs that is less than or equal to the difference between:

- (i) The WSCC approved path rating of the interface in the direction from the originating zone to the receiving zone or, if the interface has not received a WSCC approved rating, a rating determined by a methodology that is consistent with the WSCC's rating methodology; and

(ii) The portion of the transfer capability of the interface available for transmission scheduling under Existing Contracts as Existing Rights, and ensures the ISO's ability to honor all of its FTRs simultaneously under normal operating conditions.

9.4 Issuance of Firm Transmission Rights by the ISO by Auction

9.4.1 The ISO shall make FTRs available by conducting an annual primary auction of FTRs, commencing approximately two months before the beginning of the term of the FTRs; provided, however that for the initial FTR release, the primary auction shall be as determined by the ISO Board of Governors. The auction of FTRs shall be a simultaneous multi-round, clearing price auction conducted separately and independently, as set forth in Section 9.4.2, for each FTR Market. In addition, if the ISO Governing Board decides to make available, between annual auctions, FTRs in addition to those that were purchased in the last annual auction, the ISO may conduct additional auctions of such FTRs in accordance with Section 9.4.2. The term of such FTRs shall only be for the remaining duration of the FTR term defined for the primary auction applicable to the year during which they were issued.

9.4.2 The ISO shall conduct the auction of FTRs through the following procedures:

9.4.2.1 At least thirty (30) days prior to the scheduled start of the auction, the ISO shall post on the ISO Home Page the following information:

- (i) the number of FTRs to be issued for each FTR Market;
- (ii) the starting bid price at which FTRs will be made available in each FTR Market in the first round of the auction, which price will be set in each FTR Market at a level equal to the greater of (a) \$100 per MW-year; (b) twenty (20) percent of the ratio

of the net Usage Charges collected by the ISO with respect to that FTR Market in the most recent twelve-month period for which data are available to the total MW-years of Energy scheduled over the Inter-Zonal Interface in the relevant direction during that period; or (c) twenty (20) percent of the ratio of the net Grid Operation Charges (for new Inter-Zonal Interfaces that previously were transmission paths within a Zone) collected by the ISO in the most recent twelve-month period for which data are available to the total MW-years of Energy scheduled over the transmission paths in the relevant direction during that period, provided that, if data are available for only a portion of the twelve-month period, such data shall be used on annualized basis; provided that, if data are available for only a portion of the twelve-month period, such data shall be used on annualized basis;

- (iii) the formula through which the ISO will determine how much to adjust the price of FTRs in each FTR Market for subsequent rounds of the auction, including the initial coefficients to be used in the formula and the range over which the coefficients may be adjusted in accordance with Section 9.4.2.3;
- (iv) the date and time prior to the commencement of the auction by which each entity desiring to bid on FTRs must have satisfied the necessary financial requirements as outlined in Section 9.2.6;

- (v) the specifications for the technical equipment necessary to participate in the auction, which will be conducted electronically, the date and time by which bids must be submitted in the first round of the auction, which shall be the same for all FTR Markets, and the form and format in which bids must be submitted; and
- (vi) a schedule for the conduct of subsequent rounds of the auction, including the interval between rounds of the auction and the anticipated duration of the auction.

9.4.2.2 On or before the date specified in Section 9.4.2.1(v), any entity desiring to obtain FTRs in the ISO's auction must submit, via equipment satisfying the technical requirements specified in accordance with Section 9.4.2.1(v), a bid for each FTR Market in which the entity desires to participate, specifying the number of FTRs the entity is willing to purchase at the price specified in Section 9.4.2.1(ii). All individual bids will remain confidential throughout all rounds of the auction in each FTR market. Once submitted to the ISO, a bid for FTRs in any round of an auction may not be cancelled or rescinded by the FTR Bidder. The ISO shall announce simultaneously to all FTR Bidders the total quantity of FTRs for which valid bids are submitted for each FTR Market.

9.4.2.3 In each round of the auction following the first round, the ISO will increase the price at which FTRs are made available in each FTR market in accordance with the formula posted in accordance with Section 9.4.2.1(iii), or in accordance with any adjustment to the coefficients in that formula that is announced by the ISO to the FTR Bidders at least one round in advance of the round for which the adjustment is made. Price increases need not be uniform for all FTR Markets. In the case of an FTR Market in which the demand for FTRs in the preceding round is less than or equal to the quantity of FTRs being made available, the price shall not increase and the auction for that FTR Market shall close. After each round of the auction, the ISO shall announce simultaneously to all FTR Bidders the total quantity of FTRs for which valid bids were submitted in each FTR Market, whether the auction for each FTR Market is closed, and, the revised prices for the following round of the auctions that remain open. Within the timeframe set by the ISO in accordance with Section 9.4.2.1(vi), each FTR Bidder may submit bids for the quantity of FTRs it desires to purchase in each FTR Market at the revised price, provided that an FTR Bidder may not bid for a number of FTRs in an FTR Market that exceeds the total number of FTRs in that FTR Market for which that entity submitted bids in the preceding round of the auction. The ISO shall conduct subsequent rounds of the auction in each FTR Market until the demand for FTRs in the FTR Market is less than or equal to the quantity of FTRs being made available, at which point the auction shall be closed in that FTR Market.

9.4.2.4 Subject to Section 9.4.2.5, each successful FTR Bidder shall receive a number of FTRs in each FTR market equal to the number of FTRs for which it bid in the last round of the auction for that FTR Market.

9.4.2.5 For any FTR Market in which, when the auction has closed, the number of FTRs being made available exceeds the demand for FTRs in that FTR Market in the last round of the auction, each FTR Bidder shall be awarded a number of FTRs determined in accordance with the following formula, provided that, if the number of FTRs that would be awarded under the formula to an FTR bidder that did not submit a bid in the last round of the auction is less than five percent (5%) of the initial bid submitted by that FTR Bidder for the FTR Market, that FTR Bidder shall have the option of declining the award of FTRs resulting from the formula:

$$N = B + [(R / TR) * D]$$

where

N = The total number of FTRs awarded to an FTR Bidder for an FTR Market, which shall be in whole MWs and shall not exceed the number of FTRs for which that FTR Bidder bid in the round preceding the final round of the auction;

B = The number of FTRs for which an FTR Bidder bid in the final round of the auction for the FTR Market in accordance with Section 9.4.2.4 (or zero, if the FTR Bidder did not bid in that round);

R = The difference between the number of FTRs for which the FTR Bidder bid in the round preceding the final round of the auction and B, but not less than zero;

TR = The total of the demand reductions (R) for all FTR Bidders that submitted bids in the last round of the auction (treating the failure by an FTR Bidder to submit a bid as a bid of zero); and

D = The difference between the total demand for FTRs in the final round of the auction and the quantity of FTRs being made available for the FTR Market.

9.4.2.6 The price of FTRs in an FTR Market shall be the last price at which the demand for FTRs in the FTR Market exceeded or equaled the quantity of FTRs being made available pursuant to Section 9.4.2.1(i), except that, if the demand for FTRs in an FTR Market in the first round of the auction was less than the quantity of FTRs being made available for that FTR Market, the price of FTRs in that FTR Market shall be the first round price and each FTR Bidder in that FTR Market will receive a number of FTRs equal to the quantity of bids they submitted in the first round. Any remaining FTRs in that FTR Market will not be awarded in that auction.

9.4.2.7 Each FTR Bidder shall pay the ISO an amount equal to the sum, for all FTR Markets, of the products of the FTR price in each FTR Market (determined in accordance with Section 9.4.2.6) and the total quantity of FTRs awarded to that FTR Bidder in that FTR Market (determined in accordance with Section 9.4.2.4 or Section 9.4.2.5, as applicable). FTR Bidders shall pay the amount determined in accordance with the foregoing sentence within ten

(10) business days of receiving an invoice from the ISO by making payment to the ISO Clearing Account in accordance with Section 11.10. If the FTR Bidder fails to make timely payment of the full amount due, the ISO may enforce any guarantee, letter of credit or other credit support provided by the defaulting FTR Bidder in accordance with Section 9.4.2.7 and, if the ISO is required to institute proceedings to collect any unpaid amount, the defaulting FTR Bidder shall pay interest on the unpaid amount at the ISO Default Interest Rate for the period from the Payment Date until the date on which payment is remitted to the ISO Clearing Account.

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

9.5.1 For each Inter-Zonal Interface and direction for which an FTR is defined, the total proceeds received by the ISO through the auction described in Section 9.4 shall be allocated and paid by the ISO to the Participating TO that is entitled in accordance with Section 7.3.1.6 to receive Usage Charge revenues with respect to the corresponding Inter-Zonal Interface. Each Participating TO shall credit its FTR auction proceeds against its Access Charge.

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

9.6 Distribution of Usage Charges to FTR Holders

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

Day-Ahead Market for the transfer of 1 MW from the originating Zone to the receiving Zone during each hour in which Usage Charges apply, multiplied by the number of FTRs owned by that FTR Holder, subject to adjustment in accordance with Section 9.6.3.

9.6.2 In addition, an FTR holder shall be entitled to receive a portion of the additional net Usage Charges related to Inter-Zonal Congestion calculated by the ISO in the Hour-Ahead Market and collected by the ISO with respect to the Inter-Zonal Interface and direction combination for which the FTR was defined. The FTR Holder shall receive a portion of the net Usage Charges in the Hour-Ahead Market proportionate to the share of the Usage Charges it received in the Day-Ahead Market in accordance with Section 9.6.1.

9.6.3 When the Day Ahead scheduling capability of an Inter-Zonal Interface and direction is less than its scheduling capacity, determined in accordance with Section 9.3, prior to the Day-Ahead Market, the entitlements of FTR Holders associated with that FTR Market to Usage Charge revenues shall not be reduced until and unless the entitlements of Participating TOs associated with that FTR Market to Usage Charge revenues in accordance with Section 7.3.1.6 have been reduced to zero. In that event, the financial entitlements associated with the corresponding FTRs shall be multiplied by a factor equal to the amount of scheduling capability available to FTR Holders divided by the number of FTRs. When the Day Ahead scheduling capability of an Inter-Zonal Interface and direction is greater than its scheduling capacity, determined in accordance with Section 9.3, prior to the Day Ahead Market, the entitlements of FTR Holders associated with that FTR market to Usage Charge revenues shall not be increased.

9.6.4 When the congestion Usage Charges calculated and collected by the ISO from both the Hour-Ahead Market with respect to transfers across an Inter-Zonal Interface in a particular

direction result in a net obligation to the ISO, in the circumstances described in Section 7.3.1.7, the provisions of this Section 9.6 shall continue to apply, and FTR Holders shall be required to pay the ISO these amounts.

9.6.5 The ISO will calculate the congestion Usage Charge revenues to be credited or debited to the account of each FTR Holder on an hourly basis. Such calculation will identify the Inter-Zonal Interface and direction to which each credit or debit applies.

9.7 Scheduling Priority of FTR Holders

9.7.1 FTRs will not affect the ISO's dispatch and operation of the ISO Controlled Grid except that each FTR Holder will have a priority, as described in this Section 9.7, for the scheduling of Energy in the Day-Ahead Market when an Inter-Zonal Interface experiences Inter-Zonal Congestion in the direction for which its FTR is defined. Any FTRs not used in Preferred Schedules in the Day-Ahead Market for any hour have no scheduling priority for that hour in the trading day. FTR Holders shall have no scheduling priority in the Hour-Ahead Market or in real time operations.

9.7.2 When Inter-Zonal Congestion is experienced or projected to be experienced in the Day-Ahead Market, the ISO shall first attempt to relieve the Inter-Zonal Congestion using Adjustment Bids submitted by Scheduling Coordinators in accordance with Section 7.2.4.

9.7.2.1 If the ISO is unable to relieve the Day-Ahead Inter-Zonal Congestion using Adjustment Bids, then the ISO will allocate Day-Ahead inter-zonal transmission capacity first to schedules of Market Participants that are using Existing Contract rights that have higher scheduling priority than Converted Rights capacity and second to Market Participants who hold FTRs and have indicated to the ISO that they wish to exercise their scheduling priority option. The ISO will allocate any remaining transmission capacity to remaining Market Participants' schedules pro rata.

9.7.3 When the scheduling capability of an Inter-Zonal Interface is less than or greater than its normal scheduling capability prior to the Day-Ahead Market, as described in Section 9.6.3, the priority scheduling rights of FTR Holders, as described in Section 9.7.2, shall remain constant (in MWs) to the extent that the total scheduling rights of FTR Holders do not exceed the total Interface scheduling capability of the associated Inter-Zonal Interface after adjustments have been made for transmission capacity allocated to Existing Contract rights that have higher scheduling priority than Converted Rights. If the total Interface scheduling capability, adjusted for transmission capacity allocated to Existing Contract rights that have higher scheduling priority than Converted Rights, is less than the total of all scheduling capability represented by FTR holders who have chosen to exercise the FTR scheduling priority option, scheduling capability shall be allocated to FTR Holders pro rata.

9.7.4 The scheduling priority of FTR Holders:

- (i) Shall not apply in the Hour-Ahead Market or in real-time dispatch and operation of the ISO Controlled Grid;
- (ii) Shall not apply to any transfer of Energy other than a transfer across the Inter-Zonal Interface in the direction for which the FTR was defined during the hour or hours during which the circumstances described in Section 9.7.2.1 apply; and
- (iii) Shall not be transferable, except in connection with a transfer of the FTR that is registered with the ISO, as described in Section 9.8.

9.8 Assignment of Firm Transmission Rights

9.8.1 An FTR may be assigned, sold, or otherwise transferred by the FTR Holder to any entity eligible to be an FTR Holder in full MW increments, either for the entire term of the FTR or for any portion of that term providing, however, that any such transfer shall be in full hour

increments that correspond to the FTR issued to the FTR Holder. Both the FTR Holder of record and the entity to which the FTRs have been transferred shall register the transfer of the FTR with the ISO by notifying the ISO through the form specified for that purpose by the ISO, and within the number of business days following the transfer published by the ISO on the ISO Home Page and WEnet but no later than such time as the ISO shall specify before the deadline applicable to scheduling Energy in the Day-Ahead Market, of (i) the identity of the FTR Holder of record; (ii) the identity of the entity to which the FTRs have been transferred; (iii) the quantity and identification numbers of the FTRs being transferred and (iv) the portion of the term of the FTR for which they are transferred. The entity to which the FTRs have been transferred must also notify the ISO of all entities with which the transferee is affiliated that are FTR Holders or Market Participants as defined in the ISO Tariff, pursuant to Section 9.2.7. After the ISO receives such notices, the transferee shall be considered the FTR Holder of record with respect to the portion of the term of the FTR that is transferred. In order to use the Scheduling Priority of an FTR, pursuant to section 9.7, an FTR must be registered with the ISO.

9.8.2 The ISO shall publish on the ISO Home Page such information concerning the concentration of ownership of FTRs in each FTR Market as determined by the ISO Board of Governors from time to time.

9.8.3 To facilitate the operation of secondary markets in FTRs, the ISO shall post on WEnet and the ISO Home Page: (i) at the request of such entities, the identity of entities that hold FTRs that have been registered with the ISO, together with the quantity and identification numbers of the FTRs held by such entities; and (ii) the name and a contact telephone number or telecopy number of any entity that operates a secondary market in FTRs and that requests the ISO to post such information.