[This Clean Version Created on 8/14/06]

Revised Joint Proposal to Address Exports of PIRP Energy[1]

(Includes Revisions by SMUD and CAISO)

Applicability

This proposal applies only to Energy that is produced by a facility that is a participant in the Participating Intermittent Resource Program ("PIRP"), and whose Energy leaves the ISO Control Area.[2]

With the exception of the exemption discussed below, the provisions herein will apply to all exports of PIRP Energy that occur after the implementation date of this proposal as may be established by the Federal Energy Regulatory Commission ("FERC").

This proposal is a compromise developed among the PIRP stakeholders and is not expected to represent a precedent.

Implementation Date

The proposed implementation date shall be a reasonable period of time in the future to allow adequate notice of the new rules to the market and sufficient time to finalize implementation details of this proposal. The requested implementation date shall be specified in the ISO tariff amendment filed at FERC. [The ISO suggests that in the FERC filing it would request an implementation date of January 1, 2007.]

Future Re-Evaluation of this Proposal

The ISO and stakeholders agree to meet to re-evaluate this PIRP export proposal after it is filed and approved by FERC if one or more of the following events occur: (1) the MRTU tariff is approved by FERC and the approved MRTU provisions materially change the applicability of provisions of this proposal; (2) the date of June 2008 [this date is suggested by the ISO] is reached, or (3) the megawatt-value of participation in PIRP reaches 2000 MW [this MW amount is suggested by the ISO].

Use of Bias Adjustment Factor in PIRP Operation Forecast

The ISO and stakeholders agree that there is a need to consider, on a separate track from this proposal, whether the bias adjustment factor should be eliminated from the PIRP operation forecast. It is understood that these separate efforts are currently underway and will continue.

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1 This joint proposal was collaboratively developed by stakeholders at the August 1, 2006 and August 9, 2006 PIRP Initiative meeting, and has been documented herein by CAISO staff. **[ISO Note: After this proposal is refined (during August), the ISO will ask stakeholders to sign on in support of the proposal and this support will be stated in the ISO tariff filing to FERC.]**

2 The defined terms herein refer specifically to defined terms in the ISO tariff (Appendix A – Master Definitions Supplement).

Exemption for Existing PIRP Energy Exports

An "Exemption Date" shall be established as the date that this proposal is approved by the ISO Board of Governors for use in an ISO tariff filing **[date to be determined, but likely to be September 7, 2006**] [ISO note: Perhaps a better option is to have the date be 10 days after ISO Board of Governors approves the proposal put forth by ISO staff. This approach would allow 10 days for stakeholders to respond to a market notice from the ISO wherein they would be asked to specify the MW amounts of exports that they request be grandfathered.] . Further, for purposes of this Section, an "Exempted PIRP Facility" shall refer to a facility that meets the criteria for exemption as described in this Section. The PIRP Energy produced by an Exempted PIRP Facility shall continue, so long as the facility's exempt status is maintained, to be allocated costs according to the PIRP cost allocation methodology in place as of the Exemption Date and will not be subject to the other terms and conditions of this proposal unless specifically so identified herein.

In the case of a PIRP facility that exports PIRP Energy outside the ISO Control Area to serve the retail load of the associated PGA signatory,[3] an exemption shall apply to the facilities specifically identified, as of the Exemption Date, in Schedule 1 of the Signatory's PGA. Such exemption shall continue as long as the facility is used to serve such PGA signatory's retail electric load.

In the case of a PIRP facility that, as of the Exemption Date, has an existing power sale contract to export PIRP Energy outside of the ISO Control Area, proof of such a contractual relationship must be provided to the CAISO, who will make the determination of whether such evidence qualifies the facility for this exemption. This existing contract exemption, if allowed by the ISO, shall apply for the term of the contract that established the exemption. The PIRP facility will be subject to the terms of this proposal when such contract expires.

Identification of PIRP Exports after Implementation Date

Existing PIRP facilities that desire to increase their participation level in PIRP, or new facilities that desire to join the PIRP program, must provide evidence to the ISO that they have a contract to serve ISO control area load with their PIRP Energy or that they have contracted with an entity that is paying for PIRP costs. A power marketer can provide a declaration to the ISO that it does not intend to enter into transactions that will result in PIRP Energy serving load that is not in the ISO control area. If a facility cannot provide such evidence, it can still join PIRP, but its PIRP output will be considered to be a non-exempt export of PIRP Energy.

If the ISO identifies that a PIRP facility is exporting Energy outside of the ISO Control Area (and the ISO may conduct audits to monitor market behavior), and that facility has not reported such exports to the ISO, then that kind of behavior potentially could be interpreted to violate the ISO rules of conduct, including failure to provide required information (Section 37.6) and/or Market manipulation (Section 37.7). Such behavior

[3] For purposes of this proposal, a PIRP facility that exports PIRP Energy outside the ISO Control Area is a PIRP facility for which the Participating Generator Agreement (PGA) signatory, as identified on the implementation date of this proposal, exports PIRP Energy outside of the ISO Control Area for purposes of serving its own retail load.

also potentially could be interpreted by FERC to violate its regulations regarding market behavior.

The amount of PIRP exports will be calculated as follows:

- [This aspect needs to be developed further, but it is suggested by the ISO that an exempt maximum MW level be established for each PIRP ISO Resource ID and that when output, as recorded by the ISO meter, exceeds that exempt maximum MW level (i.e., the current PIRP MW level plus any grandfathered exempt export amount), then that additional output would be considered to be a non-exempt PIRP Energy export.]

Charges Applicable to Non-Exempt Exports of PIRP Energy

Unless the above-described exemption applies, exports of PIRP Energy will be subject to the following charges in addition to the current charges provided in the ISO tariff for PIRP facilities:

1. Charge Type 4487 for Allocation of Excess Cost for Instructed Energy, Charge Type 4450 for Transmission Losses, and Charge Type 1697 for Minimum Load Cost Compensation Tier 1; and
2. Regulation Up and Regulation Down service charges will now be allocated to both non-Exempt PIRP exports and CAISO load. Non-Exempt PIRP exports shall be billed for these charges on a per MWh basis on the same terms as CAISO load, such that there will be no over-collection of Regulation Up and regulation Down charges.

[ISO Note: Stakeholders need to further work billing determinants for the items listed above.]

Disposition of Funds Collected from PIRP Exports

Funds collected from exports of PIRP Energy under this proposal will be billed by the ISO to the Scheduling Coordinator for the exporting PIRP facility in the same billing month period in which its other billing amounts will be sent, and the funds billed for the non-exempt exports of PIRP Energy will be used to offset charges that would otherwise have been billed to the market [the ISO is investigating the feasibility of making it so that non-exempt PIRP Energy export transactions do not receive the special billing treatment of the PIRP tariff provisions, which would accomplish the same result of charging a non-exempt PIRP export more and lessen the amounts paid by non-PIR market participants]..