



May 23, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

FILED
OFFICE OF THE
SECRETARY
2007 MAY 23 P 4: 11
FEDERAL ENERGY
REGULATORY COMMISSION

**RE: California Independent System Operator Corporation
Docket No. ER07-613-000 - Compliance Filing**

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("FERC" or the "Commission") Rule 1907, 18 C.F.R. § 385.1907 (2006), and the Commission's May 8, 2007 Order ("May 8 Order") in the above-referenced proceeding,¹ the California Independent System Operator Corporation ("CAISO") hereby submits five copies of its Compliance Filing in accordance with the May 8 Order.

I. BACKGROUND

On March 9, 2007, the CAISO submitted certain amendments (the "March 9 Filing") to the currently-effective ISO Tariff² designed to facilitate implementation of the Market Redesign and Technology Upgrade ("MRTU") program. In the March 9 filing, the CAISO requested that:

1. The Commission grant early effectiveness for certain conditionally accepted MRTU Tariff provisions concerning Transmission Rights and Transmission Curtailment ("TRTC") Instructions; these will provide the CAISO with the requisite

¹ California Indep. Sys. Operator Corp., 119 FERC ¶ 61,124 (2007) ("May 8 Order").

² Capitalized terms, unless otherwise defined, are used in accordance with the definition of the Master Definition Supplement, Appendix A to the ISO Tariff, or Appendix A to the MRTU Tariff. For the purposes of this transmittal letter, the term "ISO Tariff" refers to the CAISO's tariff currently in effect, and the term "MRTU Tariff" will refer to the tariff filed and conditionally accepted in Docket No. ER06-615-000, and further revised through compliance filings made on November 20, 2006 and December 20, 2006 in FERC Docket No. ER06-615-000 and on January 29, 2007 in compliance with the Commission's long-term financial rights Final Rule in Docket No. ER07-475.

authority to collect important information from its Market Participants to enable the CAISO to: (1) properly model Existing Transmission Contracts (“ETCs”), Converted Rights, and Transmission Ownership Rights (“TORs”) in the Congestion Revenue Rights (“CRR”) Allocation and CRR Auction processes; and (2) to be ready to honor the terms of ETCs, Converted Rights, and TOR at the onset of MRTU;

2. The Commission find just and reasonable additional, detailed tariff language to include additional informational requirements for the TRTC Instructions that will permit the CAISO to properly model and validate the use of ETCs, TORs, and Converted Rights and to clarify that Converted Rights holders must participate in the provision of TRTC Instructions;
3. The Commission grant early effectiveness for conditionally accepted provisions of the MRTU Tariff concerning CRRs to enable the CAISO to conduct the CRR Allocation and Auction processes later this summer to ensure that eligible Market Participants will have CRRs in place at the commencement of MRTU;
4. The Commission find just and reasonable the additional tariff language on the registration and qualification process and requirements for Candidate CRR Holders;
5. The Commission find just and reasonable the revisions to the ISO Tariff regarding creditworthiness and other Financial Security provisions to facilitate the CRR Auction and CRR Allocation;
6. The Commission find just and reasonable the *pro forma* agreement the CAISO must execute with entities that wish to qualify for and intend to hold CRRs (the “CRR Entity Agreement”);
7. The Commission grant early effectiveness for conditionally accepted provisions of the MRTU Tariff concerning the provision of market information to Candidate CRR Holders and CRR Holders; and
8. The Commission grant early effectiveness for conditionally accepted provisions of the MRTU Tariff setting forth the definitions of new defined terms used in the substantive provisions of the MRTU Tariff for which early effectiveness is requested by incorporation of such terms in the ISO Tariff.

In the May 8 Order, the Commission conditionally accepted the filing. The Commission granted the requested effective date of March 9, 2007 but provided a one-week extension through May 16, 2007 to allow parties time to seek the CAISO’s assistance to accurately reflect their rights in the CAISO modeling of CRRs, consistent with the TRTC requirements as approved by the May 8 Order.³

³ May 8 Order at P 32.

II. COMPLIANCE FILING

A. Incorporation of TRTC Instructions Information into the CAISO Tariff

1. Whether Section 16.4.5 Needs To Be Modified To Reflect Characteristics of Certain ETCs

In its protest, Imperial Irrigation District (“IID”) claimed certain flexibilities under its ETC where it may purchase power from any generator within SP15 or from generators outside SP15 and bring the power into Imperial’s system.⁴ In addition, Imperial contended, its contract permits schedule changes up to 20 minutes before real time.⁵ In the May 8 Order, the Commission directed the CAISO to consider whether additional modifications are necessary to Section 16.4.5 to reflect flexibilities inherent in certain contracts, if the underlying contracts so provide.⁶

As proposed, Section 16.4.5 (5) requires:

The following information as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery; (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, custom Load Aggregation Points and System Resources); (c) for each physical source or sink the maximum Existing Rights capacity (MW) that can be scheduled as an Existing Right under the Existing Contract; and (d) for each physical source and sink the Scheduling Coordinator(s) and their Business Associate Identification (“BAID”) that is (are) eligible to submit ETC Self-Schedules utilizing these sources and sinks;

The May 8 Order finds that the additional information the CAISO proposes to collect, including the identification of physical resources as part of source and sink information and the usage date data for ETCs:

is necessary for the CAISO to accurately reflect, in modeling its Simultaneous Feasibility Test, the impact of these existing rights. An accurate reflection of these rights will help ensure that the reversal of congestion charges for these rights holders does not affect the revenue adequacy of the CAISO’s CRR allocation and CRR auction processes. For this reason, we conclude that the data collection is reasonable and not unduly burdensome.⁷

⁴ IID Protest in Docket No. ER07-613 dated March 30, 2007 at 5-8.

⁵ *Id.* at 6.

⁶ May 8 Order at P 26.

⁷ *Id.* at P 24.

Nevertheless, the Commission found that there were certain “unique” contracts that “warranted special consideration.”⁸

The CAISO continues to believe that the TRTC Instructions as designed are the appropriate vehicle to provide the information the CAISO needs to implement the contract. However, pursuant to the Commission’s directive in paragraph 26 of the May 8 Order the CAISO has provided a statement that reflects its recognition of the need to consider certain contracts which may be based on a more flexible use of physical rights.

With regard to the issue of the scheduling deadline, the CAISO notes that Section 16.4.5 (9) requests information on:

Instructions for the allowable timeframes at which the ETC Self-Schedules and ETC Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit ETC Self-Schedules or ETC Self-Schedule changes: (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the TRTC Instructions may also include any additional comments and restrictions on the submission time of ETC Self-Schedules and ETC Self-Schedule changes;

The CAISO believes that these provisions allow the PTO to capture any flexibility that may exist under the ETCs with regards to scheduling deadlines.

As the Commission has concluded,

Under MRTU, the CAISO will honor ETCs and schedule changes permitted under those contracts. However, the way the CAISO will honor ETCs and schedule changes differs, depending upon whether the scheduling point is within the CAISO or located over an intertie (external to the CAISO). If an ETC scheduling point is over an intertie, the CAISO will set-aside and withhold from the day-ahead market the full capacity of the contract by reducing the ATC on the intertie for the operating hour by the amount of unscheduled ETC capacity, until the contract deadline for making schedule changes elapses.⁹ If the scheduling points are internal to the CAISO system, however, the CAISO will only set aside capacity associated with an ETC to the extent it is scheduled in the day-ahead market. Nevertheless, as with external scheduling points, the CAISO will fully honor all valid post day-ahead schedule changes, as permitted under the ETC. The only difference is that, for internal scheduling points, the CAISO will honor these schedule changes by redispatching non-ETC

⁸ *Id.* at P 25.

⁹ ETC Guidance Order 2005, 110 FERC ¶ 61,113 at P 21 (2005); MRTU Tariff section 16.5(1).

resources.¹⁰ Treating internal and external scheduling points differently prevents the well-documented “phantom congestion” problem that has plagued the current CAISO market from also impacting scheduling points within the CAISO.¹¹

Section 16.4.5 (9) will provide the CAISO with sufficient information as to the scheduling deadlines permitted under the ETC to enable the CAISO to implement its “perfect hedge” proposal for honoring Existing Rights. The CAISO will be accommodating these shorter-term scheduling deadlines by reserving capacity on external interfaces and by redispatch over the internal CAISO Controlled Grid. Accordingly, the CAISO believes no additional changes to Section 16.4.5 are necessary to address issues related to ETC scheduling rights.

2. Use of the Term Existing Contract in Section 17.1.4 (5).

The Metropolitan Water District (“Metropolitan”) protested the use of the terms Existing Contracts and Existing Rights as it related to TORs.¹² The CAISO agreed that Existing Contracts and Existing Rights were distinct from TORs and that Section 17.1.4(5) should be revised to address this issue as follows:

The following information, as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery; (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, Custom Load Aggregation Points and System Resources); (c) for each physical source or sink the maximum ~~Existing Rights~~ capacity (MW) that can be scheduled as a **TOR** ~~Existing Right under the Existing Contract~~; and (d) for each physical source and sink the Scheduling Coordinator(s) and their Business Associate Identification (“BAID”) that

¹⁰ MRTU Tariff sections 16.5(2) and (4).

¹¹ *California Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076 at P 433 (2007). The Commission also specifically cautioned IID, that:

As to Imperial’s request that the Commission direct the CAISO to clarify that TOR holders will continue to be able to change their schedules upward and downward in the day-ahead market, the HASP and close to real-time, we find that section 7.1 of the Southwest Powerlink (SWPL) Operations Agreement¹¹ states that “scheduling of all [Arizona Public Service and Imperial] SWPL Transactions shall be in accordance with the scheduling provision of the [CA]ISO Tariff, the [CA]ISO scheduling protocols, operating procedures and timelines.” Therefore, we clarify that although the CAISO may, as its current practice, permit schedule changes up to 30 minutes before the hour, we highlight the fact that, under MRTU, the CAISO will honor post day-ahead market schedule changes only to the extent permitted under the particular ETC or TOR agreement.

Id. at P 430.

¹² Metropolitan Protest in Docket No. ER07-613 dated March 30, 2007 at ¶¶ 19-20.

is(are) eligible to submit TOR Self-Schedules utilizing these sources and sinks;¹³

The May 8 Order required the CAISO to make this change¹⁴ which, in addition to a replacement of the reference to “Existing Contract” in 17.1.4 (11), is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

B. Clarifications to Section 6.5.1.3.1 and 6.5.3.2.

In response to an issue raised by Southern California Edison Company, the CAISO agreed to clarify Sections 6.5.1.3.1 and 6.5.3.2 as follows:¹⁵

6.5.1.3.1 Annually, the CAISO shall publish the following information including, but not limited to:

(a) Market Clearing Prices for all Aggregated PNodes available to use in the CRR Auction

clearing for on-peak and off-peak;

(b) CRR Holdings by Holder

(including):;

(i) CRR Source Name(s)

(ii) CRR Sink Name(s)

(iii) CRR quantity for each CRR Source(s) and Sink(s)

(iv) CRR start and end dates

(v) Time of use

(vi) Whether the CRR is a CRR Option or CRR Obligation

~~(c) CRR Source name;~~

~~(d) CRR Sink name;~~

~~(e) CRR start and end dates;~~

~~(f) Cleared CRR MW values; and~~

~~(g) Market Clearing Price for CRRs obtained in the CRR Auction.~~

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

(a) Market Clearing Prices for all Aggregated PNodes available for use in the CRR Auction

clearing for on-peak and off-peak;

(b) CRR Holdings by Holder,

(including):;

(i) CRR Source Name(s)

(ii) CRR Sink Name(s)

(iii) CRR quantity for each CRR Source(s) and Sink(s)

(iv) CRR start and end dates

(v) Time of use

¹³ CAISO Answer in Docket No. ER07-613 dated April 16, 2007 at 26 (“CAISO Answer”).

¹⁴ May 8 Order at P 28.

¹⁵ CAISO Answer at 20-22.

- (vi) Whether the CRR is a CRR Option or CRR Obligation
~~(c) CRR Source name;~~
~~(d) CRR Sink name;~~
~~(e) CRR start and end dates;~~
~~(f) Cleared CRR MW values; and~~
~~(g) Market Clearing Price for CRRs obtained in the CRR Auction.~~

The May 8 Order required the CAISO to make this change¹⁶ which, with additional changes necessary to conform the use of terminology, is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

C. Additional Tariff Changes¹⁷

1. Revision to Section 4.3.1.2.1

In their protest, Six Cities¹⁸ contended that it is inappropriate to require New Participating TOs to participate with Original Participating TOs in the development of TRTC Instructions for Converted Rights that derive from a New Participating TO's ownership of transmission facilities or ownership-like entitlements in transmission facilities because the Original Participating TOs have no pre-existing involvement in such rights.¹⁹ The CAISO agreed with Six Cities' proposed modification,²⁰ and the May 8 Order required the following change to Section 4.3.1.2.1²¹ on Sheet 1254:

4.3.1.2.1 New Participating TOs shall complete TRTC Instructions ~~together with any Original Participating TO~~ **for their Converted Rights** as provided in Section 16.4.5 of this Appendix. **To the extent such Converted Rights derive from ETCs with Original Participating TOs, the New Participating TOs and the appropriate Original Participating TO shall develop the TRTC Instructions together.**²²

This change is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

2. Section 16.4.5.(13) Addressing Self-Provision of Ancillary Services

¹⁶ May 8 Order at P 50.

¹⁷ In addition to the changes discussed in this section, the CAISO has made a typographical correction on Substitute Original Sheet No. 1281 to change the section number 40.10.1.9 to 4.10.1.9.

¹⁸ Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

¹⁹ Six Cities Protest in Docket No. ER07-613 dated March 30, 2007 at 4-5.

²⁰ CAISO Answer at 18-19.

²¹ The CAISO believes that the Commission erroneously referenced in its May 8 Order Section 4.3.2.1. Section 4.3.1.2.1 is the applicable new language that the CAISO included in its March 9 Filing to address the specific treatment of Converted Rights under the TRTC Instructions structure.

²² May 8 Order at P 56.

In response to an issue raised by Metropolitan, the May 8 Order, directed the CAISO to include a provision in Section 17.1.4 identifying whether or not the TOR provides the right to self provide Ancillary Services.²³ Accordingly, the CAISO proposes to modify Section 17.1.4 as follows:

(12) Whether or not the TOR provides the right to self-provide Ancillary Services.

Thus, it will be the choice of the TOR holder whether or not the TOR right can be used to self-provide Ancillary Services. This change is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

3. Definition of Seasonal CRR Load Metric

In its Answer, the CAISO agreed with Six Cities that the definition of “Seasonal CRR Load Metric” at Original Sheet No. 1302 was incorrect and should be changed to be consistent with the definition in Section 36.8.2.1.²⁴ The May 8 Order required the CAISO to make the correction.²⁵ Accordingly, the CAISO proposes to amend the definition of “Seasonal Load Metric” as follows:

The **MW level of Load that is exceeded only in 0.5% of the hours for each season and time of use period based on the LSE’s historical Load data**~~lowest value among the Monthly CRR Load Metrics for a Lea~~

This change is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

D. CRR Entity Agreement

1. Standard for Amendments to the CRR Entity Agreement

Several parties contend that the proposed standard of review in Section 11.9 of the *pro forma* CRR Entity Agreement regarding amendments to the agreement was unduly discriminatory.²⁶ They were concerned that the CAISO proposed to impose a "public interest" standard of review for modifications to the CRR Entity Agreement proposed by the Commission or other entities while retaining the "just and reasonable" standard of review for itself. In its Answer, the CAISO agreed that the provision should be modified to reflect the “just and reasonable” standard of review for both Section 205 filings brought by the CAISO and Section 206 complaints instituted by either the

²³ *Id.* at P 64. As noted in its Answer, the CAISO agrees that TORs can be used to self-provide Ancillary Services. CAISO Answer at 25.

²⁴ CAISO Answer at 25-26.

²⁵ May 8 Order at P 88.

²⁶ SVP/M-S-R Protest in Docket No. ER07-613 dated March 30, 2007 at ¶¶ 23-24; Modesto Irrigation System Protest in Docket No. ER07-613 dated March 30, 2007 at ¶¶ 25-27; IID Imperial Irrigation District (“IID”) Protest in Docket No. ER07-613 dated March 30, 2007 at p 11; Six Cities Protest in Docket No. ER07-613 dated March 30, 2007 at 7.

Commission or other parties. The May 8 Order required the CAISO to make the following change:²⁷

This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall **also** be the ~~"public interest" standard of review rather than the~~ "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

This revision is reflected in the revised tariff sheets in Attachment A and Blacklines in Attachment B.

2. Applicability To Non-Jurisdictional Entities

In its protest, IID requested that the Commission find either: (1) that IID's Scheduling Coordinator, rather than IID itself, be permitted to enter into the CRR Entity Agreement or (2) that non-jurisdictional entities be permitted to negotiate a more limited CRR Entity Agreement with the CAISO.²⁸ The Commission rejected the first request, finding it was appropriate for the actual CRR Holder to execute the agreement.²⁹ The Commission, however, asked the CAISO to explain in this compliance filing "whether or not it is appropriate to develop a separate *pro forma* CRR Entity Agreement for non-jurisdictional entities."³⁰

The CAISO does not believe that the development of a separate *pro forma* agreement for non-jurisdictional entities is either necessary or advisable. First, the CAISO's mission is to provide non-discriminatory open access to the transmission grid under its control and to the markets it operates. To the extent feasible, the CAISO

²⁷ May 8 Order at P 79.

²⁸ IIP Protest in Docket No. ER07-613 dated March 30, 2007 at 11.

²⁹ May 8 Order at n.54.

³⁰ *Id.* at P 86.

strives not to differentiate between market participants, whether they are subject to the jurisdiction of the Commission in other respects or not.

Second, the CAISO has not sought to differentiate between jurisdictional and non-jurisdictional entities with respect to the CAISO's other *pro forma* agreements. When non-jurisdictional entities protest that the agreement would require them to file notices of termination, the Commission clarified, "that non-public utilities would not have to make a filing with the Commission. Only the [CA]ISO, as a jurisdictional entity would be required to timely file, under Section 205."³¹

Third, the CRR Entity Agreement requires entities that hold CRRs or participate in CRR Auctions to meet important requirements in areas such as creditworthiness and settlements. Particularly in light of the Court of Appeals decision in *Bonneville Power Administration v. FERC*, 422 F.3d 908 (9th Cir. 2005), the need for a strong contractual relationship between non-jurisdictional entities and the CAISO is of particular importance.

Accordingly, the CAISO does not believe that development of a non-jurisdictional CRR Entity Agreement is warranted.

3. NCPA as MSS Aggregator

In the May 8 Order, the Commission accepted the CAISO's commitment to address the role of Northern California Power Agency ("NCPA") as an MSS aggregator and directed the CAISO to submit the agreement in its compliance filing.³² In compliance with the May 8 Order, the CAISO is submitting new tariff sheets which contain a *pro forma* MSS Aggregator CRR Entity Agent Agreement that would apply between the CAISO and any MSS Aggregator – including, but not limited to, NCPA.³³ The CAISO has developed this specific MSS Aggregator CRR Entity Agent Agreement to address the specific business requirements of MSS Aggregators that are authorized by their individual member Load Serving Entities in the CRR Allocation process. The agreement differs from the *pro forma* CRR Entity Agreement in the following respects:

(1) The MSS Aggregator is required to list all of its aggregated MSS Operators and the agreement by which it operates as their aggregator and agent in the introductory paragraph of the agreement.

(2) The recitals provide that the MSS Aggregator is authorized by its aggregated MSS Operators to participate in CRR processes on their behalf but that the MSS Aggregator will not actually hold title to or ownership of any CRRs issued to any of its aggregated LSEs. Rather the MSS Aggregator will hold the title in trust on behalf of the MSS Operators.

³¹ *Pacific Gas and Elec. Co., et al.*, 81 FERC ¶ 61,320 at 62,473-62,474 (1998).

³² May 8 Order at P 87.

³³ An "MSS Aggregator" must have entered into an MSS Aggregator Agreement with the CAISO for the purpose of aggregating a number of Metered Subsystems together for business purposes.

(3) Section 2.1 includes an acknowledgement by the MSS Aggregator and the CAISO that the MSS Aggregator must execute the MSS Aggregator CRR Entity Agent Agreement in accordance with the CAISO Tariff.

(4) Section 3.2.1 incorporates an express right of the CAISO to terminate the MSS Aggregator CRR Entity Agent Agreement upon notice that the agency relationship between the MSS Aggregator and all of its aggregated MSS Operators has terminated, including notice that the aggregation and agency agreement between the aggregator and its aggregated LSEs has terminated. This section also provides that the CAISO may terminate the agreement if the CRR Entity Agent commits a material default under the agreement.

(5) Section 3.2.2 specifies that the MSS Aggregator may not exercise its right to terminate the agreement unless the CRR Entity Agent is no longer a CRR Holder as trustee for any or all of its aggregated MSS Operators and that all obligations of the MSS Aggregator shall survive the termination of the agreement until satisfied.

(6) Sections 4.1 and 4.4 and Schedule 3 elaborate in detail on the role and function of the MSS Aggregator as agent on behalf of its aggregated LSEs in acquiring CRRs on their behalf and in having sole responsibility for tracking each aggregated CRR entity's Load share ratio of the aggregator's total allocation of CRRs. Section 4.1 also reiterates that the MSS Aggregator agrees that it will not hold title to or ownership of any of the CRRs of its aggregated CRR entities, which entities will retain ownership of the CRRs allocated to the aggregator in accordance with their Load share ratios. In addition, Section 4.4 stipulates that in the event that the MSS Operator and CRR Entity Agent aggregation or agency relationship terminates, the CRR Entity Agent is solely responsible for ensuring that the appropriate pro rata share of every CRR is properly assigned to the applicable departing MSS Operator.

(7) Section 4.5 is added to require that the MSS Aggregator provide the CAISO with evidence of its agency relationship with its aggregated MSS Operators and direct contact information for each entity.

(8) Section 8.1 adds a warranty by the aggregator that all necessary agreements providing for the agent relationship with each of its aggregated MSS Operators are in full force and effect.

(9) Section 9.1 adds a provision that the CAISO shall not be liable to any aggregated MSS Operators arising from the agency relationship with the MSS Aggregator unless the CAISO acts with gross negligence or willful conduct.

(10) Sections 4.2, 4.3, 5.1, 6.1, 7.1, and 10.1 are modified to emphasize the MSS Aggregator's role as agent acting on behalf of the aggregated MSS Operators.

(11) Additional minor editorial revisions are made to Sections 1.1, 3.2.2, 5.2, and 11.9.

These changes are designed to facilitate the role of MSS Aggregators, such as NCPA, as an agent participating in the CRR Allocation on behalf of its aggregated MSS Operators and LSEs for purposes of matters relating to CRRs. As an MSS Aggregator under the MSS Aggregator CRR Entity Agent Agreement, NCPA would be authorized to not only participate in the CRR Allocation on behalf of the MSS Operators it represents as an agent, but also it would actually hold the acquired CRRs as trustee for all of the load it represents in the aggregate based on the load ratio shares NCPA would provide the CAISO for its represented load and any sources that it can verify pursuant to the MRTU Tariff rules.

The MSS Operator represented by the CRR Entity Agent would not itself have to qualify as CRR Entity and does not actually hold any of the CRRs. This differs from the situation in which an individual LSE has opted to use an agent to represent it in particular CRR procedures but is itself qualified as the Candidate CRR Holder or CRR Holder, has signed a CRR Entity Agreement, and remains itself responsible for all the of the MRTU Tariff requirements that apply to Candidate CRR Holders and CRR Holders. Therefore, CRR Entity Agents through the execution of the MSS Aggregator CRR Entity Agent Agreement take on greater responsibility under the CAISO Tariff than do other agents. It should be noted, that since the MSS Operator itself need not be qualified as a Candidate CRR Holder, in the event, that the CRR Entity Agent should for any reason no longer represent the MSS Aggregator or lose its status as a CRR Entity Agent, in order for the MSS Operator to be able to hold the allocated CRRs that were allocated to its load and were held in trust by the CRR Entity Agent, the MSS Operator itself would be required to be qualified as a Candidate CRR Holder, which would require its execution of a CRR Entity Agreement.

E. Further Compliance Issues

The May 8 Order directed the CAISO to undertake certain compliance activities in addition to those required by this filing. First, the Commission directed the CAISO to finalize any Business Practice Manuals (“BPMs”) necessary for the first annual CRR allocation within 30 days and to submit those BPMs to the Commission on an informational basis.³⁴ Second, the Commission ordered the CAISO to include in its compliance filing no later than 180 days before startup of MRTU the following provisions accepted in Docket No. ER07-613: (1) Section 4.3.2.1 Addressing TRTC Instructions for Converted Rights; (2) Section 16.4.5(12) Addressing Forecasted Usage Patterns (3) Section 16.4.5.(13) Addressing Self-Provision of Ancillary Services. The CAISO is working on these matters, which will be the subject of future filings.

³⁴ *Id.* at P 70.

III. ATTACHMENTS

Along with this transmittal letter, the CAISO provides the following supporting materials:

- Attachment A - Revised clean tariff sheets
- Attachment B - Blackline showing changes from initial filing, including the *pro forma* MSS Aggregator CRR Entity Agent Agreement

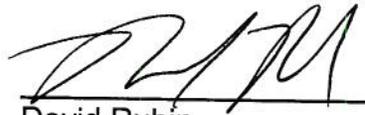
IV. CONCLUSION

For all the reasons stated herein, the CAISO respectfully requests that the Commission accept this Compliance Filing.

Respectfully submitted,



Anna A. McKenna
Counsel
Sidney Davies
Assistant General Counsel
John Anders
Assistant General Counsel
Michael D. Dozier
Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296
E-mail:
amckenna@caiso.com
sdavies@caiso.com
janders@caiso.com
mdozier@caiso.com



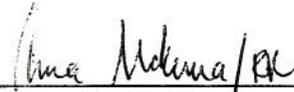
David Rubin
Roger Smith
Christopher R. Jones
TROUTMAN SANDERS LLP
401 9th Street, N.W., Suite 1000
Washington, D.C. 20004
Tel: (202) 274-2950
E-mail:
david.rubin@troutmansanders.com
roger.smith@troutmansanders.com
chris.jones@troutmansanders.com

Counsel for the
California Independent System Operator
Corporation

Dated: May 23, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned docket. Dated at Folsom, California on this 23rd day of May, 2007.



Anna A. McKenna

Attachment A – Clean Sheets

CRR Implementation Compliance Filing – May 23, 2007

6.5.1.2 CRR Participants Without Non-Disclosure Agreements.

6.5.1.2.1 Annually, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the annual allocation or auction.

6.5.1.2.2 Monthly, the CAISO shall provide CRR information specific to that CRR Holder or Candidate CRR Holder as it relates to participation in the monthly CRR Allocation or CRR Auction.

6.5.1.3 Public Market Information.

6.5.1.3.1 Annually, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holdings by CRR Holder (including):
 - (i) CRR Source name(s);
 - (ii) CRR Sink name(s);
 - (iii) CRR quantity (MW) for each CRR Source(s) and CRR Sink(s);
 - (iv) CRR start and end dates;
 - (v) Time of use specifications for the CRR(s); and
 - (vi) Whether the CRR is a CRR Option or CRR Obligation.

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holdings by CRR Holder (including):
 - (i) CRR Source name(s);
 - (ii) CRR Sink name(s);
 - (iii) CRR quantity (MW) for each CRR Source(s) and CRR Sink(s);
 - (iv) CRR start and end dates;
 - (v) Time of use specifications for the CRR(s); and
 - (vi) Whether the CRR is a CRR Option or a CRR Obligation.

6.5.1.3.3 Seasonally, the CAISO shall publish the following information including, but not limited to:

- (a) Set of LDFs that represent typical seasonal on-peak and off-peak values, not used for Settlements, before the new season.

PART B. TRANSMISSION RIGHTS AND TRANSMISSION CURTAILMENT (TRTC)

INSTRUCTIONS

The provisions of this Part B are necessary to enable the CAISO to collect and implement the Transmission Rights and Transmission Curtailment Instructions that will be used to model ETCs, TORs, and Converted Rights in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

4.3.1.2.1 New Participating TOs shall complete TRTC Instructions for their Converted Rights as provided in Section 16.4.5 of this Appendix. To the extent such Converted Rights derive from ETCs with Original Participating TOs, the New Participating TOs and the appropriate Original Participating TO shall develop the TRTC Instructions together.

- (9) Instructions for the allowable timeframes at which the ETC Self-Schedules and ETC Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit ETC Self-Schedules or ETC Self-Schedule changes: (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the TRTC Instructions may also include any additional comments and restrictions on the submission time of ETC Self-Schedules and ETC Self-Schedule changes;
- (10) Term or service period(s) of the Existing Contract(s);
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different from pro rata reduction of the transfer capability of the transmission line; any such TRTC Instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning intent, results, or purpose of the curtailment procedures or the Existing Contract and the section of the Existing Contract that provides this right for reference, otherwise, they will not be accepted by the CAISO;
- (12) The forecasted usage patterns for each Existing Contract for the upcoming annual period of the annual CRR release processes as well as for the upcoming monthly period of the monthly CRR release processes, which will consist of hourly MWh data over the whole year for those resources that will use the Existing Contract; this information will be considered by the CAISO in managing its accounting for usage of Existing Rights in the release of CRRs; this information shall not be used by the CAISO to validate ETC Self-Schedules when submitted by Scheduling Coordinators and therefore shall not affect the Existing Rights holder's ability to utilize its rights under the Existing Contract;

- (13) Whether or not the Existing Contract provides for the right to self-provide Ancillary Services; and
- (14) Specification of any contract requirements in the ETC that warrants special consideration in the implementation of the physical rights under the ETC.

- (3) Name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Non-Participating TO contact for TOR issues or the agreed upon party;
- (4) Name(s) and number(s) of TOR(s) that are represented by the unique CRN;
- (5) The following information, as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery; (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, Custom Load Aggregation Points and System Resources); (c) for each physical source or sink the maximum capacity (MW) that can be scheduled as a TOR under the Existing Contract; and (d) for each physical source and sink the Scheduling Coordinator(s) and their Business Associate Identification ("BAID") that is(are) eligible to submit TOR Self-Schedules utilizing these sources and sinks;
- (6) Names of the party(ies) holding the TOR(s) and the parties to any agreements applicable to the TORs;
- (7) The Scheduling Coordinator BAID that is entitled to the Settlement of reversal of Congestion Charges;
- (8) Amount of TORs, in maximum MW, that may be utilized under the relevant TRTC Instructions;
- (9) Instructions for the allowable timeframes at which the TOR Self-Schedules and TOR Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit TOR Self-Schedules or TOR Self-Schedule changes: (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of

- Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the Non-Participating TO may also provide any additional comments and restrictions on the submission time of TOR Self-Schedules and TOR Self-Schedule changes;
- (10) Term of ownership interest in the TOR(s) and of any agreements applicable to the TOR(s);
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different than pro rata reduction of the transfer capability of the transmission line; any such instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning intent, results, or purpose of the curtailment procedures or of any applicable Existing Contract, otherwise, they will not be accepted by the CAISO; and
- (12) Whether or not the TOR provides the right to self-provide Ancillary Services.

17.1.5 Changes and Updates to TRTC Instructions.

Updates or changes to the TRTC Instructions must be submitted to the CAISO through a revised set of TRTC Instructions by the Non-Participating TO, on an as needed or as required basis. The CAISO will implement the updated or changed TRTC Instructions as soon as practicable but no later than seven (7) days after receiving clear and unambiguous details of the updated or changed instructions under normal conditions. If the CAISO finds the TRTC Instructions to be inconsistent with the CAISO Tariff, the CAISO will notify the Non-Participating TO within forty-eight (48) hours after receipt of the updated or changed TRTC Instructions indicating the nature of the problem and allowing the Non-Participating TO to resubmit

the TRTC Instructions as if they were new, updated or changed TRTC Instructions. If the CAISO finds the updated or changed TRTC Instructions to be acceptable, the CAISO will time-stamp the updated TRTC Instructions as received, confirm such receipt to the Non-Participating TO, and indicate the time at which the updated instructions take effect if prior to the seven (7) day deadline referred to above. In the event of a System Emergency, the CAISO will implement such submitted changes to the TRTC Instructions as soon as practical.

4.10.1.9 Final Registration and Qualification of Candidate CRR Holder Applicant.

4.10.1.9.1 Notice of Completed Registration and Qualification of Candidate CRR Holder.

Once the CAISO has accepted a Candidate CRR Holder applicant's application, the CAISO will provide the Candidate CRR Holder applicant with a final written notice to certify that a Candidate CRR Holder applicant has become a Candidate CRR Holder. The CAISO shall issue such final written notice of full registration and qualification as a Candidate CRR Holder after the CAISO has determined that the Candidate CRR Holder applicant has fully satisfied all the following requirements:

- (a) fully executed a CRR Entity Agreement with the CAISO;
- (b) provided its bank account information and arranged for Fed-Wire transfers;
- (c) met the Financial Security requirements of Section 12.1 of the ISO Tariff and Section 12.6 of this Appendix;
- (d) certified that it has attended required CRR training; and
- (e) obtained and installed any necessary software for communication with the CAISO as necessary.

4.10.1.9.2 Market Notice

The CAISO shall issue a Market Notice stating the new Candidate CRR Holder status.

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall also be the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

11.10 Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[Name of CRR Entity]

By: _____

Name: _____

Title: _____

Date: _____

Load Distribution Factors (LDF)	A number that reflects the relative amount of Load at each PNode within a Load Aggregation Point. Load Distribution Factors determine how the aggregated Load at a given LAP is distributed to the associated power system Nodes. The sum of all Load Distribution Factors for a single Load Aggregation Point equals one.
Long Term CRR	A Congestion Revenue Right differentiated by season and time-of-use period (on-peak and off-peak) with a term of ten years.
Marginal Cost of Congestion (MCC)	The component of LMP at a PNode that accounts for the cost of congestion, as measured between that Node and a Reference Bus.
Marginal Cost of Losses (MCL)	The component of LMP at a PNode that accounts for the marginal real power losses, as measured between that Node and a Reference Bus.
Market Power Mitigation - Reliability Requirement Determination (MPM-RRD)	The two-optimization run process conducted in both the Day-Ahead Market and the HASP that determines the need for the CAISO to employ market power mitigation measures or Dispatch RMR Units.
Monthly CRR Eligible Quantity	The MW quantity of CRRs an LSE is eligible to nominate for the relevant month in a monthly CRR Allocation.
Monthly CRR Load Metric	The MW level of Load on an Load Serving Entity's load duration curve that is exceeded only 0.5% of the time in the relevant month based on Load forecast data.
MSS Aggregator	An entity that has executed an agreement with the CAISO that enables it to represent individual MSS Operators in the CAISO Markets on an aggregated basis, which agreement has been accepted by FERC.
Pricing Node (PNode)	A single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Market Price is calculated and used for financial settlements.
Pumped-Storage Hydro Units	Hydroelectric dam with capability to produce electricity by pumping water between reservoirs at different elevations.
Real-Time Market (RTM)	The spot market conducted by the CAISO using SCUC and SCED in the Real-Time, after the HASP is completed for the purpose of unit commitment, Ancillary Service procurement, Congestion Management and Energy procurement based on Supply Bids and CAISO Forecast of CAISO Demand.
Reference Bus	The Location(s) on the CAISO Controlled Grid relative to which mathematical quantities relating to powerflow solution will be calculated.

**Residual Unit
Commitment (RUC)**

The process conducted by the CAISO in the Day-Ahead Market after the IFM has been executed to ensure sufficient Generating Units, System Units, System Resources and Participating Loads are committed to meet the CAISO Forecast of CAISO Demand.

Seasonal CRR

A Congestion Revenue Right that is valid for one season and one time-of-use period in a given year.

**Seasonal CRR Eligible
Quantity**

The MW quantity of CRRs an LSE is eligible to nominate for the relevant season in the annual CRR Allocation.

**Seasonal CRR Load
Metric**

The MW level of Load that is exceeded only in 0.5 percent of the hours for each season and time of use period based on the LSE's historical Load.

**Secondary Registration
System**

The computer interface through which CRR Holders and Candidate CRR Holders register any bilateral CRR transactions with the CAISO.

Self-Schedule

The Bid component that indicates the quantities in MWhs with no specification of a price that the Scheduling Coordinator is submitting to the CAISO, which indicates that the Scheduling Coordinator is a Price Taker, Regulatory Must-Run Generation or Regulatory Must-Take Generation, which includes ETC and TOR Self-Schedules and Self-Schedules for Converted Rights.

**Simultaneous Feasibility
Test ("SFT")**

The process that the CAISO will conduct to ensure that allocated and auction CRRs do not exceed relevant transmission system constraints.

TOR Self-Schedule

Self-Schedules submitted by Scheduling Coordinators pursuant to Transmission Ownership Rights as reflected in the TRTC Instructions.

Trading Hub

An aggregation of network Pricing Nodes, such as Existing Zone Generation Trading Hubs, maintained and calculated by the CAISO for settlement and trading purposes posted by the CAISO on its CAISO Website.

**Transmission Rights and
Transmission Curtailment
(TRTC) Instructions**

Operational directives developed between Existing Rights holders and the Participating TO, submitted to the CAISO by the Participating TO, unless otherwise agreed to by the Participating TO and the Existing Rights holder to facilitate the accommodation of Existing Rights in the CAISO Markets.

PART J. PRO FORMA MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

The provisions of this Part J are necessary to enable the CAISO to establish the terms of a *pro forma* service agreement by which the CAISO will enter into a direct relationship with MSS Aggregators that desire to participate in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

[METERED SUBSYSTEM AGGREGATOR]

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, _____, and is entered into, by and between:

(1) **[INSERT NAME OF MSS AGGREGATOR]**, a **[INSERT TYPE OF ENTITY]**, having its registered and principal place of business located at **[INSERT ADDRESS]**, acting as the agent on behalf of the following principals: **[INSERT NAMES OF MSS OPERATOR LSEs]**, all of which are MSS Operators and Load Serving Entities, ("MSS Operators") pursuant to the terms of that certain **[INSERT TITLE OF MSS AGGREGATOR AGREEMENT]** ("MSSAA") dated _____ (the "CRR Entity Agent");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "CAISO").

The CRR Entity Agent and the CAISO are hereinafter referred to individually as a "Party" and collectively as the "Parties."

Whereas:

- A.** The CAISO Tariff provides that any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the terms of the CAISO Tariff (either directly or through its agent), regardless of whether they are to acquire CRRs through the CRR Allocation or CRR Auction, or through the Secondary Registration System.
- B.** The CRR Entity Agent pursuant to the terms of the MSSAA is authorized by the aggregated MSS Operators to act on the behalf of the MSS Operators with regard to matters relating to CRRs, including, but not limited to, allowing the CRR Entity Agent to participate in the CRR nomination process on behalf of the MSS Operators, to accept financial responsibility under this Agreement, to perform settlement functions, and to comply with CAISO Tariff requirements.
- C.** The CRR Entity Agent has completed the Candidate CRR Holder application process on behalf of its aggregated MSS Operators and pursuant to the terms of the MSSAA is eligible to participate on behalf of the MSS Operators in the CRR Allocation or CRR Auction or register through the Secondary Registration System on behalf of the MSS Operators. However, the CRR Entity Agent will not hold title to or ownership of any CRRs issued to any of its aggregated MSS Operators through the CRR Allocation, CRR Auction, or Secondary Registration System processes. Rather, the CRR Entity Agent will hold title for the CRRs allocated to the individual MSS Operator's Load in trust on behalf of the MSS Operator.
- D.** The CAISO Tariff further provides that any entity that wishes to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System must meet all of the Candidate CRR Holder requirements and creditworthiness provisions in the CAISO Tariff and the relevant Business Practice Manual, including demonstration of its ability to accommodate the financial responsibility associated with holding CRRs.
- E.** The aggregated MSS Operators desire to act through the CRR Entity Agent to comply with all requirements referenced in part D, above, in order to obtain CRRs through the CRR Allocation, CRR Auction, or Secondary Registration System.

- F.** The CRR Entity Agent, on behalf of its aggregated MSS Operators, wishes to undertake such necessary tasks and requirements set forth herein to comply with the applicable provisions of the CAISO Tariff in order to allow the MSS Operators to participate in the CRR Allocation, CRR Auction, and Secondary Registration System processes.
- G.** The Parties are entering into this Agreement in order to establish the terms and conditions pursuant to which the CAISO and the CRR Entity Agent will discharge their respective duties and responsibilities under the CAISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement in Appendix A of the CAISO Tariff, unless otherwise defined herein.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
 - (b) the singular shall include the plural and vice versa;
 - (c) the masculine shall include the feminine and neutral and vice versa;
 - (d) "includes" or "including" shall mean "including without limitation";
 - (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
 - (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
 - (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
 - (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
 - (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;

- (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II ACKNOWLEDGEMENTS OF CRR ENTITY AGENT AND CAISO

- 2.1 Scope of Application to Parties.** The CRR Entity Agent and CAISO acknowledge that all MSS Aggregators that are authorized by their aggregated MSS Operators to act as the agent of those MSS Operators in undertaking all obligations and responsibilities of Candidate CRR Holders or CRR Holders must sign this Agreement in accordance with section 4.10.1.9.1 of the CAISO Tariff.

ARTICLE III TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall be effective as of the later of the date it is executed by both Parties or the date accepted for filing and made effective by FERC if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.
- 3.2 Termination**
- 3.2.1 Termination by CAISO.** Upon notice that the agency relationship between all of the aggregated MSS Operators and the CRR Entity Agent has terminated, including any notice that the MSSAA has terminated, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination. Further, subject to Article V, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination in the event that the CRR Entity Agent commits any material default under this Agreement and/or the CAISO Tariff as it pertains to this Agreement which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the CRR Entity Agent, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement or unless the CAISO agrees, in writing, to an extension of the time to remedy such material default. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by CRR Entity Agent. In the event that the CRR Entity Agent is no longer a CRR Holder as trustee for any or all of its aggregated MSS Operators, the CRR Entity Agent may terminate this Agreement, on giving the CAISO not less than ninety (90) days' written notice; provided, however, any outstanding financial right or obligation or any other obligation under the CAISO Tariff of the Candidate CRR Holder or CRR Holder (regardless of whether such obligation shall be borne by an aggregated MSS Operator or the CRR Entity Agent) that has arisen while the CRR Entity Agent was a Candidate CRR Holder or a CRR Holder as trustee for any or all of its MSS Operators, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive until satisfied. With respect to any notice of termination given pursuant to this Section, CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after receipt of such request or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the CRR Entity Agent's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV GENERAL TERMS AND CONDITIONS

- 4.1 CRR Holder Requirements.** The CRR Entity Agent acting on behalf of its aggregated MSS Operators must register and qualify on behalf of the MSS Operators with the CAISO and comply with all terms of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders, regardless of the manner in which it acquires the CRRs on behalf of its aggregated MSS Operators, whether by CRR Allocation or CRR Auction, or through the Secondary Registration System. The CRR Entity Agent shall participate in the CRR nomination process on an aggregated basis on behalf of each of its aggregated MSS Operators on the basis of that individual MSS Operator's Load ratio share set forth in Schedule 3. The CAISO shall allocate CRRs to each individual MSS Operator based on its Load ratio share set forth in Schedule 3, which CRRs will be held in the aggregate by the CRR Entity Agent on behalf of its aggregated MSS Operators. The CRR Entity Agent acknowledges and agrees that it shall not hold title to or ownership of any of the CRRs of its aggregated MSS Operators. Ownership and title of any obtained CRRs shall be held in trust by the CRR Entity Agent on behalf of the applicable MSS Operator in accordance with each MSS Operator's Load share ratio as set forth in Schedule 3.
- 4.2 CRR Holder Creditworthiness Requirements.** The CRR Entity Agent acting on behalf of its aggregated MSS Operators must comply with the requirements for creditworthiness applicable to Candidate CRR Holders or CRR Holders, including the creditworthiness provisions of the CAISO Tariff and the relevant Business Practice Manual.
- 4.3 Settlement Account.** The CRR Entity Agent on behalf of its aggregated MSS Operators shall maintain at all times an account with a bank capable of Fed-Wire transfer to which credits or debits shall be made in accordance with the billing and Settlement provisions of Section 11 of the CAISO Tariff. Such account shall be the account referred to in Schedule 2 hereof or as notified by the CRR Entity Agent to the CAISO from time to time by giving at least seven (7) days written notice before the new account becomes operational. Such changes to Schedule 2 shall not constitute an amendment to this Agreement.

- 4.4 CRR Entity Agent Responsibility for MSS Operator Load Share Ratio.** The CRR Entity Agent shall track each aggregated MSS Operator's Load share ratio of CRRs separately as set forth in Schedule 3 and shall be solely responsible for tracking such allocations. The CRR Entity Agent acknowledges and agrees that CAISO shall have no responsibility with regard to such pro rata allocations of CRRs as set forth in Schedule 3. The CAISO shall issue CRRs allocated to the aggregated MSS Operators in aggregate to the CRR Entity Agent, and the CRR Entity Agent shall be solely responsible for ensuring the proper allocation of such CRRs to each aggregated MSS Operator. In the event the MSS Operator and CRR Entity Agent aggregation or agency relationship terminates, the CRR Entity Agent shall be solely responsible for ensuring that the appropriate pro rata share of every CRR Source is properly assigned to the applicable MSS Operator.
- 4.5 Provision of Evidence of CRR Entity Agent Authority.** The CRR Entity Agent shall provide the CAISO with a copy of the MSSAA or other sufficient evidence to assure the CAISO of its authority to act as agent on behalf of its aggregated MSS Operators with regard to the matters addressed in this Agreement. The CRR Entity Agent shall provide the CAISO with the contact name, address, e-mail address, and phone number of an individual representative of each of its aggregated MSS Operators whom the CAISO may contact regarding matters addressed in this Agreement. The CRR Entity Agent shall immediately notify the CAISO in writing of any revision to the terms of the MSSAA that affects its authority to act as agent on behalf of its aggregated MSS Operators or any other change in its relationship with any of its aggregated MSS Operators.
- 4.6 Electronic Contracting.** All submitted applications, bids, confirmations, changes to information on file with the CAISO and other communications conducted via electronic transfer (*e.g.*, direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the CAISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the CAISO Tariff as if executed in written format.
- 4.7 Agreement Subject to CAISO Tariff.** The Parties will comply with all provisions of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders. This Agreement shall be subject to the CAISO Tariff, which shall be deemed to be incorporated herein.

ARTICLE V PERFORMANCE

- 5.1 Penalties.** The CRR Entity Agent on behalf of its aggregated MSS Operators shall be subject to all penalties made applicable to Candidate CRR Holders and CRR Holders set forth in the CAISO Tariff. Nothing in this Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the CRR Entity Agent on behalf of its aggregated MSS Operators to oppose or protest the specific imposition by the CAISO of any FERC-approved penalty on the CRR Entity Agent or any MSS Operator.
- 5.2 Corrective Measures.** If the CRR Entity Agent or the CAISO fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff, the CAISO or the CRR Entity Agent shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff as it pertains to this Agreement, which the Party seeking enforcement deems to be necessary to correct the situation.

**ARTICLE VI
COSTS**

- 6.1 Operating and Maintenance Costs.** The CRR Entity Agent shall be responsible for all its costs and any costs of its aggregated MSS Operators incurred in connection with all its CRR related activities.

**ARTICLE VII
DISPUTE RESOLUTION**

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE VIII
REPRESENTATIONS AND WARRANTIES**

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law, and that the proper agreements providing for the CRR Entity Agent relationship with each aggregated MSS Operator, including, but not limited to, the MSSAA, are in full force and effect.

**ARTICLE IX
LIABILITY**

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable), and references to the CAISO Tariff shall be read as references to this Agreement. Further, in reliance on the agency relationship between the CRR Entity Agent and each aggregated MSS Operator, CAISO shall treat the CRR Entity Agent as the MSS Operators and shall not be liable to any aggregated MSS Operator for any claims, liabilities, or errors arising from this agency relationship, including, but not limited to, CRR ownership or Settlement Accounts, unless the CAISO causes such claim(s), liability(ies) or error(s) due to its gross negligence or willful conduct.

**ARTICLE X
UNCONTROLLABLE FORCES**

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XI
MISCELLANEOUS**

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff and other CAISO Tariff requirements as applied to Candidate CRR Holders or CRR Holders. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes to Schedule 1 shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: (i) any court of the State of California, (ii) any federal court of the United States of America located in the State of California, except to the extent subject to the protections of the Eleventh Amendment of the United States Constitution, or (iii) where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

11.8 Section Headings. Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall also be the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

11.10 Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[INSERT NAME OF CRR ENTITY AGENT]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

NOTICES

[Section 11.2]

CRR Entity Agent

Name of Primary

Representative:

Title:

Company:

Address:

City/State/Zip Code:

Email Address:

Phone:

Fax No:

Name of Alternative

Representative:

Title:

Company:

Address:

City/State/Zip Code:

Email Address:

Phone:

Fax No:

CAISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

Name of Alternative

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

SCHEDULE 2

SETTLEMENT ACCOUNT

[Section 4.3]

CRR Entity Agent Account Information

Settlement Account No:

Title:

Sort Code:

Bank:

SCHEDULE 3

[Pro Rata Load Share per MSS Operator Represented by CRR Entity Agent]

[Section 4.4]

Attachment B – Blacklines

CRR Implementation Compliance Filing – May 23, 2007

PART A. INFORMATION TO BE PROVIDED BY THE CAISO TO MARKET PARTICIPANTS.

6.5.1.3 Public Market Information.

6.5.1.3.1 Annually, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;
- (b) CRR Holdings by CRR Holder (including):
 - (i) CRR Source name(s);
 - (ii) CRR Sink name(s);
 - (iii) CRR quantity (MW) for each CRR Source(s) and CRR Sink(s);
 - (iv) CRR start and end dates;
 - (v) Time of use specifications for the CRR(s); and
 - (vi) Whether the CRR is a CRR Option or CRR Obligation.
- (f) ~~Cleared CRR MW values; and~~
- (g) ~~Market Clearing Price for CRRs obtained in the CRR Auction.~~

6.5.1.3.2 Monthly, the CAISO shall publish the following information including, but not limited to:

- (a) Market Clearing Prices for all Aggregated PNodes used in the CRR Auction clearing for on-peak and off-peak;

- (b) CRR Holdings by CRR Holder (including):
 - (i) CRR Source name(s);
 - (ii) CRR Sink name(s);
 - (iii) CRR quantity (MW) for each CRR Source(s) and CRR Sink(s);
 - (iv) CRR start and end dates;
 - (v) Time of use specifications for the CRR(s); and
 - (vi) Whether the CRR is a CRR Option or a CRR Obligation.
- (f) ~~Cleared CRR MW values; and~~
- (g) ~~Clearing price for CRRs obtained in the CRR Auction.~~

* * *

PART B. TRANSMISSION RIGHTS AND TRANSMISSION CURTAILMENT (TRTC) INSTRUCTIONS

4.3.1.2.1 New Participating TOs shall complete TRTC Instructions for their Converted Rights together with any Original Participating TO as provided in Section 16.4.5 of this Appendix. To the extent such Converted Rights derive from ETCs with Original Participating TOs, the New Participating TOs and the appropriate Original Participating TO shall develop the TRTC Instructions together.

* * *

16.4.5 TRTC Instructions Content.

TRTC Instructions will include the following information at a minimum and such other information as the CAISO may reasonably require the Participating TO to provide to enable the CAISO to carry out its functions under the CAISO Tariff, Operating Procedures and Business Practice Manuals:

- (1) A unique Contract Reference Number for each source and sink combination applicable to the Existing Contract (i.e., the CRN that will be assigned by the CAISO and communicated to the Participating TO that references a single Existing Contract or a set of interdependent Existing Contracts for each source and sink combination);
- (2) Whether the instruction can be exercised independent of the CAISO's day-to-day involvement ("Yes/No");
- (3) Name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Participating TO contact for Existing Contract issues or the agreed upon party;
- (4) Name(s) and number(s) of Existing Contract(s) that are represented by the unique CRN;
- (5) The following information as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery; (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes, custom Load Aggregation Points and System Resources); (c) for each physical source or sink the maximum Existing Rights capacity (MW) that can be scheduled as an Existing Right under the Existing Contract; and (d) for each physical source and sink the Scheduling Coordinator(s) and their Business Associate Identification ("BAID") that is(are) eligible to submit ETC Self-Schedules utilizing these sources and sinks;
- (6) Names of the party(ies) to the Existing Contract(s);
- (7) The Scheduling Coordinator BAID that is entitled to the Settlement of reversal of Congestion Charges;

- (8) Type(s) of service rights by the holder of the Existing Rights, by type of service (firm, conditional firm, or non-firm), with priorities for firm and conditional firm transmission services and maximum amounts of service right in MW;
- (9) Instructions for the allowable timeframes at which the ETC Self-Schedules and ETC Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit ETC Self-Schedules or ETC Self-Schedule changes:
 - (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the TRTC Instructions may also include any additional comments and restrictions on the submission time of ETC Self-Schedules and ETC Self-Schedule changes;
- (10) Term or service period(s) of the Existing Contract(s);
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different from pro rata reduction of the transfer capability of the transmission line; any such TRTC Instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning intent, results, or purpose of the curtailment procedures or the Existing Contract and the section of the Existing Contract that provides this right for reference, otherwise, they will not be accepted by the CAISO; ~~and~~
- (12) The forecasted usage patterns for each Existing Contract for the upcoming annual period of the annual CRR release processes as well as for the upcoming monthly period of the monthly CRR release processes, which will consist of hourly MWh data over the whole year for those resources that will use the Existing Contract; this information will be considered by the CAISO in managing its accounting for usage of Existing Rights in the release of CRRs; this information shall not be used by the CAISO to validate ETC Self-Schedules when submitted by Scheduling Coordinators and therefore shall not affect the Existing Rights holder's ability to utilize its rights under the Existing Contract; ~~;~~

- (13) Whether or not the Existing Contract provides for the right to self-provide Ancillary Services; and
- (14) Specification of any contract requirements in the ETC that warrants special consideration in the implementation of the physical rights under the ETC.

* * *

17.1.4 TRTC Instructions Content.

TRTC Instructions will include the following information at a minimum and such other information as the CAISO may reasonably require the Non-Participating TO holder of a TOR to provide to enable the CAISO to carry out its functions under the CAISO Tariff, Operating Procedures and Business Practice Manuals:

- (1) A unique Contract Reference Number for each source and sink combination applicable to the TOR (TOR reference number or CRN that will be assigned by the CAISO and communicated to the Non-Participating TO that references a single TOR or a set of interdependent TORs for each source and sink combination);
- (2) Whether the instruction can be exercised independent of the CAISO's day-to-day involvement ("Yes/No");
- (3) Name of an operational single point of contact for instructions and a 24-hour a day telephone number for the Non-Participating TO contact for TOR issues or the agreed upon party;
- (4) Name(s) and number(s) of TOR(s) that are represented by the unique CRN;
- (5) The following information, as stored in the Master File: (a) the applicable Point(s) of Receipt and Point(s) of Delivery; (b) for each Point of Receipt, the resource names for the physical resources as the eligible sources (eligible physical sources include Generating Units and System Resources), and for each Point of Delivery the resource names for the physical resources as the eligible sinks (eligible physical sinks include Load PNodes,

Custom Load Aggregation Points and System Resources); (c) for each physical source or sink the maximum ~~Existing Rights~~ capacity (MW) that can be scheduled as an ~~Existing Right~~ TOR under the Existing Contract; and (d) for each physical source and sink the Scheduling Coordinator(s) and their Business Associate Identification (“BAID”) that is(are) eligible to submit TOR Self-Schedules utilizing these sources and sinks;

- (6) Names of the party(ies) holding the TOR(s) and the parties to any agreements applicable to the TORs;
- (7) The Scheduling Coordinator BAID that is entitled to the Settlement of reversal of Congestion Charges;
- (8) Amount of TORs, in maximum MW, that may be utilized under the relevant TRTC Instructions;
- (9) Instructions for the allowable timeframes at which the TOR Self-Schedules and TOR Self-Schedule changes may be submitted to the CAISO, which include whether the Scheduling Coordinator may submit TOR Self-Schedules or TOR Self-Schedule changes: (a) into the DAM; (b) into the HASP and the RTM; (c) after the close of the bidding into the HASP and the RTM, but before T-20 minutes for that Trading Hour of Trading Day; and (d) at or after T-20 minutes and into the Trading Hour of Trading Day; in addition, the Non-Participating TO may also provide any additional comments and restrictions on the submission time of TOR Self-Schedules and TOR Self-Schedule changes;
- (10) Term of ownership interest in the TOR(s) and of any agreements applicable to the TOR(s); ~~and~~
- (11) Any special procedures that would require the CAISO to implement curtailments in any manner different than pro rata reduction of the transfer capability of the transmission line; any such instructions submitted to the CAISO must be clear, unambiguous, and not require the CAISO to make any judgments or interpretations as to the meaning intent,

results, or purpose of the curtailment procedures or of any applicable Existing Contract, otherwise, they will not be accepted by the CAISO; and

(12) Whether or not the TOR provides the right to self-provide Ancillary Services.

* * *

PART D. CANDIDATE CRR HOLDER AND CRR HOLDER REQUIREMENTS

40.10.1.9 Final Registration and Qualification of Candidate CRR Holder Applicant.

* * *

PART E. PRO FORMA CRR ENTITY AGREEMENT

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall also be the "public interest" standard of review rather than the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

* * *

PART G – DEFINITIONS

MSS Aggregator

An entity that has executed an agreement with the CAISO that enables it to represent individual MSS Operators in the CAISO Markets on an aggregated basis, which agreement has been accepted by FERC.

* * *

**Seasonal CRR Load
Metric**

The MW level of Load that is exceeded only in 0.5 percent of the hours for each season and time of use period based on the LSE's historical Load~~lowest value among the Monthly CRR Load Metrics for a Load Serving Entity calculated across the relevant season.~~

* * *

PART J. PRO FORMA MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

The provisions of this Part J are necessary to enable the CAISO to establish the terms of a *pro forma* service agreement by which the CAISO will enter into a direct relationship with MSS Aggregators that desire to participate in the CRR Allocation and CRR Auction to be conducted in the summer and fall of 2007.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

[METERED SUBSYSTEM AGGREGATOR]

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

MSS AGGREGATOR CRR ENTITY AGENT AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, and is entered into, by and between:

(1) **[INSERT NAME OF MSS AGGREGATOR], a [INSERT TYPE OF ENTITY],** having its registered and principal place of business located at **[INSERT ADDRESS],** acting as the agent on behalf of the following principals: **[INSERT NAMES OF MSS OPERATOR LSEs],** all of which are MSS Operators and Load Serving Entities, (“MSS Operators”) pursuant to the terms of that certain **[INSERT TITLE OF MSS AGGREGATOR AGREEMENT]** (“MSSAA”) dated _____ (the “CRR Entity Agent”);

and

(2) **California Independent System Operator Corporation,** a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the “CAISO”).

The CRR Entity Agent and the CAISO are hereinafter referred to individually as a “Party” and collectively as the “Parties.”

Whereas:

- A.** The CAISO Tariff provides that any entity that holds or intends to hold CRRs must register and qualify with the CAISO and comply with the terms of the CAISO Tariff (either directly or through its agent), regardless of whether they are to acquire CRRs through the CRR Allocation or CRR Auction, or through the Secondary Registration System.
- B.** The CRR Entity Agent pursuant to the terms of the MSSAA is authorized by the aggregated MSS Operators to act on the behalf of the MSS Operators with regard to matters relating to CRRs, including, but not limited to, allowing the CRR Entity Agent to participate in the CRR nomination process on behalf of the MSS Operators, to accept financial responsibility under this Agreement, to perform settlement functions, and to comply with CAISO Tariff requirements.
- C.** The CRR Entity Agent has completed the Candidate CRR Holder application process on behalf of its aggregated MSS Operators and pursuant to the terms of the MSSAA is eligible to participate on behalf of the MSS Operators in the CRR Allocation or CRR Auction or register through the Secondary Registration System on behalf of the MSS Operators. However, the CRR Entity Agent will not hold title to or ownership of any CRRs issued to any of its aggregated MSS Operators through the CRR Allocation, CRR Auction, or Secondary Registration System processes. Rather, the CRR Entity Agent will hold title for the CRRs allocated to the individual MSS Operator’s Load in trust on behalf of the MSS Operator.
- D.** The CAISO Tariff further provides that any entity that wishes to participate in the CRR Allocation or CRR Auction or register as a CRR Holder through the Secondary Registration System must meet all of the Candidate CRR Holder requirements and creditworthiness provisions in the CAISO Tariff and the relevant Business Practice Manual, including demonstration of its ability to accommodate the financial responsibility associated with holding CRRs.
- E.** The aggregated MSS Operators desire to act through the CRR Entity Agent to comply with all requirements referenced in part D, above, in order to obtain CRRs through the CRR Allocation, CRR Auction, or Secondary Registration System.

F. The CRR Entity Agent, on behalf of its aggregated MSS Operators, wishes to undertake such necessary tasks and requirements set forth herein to comply with the applicable provisions of the CAISO Tariff in order to allow the MSS Operators to participate in the CRR Allocation, CRR Auction, and Secondary Registration System processes.

G. The Parties are entering into this Agreement in order to establish the terms and conditions pursuant to which the CAISO and the CRR Entity Agent will discharge their respective duties and responsibilities under the CAISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ARTICLE I **DEFINITIONS AND INTERPRETATION**

1.1 Master Definitions Supplement. All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement in Appendix A of the CAISO Tariff, unless otherwise defined herein.

1.2 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) "includes" or "including" shall mean "including without limitation";
- (e) references to a Section, Article, or Schedule shall mean a Section, Article, or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and

(k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II **ACKNOWLEDGEMENTS OF CRR ENTITY AGENT AND CAISO**

2.1 Scope of Application to Parties. The CRR Entity Agent and CAISO acknowledge that all MSS Aggregators that are authorized by their aggregated MSS Operators to act as the agent of those MSS Operators in undertaking all obligations and responsibilities of Candidate CRR Holders or CRR Holders must sign this Agreement in accordance with section 4.10.1.9.1 of the CAISO Tariff.

ARTICLE III **TERM AND TERMINATION**

3.1 Effective Date. This Agreement shall be effective as of the later of the date it is executed by both Parties or the date accepted for filing and made effective by FERC if such FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

3.2 Termination

3.2.1 Termination by CAISO. Upon notice that the agency relationship between all of the aggregated MSS Operators and the CRR Entity Agent has terminated, including any notice that the MSSAA has terminated, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination. Further, subject to Article V, the CAISO may terminate this Agreement by giving written notice to the CRR Entity Agent of termination in the event that the CRR Entity Agent commits any material default under this Agreement and/or the CAISO Tariff as it pertains to this Agreement which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the CRR Entity Agent, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement or unless the CAISO agrees, in writing, to an extension of the time to remedy such material default. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by CRR Entity Agent. In the event that the CRR Entity Agent is no longer a CRR Holder as trustee for any or all of its aggregated MSS Operators, the CRR Entity Agent may terminate this Agreement, on giving the CAISO not less than ninety (90) days' written notice; provided, however, any outstanding financial right or obligation or any other obligation under the CAISO Tariff of the Candidate CRR Holder or CRR Holder (regardless of whether such obligation shall be borne by an aggregated MSS Operator or the CRR Entity Agent) that has arisen while the CRR Entity Agent was a Candidate CRR Holder or a CRR Holder as trustee for any or all of its MSS Operators, and any provision of this Agreement necessary to give effect to such right or obligation, shall survive until satisfied. With respect to any notice of termination given pursuant to this Section, CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be

considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met and (2) the CAISO files the notice of termination within sixty (60) days after receipt of such request or (3) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the CRR Entity Agent's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV

GENERAL TERMS AND CONDITIONS

- 4.1 CRR Holder Requirements.** The CRR Entity Agent acting on behalf of its aggregated MSS Operators must register and qualify on behalf of the MSS Operators with the CAISO and comply with all terms of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders, regardless of the manner in which it acquires the CRRs on behalf of its aggregated MSS Operators, whether by CRR Allocation or CRR Auction, or through the Secondary Registration System. The CRR Entity Agent shall participate in the CRR nomination process on an aggregated basis on behalf of each of its aggregated MSS Operators on the basis of that individual MSS Operator's Load ratio share set forth in Schedule 3. The CAISO shall allocate CRRs to each individual MSS Operator based on its Load ratio share set forth in Schedule 3, which CRRs will be held in the aggregate by the CRR Entity Agent on behalf of its aggregated MSS Operators. The CRR Entity Agent acknowledges and agrees that it shall not hold title to or ownership of any of the CRRs of its aggregated MSS Operators. Ownership and title of any obtained CRRs shall be held in trust by the CRR Entity Agent on behalf of the applicable MSS Operator in accordance with each MSS Operator's Load share ratio as set forth in Schedule 3.
- 4.2 CRR Holder Creditworthiness Requirements.** The CRR Entity Agent acting on behalf of its aggregated MSS Operators must comply with the requirements for creditworthiness applicable to Candidate CRR Holders or CRR Holders, including the creditworthiness provisions of the CAISO Tariff and the relevant Business Practice Manual.
- 4.3 Settlement Account.** The CRR Entity Agent on behalf of its aggregated MSS Operators shall maintain at all times an account with a bank capable of Fed-Wire transfer to which credits or debits shall be made in accordance with the billing and Settlement provisions of Section 11 of the CAISO Tariff. Such account shall be the account referred to in Schedule 2 hereof or as notified by the CRR Entity Agent to the CAISO from time to time by giving at least seven (7) days written notice before the new account becomes operational. Such changes to Schedule 2 shall not constitute an amendment to this Agreement.
- 4.4 CRR Entity Agent Responsibility for MSS Operator Load Share Ratio.** The CRR Entity Agent shall track each aggregated MSS Operator's Load share ratio of CRRs separately as set forth in Schedule 3 and shall be solely responsible for tracking such allocations. The CRR Entity Agent acknowledges and agrees that CAISO shall have no responsibility with regard to such pro rata allocations of CRRs as set forth in Schedule 3. The CAISO shall issue CRRs allocated to the aggregated MSS Operators in aggregate to the CRR Entity Agent, and the CRR Entity Agent shall be solely responsible for ensuring the proper allocation of such CRRs to each aggregated MSS Operator. In the event the MSS Operator and CRR Entity Agent aggregation or agency relationship terminates, the CRR Entity Agent shall be solely responsible for ensuring that the appropriate pro rata share of every CRR Source is properly assigned to the applicable MSS Operator.
- 4.5 Provision of Evidence of CRR Entity Agent Authority.** The CRR Entity Agent shall provide the CAISO with a copy of the MSSAA or other sufficient evidence to assure the CAISO of its authority to act as agent on behalf of its aggregated MSS Operators with regard to the matters addressed in this Agreement. The CRR Entity Agent shall provide the CAISO with the contact

name, address, e-mail address, and phone number of an individual representative of each of its aggregated MSS Operators whom the CAISO may contact regarding matters addressed in this Agreement. The CRR Entity Agent shall immediately notify the CAISO in writing of any revision to the terms of the MSSAA that affects its authority to act as agent on behalf of its aggregated MSS Operators or any other change in its relationship with any of its aggregated MSS Operators.

4.6 Electronic Contracting. All submitted applications, bids, confirmations, changes to information on file with the CAISO and other communications conducted via electronic transfer (e.g., direct computer link, FTP file transfer, bulletin board, e-mail, facsimile or any other means established by the CAISO) shall have the same legal rights, responsibilities, obligations and other implications as set forth in the terms and conditions of the CAISO Tariff as if executed in written format.

4.7 Agreement Subject to CAISO Tariff. The Parties will comply with all provisions of the CAISO Tariff applicable to Candidate CRR Holders or CRR Holders. This Agreement shall be subject to the CAISO Tariff, which shall be deemed to be incorporated herein.

ARTICLE V **PERFORMANCE**

5.1 Penalties. The CRR Entity Agent on behalf of its aggregated MSS Operators shall be subject to all penalties made applicable to Candidate CRR Holders and CRR Holders set forth in the CAISO Tariff. Nothing in this Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the CRR Entity Agent on behalf of its aggregated MSS Operators to oppose or protest the specific imposition by the CAISO of any FERC-approved penalty on the CRR Entity Agent or any MSS Operator.

5.2 Corrective Measures. If the CRR Entity Agent or the CAISO fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff, the CAISO or the CRR Entity Agent shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff as it pertains to this Agreement, which the Party seeking enforcement deems to be necessary to correct the situation.

ARTICLE VI **COSTS**

6.1 Operating and Maintenance Costs. The CRR Entity Agent shall be responsible for all its costs and any costs of its aggregated MSS Operators incurred in connection with all its CRR related activities.

ARTICLE VII **DISPUTE RESOLUTION**

7.1 Dispute Resolution. The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES

8.1 Representation and Warranties. Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law, and that the proper agreements providing for the CRR Entity Agent relationship with each aggregated MSS Operator, including, but not limited to, the MSSAA, are in full force and effect.

ARTICLE IX
LIABILITY

9.1 Liability. The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable), and references to the CAISO Tariff shall be read as references to this Agreement. Further, in reliance on the agency relationship between the CRR Entity Agent and each aggregated MSS Operator, CAISO shall treat the CRR Entity Agent as the MSS Operators and shall not be liable to any aggregated MSS Operator for any claims, liabilities, or errors arising from this agency relationship, including, but not limited to, CRR ownership or Settlement Accounts, unless the CAISO causes such claim(s), liability(ies) or error(s) due to its gross negligence or willful conduct.

ARTICLE X
UNCONTROLLABLE FORCES

10.1 Uncontrollable Forces Tariff Provisions. Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to one or more aggregated MSS Operators and/or the CRR Entity Agent (as applicable) and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE XI
MISCELLANEOUS

11.1 Assignments. Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff and other CAISO Tariff requirements as applied to Candidate CRR Holders or CRR Holders. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

11.2 Notices. Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff. A Party must update the information in Schedule 1 of this Agreement as information changes. Such changes to Schedule 1 shall not constitute an amendment to this Agreement.

11.3 Waivers. Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

11.4 Governing Law and Forum. This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: (i) any court of the State of California, (ii) any federal court of the United States of America located in the State of California, except to the extent subject to the protections of the Eleventh Amendment of the United States Constitution, or (iii) where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

11.5 Consistency with Federal Laws and Regulations. This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.

11.6 Merger. This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.

11.7 Severability. If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

11.8 Section Headings. Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for informational purposes. Nothing herein shall be construed as affecting in any way the right of the CAISO to make unilateral application to FERC for a change in the rates, terms, and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the CAISO shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The standard of review the Commission shall apply when acting upon proposed modifications to this Agreement by the Commission's own motion or by a signatory other than the CAISO or non-signatory entity shall also be the "just and reasonable" standard of review. Schedules 1 and 2 are provided for informational purposes and revisions to those schedules do not constitute a material change in the Agreement warranting Commission review.

11.10 Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[INSERT NAME OF CRR ENTITY AGENT]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

NOTICES

[Section 11.2]

CRR Entity Agent

Name of Primary

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Company: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

CAISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email address: _____

Phone: _____

Fax: _____

Name of Alternative
Representative:

Title:

Address:

City/State/Zip Code:

Email address:

Phone:

Fax:

SCHEDULE 2

SETTLEMENT ACCOUNT

[Section 4.3]

CRR Entity Agent Account Information

Settlement Account No:

Title:

Sort Code:

Bank:

SCHEDULE 3

[Pro Rata Load Share per MSS Operator Represented by CRR Entity Agent]

[Section 4.4]

* * *