

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
 FERC ELECTRIC TARIFF  
 FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. ii  
 Superseding Original Sheet No. ii

5.7 Interconnection to the ISO Controlled Grid.	181
5.8 Recordkeeping; Information Sharing.	182
5.9 Access Right.	183
5.10 Black Start Services.	184
<b>6. TRANSMISSION SYSTEM INFORMATION AND COMMUNICATIONS.</b>	<b>185</b>
6.1 WEnet.	185
6.2 Reliable Operation of the WEnet.	187
6.3 Information to be Provided By Connected Entities to the ISO.	188
6.4 Failure or Corruption of the WEnet.	188
6.5 Confidentiality.	189
6.6 Standards of Conduct.	189
<b>7. TRANSMISSION PRICING.</b>	<b>189</b>
7.1 Access Charges.	189
7.2 Zonal Congestion Management.	198
7.3 Usage Charges and Grid Operations Charges.	207
7.4 Transmission Losses.	213
<b>8. GRID MANAGEMENT CHARGE.</b>	<b>215</b>
8.1 ISO's Obligations.	215
8.2 Costs Included in the Grid Management Charge.	216
8.3 Allocation of the Grid Management Charge Among Scheduling Coordinators and Other Appropriate Parties.	217
8.4 Calculation and Adjustment of the Grid Management Charge.	217A
8.5 Operating and Reserve Account.	218
8.6 Transition Mechanism	218
<b>9. FIRM TRANSMISSION RIGHTS</b>	<b>219</b>
9.1 General	219
9.2 Characteristics of Firm Transmission Rights	219
9.3 Maximum Number of Firm Transmission Rights	221
9.4 Issuance of Firm Transmission Rights by the ISO by Auction	222
9.5 Distribution of Auction Revenues Received by the ISO for Firm Transmission Rights	228
9.6 Distribution of Usage Charges to FTR Holders	228
9.7 Scheduling Priority of FTR Holders	230
9.8 Assignment of Firm Transmission Rights	231

**2.2.7.2 Submitting Balanced Schedules.** A Scheduling Coordinator shall submit to the ISO only Balanced Schedules in the Day-Ahead Market and the Hour-Ahead Market. A Schedule shall be treated as a Balanced Schedule when aggregate Generation, Inter-Scheduling Coordinator Energy Trades (whether purchases or sales), and imports or exports to or from external Control Areas adjusted for Transmission Losses as appropriate, equals aggregate forecast Demand with respect to all entities for which the Scheduling Coordinator schedules in each Zone. If a Scheduling Coordinator submits a Schedule that is not a Balanced Schedule, the 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 and estimated 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 payments of other charges) that it wishes to provide at least fifteen (15) days in advance 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

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. 16  
Superseding Original Sheet No. 16

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 may 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 estimated aggregate liability, the estimate shall include (1) outstanding charges for Trading Days for which Settlement data is available, and (2) an estimate of charges for Trading Days for which Settlement data is not yet available. To estimate charges for Trading Days for which Settlement data is not yet available, the ISO will consider available historical Settlement data, appropriately adjusted to reflect recent market prices and trends, or other available information for individual Scheduling Coordinators.

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CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. 17  
Superceding Original Sheet No. 17

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 may 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 Grid Management Charge, and/or 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 liabilities exceed 90% of the relevant portion of the ISO Security Amount. For the purposes of estimating the UDC's or MSS's aggregate liability for High Voltage Access Charges and Transition Charges, the UDC's or MSS's liability shall be equal to the billed Load (in MWh) for a month in the UDC's or MSS's Service Area (including exports from the Service Area) multiplied by the ISO's estimated High Voltage Access Charge and Transition Charge for that month, as such estimated cost is notified by the ISO to UDCs and MSSs from time to time.

**2.2.7.4** The ISO shall notify the relevant Scheduling Coordinator if it rejects a Schedule under Section 2.2.7.3 in which event the Scheduling Coordinator shall not be entitled to submit any further Schedules until it has demonstrated to the ISO's satisfaction that its ISO Security Amount has been increased sufficiently to avoid the limit on trading imposed under Section 2.2.7.3 from being exceeded.

**2.2.7.5** The ISO may restrict, or suspend a Scheduling Coordinator's right to Schedule or require the Scheduling Coordinator to increase its ISO Security Amount if at any time such Scheduling Coordinator's liability for Imbalance Energy is determined by the ISO to be

**8.1.2 [Not Used]**

**8.2 Costs Included in the Grid Management Charge.**

**8.2.1 [Not Used]**

**8.2.2 Operating Costs.**

Budgeted annual operating costs, which shall include all staffing costs including remuneration of contractors and consultants, salaries, benefits and any incentive programs for employees, costs of operating, replacing and maintaining ISO systems, lease payments on facilities and equipment necessary for the ISO to carry out its business, and annual costs of financing the ISO's working capital and other operating costs ("Operating Costs").

**8.2.3 Financing Costs.**

The financing costs that are approved by the ISO Governing Board, including capital expenditures that may be financed over such period as the ISO Governing Board shall decide. Financing Costs shall also include the ISO start up and development costs standing to the credit of the ISO Memorandum Account plus any additional start up or development costs incurred after the date of Resolution E-3459 (July 17, 1996), plus any additional capital expenditure incurred by the ISO in 1998 ("Start Up and Development Costs"). The amortized amount to be included in the Grid Management Charge shall be equal to the amount necessary to amortize fully all Start Up and Development Costs over a period of five (5) years, or such longer period as the ISO Governing Board shall decide ("Financing Costs").

**8.2.4 Operating and Capital Reserves Cost.**

The budgeted annual cost of pay-as-you-go capital expenditures and reasonable coverage of debt service obligations. Such reserves shall be utilized to minimize the impact of any variance between forecast and actual costs throughout the year ("Operating and Capital Reserves Costs").

**8.3 Allocation of the Grid Management Charge Among Scheduling Coordinators and Other Appropriate Parties.**

The costs recovered through the Grid Management Charge shall be allocated to the three service charges that comprise the Grid Management Charge. The costs recovered through each service charge shall be delineated in the annual informational FERC filing to be made pursuant to Schedule 1, Part D of this Tariff. The three service charges are as follows:

- (1) Control Area Services Charge,
- (2) Inter-Zonal Scheduling Charge, and
- (3) Market Operations Charge.

The three charges shall be levied separately monthly in arrears on all Scheduling Coordinators and other appropriate parties based on the billing determinants specified below for each charge.

**8.3.1 Control Area Services Charge.**

The Control Area Services Charge for a Scheduling Coordinator or other appropriate party is calculated as the product of the rate for the Control Area Services Charge and the Control Area Gross Load and exports of the Scheduling Coordinator or other appropriate party. The rate for the Control Area Services Charge is determined by dividing the GMC costs allocated to this service category by the total Control Area Gross Load and exports, according to the formula in Schedule 1 of this Tariff.

**8.3.2 Inter-Zonal Scheduling Charge.**

The Inter-Zonal Scheduling Charge for each Scheduling Coordinator is calculated as the product of the rate for the Inter-Zonal Scheduling Charge and the absolute value of the net scheduled inter-zonal flow (excluding ETCs) per path for that Scheduling Coordinator. The rate for the Inter-Zonal Scheduling Charge is determined by dividing the GMC costs allocated to this service category by the total Scheduling Coordinators' inter-zonal scheduled flow (excluding ETCs) per path, according to the formula in Schedule 1 of this Tariff.

**8.3.3 Market Operations Charge.**

The Market Operations Charge for each Scheduling Coordinator is calculated as the product of the rate for the Market Operations Charge and the Scheduling Coordinator's total purchases and sales of Ancillary Services, Supplemental Energy, and Imbalance Energy (both instructed and uninstructed). The rate for the Market Operations Charge is determined by dividing the GMC costs allocated to this service category by the total purchases and sales of Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed) according to the formula in Schedule 1 of this Tariff.

**8.4 Calculation and Adjustment of the Grid Management Charge.**

The three charges set forth in Section 8.3 that comprise the Grid Management Charge shall be calculated annually by summing the Operating Costs (less any available expense recoveries), Financing Costs, and Operating and Capital Reserves Costs associated with each of the three ISO services, to obtain a total Revenue Requirement. A separate Revenue Requirement for each component of the GMC shall be established by dividing the Revenue Requirement for the ISO as a whole and then assigning such costs to the three service categories. The Revenue Requirement for each service then shall be divided by the forecast

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. I

Original Sheet No. 217B

annual or periodic billing determinant volume to obtain a rate for each service, which will be payable by Scheduling Coordinators and other appropriate parties as set forth in Section 8.3.

The rates so established shall be adjusted annually, or over such lesser period as approved by the ISO Governing Board and filed with the FERC, to reflect any variance between forecast and actual costs for the previous year or period, or any surplus revenues from the previous year or period (as defined in Section 8.5), or the inability to recover from a Scheduling Coordinator or other appropriate party its share of the Grid Management Charge, or any under-achievement of a forecast of the billing determinant volumes used to establish the rates. Schedule 1, Part B of this Tariff sets forth the conditions under which a quarterly adjustment to the Grid Management Charge may be made.

**8.4.1 Credits and Debits of the Grid Management Charge.**

In addition to the adjustments permitted under Section 11.6.3.3, the ISO shall credit or debit, as appropriate, the account of a Scheduling Coordinator or other appropriate party for any overpayment or underpayment of the Grid Management Charge that the ISO determines occurred due to error, omission, or miscalculation by the ISO or the Scheduling Coordinator or other appropriate party.



CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. 308  
Superseding Original Sheet No. 308

**Connected Entity**

A Participating TO or any party that owns or operates facilities that are electrically interconnected with the ISO Controlled Grid.

**Constraints**

Physical and operational limitations on the transfer of electrical power through transmission facilities.

**Contingency**

Disconnection or separation, planned or forced, of one or more components from an electrical system.

**Control Area**

An electric power system (or combination of electric power systems) to which a common AGC scheme is applied in order to: i) match, at all times, the power output of the Generating Units within the electric power system(s), plus the Energy purchased from entities outside the electric power system(s), minus Energy sold to entities outside the electric power system, with the Demand within the electric power system(s); ii) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; iii) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

**Control Area Gross Load**

For the purpose of calculating and billing the Grid Management Charge, Control Area Gross Load is all Demand for Energy within the ISO Control Area. Control Area Gross Load shall not include Energy consumed by:

- (a) generator auxiliary Load equipment that is dedicated to the production of Energy and is electrically connected at the same point as the Generating Unit (e.g., auxiliary Load equipment that is served via a distribution line

that is separate from the switchyard to which the  
Generating Unit is connected will not be considered to  
be electrically connected at the same point); and

- (b) Load that is isolated electrically from the ISO Control Area (i.e., Load that is not synchronized with the ISO Control Area).

**Control Area Services Charge**

The component of the Grid Management Charge that provides for recovery of the ISO's costs of ensuring safe, reliable operation of the transmission grid and dispatch of bulk power supplies in accordance with regional and national reliability standards, including, but not limited to:

- performing operation studies;
- system security analyses;
- transmission maintenance standards;
- system planning to ensure overall reliability;
- integration with other Control Areas;
- emergency management;
- outage coordination;
- transmission planning; and
- scheduling generation, imports, exports, and wheeling in the Day-Ahead and Hour-Ahead of actual operations.

**Converted Rights**

Those transmission service rights as defined in Section 2.4.4.2.1 of the ISO Tariff.

**Cost Shifting**

A transfer of costs from one group of customers to another or from one utility to another.

**CPUC**

The California Public Utilities Commission, or its successor.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. 319  
Superseding Original Sheet No. 319

**Grid Management Charge** The ISO monthly charge on all Scheduling Coordinators and other appropriate parties that provides for the recovery of the ISO's costs through the three service charges described in Section 8.3: 1) the Control Area Services Charge, 2) the Inter-Zonal Scheduling Charge, and 3) the Market Operations Charge. The three component charges are formula rates.

**Grid Operations Charge** An ISO charge that recovers redispatch costs incurred due to Intra-Zonal Congestion in each Zone. These charges will be paid to the ISO by the Scheduling Coordinators, in proportion to their metered Demand within, and metered exports from, the Zone to a neighboring Control Area.

**Gross Load** For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through over-the-fence arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; (c) was serving the customer's

**Inter-Zonal Interface**

The (i) group of transmission paths between two adjacent Zones of the ISO Controlled Grid, for which a physical, non-simultaneous transmission capacity rating (the rating of the interface) has been established or will be established prior to the use of the interface for Congestion Management; (ii) the group of transmission paths between an ISO Zone and an adjacent Scheduling Point, for which a physical, non-simultaneous transmission capacity rating (the rating of the interface) has been established or will be established prior to the use of the interface for Congestion Management; or (iii) the group of transmission paths between two adjacent Scheduling Points, where the group of paths has an established transfer capability and established transmission rights.

**Inter-Zonal Scheduling Charge**

The component of the Grid Management Charge that provides for the recovery of the ISO's costs of operating the Congestion Management process.

**Interconnection**

Transmission facilities, other than additions or replacements to existing facilities that: i) connect one system to another system where the facilities emerge from one and only one substation of the two systems and are functionally separate from the ISO Controlled Grid facilities such that the facilities are, or can be, operated and planned as a single facility; or ii) are identified as radial transmission lines pursuant to contract; or iii) produce Generation at a single point on the ISO Controlled Grid; provided that such interconnection does not include facilities that, if not owned by the Participating TO, would result in a reduction in the ISO's Operational Control of the Participating TO's portion of the ISO Controlled Grid.

**Market Operations Charge**

The component of the Grid Management Charge that provides for the recovery of the ISO's costs of market and settlement related services, including, but not limited to:

- Providing open and non-discriminatory access for market making activities for participants through Ancillary Services auctions and provision of Energy balancing services;
- Posting of market information;
- Market surveillance and analysis;
- Settlement, billing, and metering including using information from Day-Ahead scheduling, Hour-Ahead scheduling, and real-time operations, Market Clearing Prices, bid prices, Ex Post Prices, and metered information from Generators, Loads, and inter-tie points, ultimately to balance the billing of and payments for energy, capacity, and transmission service in and out of the systems through Scheduling Coordinators. Statements and invoices are sent to Scheduling Coordinators, Participating Transmission Owners, and non SCs (e.g., other Control Areas) to collect and pay for use of the ISO market and Control Area needs.

**Market Participant**

An entity, including a Scheduling Coordinator, who participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid.

<b><u>Master File</u></b>	A file containing information regarding Generating Units, Loads and other resources.
<b><u>Meter Data</u></b>	Energy usage data collected by a metering device or as may be otherwise derived by the use of Approved Load Profiles.
<b><u>Meter Points</u></b>	Locations on the ISO Controlled Grid at which the ISO requires the collection of Meter Data by a metering device.
<b><u>Metered Quantities</u></b>	For each Direct Access End-User, the actual metered amount of MWh and MW; for each Participating Generator the actual metered amounts of MWh, MW, MVar and MVarh.
<b><u>Monthly Peak Load</u></b>	The maximum hourly Demand on a Participating TO's transmission system for a calendar month, multiplied by the Operating Reserve Multiplier.
<b><u>MSS (Metered Subsystem)</u></b>	A geographically contiguous system of a New Participating TO, located within a single Zone which has been operating for a number of years prior to the ISO Operations Date 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 internal to the system, which is operated in accordance with an agreement described in Section 3.3.1.
<b><u>MSS Operator</u></b>	An entity that owns an MSS and has executed an agreement described in Section 3.3.1.

**Schedule 1**

**Grid Management Charge**

**Part A – Monthly Calculation of Grid Management Charge (GMC)**

The Grid Management Charge consists of three separate service charges: the Control Area Services Charge, the Inter-Zonal Scheduling Charge, and the Market Operations Charge.

1. The rate for the Control Area Services Charge will be calculated by dividing the GMC costs allocated to this service charge by the total Control Area Gross Load and exports, in MWh.
2. The rate for the Inter-Zonal Scheduling Charge will be calculated by dividing the GMC costs allocated to this service charge by the total Scheduling Coordinators' inter-zonal scheduled flow (excluding ETCs) per path in MWh.
3. The rate for the Market Operations Charge will be calculated by dividing the GMC costs allocated to this service charge by the total purchases and sales of Ancillary Services, Supplemental Energy, and Imbalance Energy (both instructed and uninstructed) in MWh.

**Part B – Quarterly Adjustment, If Required**

Each component of the Grid Management Charge may change quarterly if the estimated billing determinate volumes for that component, on an annual basis, change by 5% or more during the year. Each year the Grid Management Charge will be recalculated to reflect the following year's budget estimates and to adjust for any difference between the previous year's cost estimates and actual costs incurred, as reflected in Part D of this Schedule, "Information Requirements". The annual informational filing requirement shall not affect the ISO's ability to adjust the Grid Management Charge on a quarterly basis, when warranted.

**Part C – Costs Recovered through the GMC**

As provided in Section 8 of the ISO Tariff, the Grid Management Charge includes the following costs:

- Operating costs (as defined in Section 8.2.2)
- Financing costs (as defined in Section 8.2.3), including Start-Up and Development costs and
- Operating and Capital Reserve costs (as defined in Section 8.2.4)

Such costs, for the ISO as a whole, are allocated to the three service charges that comprise the Grid Management Charge: (1) Control Area Services Charge, (2) Inter-Zonal Scheduling Charge, and (3) Market Operations Charge, using appropriate methodologies, and

adjusted annually for:

- any surplus revenues from the previous year as deposited in the Operating and Capital Reserve Account, as defined under Section 8.5, or deficiency of revenues, as recorded in a memorandum account;

divided by:

- forecasted annual billing determinant volumes in MWh;

adjusted quarterly for:

- a change in the volume estimate used to calculate the individual Grid Management Charge components, if, on an annual basis, the change is 5% or more.

The Grid Management Charge Revenue Requirement Formula is as follows:

Grid Management Charge Revenue Requirement =

- Operating Expenses + Debt Service + the greater of [(Coverage Requirement x Senior Lien Debt Service) or (Cash Funded Capital Expenditures)] - Interest Earnings - Other Revenues - Reserve Transfer

Where,

- **Operating Expenses** = O&M Expenses plus Taxes Other Than Income Taxes and Penalties



CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
 FERC ELECTRIC TARIFF  
 FIRST REPLACEMENT VOLUME NO. I

First Revised Sheet No. 375  
 Superseding Original Sheet No. 375

- **O&M Expenses** = Transmission O&M Expenses (Accounts 560-574) plus Customer Accounting Expenses (Accounts 901-905) plus Customer Service and Informational Expenses (Accounts 906-910) plus Sales Expenses (Accounts 911-917) plus Administrative & General Expenses (Accounts 920-935)
- **Taxes Other Than Income Taxes** = those taxes other than income taxes which relate to ISO operating income (Account 408.1)
- **Penalties** = payments by the ISO for penalties or fines incurred for violation of WSCC reliability criteria (Account 426.3)
- **Debt Service** = for any fiscal year, scheduled principal and interest payments, sinking fund payments related to balloon maturities, repayment of commercial paper notes, net payments required pursuant to a payment obligation, or payments due on any ISO notes. This amount includes the current year accrued principal and interest payments due April 15 of the following year.
- **Coverage Requirement** = 25% of the Senior Lien Debt Service.
- **Senior Lien Debt Service** = all Debt Service that has a first lien on ISO Net Operating Revenues (Account 128 subaccounts).
- **Cash Funded Capital Expenditures** = Post current fiscal year capital additions (Accounts 301-399) funded on a pay-as-you-go basis.
- **Interest Earnings** = Interest earnings on Operating and Capital Reserve balances (Account 419). Interest on bond or note proceeds specifically designated for capital projects or capitalized interest is excluded.
- **Other Revenues** = Amounts booked to Account 456 subaccounts. Such amounts include but are not limited to application fees, WSCC security coordinator reimbursements, and fines assessed and collected by the ISO.
- **Reserve Transfer** = the projected reserve balance for December 31 of the prior year less the Reserve Requirement as adopted by the ISO Board and FERC. If such amount is negative, the amount may be divided by two, so that the reserve is replenished within a two-year period. (Account 128 subaccounts)
- **Reserve Requirement** = 15% of Annual Operating Expenses.

A separate Revenue Requirement shall be established for each component of the Grid Management Charge by developing the Revenue Requirement for the ISO as a whole and then assigning such costs to the three service categories using appropriate allocation methodologies.

**Part D – Information Requirements**

**Budget Schedule**

The ISO Governing Board shall set forth a budget schedule that shall specify the dates for the budget posting and public workshop events noted below.

**Budget Posting**

The ISO will post on its Internet site the preliminary proposed ISO operating and capital budget to be effective during the subsequent fiscal year, and the projected billing determinant volumes used to develop the rate for each component of the Grid Management Charge.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. 1

Original Sheet No. 375A

Subsequent to the website posting, and prior to the Board approval of the budget, the ISO shall hold a public budget workshop where it will provide an overview of and answer questions from stakeholders on the proposed budget, cost allocation, and the charges for each of the ISOs services for the following year.

Annual Filing

The ISO will make an informational filing each year on December 15, or the first business day thereafter, which shall contain cost data on the ISO presented in conformance with the FERC Uniform System of Accounts (USA). This filing shall contain such information as is required to set the GMC unit rate for the following fiscal year, including the criteria used to set the projected billing determinant volumes, and a description of the process used to allocate the ISO's total costs into the revenue requirements for each of the component charges of the GMC. To the extent that any party objects to such unit rate to be established, such party must file a complaint with the FERC under Section 206 of the Federal Power Act.

Periodic Financial reports

The ISO will create periodic financial reports consisting of an income statement, balance sheet, statement of operating reserves, and such other reports as are required by the ISO Board of Governors. The periodic financial reports will be posted on the ISO's Website not less than quarterly.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. 1

First Revised Sheet No. 376  
Superseding Original Sheet No. 376

**Part E**      **[Not used]**

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- (b) Participating TOs;
- (c) Black Start Generators;
- (d) Utility Distribution Companies, and
- (e) Metered Subsystems.

The settlement, billing and payment process between the ISO, Scheduling Coordinators, Participating TOs, Black Start Generators, Utility Distribution Companies, and Metered Subsystems shall be in accordance with Sections 11.3 to 11.24 inclusive of the ISO Tariff. References in those Sections to Scheduling Coordinators shall also apply to Participating TOs which receive Settlement Statements from the ISO in relation to the transactions referred to in those Settlement Statements but excluding the transactions referred to in Annex 1. Notwithstanding SABP 1.2.3(a), references in Sections 11.3 to 11.24 inclusive of the ISO Tariff to Scheduling Coordinators, ISO Debtors and ISO Creditors shall also apply to Black Start Generators which receive Settlement Statements from the ISO in relation to transactions under their Interim Black Start Agreements.

Annex 1 of this Protocol applies to the ISO, Owners of Reliability Must-Run Units and Participating TOs in relation to the billing and payment of amounts due under Reliability Must-Run Contracts and recovery of such amounts by the ISO from Participating Utilities. The provisions of this Protocol shall not apply to Annex 1 unless otherwise specified.

**SABP 1.3.2 Liability of the ISO**

Any liability of the ISO arising out of or in relation to this Protocol shall be subject to Section 14 of the ISO Tariff as if references to the ISO Tariff were references to this Protocol.

**SABP 2 OVERVIEW OF SETTLEMENT AND BILLING PROCESS**

**SABP 2.1 Settlement Software**

The ISO settlement software shall be audited by an independent firm of auditors competent to carry out audits of such software to determine its consistency with this Protocol and the ISO Tariff. In any dispute regarding Settlement calculations, a certificate of such firm of auditors that the ISO software is consistent with the ISO Tariff shall be prima facie proof that the charges shown in a Settlement Statement have been calculated in a method consistent with the ISO Tariff and this Protocol. Nothing in this section will be deemed to establish the burden of proof with respect to Settlement calculations in any proceeding.

**SABP 2.2 ISO Accounts**

**SABP 2.2.1 Costs Associated with the ISO Trust Accounts**

The ISO is authorized to establish and maintain bank accounts held in trust for Market Participants and obtain lines of credit and other banking facilities (not exceeding an aggregate amount set by

the ISO Governing Board) necessary for the operation of its Settlement and billing procedures. Unless otherwise specified in this Protocol the ISO will recover all costs incurred in connection with these ISO banking facilities through the appropriate component of the Grid Management Charge.

**SABP 2.2.2 Location of the ISO Accounts**

The ISO will maintain its bank accounts held on trust at a bank in California approved by the ISO Governing Board.

**SABP 2.2.3 ISO Trust Accounts**

The ISO will open and operate the following accounts which it will hold on trust for Market Participants:

- (a) the ISO Clearing Account to and from which payments are made pursuant to Section 11.8.2.1 of the ISO Tariff and SABP 6.3.1;
- (b) the ISO Reserve Account from which any debit balances on the ISO Clearing Account at the close of banking business are settled pursuant to Section 11.8.2.2 of the ISO Tariff and SABP 6.4; and
- (c) the ISO Surplus Account consistent with Section 11.8.2.3 of the ISO Tariff and SABP 6.5.

The ISO may establish additional trust accounts as necessary to implement the Settlement and billing procedures outlined in this Protocol. It shall notify the Market Participants of the establishment of such accounts through the WEnet.

**SABP 2.2.4 The ISO Clearing Account**

Subject to SABP 6.1.2, ISO Debtors shall make all payments of ISO invoices by Fed-Wire to the ISO Clearing Account by 10:00 am on the due date according to the ISO Payments Calendar.

**SABP 2.2.5 The ISO Reserve Account**

The ISO shall operate the ISO Reserve Account as a trust account as follows:

- (a) the proceeds of drawings under any line of credit or other credit facility of the ISO Reserve Account shall be held on trust for ISO Creditors;
- (b) if the Reserve Account is replenished as provided for in SABP 6.9, any credits shall be held on trust for all ISO Creditors.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. II

Original Sheet No. 639A

**SABP 2.2.6**

**Accounts of the SCs and Participating TOs**

Each Scheduling Coordinator and each Participating TO shall establish and maintain a Settlement Account at a commercial bank located in the United States and reasonably acceptable to the ISO which can effect money transfers via Fed-Wire where payments to and from the ISO Clearing Account shall be made in accordance with this Protocol. Scheduling Coordinators may, but will not be required

any of which may submit comments and objections to the ISO within two weeks of the date of posting of the draft on the ISO Home Page.

**SABP 2.3.4 Final Payments Calendar**

No later than October 31<sup>st</sup> in each year, the ISO will publish pursuant to Section 11.24.1 of the ISO Tariff the final ISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, Black Start Generators, Participating TOs and Owners. The final ISO Payments Calendar will be posted on the ISO Home Page.

**SABP 2.3.5 Update the Final Payments Calendar**

If as a result of a tariff amendment approved by FERC the final ISO Payments Calendar developed in accordance with SABP 2.3.3 and 2.3.4 above is rendered inconsistent with the timing set forth in the tariff, the ISO shall update the final ISO Payments Calendar to make it consistent with the tariff as approved by FERC on the date on which the tariff amendment goes into effect. The ISO shall simultaneously send out a notice to market participants that the final ISO Payments Calendar has been revised.

**SABP 2.3.6 Final Calendar Binding**

The final ISO Payments Calendar shall be binding on the ISO and on Scheduling Coordinators, Black Start Generators, Participating TOs and Owners.

**SABP 3 COMPUTATION OF CHARGES**

**SABP 3.1 Description of Charges to be Settled**

The ISO shall, based on the Settlement Quality Meter Data it has received, or, if Settlement Quality Meter Data is not available, based on the best available information or estimate it has received, calculate the following:

- (a) the amount due from each Scheduling Coordinator or other appropriate party for its share for the relevant month of the three components of the Grid Management Charge in accordance with Appendix A. These Charges shall accrue on a monthly basis.
- (b) the amount due from each Scheduling Coordinator for the Grid Operations Charge in accordance with Appendix A. This charge shall accrue on a monthly basis.
- (c) the amount due from and/or owed to each Scheduling Coordinator for the Charge for each Ancillary Service in accordance with Appendix C, for each of the Settlement Periods of Day 0.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. II

Original Sheet No. 641A

- (d) the amount due from and/or owed to each Scheduling Coordinator for Imbalance Energy in accordance with Appendix D, for each of the Settlement Periods of Day 0.
- (e) the amount due from and/or owed to each Scheduling Coordinator for Usage Charges in accordance with Appendix E, for each of the Settlement Periods of Day 0.

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Issued on: November 1, 2000

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CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
 FERC ELECTRIC TARIFF  
 FIRST REPLACEMENT VOLUME NO. II

First Revised Sheet No. 642  
 Superseding Original Sheet No. 642

- (f) the amount due from each Scheduling Coordinator for Wheeling Out and Wheeling Through Charges and the amount owed to each Participating TO for these charges in accordance with Appendix F, for each of the Settlement Periods of Day 0.
- (g) the amounts due from/to Scheduling Coordinators for Voltage Support (supplemental reactive power charges) for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (h) the monthly charges due from/to Scheduling Coordinators for long term voltage support provided by Owners of Reliability Must-Run Units in accordance with Appendix G.
- (i) the amounts due from/to Scheduling Coordinators for the provision of Black Start Energy from Reliability Must-Run Units for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (j) the amounts due from/to Black Start Generators for the provision of Black Start Energy for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (k) the amount due from each UDC or MSS, or from a Scheduling Coordinator delivering Energy for the supply of Gross Load not directly connected to the facilities of a UDC or MSS, for the High Voltage Access Charge and Transition Charge in accordance with operating procedures posted on the ISO Home Page. These charges shall accrue on a monthly basis.

All of the data, information, and estimates the ISO uses to calculate these amounts shall be subject to the auditing requirements of Section 10.5 of the ISO Tariff.

The ISO shall calculate these amounts using the software referred to in SABP 2.1 except in cases of system breakdown when it shall apply the procedures set out in SABP 9 (Emergency Procedures).

**SABP 3.1.1**

**Additional Charges and Payments**

The ISO shall be authorized to levy additional charges or payments as special adjustments in regard to:

- (a) amounts required to round up any invoice amount expressed in dollars and cents to the nearest whole dollar amount in order to clear the ISO Clearing Account. These charges will be allocated amongst Scheduling Coordinators over an interval determined by the ISO and pro rata based on metered Demand (including exports) during that interval;
- (b) amounts in respect of penalties which may be levied by the ISO in accordance with the ISO Tariff. These charges will be levied on the Market Participants liable for payment of the penalty; and

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. II

Original Sheet No. 642A

- (c) amounts required to reach an accounting trial balance of zero in the course of the Settlement process in the event that the charges calculated as due from ISO Debtors are lower

than payments calculated as due to the ISO Creditors for the same Trading Day. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day. In the event that the charges due from ISO Debtors are higher than the payments due to ISO Creditors, the ISO shall allocate a payment to the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day.

- (d) amounts required with respect to payment adjustments for regulating Energy as calculated in accordance with Section 2.5.27.1 of the ISO Tariff. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh for that Trading Day.

**SABP 3.2**

**Method of Settlement of Charges**

**SABP 3.2.1**

**Settlement of Payments to/from Scheduling Coordinators and Participating TOs**

The ISO will calculate for each charge the amounts payable by the relevant Scheduling Coordinator, Black Start Generator or Participating TO for each Settlement Period of the Trading Day, and the amounts payable to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for each Settlement Period of that Trading Day and shall arrive at a net amount payable for each charge by or to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for that Trading Day. Each of these amounts will appear in the Preliminary and Final Settlement Statements that the ISO will provide to the relevant Scheduling Coordinator, Black Start Generator or Participating TO as provided in SABP 4.

The three components of the Grid Management Charge will be included in the Preliminary Settlement Statement and Final Settlement Statement with the other types of charges referred to in SABP 3.1, but a separate invoice for the Grid Management Charge, stating the rate, billing determinant volume and total charge for each of its three components, will be issued by the ISO.

**SABP 4**

**SETTLEMENT STATEMENTS**

**SABP 4.1**

**Preliminary Settlement Statements**

**SABP 4.1.1**

**Timing of Preliminary Settlement Statements**

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO for validation a Preliminary Settlement Statement for each Trading Day in accordance with the ISO Payments Calendar.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. II

Original Sheet No. 643A

**SABP 4.1.2**

**Contents of Preliminary Settlement Statements**

Each Preliminary Settlement Statement will include a statement of:

Issued by: Roger Smith, Senior Regulatory Counsel  
Issued on: November 1, 2000

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A separate invoice for the Grid Management Charge, stating the rate, billing determinant volume and total charge for each of its three components, will be issued by the ISO.

**SABP 6**

**PAYMENT PROCEDURES**

**SABP 6.1**

**Time of Payment**

**SABP 6.1.1**

**Payment Date**

Subject to SABP 6.1.2, payment will be made by the ISO and by each Scheduling Coordinator, Black Start Generator and Participating TO on the Payment Date as set forth in Section 11.3.2.

**SABP 6.1.2**

**Prepayments**

- (a) A Scheduling Coordinator may choose to pay at an earlier date than the Payment Date specified in the ISO Payments Calendar by way of prepayment provided it notifies the ISO by electronic means before submitting its prepayment.
- (b) Prepayment notifications must specify the dollar amount prepaid.
- (c) Prepayments must be made by Scheduling Coordinators via Fed-Wire into their ISO prepayment account designated by the ISO. The relevant Scheduling Coordinator shall grant the ISO a security interest on all funds in its ISO prepayment account.
- (d) On any Payment Date the ISO shall be entitled to cause funds from the relevant Scheduling Coordinator's ISO prepayment account to be transferred to the ISO Clearing Account in such amounts as may be necessary to discharge in full that Scheduling Coordinator's payment obligation arising in relation to that Payment Date.
- (e) Any funds held in the relevant Scheduling Coordinator's ISO prepayment account shall be treated as part of that Scheduling Coordinator's Security.
- (f) Interest (or other income) accruing on the relevant Scheduling Coordinator's ISO prepayment account shall inure to the benefit of that Scheduling Coordinator and shall be added to the balance of its ISO prepayment account on a monthly basis.
- (g) Funds held in an ISO prepayment account by a Scheduling Coordinator may be recouped, offset or applied by the ISO to any outstanding financial obligations of that Scheduling Coordinator to the ISO or to other Scheduling Coordinators under this Protocol.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FIRST REPLACEMENT VOLUME NO. II

Original Sheet No. 647A

**SABP 6.2**

**Payments to be made by Fed-Wire**

All payments by the ISO to Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire.

All payments to the ISO by Scheduling Coordinators, Black Start Generators and Participating TOs shall be made by Fed-Wire.

**SABP 6.3                    Payment Process**

**SABP 6.3.1                Use of the ISO Clearing Account**

- (a)     Subject to SABP 6.1.2 each ISO Debtor shall remit to the ISO Clearing Account the amount shown on the invoice as payable by that ISO Debtor for value not later than 10:00 am on the Payment Date.
- (b)     On the Payment Date the ISO shall be entitled to cause the transfer of such amounts held in a Scheduling Coordinator's ISO prepayment account to the ISO Clearing Account as provided in SABP 6.1.2(c).

**SABP 6.3.1.2            Distribution to ISO Creditors**

The ISO shall calculate the amounts available for distribution to ISO Creditors on the Payment Date and shall give irrevocable instructions to the ISO Bank to remit from the ISO Clearing Account to the relevant Settlement Account maintained by each ISO Creditor for same day value the amounts determined by the ISO to be available for payment to each ISO Creditor. If required, the ISO shall instruct the ISO Bank to transfer amounts from the ISO Reserve Account to enable the ISO Clearing Account to clear by the close of banking business on the Payment Date.

**SABP 6.3.1.3            Grid Management Charge**

The ISO is authorized to instruct the ISO Bank to debit the ISO Clearing Account and transfer to the relevant ISO account sufficient funds to pay in full the Grid Management Charge falling due on any Payment Day with priority over any other payments to be made on that or on subsequent days out of the ISO Clearing Account.

**SABP 6.4                    Use of the ISO Reserve Account**

If there are insufficient funds in the ISO Clearing Account to pay ISO Creditors and clear the account on any Payment Date, due to payment default by one or more ISO Debtors, the ISO shall transfer funds from the ISO Reserve Account to the ISO Clearing Account to clear it by close of banking business on that Payment Date pursuant to SABP 6.7.2.

**SABP 6.5                    Use of the ISO Surplus Account**

**SABP 6.5.1                Establishment**

The ISO shall establish and maintain a bank account in accordance with this Protocol denominated the "ISO Surplus Account".

**SABP 6.5.2                Other Funds in the ISO Surplus Account.**

- (a)     Any amounts paid to the ISO in respect of acts or defaults giving rise to default interest referred to in SABP 6.10.5 or penalties referred to in SABP 3.1.1 shall be credited to the Surplus Account.
- (b)     The funds referred to in SABP 6.5.2(a) shall first be applied towards any expenses, loss or costs incurred by the ISO. Any

excess will be credited to the Surplus Account pursuant to SABP 6.5.2(a).

**SABP 6.5.3 Distribution of Funds**

In the event that there are funds in the ISO Surplus Account in excess of an amount to be determined by the ISO Governing Board and noticed by the ISO to Market Participants, the amount of such excess will be distributed to Scheduling Coordinators using the same method of apportioning the refund as the method employed in apportioning the liability for the Grid Management Charge.

**SABP 6.5.4 Trust**

All amounts standing to the credit of the ISO Surplus Account will be held at all times on trust for Market Participants in accordance with this Protocol.

**SABP 6.6 System Failure**

**SABP 6.6.1 At ISO Debtor's Bank**

If any ISO Debtor becomes aware that a payment will not, or is unlikely to be, remitted to the ISO Bank by 10:00 am on the relevant Payment Date for any reason (including failure of the Fed-Wire or any computer system), it shall immediately notify the ISO, giving full details of the payment delay (including the reasons for the payment delay). The ISO Debtor shall make all reasonable efforts to remit payment as soon as possible, by an alternative method if necessary, to ensure that funds are received for value no later than 10:00 am on the Payment Date, or as soon as possible thereafter.

**SABP 6.6.2 At the ISO's Bank**

In the event of failure of any electronic transfer system affecting the ISO Bank, the ISO shall use reasonable efforts to establish alternative methods of remitting funds to the ISO Creditors' Settlement Accounts by close of banking business on that Payment Date, or as soon as possible thereafter. The ISO shall notify the ISO Debtors and the ISO Creditors of occurrence of the system failure and the alternative methods and anticipated time of payment.

**SABP 6.7 Payment Default**

Subject to SABP 6.8, if by 10:00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the ISO Clearing Account by any Scheduling Coordinator will not or has not been remitted and there are insufficient funds in the relevant Scheduling Coordinator's ISO prepayment account (the amount of insufficiency being referred to as the "Default Amount"), the ISO shall take the following actions to enable the ISO Clearing Account to clear not later than the close of banking business on the relevant Payment Date:



**APPENDIX A**  
**GRID MANAGEMENT CHARGE COMPUTATION**

The Grid Management Charge will be calculated in the following manner, with the numerator of each of the equations listed below being determined as a percentage of the total ISO budget, and the denominator (billing determinant volume) for each formula being an estimated annual value:

	=	Costs recovered through the <u>Control Area Services Charge</u> Control Area Gross Load and exports (MWh)	=	RATE in \$/MWh
GMC Costs	=	Costs recovered through the <u>Inter-Zonal Scheduling Charge</u> total Scheduling Coordinators' inter-zonal scheduled flow (excluding ETCs) per path (MWh)	=	RATE in \$/MWh
	=	Costs recovered through the <u>Market Operations Charge</u> total purchases and sales Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed) (MWh)	=	RATE in \$/MWh