California Independent
System Operator Corporation

October 30, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Filing of Rate Schedule No. 72 and Termination of Rate Schedule No. 40
Docket No. ER13-___-000

Dear Secretary Bose:

The California Independent System Operator Corporation submits for Commission filing and acceptance an Adjacent Balancing Authority Operating Agreement ("ABAOA") between the ISO and the Nevada Power Company ("NEVP"), doing business as NV Energy.[1] In addition, the ISO provides notice to the Commission of the termination of the existing Interconnected Control Area Operating Agreement ("ICAOA") between the ISO and NEVP.[2]

The ISO submits the instant filing in order to revise these contractual arrangements to reflect the planned transition of Valley Electric Association, Inc. from the NEVP balancing authority area to the ISO balancing authority area. The ISO proposes that the ABAOA and termination of the ICAOA both be made effective on January 3, 2013. Although the transition is expected to occur on January 3, 2013, it is possible the actual date may be later. In that circumstance, the ISO will make a compliance filing with the Commission to specify the effective date coincident with the actual transition.

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[1] The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO tariff. The ISO submits the Adjacent Balancing Authority Operating Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d and Part 35 of the Commission's regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009).

[2] The ISO submits the notice of termination of the Interconnected Control Area Operating Agreement pursuant to Section 205 of the Federal Power Act and Section 35.15 of the Commission's regulations, 18 C.F.R. § 35.15, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009).

I. Background

On October 13, 2011, Valley Electric and the ISO entered into an agreement that provides a process for Valley Electric to transition to the ISO balancing authority area ("Transition Agreement"). The Transition Agreement was filed with the Commission on October 14, 2011, in Docket No. ER12-84-000, and on December 14, 2011 the Commission issued an order accepting the Transition Agreement without change.[3] On September 12, 2012, Valley Electric and the ISO entered into an amendment to the Transition Agreement, which was filed with the Commission on September 13, 2012, in Docket ER12-2623-000. The amendment to the Transition Agreement further defines the upgrades under construction on Valley Electric's high voltage system that will be turned over to ISO operational control on the transition date. The amendment also describes certain planned upgrades on Valley Electric's low voltage transmission system, which will also be turned over to ISO operational control when they are complete. This Transition Agreement amendment was accepted by Commission letter order dated October 15, 2012.

In June 2012, Valley Electric submitted its completed application to become a participating transmission owner with the ISO. On September 13, 2012, the ISO Board of Governors accepted Valley Electric's application to become a participating transmission owner. Changes to the Transmission Control Agreement to include Valley Electric as a participating transmission owner were filed with the Commission in ER13-71-000 on October 10, 2012. These proposed changes are also pending before the Commission.

The transition from the NEVP balancing authority area to the ISO balancing authority area requires changes to the points of interconnection between the ISO and NEVP and the continuation of certain dynamic transfer arrangements from the NEVP balancing authority area to the ISO balancing authority area.[4] Information regarding interconnected operations and dynamic transfers is currently set forth in the ICAOA between the ISO and NEVP.

II. NEVP ICAOA

The ICAOA is designed to assist the ISO and NEVP in coordinating the operation and maintenance of their interconnected balancing authority areas, in a manner consistent with reliability standards adopted by the North American Electric Reliability Corporation ("NERC") and the Western Electricity Coordinating

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[3] *Cal. Indep. Sys. Operator Corp.*, 137 FERC ¶ 61,194.

[4] The transition also requires changes to the Interconnected Balancing Authority Area Operating Agreement between the ISO and the Western Area Power Administration – Desert Southwest Region ("Western-DSR"), which were filed with the Commission on October 22, 2012, in Docket No. ER13-168, and are currently pending before the Commission.

Council and with good utility practice. The ISO and NEVP have operated as adjacent balancing authorities since the ISO commenced operations in 1998.[5]

The original lCAOA was filed with the Commission on April 25, 2000, in Docket No. ER00-2292-000 and was designated as ISO Rate Schedule No. 40. The Commission accepted that filing by letter order issued on June 23, 2000 and the agreement became designated as ISO First Revised Rate Schedule No. 40. The ISO subsequently submitted several amendments to the ICAOA, including Amendment No.4 submitted on November 30, 2009 in Docket No. ER10-340-000, which was accepted by Commission letter order issued January 11, 2010. The most recent amendment, Amendment No. 5 of the ICAOA, was filed in Docket No. ER12-1897-000 and accepted by Commission letter order dated July 5, 2012. The parties have now taken the opportunity presented by the transition of Valley Electric to comprehensively revise the agreement governing their interconnected operations and dynamic transfer arrangements and have entered into the ABAOA to replace the ICAOA.

III. Adjacent Balancing Authority Operating Agreement

The ABAOA sets forth the rates, terms, and conditions on which the ISO and NEVP, as NERC registered balancing authorities, operate the interconnection between their balancing authority areas and provide emergency assistance as required by the applicable NERC reliability standard.[6] The Commission has approved similar agreements with respect to the ISO's interconnected operating relationship with the Bonneville Power Administration, the Imperial Irrigation District, and most recently the Balancing Authority of Northern California.[7]

The ABAOA differs considerably from the ICAOA and is intended to replace the original ICAOA upon acceptance by the Commission. The ABAOA contains provisions addressing a more limited number of matters than previously addressed in the ICAOA in deference to the NERC reliability standards, which

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[5] Balancing authority areas and balancing authorities were formerly known as control areas and control area operators prior to changes to this terminology adopted by NERC. This terminology persists in the ICAOA.

[6] *See* NERC reliability standard EOP-001(requiring an agreement for emergency assistance among neighboring balancing authorities).

[7] *See* Commission letter orders in Docket No. ER09-1630-000 (approving the amended ABAOA between the ISO and the Bonneville Power Administration), Docket No. ER10-1761-000 (approving the ABAOA between the ISO and the Imperial Irrigation District), and Docket No. ER11-3387-000 (accepting the ABAOA between the ISO and the Balancing Authority of Northern California and termination of the Interconnected Control Area Operating Agreement between the ISO and the Sacramento Municipal Utility District).

effectively address much of the subject matter previously included in the ICAOA. A matrix illustrating the provisions of the pro forma ICAOA and the associated reliability standards is included as Attachment B for informational purposes only.[8] Below is a summary of the provisions of the ABAOA.

- Section 3 requires the parties to cooperate to mitigate any operating emergencies, to develop, maintain, implement, and annually review and update emergency plans (and to share and coordinate such plans with the other party), and to assist each other in an operating emergency by delivering emergency assistance to the other party. Schedule B provides for settlement provisions related to the provision of emergency assistance.

- In addition, Section 3 incorporates the import for regulation and dynamic scheduling provisions previously included in the ICAOA with respect to the parties' responsibilities for these balancing authority services. Schedule D details the requirements associated with imports for regulation and Schedule E details the requirements associated with dynamic schedules.

- Section 4 requires each party to maintain a 24-hour, 7-day control center with real-time scheduling and control functions, and to coordinate its actions with the other party, particularly as directed by the appropriate reliability coordinator(s), to preserve or restore the interconnected transmission system. Schedule A provides the current contacts for notices but not confidential operational contact information.

- Section 5 and Exhibit A identify the points of interconnection between the parties and define the boundary between the balancing authority areas.

In addition to the foregoing substantive provisions, the ABAOA incorporates "boilerplate" provisions in Section 6 to provide for information exchange and confidentiality, amendment, assignment, notices, disclaimer of warranties, liability, waiver, and signature authority. The ABAOA also adds recitals, definitions, and references to the NERC reliability standards (Section 1), and provides for the effective date and termination of the agreement (Section 2).

The ISO notes that in its view the preferred approach to adjacent balancing authority operations with the entities to which it is interconnected is to defer to the NERC mandatory reliability standards to the maximum extent possible. This avoids confusion and potential inconsistency between a contractual obligation and a reliability standard. The ISO believes the ABAOA addresses all matters required by the reliability standards.

[8] This matrix was prepared by the ISO to illustrate the extent of overlap for purposes of this filing only and should not be relied upon for any other purpose.

The provisions of the ABAOA are agreed to by the parties. The ISO requests that the Commission accept the filed ABAOA as Original Rate Schedule No. 72, and make it effective on January 3, 2013. The ISO will make a compliance filing with the Commission reflecting the actual effective date should the transition not occur on January 3, 2013 as expected.

IV. Notice of Termination of the ICAOA

The ICAOA sets forth the rates, terms, and conditions on which the ISO and NEVP, as NERC registered balancing authorities, operate the interconnection and provide emergency assistance as required by the reliability standards. This contractual relationship is no longer necessary following the effective date of the ABAOA, including its provisions regarding dynamic transfers between the ISO and NEVP given the parties' agreement to continue such arrangements.

Section 1.3.3 of the ICAOA provides that the parties may terminate the agreement upon mutual consent. Such consent is represented by this filing, and the ISO is authorized to represent that NEVP supports this filing. Based on this mutual consent, the ISO now files the notice of termination of the ICAOA, included as Attachment C to be effective on January 3, 2013 concurrent with the effective date of the ABAOA. The ISO will make a compliance filing with the Commission reflecting the actual effective date of the termination of the ICAOA should the transition not occur on January 3, 2013 as expected.

V. Valley Electric Load Associated with the Nevada Test Site

On October 5, 2012, the National Nuclear Security Administration issued a press release announcing it had awarded Valley Electric the contract to serve its load at the Nevada Test Site effective November 1, 2012.[9] On October 12, 2012, VEA sent a notice to NPC requesting that the Nevada Test Site be included in the ISO balancing authority area move. This short notice did not provide the ISO and NEVP sufficient time to coordinate the technical and operational considerations regarding the transition of this load to the ISO balancing authority area along with the Valley Electric system prior to this filing. The parties discussed various procedural options and determined it best not to delay this filing and conceivably jeopardize the overall transition. Accordingly, as of the date of this filing, NV Energy is expected to be the balancing authority area associated with the Valley Electric load located at the Nevada Test Site until a transition can be accomplished.

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[9] A copy of the October 5, 2012 press release announcing this contract is available at: http://www.nv.energy.gov/library/newsreleases/New%20Power%20Contract%20Awarded%20for%20NNSS.pdf.

The ISO and NEVP are both prepared to transition Valley Electric to the ISO balancing authority area effective January 3, 2013 as reflected in the ABAOA. Specifically, this includes a point of interconnection designated at the Jackass Flats substation, which would maintain the Valley Electric load associated with the Nevada Test Site within the NEVP balancing authority area following the transition of Valley Electric to the ISO on January 3.

The ISO has recently initiated preparations in an effort to be in a position to account for the Valley Electric load associated with the Nevada Test Site on January 3. The ISO believes with sufficient certainty and time to address any technical or operational considerations the ISO could be in a position to move the point of interconnection from the Jackass Flats substation to the Mercury substation by January 3. In particular, the ISO would need the network topology in the expanded area for modeling purposes, and to be provided with the associated metering and telemetry suitable for the purpose of modifying the planned interconnection point at Jackass Flats substation as well as establishing a new point of interconnection at one or more transmission elements within the Mercury substation.[10] However, the window of opportunity to accomplish this task is rapidly drawing to a close, and there appear to be other complicating factors that cause uncertainty.

The ISO understands NEVP raised contractual, jurisdictional, and other legal concerns about moving forward with this change in the point of interconnection. NEVP is still examining the impact that the request may have on its existing service obligations to its retail native load customers. At this juncture, it is not clear to the ISO whether the concerns raised by NEVP present a barrier to the transition of the Valley Electric load associated with the Nevada test site to the ISO balancing authority area, as additional investigation of the facilities located at the Nevada Test Site will be necessary. The ISO, Valley Electric, and NEVP are continuing in their efforts to examine Valley Electric's request and to move forward with the transition.

VI. Effective Date

The ISO requests that the ABAOA included in the instant filing and the notice of termination of the ICAOA both be made effective on January 3, 2013. This effective date is targeted by the ISO, Valley Electric, NEVP, and Western-

[10] Valley Electric intends to construct a 138 kV interconnection from the Mercury substation to its Innovation switchyard located along the 230 kV transmission path that extends from Pahrump to the Northwest substation. This facility was described in the Transition Agreement amendment filed with the Commission on September 13, 2012 in ER12-2623-000. The ISO, Valley Electric and NEVP are continuing to analyze and determine what modifications will be needed to effectuate moving the Nevada Test Site into the CAISO balancing authority area. The ISO, Valley Electric and NEVP will make necessary future filings with the Commission accordingly.

DSR to transition Valley Electric to the ISO balancing authority area. The actual effective date of Valley Electric's transition will coincide with the date the ISO assumes operational control of the Valley Electric transmission system. This date may be other than the targeted transition date and requested effective date. Consequently, the ISO will submit a compliance filing reflecting the actual effective date of the ABAOA and termination of the ICAOA in the event the transition occurs on a date other than January 3, 2013.

VII. Attachments

In addition to this transmittal letter, the following attachments support the instant filing:

Attachment A:	Adjacent Balancing Authority Operating Agreement;
Attachment B:	Pro Forma ICAOA Provisions and Associated Reliability Standards: Information Only; and
Attachment C:	Notice of Termination of the ICAOA.

VIII. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

IX. Service

The ISO has served copies of this filing upon NEVP, Southern California Edison Company, Western-DSR, the California Public Utilities Commission, and the California Energy Commission. In addition, the filing has been served upon all ISO scheduling coordinators and has been posted on the ISO website.

X. Correspondence

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
John Anders*****
Senior Counsel

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***** Individuals designated for service pursuant to Rule 203(b)(3),18 C.F.R. § 385.203(b)(3

XI. Conclusion

The ISO respectfully requests that the Commission accept this filing and permit the ABAOA and termination of the ICAOA to be effective as of the date requested.

Respectfully submitted,

/s/ John Anders
John Anders

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California Independent System Operator Corporation

Filing of Rate Schedule No. 72 and Termination of Rate Schedule No. 40

October 30, 2012

Attachment A – Adjacent Balancing Authority Operating Agreement

ADJACENT BALANCING AUTHORITY OPERATING AGREEMENT

Executed by

NEVADA POWER COMPANY

and

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

This Adjacent Balancing Authority Operating Agreement, ("Agreement") dated as of _____, 2012, is between NEVADA POWER COMPANY ("NEVP"), doing business as NV Energy, having its registered and principal executive office at 6226 West Sahara Avenue, Las Vegas, Nevada 89146, and the CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ("CAISO"), a California nonprofit public benefit corporation having a principal executive office located at 250 Outcropping Way, Folsom, California 95630. Each is referred to herein as a "Party" and collectively as the "Parties."

Recitals

A) Each Party is a member of the Western Electricity Coordinating Council ("WECC"), an organization whose members are located in the Western Interconnection as defined in the WECC Bylaws and is registered with WECC as a Balancing Authority pursuant to the North American Electric Reliability Corporation ("NERC") Reliability Functional Model and Registry Criteria.

B) Federal Energy Regulatory Commission ("FERC") approved mandatory NERC Reliability Standards for the Bulk-Power Systems of North America include Standard EOP-001 which provides that each Balancing Authority is required to develop, maintain, and implement a set of plans to mitigate operating emergencies and to coordinate such plans with other Balancing Authorities. Standard EOP-001, which may be revised from time to time, directs Balancing Authorities to have operating agreements in place with adjacent Balancing Authorities that, at a minimum, contain provisions for emergency assistance, including provisions to obtain emergency assistance from remote Balancing Authorities.

C) The Parties are adjacent Balancing Authorities by virtue of their transmission systems being interconnected at one or more points. The CAISO has responsibilities as a Balancing Authority and operates the CAISO Balancing Authority Area. NEVP has responsibilities as a Balancing Authority and operates the NEVP Balancing Authority Area.

D) The Parties intend by this Agreement to identify each Party's responsibilities to the other under the Requirements of Standard EOP-001 by recognizing the continuing commitment of each Party to the other to cooperate to mitigate operating emergencies.

Therefore, the Parties mutually agree as follows:

1. Definitions

1.1 NERC Definitions: Except as defined in Section 1.2 or as otherwise defined in this Agreement, terms and expressions used in this Agreement shall have the same meanings as those contained in the NERC Glossary of Terms Used in Reliability Standards.

1.2 Specific Definitions:

1.2.1 CAISO Tariff: CAISO operating agreement and tariff as amended from time to time.

1.2.2 EOP-001: Emergency Operations Planning Standard EOP-001, as it may be modified from time to time.

1.2.3 Scheduling Coordinator: An entity certified by the CAISO for the purposes of undertaking the functions of: submitting bids and self-schedules for energy, generation, transmission losses, and ancillary services; coordinating generation; tracking, billing, and settling trades with other Scheduling Coordinators; submitting forecast information; paying the CAISO's charges; and ensuring compliance with CAISO protocols.

2. Term and Termination

2.1 This Agreement shall be effective on the date this Agreement is accepted for filing and made effective by FERC pursuant to a filing with FERC by the CAISO (the "Effective Date") without any material modification or condition that is unacceptable to either Party in that Party's sole discretion. If any material modification or condition is ordered by FERC that is unacceptable to a Party, such Party shall communicate its lack of consent to such modification or condition to the other Party within ten (10) business days after the date on which FERC issues its order, and the Parties shall use best efforts to negotiate mutually acceptable revisions to this Agreement to address the modification or condition. Upon the occurrence of the Effective Date, this Agreement shall remain in effect until terminated by either Party upon thirty (30) days advance written notice to the other Party or upon written consent of both Parties. The CAISO shall file a notice of termination with FERC as soon as practicable but no later than thirty (30) days after its issuance or receipt of such advance written notice of termination or the date of the Parties' written consent. Termination will be effective upon acceptance of the notice of termination by FERC.

3. Responsibilities of the Parties

3.1 The Parties agree to cooperate to mitigate any operating emergencies by adhering to: (1) the mandatory NERC Reliability Standards and WECC Regional Reliability Standards which relate to emergency operations, as may be amended from time to time, and (2) the directives of the applicable WECC Reliability Coordinator ("Reliability Coordinator").

3.2 Each Party further agrees that it shall develop, maintain, implement, and annually review and update its emergency plans to mitigate operating emergencies and shall share and coordinate such plans with the other Party as required by EOP-001.

3.3 To the extent possible, and in accordance with NERC mandatory Reliability Standards, each Party ("Delivering Party") shall assist the other Party ("Receiving Party") in an operating emergency by delivering emergency assistance to the requesting Receiving Party, including emergency capacity or energy transfers from such Delivering Party's Balancing Authority Area or from other remote Balancing Authorities over available transmission capacity, in accordance with Schedule B to this Agreement. Arrangements for deliveries of emergency capacity or energy transfers shall be through normal operating channels in accordance with EOP-001. Such emergency assistance shall be provided at the sole discretion of the entity supplying it and shall be recallable without advance notice as required to meet reliability requirements.

3.4 Import of Regulation Service by the CAISO. The CAISO and NEVP shall allow for the import of regulation service from the NEVP Balancing Authority Area to the CAISO Balancing Authority Area in accordance with the provisions of Schedule D. NEVP shall be under no obligation to supplement the import of regulation service contracted by third parties to be delivered to the CAISO Balancing Authority Area from resources in the NEVP Balancing Authority Area and shall have the right to terminate Schedule D without prior approval of the CAISO, subject to NEVP providing the CAISO a copy of the termination letter(s) pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of regulation service into the CAISO Balancing Authority Area. NEVP shall notify the CAISO and provide to the CAISO a copy of such termination letter a minimum of thirty (30) days prior to such termination.

3.5 Import of Dynamically Scheduled Energy and Non-Regulation Ancillary Services by the CAISO. The CAISO and NEVP shall allow for the import of dynamically scheduled energy and non-regulation ancillary services from the NEVP Balancing Authority Area to the CAISO Balancing Authority Area in accordance with the provisions of Schedule E. NEVP shall be under no obligation to supplement the import of dynamically scheduled energy and non-regulation ancillary services contracted by third parties to be delivered to the CAISO Balancing Authority Area from resources in the NEVP Balancing Authority area and shall have the right to terminate Schedule E without prior approval of the CAISO, subject to NEVP providing the CAISO a copy of the termination letter(s) pursuant to the agreement(s) NEVP has entered into with third parties to facilitate the import of dynamically scheduled energy and non-regulation

ancillary services into the CAISO Balancing Authority Area. NEVP shall notify the CAISO and provide to the CAISO a copy of such termination letter a minimum of thirty (30) days prior to such termination.

4. Coordination and Communication

4.1 In the event of an operating emergency that affects or may affect the reliable operation of interconnected transmission facilities, each Party shall coordinate its actions with the other Party, as such Party deems necessary or as directed by the appropriate Reliability Coordinator(s), to preserve or restore the interconnected transmission system to stable operations and to preserve or restore reliable, safe, and efficient service as quickly as practicable. The Parties shall, without delay, individually notify the appropriate Reliability Coordinator(s) as to the nature and extent of the operating emergency.

4.2 Each Party operates and maintains a 24-hour, 7-day control center with real-time scheduling and control functions. The appropriate control center staff shall be responsible for operational communications and shall have sufficient authority to commit and bind that Party on decisions relating to emergency operations. The Parties agree to exchange operational contact information for ensuring reliable communication in a format to be agreed to by the Parties and completed within thirty (30) days of the Effective Date of this Agreement.

5. Interconnection Points

5.1 The Parties are adjacent Balancing Authorities and are interconnected at the points specified in Schedule A to this Agreement. In the event that new interconnection points are added, or existing points are modified or eliminated, Schedule A will be amended as necessary to reflect any such changes that are mutually agreed upon by both Parties in a written agreement.

5.2 Schedule A is included for the sole purpose of identifying those interconnection points that result in the Parties being adjacent Balancing Authorities. This Agreement is not intended to act as an interconnection agreement between the Parties.

6. Miscellaneous Provisions

6.1 Exchange of Information and Confidentiality: When a Party ("Providing Party") provides information to the other Party ("Receiving Party") under this Agreement and marks such information as privileged or confidential commercial or financial information, critical energy infrastructure information, or trade secret information, the Receiving Party shall treat such information as confidential and protected from disclosure to the extent permitted by law. The Receiving Party shall promptly notify the Providing Party in writing of any request to release such information. The Parties agree to use such information only for purposes of performing each Party's obligations under this

Agreement. The provisions of this Section 6.1 shall survive the termination of this Agreement.

6.2 Amendment: The Parties may amend or modify this Agreement only by written agreement. In the event the mandatory NERC Reliability Standards including EOP-001 are revised or replaced, the Parties shall meet within sixty (60) days of the implementation date of the revised standard to discuss and determine whether such change will affect the terms and conditions of this Agreement and whether a modification or replacement of the Agreement is needed. An amendment that is subject to FERC approval shall not take effect until FERC has accepted such amendment for filing and has made it effective without any material modification or condition that is unacceptable to either Party in that Party's sole discretion. If any material modification or condition is ordered by FERC that is unacceptable to a Party, such Party shall communicate its lack of consent to such modification or condition to the other Party within ten (10) business days after the date on which FERC issues its order, and the Parties shall use best efforts to negotiate mutually acceptable revisions to this Agreement to address the modification or condition. Revisions to Schedules other than with regard to the contact information in Schedule C shall be processed as an amendment to this Agreement.

6.3 Assignment and Successors: Neither this Agreement nor any rights or responsibilities under this Agreement may be assigned by either Party to a third party without the written consent of the other Party, and such consent will not be unreasonably delayed, conditioned, or withheld. Subject to the preceding sentence, this Agreement is binding upon and will inure to the benefit of the Parties and their successors in interest.

6.4 Notices: Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person; (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid; (c) upon receipt of confirmation by return facsimile if sent by facsimile; or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule C of this Agreement relating to its address as that information changes. Such updates to Schedule C shall not constitute an amendment to this Agreement.

6.5 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 that if a dispute concerns the operation of transmission lines or facilities, the law of the state where the transmission lines or facilities are located will control. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement shall be brought in any of the following forums, as appropriate: (i) a court of the State of California or any federal court of the United States of America located in the State of California for all disputes under this Agreement except any disputes concerning transmission lines or facilities located in

the State of Nevada or disputes determined to be FERC jurisdictional; (ii) a court of the State of Nevada or any federal court of the United States of America located in the State of Nevada if the dispute concerns transmission lines or facilities located in the State of Nevada; or (iii) where subject to its jurisdiction, before FERC. No provision of this Agreement shall be deemed to waive the right of any Party to protest, or challenge in any manner, whether this Agreement, or any action or proceeding arising under or relating to this Agreement, is subject to the jurisdiction of FERC.

6.6 No Warranties or Representations; Disclaimer: All information, including confidential information, provided by the Providing Party under this Agreement carries no warranty or representation of any kind, either express or implied. The Receiving Party receives the information "as is" and with all faults, errors, defects, inaccuracies, and omissions. The Providing Party makes no representations or warranties whatsoever with respect to the availability, timeliness, accuracy, reliability, or suitability of any information. The Receiving Party disclaims and waives all rights and remedies that it may otherwise have with respect to all warranties and liabilities of the Providing Party, expressed or implied, arising by law or otherwise, with respect to any faults, errors, defects, inaccuracies or omissions in, or availability, timeliness, reliability, or suitability of the information. Each Party assumes any and all risk and responsibility for selection and use of, and reliance on, any information provided under this Agreement.

6.7 Liability: The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees, nor agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, or consequential, arising from the Party's performance or nonperformance under this Agreement, except for a Party's gross negligence or willful misconduct subject to applicable law. Except as otherwise expressly provided herein, nothing in this Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of either Party.

6.8 Waivers: Any waiver 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 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.

6.9 Authority: Each individual signing this Agreement certifies that the Party represented has duly authorized such individual to sign, bind, and obligate such Party.

Accepted and agreed to by:

California Independent System Operator Corporation

By: _____

Name: Eric J. Schmitt

Title: Vice President, Operations

Date: October 25, 2012

Nevada Power Company, d/b/a NV Energy

By: _____

Name: Richard Salgo

Title: Executive, Grid Operations and Reliability

Date: _____

Accepted and agreed to by:

California Independent System Operator Corporation

By:_____

Name:_____

Title:_____

Date:_____

Nevada Power Company, d/b/a NV Energy

By:_____

Name: Richard Salgo

Title: Executive, Grid Operations and Reliability

Date: 10-29-12

Schedule A

ADJACENT BALANCING AUTHORITY INTERCONNECTION POINTS
[Sections 5.1, 5.2 and 6.2]

The point(s) of interconnection of the Parties' Balancing Authority Areas are defined by the following:

The interconnection between the CAISO and NEVP is comprised of five (5) transmission lines described below:

- **Mohave – Laughlin 500 kV Intertie**

The Mohave – Laughlin 500 kV Intertie is designed to supply the energy needs of NEVP's isolated load located in the general vicinity of Laughlin, Nevada. The Mohave – Laughlin 500 kV Intertie consists of two (2) very short 500 kV transmission lines between the Mohave 500 kV Switchyard and NEVP's Laughlin Substation, all located on the site of the former Mohave Generating Station.

CAISO Terminal:	Mohave
Participating Transmission Owner:	Southern California Edison Company ("SCE")
NEVP Terminal:	Laughlin
Point of Interconnection:	The East and West bus sides of the disconnect switches for bay positions 5 and 6 in the Mohave Switchyard.
Voltage:	500 kV

Jurisdictional Boundary: The connections to the respective A-frame structures located in the applicable bay positions in the Mohave 500 kV Switchyard associated with the two (2) Mohave-Laughlin 500 kV transmission lines.

ISO/SCE Switching Responsibility:
SCE's Eldorado Switching Center, as approved by the CAISO, will direct all switching at the Mohave 500 kV Switchyard for the Mohave - Laughlin 500 kV transmission lines in coordination with the NEVP Transmission Operator.

NEVP Switching Responsibility:
The NEVP Transmission Operator will direct all switching at the Laughlin 500/69 kV Substation for the Mohave-Laughlin 500 kV transmission lines, including the transformer 500 kV disconnects, in coordination with SCE's Eldorado Switching Center.

Operational and Maintenance Responsibility:
The NEVP Transmission Operator has operational and maintenance responsibility for the Mohave – Laughlin 500 kV transmission lines from the connections to the respective A-frame structures in the applicable bay positions in the Mohave 500 kV Switchyard to the Laughlin Substation. The NEVP Transmission Operator has operational and

maintenance responsibility for the Laughlin 500/69 kV Substation, including the transformer 500 kV jack bus and disconnects.

- **Merchant 230 kV Intertie**

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation. Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus. Collectively the Eldorado – Merchant No. 2 230 kV line and center breakers 2308, 2305 and 2302 form the Merchant 230 kV Intertie.

CAISO Terminal:	Eldorado 230 kV Bus and Merchant 230 kV South Bus
Participating Transmission Owner	Southern California Edison Company and San Diego Gas & Electric Company
NEVP Terminal:	Merchant 230 kV North Bus
Point of Interconnection:	The North and South bus sides of the disconnect switches for bay position 2 in the Eldorado Substation and the South side of center breakers 2308, 2305 and 2302 in the Merchant Substation.
Voltage:	230 kV

<u>Eldorado – Merchant No. 2 230 kV Line</u>

The Eldorado – Merchant No. 2 230 kV line connects the Eldorado Substation with the Merchant Substation.

Jurisdictional Boundary:
The connection to the A-frame structure located in bay position 2 in the 230 kV switchyard of the Eldorado Substation.

Operational and Maintenance Responsibility:
SCE's Eldorado Switching Center has operational and maintenance responsibility for the Eldorado Substation.

NEVP will have operational and maintenance responsibility for the Eldorado – Merchant No. 2 230 kV line from the connection to the A-frame structure in bay position 2 in the 230 kV switchyard of the Eldorado Substation to the Merchant Substation.

<u>Merchant 230 KV Substation</u>

Center breakers 2308, 2305 and 2302 in the Merchant Substation connect the Merchant 230 kV North Bus to the Merchant 230 kV South Bus.

Jurisdictional Boundary:
The south side of center breakers 2308, 2305 and 2302 in the Merchant Substation.

Operational and Maintenance Responsibility:
NEVP will have operational and maintenance responsibility for the Merchant Substation.

- **Amargosa – Sandy Valley 138 kV Intertie**

The Amargosa – Sandy Valley 138 kV line connects the Amargosa Substation with the Sandy Valley Substation.

CAISO Terminal:	Sandy Valley
Participating Transmission Owner	Valley Electric Association ("VEA")
NEVP Terminal:	Amargosa
Point of Interconnection:	The first dead-end structure outside the Amargosa Substation fence.
Voltage:	138 kV

Jurisdictional Boundary: The first dead-end structure outside the substation fence at the Amargosa Substation associated with the Amargosa – Sandy Valley 138 kV transmission line.

NEVP Switching Responsibility:
The NEVP Transmission Operator will direct all switching at the Amargosa Substation for the Amargosa – Sandy Valley 138 kV transmission line.

Operational and Maintenance Responsibility:
The VEA Transmission Operator has operational and maintenance responsibility for the Amargosa – Sandy Valley 138 kV transmission line from the connection to the respective A-frame structure in the applicable bay position in the Amargosa Substation to the Sandy Valley Substation.

- **Jackass Flats - Lathrop 138 kV Intertie**

The Jackass Flats – Lathrop 138 kV line connects the Jackass Flats Substation to the Lathrop Switching Station.

CAISO Terminal:	Lathrop
Participating Transmission Owner	VEA
NEVP Terminal:	Jackass Flats
Point of Interconnection:	The first dead-end structure outside the Jackass Flats Substation fence.
Voltage:	138 kV

Jurisdictional Boundary: The first dead-end structure outside the substation fence at the Jackass Flats Substation associated with the Jackass Flats – Lathrop 138 kV transmission line.

NEVP Switching Responsibility:
The NEVP Transmission Operator will direct all switching at the Jackass Flats Substation for the Jackass Flats – Lathrop 138 kV transmission line.

Operational and Maintenance Responsibility:
The VEA Transmission Operator has operational and maintenance responsibility for the Jackass Flats – Lathrop 138 kV transmission line from the connection to the respective A-frame structure in the applicable bay position in the Jackass Flats Substation to the Lathrop Switching Station.

- **Northwest – Desert View 230 kV Intertie**

The Northwest – Desert View 230 kV line connects the Northwest Substation to the Desert View Substation.

CAISO Terminal:	Desert View
Participating Transmission Owner	VEA
NEVP Terminal:	Northwest
Point of Interconnection:	The first dead-end structure outside the Northwest Substation fence.
Voltage:	230 kV

Jurisdictional Boundary: The first dead-end structure outside the substation fence at the Northwest Substation associated with the Northwest – Desert View 230 kV transmission line.

NEVP Switching Responsibility:
NEVP Dispatcher will direct all switching at the Northwest Substation for the Northwest – Desert View 230 kV transmission line.

Operational and Maintenance Responsibility:
The VEA Transmission Operator has operational and maintenance responsibility for the Northwest – Desert View 230 kV transmission line from the connection to the respective A-frame structure in the applicable bay position in the Northwest Substation to the Desert View Substation.

REVENUE METERING AND TELEMETRY AT INTERCONNECTION POINTS

NEVP and CAISO metering shall meet any metering standards mutually agreed upon by the Parties for the purpose of operating their adjacent Balancing Authority Areas. NEVP and the CAISO shall be entitled to witness testing of the involved interconnection metering. Any change or modification to such metering equipment by NEVP or the CAISO shall be coordinated between the Parties. NEVP shall allow daily, once a day, read-only access by the CAISO to direct poll revenue data from the interconnection revenue metering in five (5) minute intervals at the metering points identified in this Schedule A. The CAISO shall allow daily, once a day, read-only access by NEVP to direct poll revenue data from the interconnection revenue metering in five (5) minute intervals at the interconnection points indentified in this Schedule A.

NEVP and the CAISO shall maintain arrangements that ensure that both Parties shall have access to the same real-time data from the interconnection points identified in this Schedule A between their Balancing Authority Areas for the purpose of complying with NERC reliability standards, specifically, Standards BAL-005 and BAL-006. The Parties understand that each Party wants to obtain MW and MVAR data from interconnection metering, which may include RTUs, at the interconnection points identified in this Schedule A between their Balancing Authority Areas. The Parties agree to allow each other to directly poll real-time data from metering at such interconnection points under the other Party's operational control as a Balancing Authority. In the event that a second communication port of a RTU is not available for direct polling by a Party, the Party shall have the option to provide a RTU to the substation owner for the purpose of establishing a communication port available for direct polling by such Party. The Parties may mutually agree to provide interconnection point data via Inter-Company Communications Protocol ("ICCP") or it successor protocol. In the event that a Party supplies ICCP data to the other Party, the supplying Party shall have no obligation to manipulate or perform conditioning of any such data for the convenience of the receiving Party.

This Schedule A shall remain in effect until it is superseded by mutual written agreement by the Parties or is terminated, either by written notice from an individual Party or by written consent by both Parties, in accordance with Section 2.1 of the Agreement.

Schedule B

EMERGENCY CAPACITY AND ENERGY
[Sections 3.3 and 6.2]

In accordance with EOP-001, the Parties will, to the extent possible, assist each other in an emergency by scheduling energy and/or capacity. Such emergency assistance will be available at the sole discretion of the Party supplying it and will be recallable without advance notice as required to meet reliability requirements. The Parties will agree upon and log MW values, start and end times, ramp rates and times, and integrated values for any emergency assistance provided.

The emergency assistance to be provided by a Party will be for system reliability. Such emergency assistance may be estimated prior to delivery and finalized in the settlement process.

The price paid for CAISO emergency assistance will be at the CAISO market price for the energy and/or capacity sold, plus all applicable charges, as specified in the CAISO Tariff for emergency assistance. Such price may be estimated prior to delivery and finalized in the settlement process. Payment to the CAISO for emergency assistance provided by the CAISO will be made by the Scheduling Coordinator representing NEVP, in accordance with the settlement process, billing cycle, and payment timeline set forth in the CAISO Tariff.

The price paid for NEVP emergency assistance will be at the price specified by NEVP. In the event NEVP does not specify the price for energy or capacity at the time of the request for emergency assistance and no other settlement price is established prior to the delivery of the emergency assistance, the default settlement price shall be the CAISO market price, plus all other applicable charges, as specified or as otherwise established in the CAISO Tariff for emergency assistance. If the default settlement price does not compensate NEVP for the value of the emergency assistance delivered to the CAISO, NEVP shall have the opportunity to justify a higher settlement price in accordance with the CAISO Tariff for emergency assistance. Payment to NEVP for emergency assistance provided by NEVP will be made to the Scheduling Coordinator representing NEVP, in accordance with the settlement process, billing cycle, and payment timeline set forth in the CAISO Tariff.

Nothing in this Agreement shall obligate NEVP to be bound by the CAISO Tariff unless expressly provided for.

This Schedule B shall remain in effect until it is superseded by mutual written agreement by the Parties or it is terminated, either by written notice from an individual Party or by written consent by both Parties, in accordance with Section 2.1 of the Agreement.

Schedule C

CONTACTS FOR NOTICES
[Sections 6.2 and 6.4]

CAISO:

Name of Primary

Representative:	Regulatory Contracts
Address:	250 Outcropping Way
City/State/Zip Code:	Folsom, CA 95630
Email Address:	RegulatoryContracts@caiso.com
Phone:	(916) 608-7027
Fax No.:	(916) 608-5063

Name of Alternate

Representative:	Daune Kirrene
Title:	Senior Contracts Negotiator
Address:	250 Outcropping Way
City/State/Zip Code:	Folsom, CA 95630
Email Address:	dkirrene@caiso.com
Phone:	(916) 608-7058
Fax No.:	(916) 608-5063

NEVP:

Name of Primary

Representative:	Ms. Sharon Gifford
Title:	Project Leader, Transmission Policy and Strategy
Street Address:	6100 Neil Road – M/S S3B40
City/State/Zip Code:	Reno, NV 89511
Mailing Address:	P.O. Box 10100 – M/S S3B40
City/State/Zip Code:	Reno, NV 89520-0024
Email Address:	SGifford@nvenergy.com
Phone:	(775) 834-3056
Fax No.:	(775) 834-3047

Name of Alternate

Representative:	Ms. Patricia Englin
Title:	Director, Transmission Policy and Contracts
Street Address:	6100 Neil Road – M/S S3B40
City/State/Zip Code:	Reno, NV 89511
Mailing Address:	P.O. Box 10100 – M/S S3B40
City/State/Zip Code:	Reno, NV 89520-0024
Email Address:	PEnglin@nvenergy.com
Phone:	(775) 834-5877
Fax No.:	(775) 834-3047

This Attachment shall remain in effect until superseded by written notice from either of the Parties.

Schedule D

INTER-BALANCING AUTHORITY AREA REQUIREMENTS FOR SCHEDULING AND DELIVERING REGULATION SERVICE TO THE CAISO [Section 3.4]

1. General

1.1. Purpose. This Schedule D sets forth the requirements that must be satisfied by the NEVP Balancing Authority Area (referred to herein as the "Host Balancing Authority Area") should it elect to support Scheduling Coordinators' requests for certification, scheduling and delivery of regulation service into the CAISO Balancing Authority Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry and control aspects of interconnected Balancing Authority Area operations.

1.2. NERC/WECC Operating Standards Observed. Nothing in this Schedule D is intended to change, supersede, or alter either Party's obligations to abide by NERC standards and WECC criteria.

1.3. Applicable Standards. This Schedule D incorporates, by reference, the CAISO's *"Standards for Imports of Regulation"* ("Standards") document. The Standards document is available for viewing and can be downloaded from the CAISO internet home page: www.caiso.com.

1.4. Meaning of "System Resource." "System Resource" is defined in the CAISO Tariff and, in the context of this Schedule D, may include combinations of resources as described in the Standards.

2. Telecommunications Requirements

The CAISO and Host Balancing Authority Area shall establish and maintain real time, redundant, diversely routed, bi-directional, communications links between the CAISO EMS and the Host Balancing Authority Area EMS, utilizing the standard inter-control center communications protocol ("ICCP"). Further details regarding telecommunications requirements may be found in the Standards document.

3. Telemetry and Control

3.1. Telemetry. For each operating hour for which a System Resource is scheduled to deliver regulation service to the CAISO Balancing Authority Area, the Host Balancing Authority Area shall provide, via the ICCP communications links to the CAISO EMS, the data for each System Resource as set forth in the Standards document.

3.2. Control. The Host Balancing Authority Area EMS shall be able to receive control signals, in real time, from the CAISO EMS, via the ICCP communications links, causing the System Resource to vary its energy production or allocation level from the prescheduled preferred operating point by the specified amount. Further detailed information regarding control requirements may be found in the Standards document.

3.3. Delivery of Megawatts ("MW"). The Host Balancing Authority Area shall only deliver to the CAISO the amount of MW being generated by the System Resource. The Host Balancing Authority Area shall not be obligated to make up any difference between the CAISO's set-point and the MW being generated by the System Resource.

4. Interchange Scheduling Requirements

4.1. Dynamic Scheduling. The Host Balancing Authority Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of regulation service to the CAISO Balancing Authority Area, reflecting the System Resource's instantaneous energy production or allocation level as caused by real time control signals issued by the CAISO EMS/AGC and taking into account available transmission capacity.

4.2. Treatment of Area Control Error ("ACE"). The Host Balancing Authority Area shall instantaneously compensate its AGC for the System Resource's variable energy output level such that the System Resource energy production or allocation changes, caused by the CAISO EMS/AGC control signals, have an equal in magnitude and opposite in sign effect on the Host Balancing Authority Area's ACE.

4.3. Integration of Dynamic Scheduling. For each operating hour during which regulation service was dynamically scheduled for delivery to the CAISO Balancing Authority Area, the Host Balancing Authority Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers.

4.4. Access to Information. The Parties agree to exchange information related to control signals issued and telemetry received with respect to the delivery of regulation service (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. Other

5.1. Losses. The CAISO shall not be responsible for transmission losses caused by transmitting regulation service within or across the Host Balancing Authority

Area for deliver to the CAISO.

5.2. Certification. Only CAISO-certified System Resource/Host Balancing Authority Area arrangements will be allowed to bid or self-provide regulation service in the CAISO's ancillary services market through a CAISO-certified Scheduling Coordinator.

5.3. No Guarantee of Award. Certification of a System Resource/Host Balancing Authority Area arrangement allows for bidding of regulation service into the CAISO market; it does not, however, guarantee selection of such bid.

5.4. Performance Assessment. The CAISO will monitor and measure imported regulation service, whether bid or self-provided, against the performance benchmarks described in the Standards document.

Schedule E

INTER-BALANCING AUTHORITY AREA REQUIREMENTS FOR SCHEDULING AND DYNAMIC DELIVERY OF ENERGY, SUPPLEMENTAL ENERGY, AND ENERGY ASSOCIATED WITH NON-REGULATION ANCILLARY SERVICES TO THE CAISO
[Section 3.5]

1. General

1.1 Purpose. This Schedule E sets forth the requirements that must be satisfied by Nevada Power Company (referred to herein as the "Host Balancing Authority Area") should it elect to support Scheduling Coordinators' requests for implementation of a dynamic scheduling functionality and delivery of energy, supplemental energy, and energy associated with ancillary services (except regulation service) into the CAISO Balancing Authority Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry, and aspects of interconnected Balancing Authority Area operations.

1.2 NERC/WECC Operating Standards Observed. Nothing in this Schedule E is intended to change, supersede, or alter either Party's obligations to abide by NERC standards and policies and WECC criteria.

1.3 Applicable Standards. This Schedule E incorporates, by reference, the CAISO's *Dynamic Scheduling Protocol* ("DSP") posted on the CAISO internet home page: "www.caiso.com".

1.4 Meaning of "System Resource". "System Resource" is defined in the CAISO Tariff and, in the context of this Schedule E, may include combinations of resources as described in the DSP.

2. Telecommunications Requirements

The CAISO and Host Balancing Authority Area shall establish and maintain real time, redundant, diversely routed, communications links between the CAISO EMS and the Host Balancing Authority Area EMS, with the primary link utilizing the standard inter-Balancing Authority center communications protocol ("ICCP") in accordance with the DSP.

3. Telemetry

For each operating hour for which a System Resource is scheduled to deliver energy, supplemental energy, and/or energy associated with any of the non-regulating ancillary services to the CAISO Balancing Authority Area, the Host

Balancing Authority Area shall provide, via the ICCP communication links to the CAISO EMS, the data for each System Resource as set forth in the DSP.

4. Interchange Scheduling Requirements

4.1 Dynamic Scheduling. The Host Balancing Authority Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of energy to the CAISO Balancing Authority Area, reflecting the System Resource's instantaneous energy production or allocation level and taking into account available transmission capacity.

4.2 Treatment of Area Control Error ("ACE"). The Host Balancing Authority Area shall instantaneously compensate its AGC for the System Resource's energy output that is generated or allocated for establishing the dynamic schedule to the CAISO such that the System Resource energy production or allocation changes have an equal in magnitude and opposite in sign effect on the Host Balancing Authority Area's ACE.

4.3 Integration of Dynamic Scheduling. For each operating hour during which energy was dynamically scheduled for delivery to the CAISO Balancing Authority Area, the Host Balancing Authority Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production, by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers.

4.4 Delivery of Megawatts ("MW"). The Host Balancing Authority Area shall not be obligated to make up any difference between the dynamic energy schedule and the MW being generated or allocated by the System Resource.

4.5 Access to Information. The Parties agree to exchange information related to telemetry sent and received with respect to the delivery of energy (i) at the request of the other Party for purposes of after-the-fact interchange accounting or (ii) on demand for any other purpose.

5. Other Host Balancing Authority Area Responsibilities

5.1 Operational Jurisdiction. The Host Balancing Authority Area will have, at a minimum, the level of operational jurisdiction over the System Resource and the associated dynamic schedule that NERC and WECC vest in Host Balancing Authority Areas.

5.2 E-Tagging. The Host Balancing Authority Area must support associated e-tagging as described in the DSP to the extent such e-tagging is deemed not to be inconsistent with NERC and/or WECC requirements.

5.3 Real-Time Adjustments. The Host Balancing Authority Area must have a means to manually override and/or otherwise adjust the dynamic signal in real time, if needed.

5.4 Coordination with Other Balancing Authority Areas. The Host Balancing Authority Area must provide in real time the instantaneous value of each dynamic schedule to every intermediary Balancing Authority Area through whose systems such dynamic schedule may be implemented to the CAISO.

6. Other

6.1 Losses. The CAISO shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the Host Balancing Authority Area for delivery to the CAISO.

6.2 Certification. Only CAISO-certified System Resource/Host Balancing Authority Area arrangements will be allowed to bid or self provide ancillary services in the CAISO's ancillary services market through an CAISO-certified Scheduling Coordinator.

6.3 No Guarantee of Award. Certification of a System Resource/Host Balancing Authority Area arrangement allows for bidding of supplemental energy and/or certain ancillary services into the CAISO market; it does not, however, guarantee selection of such bid.

6.4 Performance Assessment. The CAISO will monitor and measure dynamically imported ancillary services, whether bid or self-provided, against the performance benchmarks described in the DSP.

7. Consent to Implementation of Dynamic System Resources

Each dynamically scheduled System Resource shall be permitted pursuant to this Schedule E only upon the written consent of both the Host Balancing Authority Area and the CAISO, which written consent may be communicated by e-mail, and only if the System Resource is subject to a Dynamic Scheduling Agreement for Scheduling Coordinators with the CAISO.

California Independent System Operator Corporation

Filing of Rate Schedule No. 72 and Termination of Rate Schedule No. 40

October 30, 2012

Attachment B – Pro Forma ICAOA Provisions and Associated Reliability Standards

Pro Forma ICAOA and Associated Reliability Standards Matrix

Pro Forma ICAOA Provision	Associated Reliability Standards
3.1 – General Requirements	COM-001, COM-002
3.1.2 – Existing Contracts	COM-001, COM-002
3.1.3 – Communication	COM-001, COM-002
3.2 – Grid Operation	FAC-009, FAC-013, FAC-014, PRC-001-1, TOP-007 R1, R2, TOP-005-1, TOP-008-1 R4, VAR-001-1, WECC-TOP-STD-007
3.2.3.1 – Real-Time Operating Limits Established Jointly	FAC-009, FAC-013, FAC-014, TOP-002
3.2.3.2 – Real-Time Operating Limits Exceeded	TOP-007-0 R1, R2, TOP-008-1, WECC-TOP-STD-007
3.2.4 – Relay Action	PRC-001-1, PRC-STD-003
3.2.5 – Voltage Control	VAR-001-1
3.2.6 – Information Exchange	TOP-005-1
3.2.6.1 – Information Required to be Provided	TOP-005-1
3.2.7 – Joint Operating Procedures	TOP-004-1, TOP-002
4 – Security Coordination	IRO-001-1
5 – Scheduling and Dispatch	INT-001-2, INT-003-2, INT-004-1, INT-005-1, INT-006-1, INT-007-1, INT-008-1, INT-009-1, INT-101-1
5.1 – Coordination and Exchange of Information	INT-001-2, INT-003-2 INT-004-1, INT-005-1, INT-006-1, INT-007-1, INT-008-1, INT-009-1, INT-010-1
5.2 – Notifications	INT-010-1
6 – Outage Coordination	TOP-001, TOP-002, TOP-003
6.1 – Maintenance Coordination	TOP-001-1, TOP-003-0
6.2 - Forced Outages	TOP-001-1
7 – Emergency Operation	EOP-001 R1, R7, EOP-002-2, EOP-003-1, EOP-005-1, EOP-006-1, IRO-006, TOP-001, VAR-001, WECC-IRO-STD-006
7.1 – Emergency Assistance Arrangements	EOP-001-R1, TOP-001-1
7.2 – Unscheduled Flow Mitigation (Loop Flow)	WECC-ISO-STD-006
7.3 – Emergency Action	EOP-002-2, EOP-003-1, TOP-001-1
7.3.1 – Operations Exercised Independently	TOP-001, TOP-008, EOP-002, EOP-003, TOP-004
7.5 – Restoration Coordination	EOP-005-1, EOP-006-1
7.6 – Voltage Collapse	VAR-001-1
8.4 – Liability for Electric Disturbance and Interruptions	EOP-001-0, TOP-002
Service Schedule 1 – Interconnection	TOP-002-R18

Service Schedule 3 – Points of Contact	EOP-001-0 R7.1, COM-001, COM-002
Service Schedule 6 – Real-Time Operating Limits	TOP-007, FAC-014, TOP-002, TOP-STD-007
Service Schedule 7 – Voltage Control	VAR-001-1
Service Schedule 8 – Information Exchange Procedures for Grid Operations	TOP-006-1, TOP-006, COM-001, COM-002
Service Schedule 9 – Interconnection Information	TOP-005
Service Schedule 10 – Joint Operating Procedures	TOP-007, FAC-014, TOP-002, TOP-STD-007
Service Schedule 11 – Information Exchange and Coordination for Interchange Scheduling and Dispatch	INT-001-2, INT-003-2 INT-004-1, INT-005-1, INT-006-1, INT-007-1, INT-008-1, INT-009-1, INT-010-1
Service Schedule 12 – Maintenance Coordination Procedures	TOP-002, TOP-003, TOP-001
Service Schedule 13 - Emergency Assistance Arrangements	EOP-001 R1
Service Schedule 15, Restoration Coordination	EOP-005, R4

California Independent System Operator Corporation

Filing of Rate Schedule No. 72 and Termination of Rate Schedule No. 40

October 30, 2012

Attachment C – Notice of Termination of the ICAOA

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER13-____-000**

NOTICE OF TERMINATION

Notice is hereby given that effective on the later of January 3, 2013 or the date Valley Electric Association, Inc. transitions from the Nevada Power Company ("NEVP"), doing business as NV Energy, balancing authority area to the California Independent System Operator Corporation balancing authority area, Rate Schedule No. 40, filed with the Federal Energy Regulatory Commission on April 25, 2000, in Docket No. ER00-2292-000 and accepted by letter order issued on June 23, 2000, will terminate. Notice of this termination has been served upon NEVP, Western Area Power Administration – Desert Southwest Region, the California Public Utilities Commission, and the California Energy Commission.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: _____
Eric Schmitt
Vice President, Operations

Dated: October 25, 2012