ATTACHMENT B

PROPOSED TARIFF AMENDMENT TO IMPLEMENT REVISED MSS PROPOSAL

[Section 3.3 will be deleted in its entirety and become Section 23 of the ISO Tariff. For ease of discussion, the following is a marked to show changes between the current Section 3.3 and the new Section 23. However, when the amendment is filed, Section 3.3 will show as a deletion in its entirety and Section 23 will show as an insert in its entirety.]

~~3.~~23 Metered Subsystems

~~3.~~23.1 General Nature of Relationship Between ISO and MSS

~~3.~~23.1.1 ~~A New Participating TO may qualify as a Metered Subsystem and may qualify itself or its designee as a MSS Operator in accordance with the Metered Subsystem Agreement. The ISO shall not be obligated to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from the MSS unless the relevant MSS Operator~~ An entity that is determined by the ISO to qualify as a Metered Subsystem and that undertakes in writing to the ISO to comply with all applicable provisions of the ISO Tariff ~~and applicable~~as specified in that written agreements as they may be amended from time to time, including, without limitation, the applicable provisions of this Section ~~3.~~23, shall be considered an MSS Operator and shall have the rights and obligations set forth in this Section 23. The ISO shall not be obligated to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from a Metered Subsystem unless the written undertaking of the MSS Operator of the Metered Subsystem has become effective.

~~3.~~23.2 Coordination of Operations. Each MSS Operator shall operate its MSS at all times in accordance with Good Utility Practice and Applicable Reliability Criteria, including WECC and NERC criteria, and in a manner which ensures safe and reliable operation. All information pertaining to the physical state or operation, maintenance and failure of the MSS affecting the operation of the ISO Control Area that is made available to the ISO by the MSS Operator shall also be made available to Scheduling Coordinators, provided that the ISO shall provide reasonable notice to the MSS Operator. The ISO shall not be required to make information

available to the MSS Operator other than information that is made available to Scheduling Coordinators.

~~3.~~2~~3~~.3 Coordinating Maintenance Outages of MSS Facilities. Each MSS Operator shall make appropriate arrangements to coordinate Outages of Generating Units in accordance with Section 5.~~or~~ Each MSS Operator shall make appropriate arrangements to coordinate Outages of transmission facilities forming part of its MSS that will have an effect, or are reasonably likely to have an effect, on any interconnection between the MSS and the system of ~~another~~ a Participating TO, prior to the submission by that Participating TO of its Maintenance Outage requirements under Section 2.3.3. The ISO will coordinate Outages of other Participating TOs transmission facilities that may ~~effect~~ affect the MSS.

~~3.~~2~~3~~.4 MSS Operator Responsibilities.

The MSS Operator's written undertaking to the ISO shall obligate the MSS Operator to comply with all provisions of the ISO Tariff, as amended from time to time, applicable to the UDCs, including, without limitation, the applicable provisions of Section 4 and Section 2.3.2. In addition, r~~R~~ecognizing the ISO's responsibility to promote the efficient use and reliable operation of the ISO Controlled Grid and the Control Area consistent with the Applicable Reliability Criteria, each MSS Operator shall:

~~3.~~2~~3~~.4.1 operate and maintain its facilities, in accordance with applicable safety and reliability standards, regulatory requirements, applicable operating guidelines, applicable rates, tariffs, statutes and regulations governing their provision of service to their End-Use Customers and Good Utility Practice so as to avoid any material adverse impact on the ISO Controlled Grid, it being understood that, if the MSS Operator does not so operate and maintain its facilities and the ISO concludes, after notice is provided to the MSS Operator, that such failure impairs or threatens to impair the reliability of the ISO Controlled Grid, the ISO may suspend MSS status, in accordance with this Section ~~3.~~23, until the MSS Operator demonstrates the ability and willingness to so operate and maintain its facilities;

~~3.~~23.4.2 provide the ISO Outage Coordination Office each year with a schedule of upcoming maintenance of facilities forming part of the MSS that will affect or is reasonably likely to affect the ISO Controlled Grid in accordance with Section 2.3.3.5;

~~3.~~23.4.3 coordinate with the ISO, ~~other~~ Participating TOs and Generators to ensure that ISO Controlled Grid Critical Protective Systems, including relay systems, are installed and maintained in order to function on a coordinated and complementary basis with the protective systems of the MSS, ~~other~~ Participating TOs and Generators and notify the ISO as soon as is reasonably possible of any condition of which it becomes aware that may compromise the ISO Controlled Grid Protective Systems;

~~3.~~23.4.4 be responsible for any Reliability Must-Run Generation and Voltage Support required for reliability of the MSS, including the responsibility for any costs of such Reliability Must-Run Generation, and Voltage Support and may satisfy this requirement through Generating Units owned by the MSS or under contract to the MSS;

~~3.~~23.4.5 be responsible for Black Start requirements for reliability of the MSS, however, if the MSS can self-provide this requirement, the MSS shall not pay its pro rata share of the Black Start requirement in accordance with Section 2.5.28.6; and

~~3.~~23.4.6 be responsible for Intra-Zonal Congestion Management and transmission line Outages within or at the boundary of the MSS, and all associated costs and not responsible for Intra-Zonal Congestion Management elsewhere in the zone except to the extent that a Scheduling Coordinator is delivering Energy to or from the MSS.

~~3.~~23.5 **Scheduling by or on behalf of a MSS Operator.** All Schedules submitted on behalf of an MSS Operator for the delivery of Energy and Ancillary Services to Loads connected to the MSS and for the delivery of Energy and Ancillary Services from Generating Units forming part of the MSS or System Units shall be submitted by a Scheduling Coordinator that complies with all applicable provisions of the ISO Tariff, which Scheduling Coordinator may be the MSS Operator, provided that the MSS Operator complies with all applicable requirements for Scheduling

Coordinators. A Scheduling Coordinator shall separately identify Schedules that it submits on behalf of an MSS Operator.

~~3.~~23.5.1 Without limiting the foregoing, the Scheduling Coordinator for the MSS must submit gross generation information for the System Unit, Generating Unit, and information regarding imports, exports and Gross Loads to the ISO in the format and in accordance with the timelines applicable to other Scheduling Coordinators.

~~3.~~23.5.2 The Scheduling Coordinator for the MSS will designate, in discrete quantities and with prices for both Ancillary Services and Energy: (1) Schedules in Day-Ahead and Hour-Ahead Energy markets (including schedules for internal Generation and internal Load within the MSS), (2) bids or self-provided Schedules for Regulation, Spinning Reserve, Non-Spinning Reserve, and Replacement Reserve capacity and associated bid Energy, (3) Adjustment Bids, (4) Supplemental Energy bids, or (5) any feasible combination thereof.

~~3.~~23.6 System Emergencies.

~~3.~~23.6.1 In the event a System Emergency occurs or the ISO determines that a System Emergency is threatened or imminent, each MSS Operator shall comply with all directions from the ISO concerning the avoidance, management and alleviation of the System Emergency and shall comply with all procedures concerning System Emergencies set forth in the ISO Tariff.

~~3.~~23.6.2 During a System Emergency, the ISO and the MSS Operator shall communicate through their respective control centers and in accordance with procedures established in the agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff.

~~3.~~23.6.3 The ISO has authority to suspend MSS control and direct, via communications with the MSS Operator, the operation of Generating Units within the MSS, including Generating Units that may comprise a System Unit, if such control is necessary to maintain ISO Controlled Grid reliability.

~~3.~~2~~3~~.7 Under Frequency Load Shedding (UFLS).

~~3.~~2~~3~~.7.1 Each agreement through which the MSS Operator undertakes to the ISO to comply with the provisions of the ISO Tariff shall describe the UFLS program for that MSS. The ISO and MSS Operator shall review the UFLS program periodically to ensure compliance with Applicable Reliability Criteria.

~~3.~~2~~3~~.7.2 The ISO shall perform periodic audits of each MSS's UFLS system to verify that the system is properly configured for each MSS.

~~3.~~2~~3~~.7.3 The ISO will use its reasonable endeavors to ensure that UFLS is coordinated among all MSSs and UDCs so that no MSS or UDC bears a disproportionate share of the ISO's UFLS program.

~~3.~~2~~3~~.7.4 In compiling its UFLS program, the ISO, at its discretion, may also coordinate with other entities, review and audit their UFLS programs and systems as described in Sections ~~3.~~2~~3~~.7.1 to ~~3.~~2~~3~~.7.3 and Sections 4.4.3.1 to 4.4.3.3, inclusive.

~~3.~~2~~3~~.7.5 The ISO shall have the authority to direct a MSS Operator to disconnect Load from the ISO Controlled Grid if necessary to avoid an anticipated System Emergency or to regain operational control over the ISO Controlled Grid during an actual System Emergency. The ISO shall direct the MSS Operator to shed Load in accordance with the prioritization schedule developed pursuant to Sections 2.3.2.6 and 4.5. When ISO Controlled Grid conditions permit restoration of Load, the ISO shall restore Load according to the prioritization schedule developed pursuant to Section 2.3.2.6 hereof. The MSS Operator shall restore Load internal to the MSS.

~~3.~~2~~3~~.8 Electrical Emergency Plan (EEP).

~~3.~~2~~3~~.8.1 The ISO shall in accordance with Section 2.3.2.4 hereof implement the Electrical Emergency Plan in consultation with the MSS Operator or other entities, at the ISO's discretion, when Energy reserve margins are forecast to be at the levels specified in the plan.

~~3.~~2~~3~~.8.2 Each MSS Operator will notify its End-Use Customers connected to the MSS's Distribution System of any voluntary curtailments notified to the MSS Operator by the ISO pursuant to the provisions of the EEP.

~~3.~~2~~3~~.8.3 If a Load curtailment is required to manage System Emergencies, the ISO will determine the amount and location of Load to be reduced pursuant to Section 4.5~~and to the extent practicable, will allocate a portion to each MSS based on the ratio of its Demand (at the time of the ISO Control Area annual peak for the previous year) to total ISO Control Area annual peak Demand for the previous year taking into account system considerations and the MSS Operator's curtailment rights~~. Each MSS Operator shall be responsible for notifying its customers and Generators connected to its system of curtailments and service interruption.

~~3.~~2~~3~~.9 System Emergency Reports: MSS Obligations.

~~3.~~2~~3~~.9.1 Each MSS Operator shall maintain all appropriate records pertaining to a System Emergency.

~~3.~~2~~3~~.9.2 Each MSS Operator shall cooperate with the ISO in the preparation of an Outage review pursuant to Section 2.3.2.9.

~~3.~~2~~3~~.10 Coordination of Expansion or Modifications to MSS Facilities.

Each MSS Operator and any Participating TO with which its system is interconnected, if applicable, shall coordinate in the planning and implementation of any expansion or modifications of a MSS's or Participating TO's system that will affect their transmission interconnection, the ISO Controlled Grid or the transmission services to be required by the MSS Operator. The MSS Operator and any ~~other~~ Participating TO with which the MSS is interconnected shall be responsible for coordinating with the ISO.

~~3.~~2~~3~~.11 Ancillary Service Obligations for MSS.

~~3.3.11.1 If the MSS Operator has developed and operates a system that provides its own Regulation in a manner that the ISO determines to meet WSCC Minimum Operating Reliability~~

~~Criteria, including all Control Area performance criteria, that MSS Operator will have the option of either:~~

~~**3.3.11.1.1** selling Regulation services to the ISO and purchasing Regulation needs from the ISO or self-providing Regulation to meet its ISO Regulation obligation in accordance with the provisions of the ISO Tariff; or~~

~~**3.3.11.1.2** continuing to provide the Regulation for its internal system Load using its own system, even though the Regulation provided by that system may not meet all requirements applicable to Regulation under the ISO Tariff, provided that the Regulation meets all applicable WSCC requirements.~~

~~**3.3.11.2** If the MSS Operator elects to satisfy its Regulation requirements through Section 3.3.11.1.2, the ISO shall not include the internal Load of the MSS whose Regulation requirements are served in this manner in determining the responsibility of the Scheduling Coordinator representing the MSS for Regulation charges. The ISO shall monitor the provision of Regulation by an MSS Operator by monitoring the Metered Subsystem Regulation Error (MSRE) for the MSS and by testing and auditing. The MSRE is obtained by comparing the sum of the metered power flows at the MSS interface points to the sum of the MSS's power scheduled or instructed at these same interface points, and shall incorporate any necessary bias introduced by the ISO for purposes of testing or control of Ancillary Services provided by the MSS. The MSRE shall be reported to the ISO on a real time basis, and checked at five minute intervals to determine whether the MSS meets specified performance criteria. If the ISO determines based on monitoring of MSRE or its tests and audits that the MSS Operator's system is not supplying Regulation in a manner that meets all of the criteria applicable under Section 3.3.11.1, the ISO shall assess Regulation charges on the Scheduling Coordinator representing the MSS. After the second occasion within a twelve (12) month period that an MSS Operator is found not to be supplying Regulation in a manner that meets all of the criteria applicable under Section 3.3.11.1, (a) the ISO shall assess Regulation charges three times the value of the service on the Scheduling Coordinator representing the MSS; and (b) the MSS Operator shall be barred from~~

~~self-providing Regulation for the following six months and shall be required to purchase Regulation from the ISO. After the six-month period, the MSS Operator may self-provide Regulation provided it meets the criteria of Section 3.3.11.1.~~

~~**3.3.11.3** If the MSS has developed and operates a system that carries reserves, the MSS Operator may self-provide Operating Reserve to meet the Operating Reserve obligations allocated to the Scheduling Coordinator representing the MSS with respect to the internal Load of the MSS, in accordance with the provisions of the ISO Tariff, including provisions allowing the ISO to call upon the MSS Operator to supply Energy associated with that Operating Reserve. Alternatively, the Scheduling Coordinator representing the MSS may purchase Operating Reserve from the ISO or third parties to meet all or part of its ISO Operating Reserve obligations.~~

23.11.1 Ancillary Service obligations will be allocated to the Scheduling Coordinator scheduling Load within a MSS in accordance with the ISO Tariff. The ISO shall have the right to call upon Ancillary Service capacity self-provided by a Scheduling Coordinator for an MSS or procured by the ISO from such Scheduling Coordinator in accordance with the ISO Tariff. The Scheduling Coordinator representing the MSS Operator may bid or self-provide Ancillary Services from a System Unit or from individual Generating Units or Participating Loads in the MSS. Alternatively, the Scheduling Coordinator representing the MSS may purchase Ancillary Services from the ISO or third parties to meet all or part of its Ancillary Service obligations in accordance with the ISO Tariff.

23.11.2 If the MSS Operator desires to follow internal Load with a System Unit or Generating Units in the MSS, and also to provide Regulation to the ISO, the MSS must provide adequate telemetry consistent with the ISO Tariff and all applicable standards to allow performance in response to ISO AGC signals to be measured at the interconnection of the MSS to the ISO Controlled Grid.

23.12 Load Following

23.12.1 The MSS Operator may operate a System Unit or Generating Units in the MSS to follow its Load, provided that: (a) the Scheduling Coordinator for the MSS Operator shall remain

responsible for purchases of Imbalance Energy in accordance with the ISO Tariff if the MSS Operator does not operate its System Unit or Generating Units and schedule imports into the MSS, to match the metered Demand in the MSS and exports from the MSS; and (b) if the deviation between the Generation in the MSS and imports into the MSS and metered Demand in the MSS and exports from the MSS exceeds a deviation band equal to three percent (3%) of the lesser of the MSS Operator's metered or Hour-Ahead scheduled Demand and exports from the MSS, adjusted for Forced Outages and any ISO directed firm Load Shedding for the MSS's portfolio as a whole (the "Deviation Band"), then the Scheduling Coordinator for the MSS Operator shall pay the additional amounts specified in Section 23.12.2. The Scheduling Coordinator for an MSS Operator that chooses to follow its Load in accordance with this Section 23.12 shall provide sixty (60) days advance notice to the ISO. If the Scheduling Coordinator later desires not to follow the Load of the MSS Operator, the Scheduling Coordinator shall provide sixty (60) days advance notice to the ISO that it will no longer follow Load.

23.12.2 Under the circumstances described in Section 23.12.1, the Scheduling Coordinator for an MSS Operator shall pay amounts based on a price that is the effective weighted average ex post price applicable to the MSS's Scheduling Coordinator for the billing interval (the "Deviation Price"). The revenue received from these payments will be used as an off-set to the ISO's Grid Management Charge. The payments due from a Scheduling Coordinator will be calculated as follows:

23.12.2.1 If the metered Generation resources and imports into the MSS exceed the metered Demand and exports from the MSS, and Energy expected to be delivered by the Scheduling Coordinator for the MSS in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the Deviation Band, then the Scheduling Coordinator for the MSS Operator will pay the ISO an amount equal to one hundred percent (100%) of the product of the Deviation Price and the amount of the Imbalance Energy that is supplied in excess of the Deviation Band.

23.12.2.2 If metered Generation resources and imports into the MSS are insufficient to meet the metered Demand, and exports from the MSS, and Energy expected to be delivered by the Scheduling Coordinator for the MSS in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the Deviation Band, then the Scheduling Coordinator for the MSS Operator shall pay the ISO an amount equal to the product of the Deviation Price and two hundred percent (200%) of the shortfall that is outside of the Deviation Band, in addition to the Imbalance Energy charges that may be applicable under the ISO Tariff.

23.12.3 If the ISO is charging Grid Management Charges for uninstructed deviations, and the Scheduling Coordinator for the MSS has uninstructed deviations associated with Load following from the MSS's resources, then the ISO will net the Generation and imports into the MSS to match the Demand and exports out of the MSS, and will not assess GMC associated with uninstructed deviations for such portion of Energy that is used to match MSS Demand and net exports.

23.12.3.1 If Generation, above the amount to cover Demand and exports, was sold into the ISO's Imbalance Energy market, then the Scheduling Coordinator for the MSS will be charged GMC associated with uninstructed deviations for this quantity.

23.12.3.2 If insufficient Generation and imports was available to cover Demand and exports, and the Scheduling Coordinator for the MSS purchased Imbalance Energy from the ISO's market, then such Scheduling Coordinator will be charged GMC associated with uninstructed deviations for this quantity.

23.12.3.3 Only GMC associated with uninstructed deviations (the Ancillary Services and Real-Time Energy Operations Charge (ASREO) will be treated on a net basis. GMC for Control Area Services (CAS) will be charged based on Gross Load and exports out of the MSS. The Scheduling Coordinator for the MSS Operator will be assessed the GMC Congestion Management Charge (CONG) in accordance with Section 8.3. Ancillary Service bids accepted by the ISO and Instructed Energy will be assessed the GMC ASREO.

~~3.~~2~~3~~.1~~2~~3 **Information Sharing.**

~~3.~~2~~3~~.1~~2~~3.1 **System Planning Studies and Forecasts.**

The ISO, the MSS Operator and ~~other~~ Participating TOs shall share information such as projected Load growth and system expansions necessary to conduct necessary system planning studies to the extent that these may impact the operation of the ISO Control Area. Each MSS Operator shall provide to the ISO annually its ten-year forecasts of Demand growth, internal Generation, and expansion of or replacement for any transmission facilities that are part of the MSS that will or may significantly affect any point of interconnection between the MSS and the ISO Controlled Grid. Such forecasts shall be provided on the date that UDCs are required to submit forecasts to the ISO under Section 4.8.1. Each MSS Operator or each Scheduling Coordinator for an MSS Operator shall also submit weekly and monthly peak Demand forecasts in accordance with the ISO's protocols.

~~3.~~2~~3~~.1~~2~~3.2 **System Surveys and Inspections.**

The ISO and each MSS Operator shall cooperate with each other in performing system surveys and inspections to the extent these relate to the operation of the ISO Control Area.

~~3.~~2~~3~~.1~~2~~3.3 **Reports.**

~~3.~~2~~3~~.1~~2~~3.3.1 The ISO shall make available to each MSS Operator any public annual reviews or reports regarding performance standards, measurements and incentives relating to the ISO Controlled Grid and shall also make available, upon reasonable notice, any such reports that the ISO receives from ~~other~~ Participating TOs. Each MSS Operator shall make available to the ISO any public annual reviews or reports regarding performance standards, measurements and incentives relating to the MSS's Distribution System to the extent these relate to the operation of the ISO Controlled Grid.

~~3.~~2~~3~~.1~~2~~3.3.2 The ISO and the MSS Operators shall develop an operating procedure to record requests received for Maintenance Outages by the ISO and the completion of the requested maintenance and turnaround times.

23.13.3.3 Each MSS Operator shall promptly provide such information as the ISO may reasonably request concerning the MSS Operator's operation of the MSS to enable the ISO to meet its responsibility under the ISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the ISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The ISO shall have no responsibility to prepare reports on Outages that affect customers on the MSS, unless the Outage also affects customers connected to the system of another entity within the ISO Control Area. The MSS Operator shall be solely responsible for the preparation of any reports required by any governmental entity or the WECC with respect to any Outage that affects solely customers on the MSS.

~~3.3.12.3.3 Each MSS Operator shall maintain records that substantiate all maintenance performed on MSS facilities which are under the Operational Control of the ISO. These records shall be made available to the ISO upon receipt of reasonable notice.~~

23.13.3.4 **Reliability Information.** Each MSS Operator shall inform the ISO, and the ISO shall inform each MSS Operator, in each case as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO Controlled Grid or the integrity of the MSS respectively. Each MSS Operator and the ISO each shall also inform the other as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of the MSS Operator, is reasonably likely to threaten the reliability of the ISO Controlled Grid, or, in the case of the ISO, is reasonably likely to adversely affect the MSS. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the entity receiving the information of the threat and, in the case of the ISO, not unduly discriminatory with respect to the ISO's provision of similar information to other entities.

23.13.3.5 **Forms.** The ISO shall, in consultation with MSS Operators, jointly develop and, as necessary, revise, any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

~~3.~~23.13~~4~~ Installation of and Rights of Access to MSS Facilities.

~~3.~~23.13~~4~~.1 Installation of Facilities.

~~3.~~23.13~~4~~.1.1 Meeting Service Obligations.

The ISO and each MSS Operator shall each have the right, if mutually agreed, on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property.

~~3.~~23.13~~4~~.1.2 Governing Agreements for Installations.

The ISO and the MSS Operator shall enter into agreements governing the installation of equipment or other facilities containing customary and reasonable terms and conditions.

~~3.~~23.13~~4~~.2 Access to Facilities.

Each MSS Operator shall grant the ISO reasonable access to MSS facilities free of charge for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the MSS's system, provided that the ISO must provide reasonable advance notice of its intent to access MSS facilities. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

~~3.~~23.13~~4~~.3 Access During Emergencies.

Notwithstanding any provision in this Section 23~~.3~~, the ISO may have access, without giving prior notice, to any MSS Operator's equipment or other facilities during times of a System Emergency or where access is needed in connection with an audit function.

~~3.3.13.4 MSS Facilities under ISO Control.~~

~~The ISO and each MSS Operator shall enter into an agreement in relation to the operation and maintenance of the MSS's facilities which are under the ISO's Operational Control.~~

3.23.145 MSS System Unit

3.23.145.1 A MSS Operator may aggregate one or more Generating Units and/or Participating Loads as a System Unit. Except as specifically provided in the agreement referred to in Section 3.23.1.1, all provisions of the ISO Tariff applicable to Participating Generators and to Generating Units (and, if the System Unit includes a Load, to Participating Loads), shall apply fully to the System Unit and the Generating Units and/or Loads included in it. ~~As required by Section 5, t~~The MSS Operator's written undertaking to the ISO in accordance with Section 23.1.1 shall obligate the MSS Operator ~~must undertake in writing~~ to comply with all provisions of the ISO Tariff, as amended from time to time, applicable to the System Unit, including, without limitation, the applicable provisions of Section 5 and Section 2.3.2. In accordance with Section 5.1.3, the ISO will obtain control over the System Unit, not the individual Generating Unit, except for Regulation, to comply with Section 5.

3.23.145.2 Without limiting the generality of Section 3.23.15.1, a MSS Operator that owns or has an entitlement to a System Unit:

3.23.145.2.1 is required to have a direct communication link to the ISO's EMS satisfying the requirements applicable to Generating Units owned by Participating Generators, or Participating Loads, as applicable, for the System Unit and the individual resources that make up the System Unit;

3.23.145.2.2 shall provide resource-specific information regarding the Generating Units and Loads comprising the System Unit to the ISO through telemetry to the ISO's EMS;

3.23.145.2.3 shall obtain ISO certification of the System Unit's Ancillary Service capabilities in accordance with Section 2.5.6 and 2.5.24 before the Scheduling Coordinator representing the

MSS may self-provide its Ancillary Service obligations or bid into the ISO's markets from that System Unit;

~~3.~~23.14~~5~~.2.4 shall provide the ISO with control over the AGC of the System Unit, ~~except as provided in Section 3.3.11,~~ if the System Unit is supplying Regulation to the ISO or is designated to self-provide Regulation; and

~~3.~~23.14~~.5~~.2.5 shall install ISO certified meters on each individual resource or facility that is aggregated to a System Unit.

~~3.~~23.14~~5~~.43 Subject to Section ~~3.~~23.~~14~~15.5, the ISO shall have the authority to exercise control over the System Unit to the same extent that it may exercise control pursuant to the ISO Tariff over any other Participating Generator, Generating Unit or, if applicable, Participating Load, but the ISO shall not have the authority to direct the MSS Operator to adjust the operation of the individual resources that make up the System Unit to comply with directives issued with respect to the System Unit.

~~3.~~23.14~~5~~.5 When and to the extent that Energy from a System Unit is scheduled to provide for the needs of Loads within the MSS and is not being bid to the ISO's Ancillary Service or Supplemental Energy markets, the ISO shall have the authority to dispatch the System Unit only to avert or respond to a circumstance described in the third sentence of Section 5.1.3 or, pursuant to Section 5.6, to a System Emergency.

23.16 MSS Settlements

23.16.1 The ISO will assess the Scheduling Coordinator for the MSS the neutrality adjustments and Existing Contracts cash neutrality charges pursuant to Section 11.2.9 (or collect refunds therefore) based on the net metered Demand and exports of the MSS.

23.16.2 If the ISO is charging Scheduling Coordinators for summer reliability or demand programs, the MSS Operator may petition the ISO for an exemption of these charges. If the MSS Operator provides documentation to the ISO by November 1 of any year demonstrating that the MSS Operator has secured generating capacity for the following calendar year at least equal to

one hundred and fifteen percent (115%), on an annual basis, of the peak Demand responsibility of the MSS Operator, the ISO shall grant the exemption. Eligible generating capacity for such a demonstration may include on-demand rights to Energy, peaking resources, and Demand reduction programs. The peak Demand responsibility of the MSS Operator shall be equal to the annual peak Demand Forecast of the MSS Load plus any firm power sales by the MSS Operator, less interruptible Loads, and less any firm power purchases. Firm power for the purposes of this Section 23.16.2 shall be Energy that is intended to be available to the purchaser without being subject to interruption or curtailment by the supplier except for Uncontrollable Forces or emergency. To the extent that the MSS Operator demonstrates that it has secured generating capacity in accordance with this Section 23.16.2, the Scheduling Coordinator for the MSS Operator shall not be obligated to bear any share of the ISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8 for the calendar year for which the demonstration is made.

23.16.3 If the ISO is compensating Generating Units for emissions and start-up costs and if MSS Operator charges the ISO for the emissions and start-up costs of the Generating Units serving the Load of the MSS, then the Scheduling Coordinator for the MSS shall bear its proportionate share of the total amount of those costs incurred by the ISO based on the MSS gross metered Demand and exports and the Generating Units shall be made available to the ISO through the submittal of Supplemental Energy bids. If the MSS Operator chooses not to charge the ISO for the emissions and start-up costs of the Generating Units serving the Load of the MSS, then the Scheduling Coordinator for the MSS shall bear its proportionate share of the total amount of those costs incurred by the ISO based on the MSS's net metered Demand and exports. The MSS Operator shall make the election whether to charge the ISO for these costs on an annual basis on November 1 for the following calendar year.

23.16.4 The Scheduling Coordinator for the MSS shall be responsible for transmission losses, in accordance with the ISO Tariff, only within the MSS, at any points of interconnection between the MSS and the ISO Controlled Grid, and for the delivery of Energy to the MSS or from the MSS, provided the MSS Operator fulfills its obligation to provide for transmission losses on

the transmission facilities forming part of the MSS. A Generation Meter Multiplier shall be assigned to the Generating Units on the MSS at the Points of Interconnection for use of the ISO Controlled Grid. That GMM shall be 1.0 for all Generating Units within the MSS that are located at or behind a Point of Interconnection, to the extent that the Load at the Point of Interconnection for that portion of the MSS exceeds the amount of Generation produced by the Generating Units connected to that portion of the MSS, except that a GMM shall be calculated by the ISO for Energy produced pursuant to a Dispatch instruction from the ISO.

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2.3.2.6 Prioritization Schedule for Shedding and Restoring Load. Prior to the ISO Operations Date, and annually thereafter, the ISO shall, in consultation with Market Participants and subject to the provisions of Section 2.1.3, develop a prioritization schedule for Load Shedding should a System Emergency require such action. The prioritization schedule shall also establish a sequence for the restoration of Load in the event that multiple Scheduling Coordinators or Market Participants are affected by service interruptions and Load must be restored in blocks. For Load shed in accordance with Section 4.5.3.2, the prioritization schedule will only include those UDCs or MSS Operators that have Scheduling Coordinators that are scheduling insufficient resources to meet the Load in the UDC or MSS Service Area. For Load shed in accordance with Section 4.5.3.3, the prioritization schedule will include all UDCs and MSS Operators.

* * *

4.5.3 Load Shedding

4.5.3.1 A portion of the ISO forecast of Control Area Load for each Trading Day will be allocated to each UDC or MSS Service Area. The ISO will aggregate each Scheduling Coordinator's Day-Ahead Schedules to Load in each UDC or MSS Service Area and will compare those aggregated Load Schedules to the ISO's Control Area Load forecast of metered Demand for that UDC or MSS Service Area to determine if the Load in the UDC or MSS Service Area has a resource deficiency based on the Day Ahead Schedules.

4.5.3.2 If the ISO forecasts in advance of the Hour Ahead Market that Load curtailment will be necessary due to a resource deficiency, the ISO will identify any UDC or MSS Service Area that is resource deficient. The ISO will provide notice to all Scheduling Coordinators if one or more UDC or MSS is deficient. If Load curtailment is required to manage a System Emergency associated with insufficient Hour- Ahead Schedules of resources, the ISO will determine the amount and location of Load to be curtailed and will allocate a portion of that required Load curtailment to each UDC or MSS Operator whose Service Area has been identified, based on Hour-Ahead Schedules, as being resource-deficient based on the ratio of its resource deficiency to the total Control Area resource deficiency. Each UDC or MSS Operator shall be responsible for notifying its customers and Generators connected to its system of curtailments and service interruptions.

4.5.3.3 If a Load curtailment is required to manage System Emergencies in any circumstances other than those described in Section 4.5.3.2, the ISO will determine the amount and location of Load to be reduced and to the extent practicable, will allocate a portion to each UDC or MSS Operator based on the ratio of its Demand (at the time of the Control Area annual peak for the previous year) to total Control Area annual peak Demand for the previous year taking into account system considerations and the UDC's or MSS Operator's curtailment rights under their tariffs. Each UDC or MSS Operator shall be responsible for notifying its customers and Generators connected to its system of curtailments and service interruption.

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MSS (Metered Subsystem)	A geographically contiguous system ~~of a New Participating TO,~~ located within a single Zone which has been operating as an electric utility for at least ten ~~a number of~~ years prior to the ISO Operations Date as a municipal utility, water district, irrigation district, State agency or Federal power administration subsumed within the ISO Control Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO certified revenue quality meters on all Generating Units or, if aggregated, each individual resource and Participating Load internal to the system, which is operated in accordance with a~~n~~ MSS aAgreement described in Section ~~3.~~23.1.
MSS Operator	An entity that owns an MSS and has executed a~~n~~ MSS aAgreement described in Section ~~3.~~23.1.