

## ANNEX 1

### SETTLEMENT AND BILLING OF

#### RELIABILITY MUST-RUN CHARGES AND PAYMENTS

#### 1 Objectives, Definitions and Scope

##### 1.1 Objectives

The objective of this Annex 1 is to inform ~~Owners of Reliability Must-Run Units and Participating Utilities~~ RMR Owners, which are responsible for preparation of invoices, and Responsible Utilities, which are responsible for payment of RMR Charge Reliability Must-Run Charges pursuant to Section 5.2.7 5.2.8 of the ISO Tariff, of the manner in which the ~~charges~~ RMR Charges referred to in Section 5.2.7 of the ISO Tariff shall be ~~calculated~~ verified and settled and of the procedures regarding the billing, invoicing and payment of these ~~charges~~ RMR Charges.

##### 1.2 Definitions

##### 1.2.1 Master Definitions Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement to the ISO Tariff shall have the same meaning where used in this Annex 1. A reference to a paragraph is to a paragraph of this Annex. References to SABP are to the Settlement and Billing Protocol or to the stated paragraph of that Protocol. References to Appendices are to Appendices of SABP.

##### 1.2.2 Definitions of SABP

Unless otherwise specified, any word or expression defined in SABP shall have the same meaning where used in this Annex.

##### 1.2.3 Special Definitions for this Annex

In this Annex the following words and expressions shall have the ~~meanings set opposite them~~ following meanings:

~~“Adjustment”~~ Adjusted RMR Invoice” means the monthly invoice issued by the RMR Owner to the ISO for adjustments made to the Final Estimated RMR Invoice pursuant to ~~Article 4.5(f) or 4.6(f) (as applicable) of the Conditions of Must-Run Contract~~ the RMR Contract.

**"Business Day"** shall have the meaning ascribed to it in the ~~Conditions of Must-Run~~RMR Contract.

**"Estimated RMR Invoice"** means the monthly invoice issued by the RMR Owner to the ISO for estimated RMR ~~Charges or Rebates pursuant to Section 4.5(a) or 4.6(a) (as appropriate) of the Conditions of Must-Run~~Payments, or Refunds pursuant to the RMR Contract.

**"ISO Home Page"** means the ISO internet home page at <http://www.caiso.com/iso> or such other internet address as the ISO shall publish from time to time.

~~"ISO RMR Account"~~ means **"Facility Trust Account"** means, for each RMR Contract, the account established and operated by the ISO to and from which all payments under this Annex shall be ~~made~~.

~~made.~~ Each Facility Trust Account will have two segregated commercial bank accounts, a RMR Owner Facility Trust Account and a Responsible Utility **"Owner"** means the entity which has entered into a Reliability Must-Run Contract with the ISO pursuant to the ISO Tariff.

~~"Participating Utility"~~ means a utility that is a party to the TCA in whose Service Area a Reliability Must-Run Generating Unit is located as referred to in Section 5.2.7 of the ISO Tariff.Facility Trust Account.

**"Final Adjusted RMR Invoice"** means the last revision of the Adjusted RMR Invoice.

**"Final Estimated RMR Invoice"** means the last revision of the Estimated RMR Invoice.

**"ISO Home Page"** means the ISO internet home page at <http://www.caiso.com> or such other internet address as the ISO shall publish from time to time.

**"Responsible Utility Facility Trust Account"** means a segregated commercial bank account under the Facility Trust Account containing funds held in trust for the Responsible Utility.

**"Responsible Utility Invoice"** means the invoices issued by the ISO to the Responsible Utilities based on the Final estimated RMR Invoice and the Final Adjusted RMR Invoice.

**"RMR Charge"** means the sum payable by the ~~Participating~~Responsible Utility to the ISO pursuant to Section 5.2.7 of the ISO Tariff for the ~~cost of Reliability Must-Run Generation and Ancillary Services as set out in the Conditions of Must-Run Contract.~~ If the ISO has received a RMR Rebate, the RMR Charge may take the form of a costs, net of all applicable credits, incurred under the RMR Contract.

~~sum payable to the Participating Utility by the ISO.~~ **"RMR Owner Facility Trust Account"** means a segregated commercial bank account under the Facility Trust Account containing funds held in trust for the RMR Owner.

**"RMR Payment"** means any amounts ~~payable by the ISO to an Owner pursuant to a Reliability Must-Run Contract which the ISO is obligated to pay to RMR Owners under RMR Contracts, net of any applicable credits under RMR Contracts.~~

**"RMR Payments Calendar"** means the Payments Calendar issued by the ISO pursuant to section 3 of this Annex 1.

~~“RMR Rebate”~~ **“Refund”** means any amounts ~~payable to the ISO by an Owner pursuant to a Reliability Must-Run Contract which RMR Owners are obligated to pay the ISO and the ISO is obligated to pay Responsible Utilities under RMR Contracts, or resulting from an order by the Federal Energy Regulatory Commission, for deposit into the Responsible Utility Facility Trust Account.~~

**“RMR Security”** means the form of security provided by a ~~Participating Responsible~~ Utility to cover its liability under this Annex pursuant to Section ~~5.2.7.15.2.7.3~~ of the ISO Tariff.

#### 1.2.4 **Rules of Interpretation and Other Terms and Conventions**

The rules of interpretation set out in SABP 1.2.3, and the provisions of SABP 1.2.4, 1.2.5 and 1.2.6 shall apply to this Annex.

#### 1.3 **Scope of Application to Parties**

This Annex applies to the ~~ISO, Owners and Participating Utilities which are responsible for payment of RMR Charge pursuant to Section 5.2.7 of the ISO Tariff. RMR Payments owed RMR Owners by the ISO, the RMR Charges owed by the Responsible Utilities to the ISO and the RMR Refunds owed to the ISO by RMR Owners and owed to the Responsible Utilities by the ISO for costs incurred under the RMR Contract.~~

For the avoidance of doubt, this Annex shall not apply to charges for Energy or Ancillary Services which are payable by the ISO under Sections 2.5 and 11 of the ISO Tariff to Scheduling Coordinators which are representing ~~RMR~~ Owners. Such payments shall be made by the ISO to such Scheduling Coordinators pursuant to Section 11 of the ISO Tariff and the provisions of SABP. The ~~RMR~~ Owners shall account for such payments received ~~from by or due to~~ their Scheduling Coordinators in their Estimated RMR Invoices and ~~Adjustment Adjusted~~ RMR Invoices as provided in the ~~Conditions for Must-Run Contracts 4.5(g) and 4.6(g). RMR Contracts.~~

#### 1.4 **Relationship of this Annex with SABP**

Unless otherwise specified, the provisions of SABP shall not apply to this Annex but Appendices B, G and H shall apply as appropriate.

#### 1.5 **Relationship of this Annex with the ISO Tariff**

For the avoidance of doubt, Sections 11.3 to 11.24 inclusive of the ISO Tariff shall not apply to this Annex.

### 2 **Accounts**

#### 2.1 **ISO RMR Account**

~~The ISO will establish an account (the “ISO RMR Account”) where payments to the ISO from Participating Utilities or Owners and payments from the ISO to Owners or Participating Utilities pursuant to this Annex will be made in accordance with Section 5.2.7 of the ISO Tariff, the Must-Run Contracts and this Annex. This account will not~~

be held in trust by the ISO for Market Participants.

## **2.2 — Owner's Settlement Accounts**

Each Owner shall establish and maintain a settlement account at a commercial bank located in the United States and reasonably acceptable to the ISO which can effect money transfers via Fed-Wire where payments to and from the Reliability Must-Run Account shall be made in accordance with this Annex. Each Owner shall notify the ISO of its settlement account details upon entering into its Reliability Must-Run Contract with the ISO and may notify the ISO from time to time of any changes by giving at least 15 days notice before the new account becomes operational.

## **3 — Payments Calendar**

The ISO shall issue a RMR Payments Calendar for the purposes of this Annex which shall contain the following information:

- (a) the date on which Owners are required to issue to the ISO their Estimated RMR Invoice pursuant to their Reliability Must-Run Contract;
- (b) the date on which Owners are required to issue to the ISO their Adjustment RMR Invoice pursuant to their Reliability Must-Run Contract;
- (c) the date on which the ISO may issue proposed amendments to the Estimated RMR Invoice to the Participating Utility and to Owner;
- (d) the date on which the ISO may issue proposed amendments to the Adjustment RMR Invoice to the Participating Utility and the Owner;
- (e) the date by which the Participating Utility must have notified to the ISO any disputes in relation to the Estimated or Adjustment RMR Invoices or the ISO's proposed amendments pursuant to paragraph 6.4.1 of this Annex 1;
- (f) the date on which the ISO is required to issue to the Participating Utility the invoice relating to each Estimated RMR Invoice;
- (g) the date on which the ISO is required to issue to the Participating Utility the invoice relating to each Adjustment RMR Invoice;
- (h) the date and time by which Participating Utilities are required to have made payments into the ISO RMR Account in payment of the ISO's invoices relating to each Estimated RMR Invoice and each Adjustment RMR Invoice;
- (i) the date and time by which the ISO is required to have made payments into the Owners' Settlement Accounts in payment of each Estimated RMR Invoice and each Adjustment RMR Invoice pursuant to their Reliability Must-Run Contract;
- (j) the date and time by which Owners are required to have made payments into the ISO RMR Account for RMR Rebates;
- (k) the date and time by which the ISO is required to have made payments into the Participating Utilities' Settlement Accounts in relation to any RMR Rebates received from Owners pursuant to paragraph 5 of this Annex 1.

~~If the day on which any Estimated RMR Invoice, Adjustment RMR Invoice or ISO invoice is due to be issued, or payment is due, is not a Business Day, such statement or invoice shall be issued or payment shall be due on the next succeeding Business Day.~~

~~Information relating to charges for Energy or Ancillary Services which are payable by the ISO pursuant to Sections 2.5 and 11 of the ISO Tariff and SABP to the Scheduling Coordinators representing Owners will be contained in the ISO Payments Calendar pursuant to SABP 2.3.~~

#### ~~4~~ ~~Information to be provided by Owners to the ISO~~

~~The Estimated RMR Invoice and Adjustment RMR Invoice shall include, or be accompanied by, information about RMR Payments or RMR Rebates payable from or to the ISO pursuant to the Reliability Must-Run Contract in sufficient detail to enable the ISO to calculate all RMR Charges payable from the Participating Utility to the ISO and all RMR Charges payable by the ISO to the Participating Utility.~~

~~This information shall be made available in an electronic form mutually agreed by the parties and include, but shall not be limited to,~~

- ~~(a) data on the items described as data inputs and data outputs in Table H4 of Appendix H for each relevant Settlement Period in each Trading Day;~~
- ~~(b) data relating to the payments for Energy and Ancillary Services received by the Owner from its Scheduling Coordinator; and~~
- ~~(c) information on the factors used to calculate variable contract prices (as applicable).~~

#### ~~5~~ ~~Calculation of RMR Charge~~

~~The ISO shall calculate, based on the information provided by the Owners pursuant to paragraph 4, the amount due from (or to) the relevant Participating Utility for RMR Charges as applicable.~~  
Facility Trust Account

The ISO will establish a Facility Trust Account for each RMR Contract. Each Facility Trust Account shall consist of two segregated commercial bank accounts: an RMR Owner Facility Trust Account, which will be held in trust for the RMR Owner, and a Responsible Utility Facility Trust Account, which will be held in trust for the Responsible Utility. RMR Charges paid by the Responsible Utility to the ISO in connection with the RMR Contract will be deposited into the RMR Owner Facility Trust Account and RMR Payments from the ISO to the RMR Owner will be withdrawn from such Account, all in accordance with this Annex 1, Section 5.2.7 of the ISO Tariff and the RMR Contract. RMR Refunds received by the ISO from the RMR Owner in accordance with the RMR Contract will be deposited into the Responsible Utility Facility Trust Account and such RMR Refunds will be withdrawn from such Account and paid to the Responsible Utility in accordance with this Annex 1, Section 5.2.7 of the ISO Tariff, and the RMR Contract. The RMR Owner Facility Trust Account and

the Responsible Utility Facility Trust Account shall have no other funds commingled in them at any time.

## 2.2 RMR Owner's Settlement Accounts

Each RMR Owner shall establish and maintain a settlement account at a commercial bank located in the United States and reasonably acceptable to the ISO which can effect money transfers via Fed-Wire where payments to and from the Facility Trust Accounts shall be made in accordance with this Annex. Each RMR Owner shall notify the ISO of its settlement account details upon entering into its RMR Contract with the ISO and may notify the ISO from time to time of any changes by giving at least 15 days notice before the new account becomes operational.

## 3 RMR Payments Calendar

The ISO shall issue an RMR Payments Calendar for the purposes of this Annex which shall contain the following information:

- (a) the date on which RMR Owners are required to issue to the ISO, with a copy to the Responsible Utility, their Estimated RMR Invoice pursuant to their RMR Contract;
- (b) the date on which the ISO may issue proposed amendments to the Estimated RMR Invoice to the Responsible Utility and to the RMR Owner;
- (c) the date by which the RMR Owner is required to issue a revised Estimated RMR Invoice, reflecting revisions to the original Estimated RMR Invoice agreed upon by the Responsible Utility and the RMR Owner;
- (d) the date on which the RMR Owner is required to issue the Final Estimated RMR Invoice to the ISO, with a copy to the Responsible Utility;
- (e) the date on which RMR Owners are required to issue to the ISO, with a copy to the Responsible Utility, their Adjusted RMR Invoice pursuant to their RMR Contract;
- (f) the date on which the ISO may issue proposed amendments to the Adjusted RMR Invoice to the Responsible Utility and the RMR Owner;
- (g) the date by which the RMR Owner is required to issue a revised Adjusted RMR Invoice, reflecting revisions to the original Adjusted RMR Invoice agreed upon by the Responsible Utility and the RMR Owner;
- (h) the date on which the ISO is required to issue to the Responsible Utility the Responsible Utility Invoice based on the Final Estimated RMR Invoice;
- (i) the date on which the RMR Owner is required to issue the Final Adjusted RMR Invoice to the ISO, with a copy to the Responsible Utility;

- (j) the date on which the ISO is required to issue to the Responsible Utility the Responsible Utility Invoice based on the Final Adjusted RMR Invoice;
- (k) the dates by which the Responsible Utility must have notified the ISO of any disputes in relation to the Responsible Utility Invoice, Estimated or Adjusted RMR Invoices (including the Final Estimated and Final Adjusted RMR Invoice) or the ISO's proposed adjustments pursuant to Section 5.2.7.1 of the ISO Tariff;
- (l) the date and time by which Responsible Utilities are required to have made payments into the RMR Owner Facility Trust Account in payment of the Responsible Utility Invoices relating to each Final Estimated RMR Invoice and each Final Adjusted RMR Invoice;
- (m) the date and time by which the ISO is required to have made payments into the RMR Owners' Facility Trust Accounts in payment of Final Estimated RMR Invoice and the Final Adjusted RMR Invoice pursuant to their RMR Contract;

If the day on which any Responsible Utility Invoice, any Estimated RMR Invoice or any Adjusted RMR Invoice is due to be issued, or payment is due, is not a Business Day, such statement or invoice shall be issued or payment shall be due on the next succeeding Business Day.

Information relating to charges for Energy or Ancillary Services which are payable by the ISO pursuant to Sections 2.5 and 11 of the ISO Tariff and SABP to the Scheduling Coordinators representing the RMR Owners will be contained in the RMR Payments Calendar pursuant to SABP 2.3.

#### **4 Information to be provided by RMR Owners to the ISO**

The Estimated RMR Invoices and Adjusted RMR Invoices shall include, or be accompanied by, information about RMR Payments and RMR Refunds in sufficient detail to enable the ISO to verify all RMR Charges and all RMR Refunds, and such information shall be copied to the Responsible Utility. Each Invoice, from each RMR Owner, shall separately show the amounts due for services from each Reliability Must-Run Unit.

This information shall be provided in an electronic form in accordance with the RMR Invoice template developed jointly by the ISO, Responsible Utilities and RMR Owners in accordance with the RMR Contracts and the principles in Schedule O to those Contracts, and maintained on the ISO Home Page.

#### **5 Verification of RMR Charges and RMR Refunds**

The ISO shall verify, based on the information provided by each RMR Owner pursuant to paragraph 4, the amount due from the relevant Responsible Utility for RMR Charges and the amount due to the relevant Responsible Utility for RMR Refunds applicable to the Reliability Must-Run Generation and Ancillary Services of that RMR Owner, but shall not represent or warrant the accuracy or completeness of the information provided by the RMR Owner.

~~For the avoidance of doubt, the ISO shall not be obligated to pay the Participating Utility any RMR Charges (corresponding to an RMR Rebate) unless and until the ISO has received corresponding funds into its ISO RMR Account from the The ISO shall not be obligated to pay the Responsible Utility any RMR Refunds unless and until the ISO has received corresponding RMR Refunds into the Responsible Utility Facility Trust Account from the RMR Owner.~~

## **6 Description of the Billing Process**

### **6.1 Issuance of RMR Invoices by the Owner**

~~Each Owner shall provide to the ISO in an electronic form mutually agreed by the parties on each of the days specified in the ISO Payments Calendar an Estimated RMR Invoice or an Adjustment RMR Invoice (as applicable) and will send to the relevant Participating Utility a copy of that invoice on the day of issue.~~

### **6.2 Review of the RMR Invoice by the ISO**

~~The ISO will review the Estimated RMR Invoice or Adjustment RMR Invoice within the period specified in the ISO Payments Calendar and may issue proposed adjustments to that invoice to the Owner and the relevant Participating Utility.~~

### **6.3 Issuance of Invoice by the ISO**

~~The ISO shall provide to the Participating Utility on the day specified in the RMR Payments Calendar an invoice showing:~~

- ~~(a) the amounts which on the basis of the Estimated RMR Invoice (or the Adjustment RMR Invoice as the case may be) and pursuant to paragraph 5 of this Annex 1 are to be paid from (or to) the relevant Participating Utility in relation to each RMR Charge~~
- ~~(b) the Payment Date, being the date on which such amounts are to be paid or received and the time for such payment;~~
- ~~(c) details (including the account number, bank name and Fed-Wire transfer instructions) of the Reliability Must-Run Account to which any amounts owed by the Participating Utility are to be paid.~~

~~For the avoidance of doubt, the invoice referred to in this paragraph 6.5 shall be different from the invoice issued by the ISO to the same Participating Utility pursuant to SABP-5.~~

### **6.4 Resolving Disputes Relating to Invoices**

#### **6.4.1 Review of the ISO invoice by the Participating Utility**

~~Each Participating Utility shall have a period specified in the ISO Payments Calendar to review the Estimated or Adjustment RMR Invoice and any proposed amendments to such Invoices issued by the ISO and shall be deemed to have validated these Invoices unless it has raised a dispute or reported an exception within that period.~~

#### **6.4.2 — Notice**

If a Participating Utility disputes any item or calculation relating to a Estimated or Adjustment RMR Invoice it shall provide the ISO via the WEnet and the Owner by mail with a notice of dispute at any time from the receipt of the copy of the Estimated RMR Invoice (or Adjustment RMR Invoice as applicable) from the Owner to the expiration of the period for review set out in the ISO Payments Calendar.

#### **6.4.3 — Contents of Notice**

The notice of dispute shall state clearly the Estimated RMR Invoice or Adjustment RMR Invoice, the item disputed, the reasons for the dispute, the proposed amendment (if appropriate) and shall be accompanied by all available evidence reasonably required to support the claim.

#### **6.4.4 — Amendment Agreed by the ISO**

Subject to paragraph 6.4.5 of this Annex 1, if the ISO agrees with the proposed change, the amendment shall be shown in the ISO invoice where the relevant RMR Charge is due to appear.

#### **6.4.5 — Dispute Involving the Owner**

If the dispute relates to an item originating in the Estimated RMR Invoice (or Adjustment RMR Invoice as the case may be) the provisions of Article 4.5(k) or 4.6(k) (as applicable) of the Conditions of Must-Run Contract shall apply.

#### **6.4.6 — Payment Pending Dispute**

~~Neither the Participating Utility nor the ISO shall be obligated to pay the disputed amount to the Owner pending the resolution of the dispute but interest shall be payable thereon as provided for in the Conditions of Must-Run Contract.~~ Issuance of RMR Invoices by the RMR Owner

Each RMR Owner shall provide to the ISO in the electronic form, mutually agreed by the parties, which may be updated by agreement of the ISO, Responsible Utilities and RMR Owners from time to time in accordance with the requirements of Schedule O of the RMR Contract, on each of the days specified in the RMR Payments Calendar any Estimated RMR Invoice or any Adjusted RMR Invoice (as applicable) and will send to the relevant Responsible Utility a copy of that invoice on the day of issue.

#### **6.2 Review of the RMR Invoice by the ISO**

The ISO will review the Estimated RMR Invoice(s) or Adjusted RMR Invoice(s) within the period specified in the RMR Payments Calendar and may issue proposed adjustments to that invoice to the RMR Owner and the relevant Responsible Utility. Once the ISO issues proposed adjustments, the RMR Owner shall issue revised Estimated RMR Invoice(s) or revised Adjusted RMR Invoice(s).

### **6.3 Issuance of Responsible Utility Invoices by the ISO**

The ISO shall provide to the Responsible Utility on the dates specified in the RMR Payments Calendar Responsible Utility Invoices showing:

- (a) the amounts which, on the basis of the Final Estimated RMR Invoice or the Final Adjusted RMR Invoice, as the case may be, and pursuant to paragraph 5 of this Annex 1, are to be paid by or to the relevant Responsible Utility;
- (b) the Payment Date, being the date on which such amounts are to be paid and the time for such payment;
- (c) details (including the account number, bank name and Fed-Wire transfer instructions) of the RMR Owner Facility Trust Account to which any amounts owed by the Responsible Utility are to be paid and details, if relevant, of the RMR Responsible Utility Facility Trust Account to which any amounts owed by the RMR Owner as a result of RMR Refunds are to be paid.

### **6.4 Resolving Disputes Relating to Invoices**

#### **6.4.1 Review of Invoices by the Responsible Utility**

Each Responsible Utility shall have the review period specified in the RMR Payments Calendar to review Estimated RMR Invoices, Adjusted RMR Invoices, and Responsible Utility Invoices, validate, and propose amendments to such invoices and notify the ISO of any dispute. Notwithstanding the above, each Responsible Utility shall have the review time specified in ISO Tariff Section 5.2.7 to dispute such invoice.

#### **6.4.2 Dispute Notice**

If a Responsible Utility disputes any item or calculation relating to any Estimated RMR Invoice, Adjusted RMR Invoice, or any Responsible Utility Invoice, it shall provide the ISO, with a copy to the RMR Owner, via email or such other communication mode as the parties may mutually agree upon, a notice of dispute at any time from the receipt of the copy of such invoice from the RMR Owner or the ISO to the expiration of the period for review set out in Section 6.4.1. The ISO shall initiate a corresponding dispute with the RMR Owner under the RMR Contract.

#### **6.4.3 Contents of Dispute Notice**

The notice of dispute shall state clearly the Estimated RMR Invoice, Adjusted RMR Invoice, or Responsible Utility Invoice in dispute, the item disputed (identifying specific Reliability Must-Run Units and time periods), the reasons for the dispute, and the proposed amendment (if appropriate) and shall be accompanied by all available evidence reasonably required to support the claim.

#### **6.4.4 Adjustment Agreed to by the RMR Owner**

Subject to paragraph 6.4.5 or 6.4.6 of this Annex 1, if the RMR Owner agrees with the proposed change, the adjustment shall be shown in the next RMR Invoice from the RMR Owner to the ISO where the relevant RMR Payment or RMR Refund is due to appear, unless the Final Adjusted RMR Invoice has been issued for the relevant

month. In the event that the Final Adjusted RMR Invoice has been issued for the relevant month, the RMR Owner shall reflect the resulting RMR Payment or RMR Refund in the next month's RMR Invoices.

**6.4.5 Dispute Involving the RMR Owner**

If the dispute relates to an item originating in the Estimated RMR Invoice (or Adjusted RMR Invoice, as the case may be), the applicable provisions of the RMR Contract and Section 5.2.7.1 of the ISO Tariff shall apply.

**6.4.6 Dispute Involving an Alleged Error or Breach or Default of the ISO's Obligations Under Section 5.2.7 of the ISO Tariff**

If the dispute relates to an alleged error or breach or default of the ISO's obligations under Section 5.2.7 of the ISO Tariff, the applicable provisions of the RMR Contract and Section 5.2.7.1 of the ISO Tariff shall apply.

**6.4.7 Payment Pending Dispute**

Subject to Section 5.2.7.1 of the ISO Tariff, if there is any dispute relating to an item originating in the Estimated RMR Invoice or the Adjusted RMR Invoice, not resolved prior to the Payment Date the Responsible Utility shall be obligated to pay any amounts shown in the relevant Responsible Utility Invoice on the Payment Date irrespective of whether any such dispute has been resolved or is still pending but it may notify the ISO that the payment is made under protest, in which case the ISO will notify the RMR Owner that payment is made under protest. In accordance with Section 9.6 of the RMR Contract, if such dispute is subsequently finally resolved in favor of the Responsible Utility that made the payment under protest, then, any amount agreed or determined to be owed by the RMR Owner to the ISO shall be repaid by the RMR Owner to the ISO, with interest at the interest rate specified in the RMR Contract from the date of payment by the ISO to the RMR Owner of the disputed amount to the date of repayment by the RMR Owner, by ISO's deduction of such amount from the next Estimated or Adjusted RMR Invoice, or if the RMR Contract has terminated, by paying a RMR Refund in such amount to the Responsible Utility Facility Trust Account, subject to the limitation of Section 5.2.7.1.1 of the ISO Tariff.

**7 Payment Procedures**

**7.1 Payment Date**

The Payment Date for RMR Payments to and RMR Rebates from Owners shall be the date specified in their Conditions of Must-Run Contract and in the RMR Payments Calendar and the same shall be the Payment Date for the ISO and Participating Utilities in relation to RMR Charges:

**7.2 Payments to be made via Fed-Wire**

All payments by the ISO to Owners and Participating Utilities shall be made via Fed-Wire:

All payments to the ISO by Owners and Participating Utilities shall be made via Fed-Wire.

### **7.3 — Payment by Owners, Participating Utilities and Scheduling Coordinators**

Each Owner shall remit to the ISO RMR Account the amount shown on the relevant Estimated RMR Invoice or Adjustment RMR Invoice as payable by that Owner for value not later than 10:00 am on the Payment Date.

Each Participating Utility shall remit to the ISO RMR Account the amount shown on the relevant invoice issued by the ISO pursuant to paragraph 6.5 as payable by that Participating Utility for value not later than 10:00 am on the Payment Date.

### **7.4 — Payment by the ISO**

The ISO shall calculate the amounts available for distribution to Participating Utilities and/or Owners on the Payment Date and shall give irrevocable instructions to the ISO Bank to remit from the ISO RMR Account to the relevant settlement account maintained by each Participating Utility or Owner the amounts determined by the ISO to be available for payment to each Participating Utility or Owner.

### **7.5 — Payment Default by Participating Utility**

If by 10:00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the ISO RMR Account will not or has not been remitted ("the Default Amount") the ISO shall take the actions set out in paragraph 7.5.1 of this Annex 1 to enable payment to be made to the relevant Owners and Participating Utilities.

#### **7.5.1 — Enforcing the Participating Utility's Security**

If the whole or part of any payment due by a Participating Utility for RMR Charges has not been received as set out in paragraph 7.5, the ISO shall take any steps it deems appropriate against the defaulting Participating Utility to recover the Default Amount (and any default interest pursuant to paragraph 7.8) including enforcing any RMR Security provided by that Participating Utility, exercising its rights of set-off pursuant to paragraph 7.7 and/or bringing proceedings against the defaulting Participating Utility.

#### **7.5.2 — ISO to Use Best Efforts to Effect Payment**

The ISO shall not be obligated to pay the Owner any amounts under the RMR Estimated or Adjustment Invoice if it has not received payment for such amounts from the Participating Utility responsible for such payments under Section 5.2.7 of the ISO Tariff. The ISO shall use its best efforts to enforce such rights as it has to payment of amounts due to it from the Participating Utility as set out in paragraph 7.5.1 of this Annex 1. As soon as payment is received by the defaulting Participating Utility or pursuant to paragraph 7.5.1 the ISO shall pay such amounts received (together with all interest received pursuant to paragraph 7.7 of this Annex 1) to the settlement account of the relevant Owners.

### **7.5.3 — Default relating to Market Payments**

For the avoidance of doubt, non-payment to Owners of charges for Energy or Ancillary Services which are payable by the ISO to Scheduling Coordinators representing such Owners shall be dealt with pursuant to Sections 11.3 to 11.24 (inclusive) of the ISO Tariff and the provisions of SABP.

### **7.6 — Set-off**

#### **7.6.1 — Set-off in the case of a defaulting Participating Utility**

The ISO is authorized to apply any amount to which any defaulting Participating Utility is or will be entitled, in or towards the satisfaction of any of that Participating Utility's debts arising under the settlement and billing process set out in this Annex.

For the avoidance of doubt, neither the ISO nor any Participating Utility will be authorized to set off any amounts owed by that Participating Utility under this Annex against amounts owed to that Participating Utility under SABP.

#### **7.6.2 — Set-off in the case of a defaulting Owner**

The ISO is authorized to apply any amount to which any defaulting Owner is or will be entitled, in or towards the satisfaction of any of that Owner's debts arising under the settlement and billing process set out in this Annex.

For the avoidance of doubt, neither the ISO nor any Owner will be authorized to set off any amounts owed by that Owner under this Annex against amounts owed to that Owner under SABP.

### **7.7 — Default Interest**

Participating Utilities shall pay interest on Default Amounts to the ISO at the ISO Default Interest Rate for the period from the relevant Payment Date to the date in which the payment is received by the ISO or the date the ISO receives funds from the RMR Security of the defaulting Participating Utility together with any related transaction costs incurred by the ISO pursuant to paragraph 7.5.1 of this Annex.

Owners shall pay interest to the ISO on Default Amounts at the Interest Rate as defined in the Reliability Must-Run Contract for the period from the date on which payment was due to the date in which the payment is received by the ISO.

The ISO shall pay interest to Owners at the Interest Rate as defined in the Conditions of Must-Run Contract for the period from the day following the date when the ISO received an RMR Charge from the responsible Participating Utility to the date in which the payment is received by the Owner.

The ISO shall pay interest to Participating Utilities at the ISO Default Interest Rate as defined in the Master Definition Supplement to the ISO Tariff for the period from the date following the date it received an RMR Rebate from the relevant Owner to the date in which the payment is received by the relevant Participating Payment Date

The Payment Date for RMR Payments to and RMR Refunds from RMR Owners shall be the Due Date specified in the RMR Contract and in the RMR Payments Calendar and the same shall be the Payment Date for the ISO and Responsible Utilities in relation to RMR Charges. The Payment Date shall be stated on the Responsible Utility Invoice.

## 7.2 Payment Method

All payments and Refunds by the ISO to RMR Owners and Responsible Utilities shall be made via Fed-Wire.

However, if the RMR Owner is also the Responsible Utility, at the discretion of the RMR Owner, payments and refunds may be made by memorandum account instead of wire transfer.

## 7.3 Payment by RMR Owners and Responsible Utilities

Each RMR Owner shall remit to the Responsible Utility Facility Trust Account the amount shown on the relevant Final Estimated RMR Invoice or Final Adjusted RMR Invoice as payable by that RMR Owner not later than 10:00 am on the Payment Date.

Subject to Section 5.2.7 of the ISO Tariff, each Responsible Utility shall remit to the RMR Owner Facility Trust Account the amount shown on the relevant Responsible Utility Invoice not later than 10:00 am on the Payment Date.

## 7.4 Payment by the ISO

The ISO shall verify the amounts available for distribution to Responsible Utilities and/or RMR Owners on the Payment Date and shall give instructions to the ISO Bank to remit from the relevant Facility Trust Account to the relevant settlement account maintained by each Responsible Utility or RMR Owner the amounts determined by the ISO to be available for payment to each Responsible Utility or RMR Owner.

## 7.5 Payment Default by Responsible Utility

If by 10:00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the relevant Facility Trust Account by the RMR Owner or the Responsible Utility will not or has not been remitted ("the Default Amount") the ISO shall immediately notify the RMR Owner and the Responsible Utility. Where the Default Amount was due from the Responsible Utility, the ISO and RMR Owner shall proceed as set forth in Section 5.2.7 of the ISO Tariff and the applicable provision of the RMR Contract. Where the Default Amount was due from the RMR Owner, the ISO and the Responsible Utility shall proceed as set forth in the applicable provision of the RMR Contract.

#### **7.5.1 Default relating to Market Payments**

For the avoidance of doubt, non payment to RMR Owners, or their respective Scheduling Coordinators, of charges for Energy or Ancillary Services which are payable by the ISO to Scheduling Coordinators representing such RMR Owners shall be dealt with pursuant to Sections 11.3 to 11.24 (inclusive) of the ISO Tariff and the provisions of SABP.

#### **7.6 Set-off**

##### **7.6.1 Set-off in the case of a defaulting Responsible Utility**

The ISO is authorized to apply any amount to which any defaulting Responsible Utility is or will be entitled from the Responsible Utility Facility Trust Account in or towards the satisfaction of any amount owed by that Responsible Utility to the RMR Owner Facility Trust Account arising under the settlement and billing process set out in this Annex.

For the avoidance of doubt, neither the ISO nor any Responsible Utility will be authorized to set off any amounts owed by that Responsible Utility in respect of one Facility Trust Account against amounts owed to that Responsible Utility in respect of another Facility Trust Account or any amounts owed by that Responsible Utility under this Annex against amounts owed to that Responsible Utility except as provided by Sections 2.5.27.7 and 5.2.7 of the ISO Tariff.

##### **7.6.2 Set-off in the case of a defaulting RMR Owner**

The ISO is authorized to apply any amount to which any defaulting RMR Owner is or will be entitled from the RMR Owner Facility Trust Account in or towards the satisfaction of any amount owed by that RMR Owner to the Responsible Utility Facility Trust Account in accordance with Article 9 of the RMR Contract and Sections 5.2.7 and 2.5.28 of the ISO Tariff.

For the avoidance of doubt, neither the ISO nor any RMR Owner will be authorized to set off any amounts owed by that RMR Owner in respect of one Facility Trust Account against amounts owed to that RMR Owner in respect of another Facility Trust Account or any amounts owed by that RMR Owner under this Annex against amounts owed to that RMR Owner under the RMR Contract.

#### **7.7 Default Interest**

Responsible Utilities shall pay interest on Default Amounts to the ISO at the interest rate specified in the RMR Contract for the period from the relevant Payment Date to the date on which the payment is received by the ISO.

RMR Owners shall pay interest to the ISO on Default Amounts at the interest rate specified in the RMR Contract for the period from the date on which payment was due to the date on which the payment is received by the ISO.

The ISO shall pay interest to RMR Owners at the interest rate specified in the RMR Contract for the period from the date on which payment is due under the RMR Contract to the date in which the payment is received by the RMR Owner.

The ISO shall pay interest to Responsible Utilities at the interest rate specified in the relevant RMR Contract for the period from the date following the date it received an RMR Refund from the relevant RMR Owner to the date in which the payment is received by the relevant Responsible Utility.

For the avoidance of doubt, where payment of a Default Amount is made by exercise of a right of set-off, the amount concerned is received when payment of the sum which takes that set-off. Where payment of a Default Amount is made by exercise of a right of set-off or deduction, payment shall be deemed received when payment of the sum which takes that set-off or deduction into account is made.

## 8 Overpayments

The provisions of SABP 7.1.1, 7.1.2 and 7.1.3 shall apply to RMR Owners and Participating Responsible Utilities which have been overpaid by the ISO and references to "ISO Creditors" in these sections and in the relevant Sections of the ISO Tariff shall be read, for the purposes of this Annex, to mean RMR Owners and Participating Responsible Utilities as applicable. Disputed amounts shall not be considered to be overpayments until and unless the dispute is resolved.

applicable.

## 9 Communications

### 9.1 Method of Communication

Responsible Utility Invoices will be issued by the ISO via EDI: Electronic Data Interchange ("EDI"). Estimated RMR Invoices and Adjusted RMR Invoices will be issued by the RMR Owner in an electronic form mutually agreed by the parties and maintained on the ISO's Home Page in accordance with Schedule O of the RMR parties Contract. Methods of communication between the ISO, Participating Responsible Utilities and RMR Owners may be varied by the ISO giving not less than 10 days notice to Participating Utilities and Owners on the WEnet: Responsible Utilities and RMR Owners on the ISO Home Page.

### 9.2 Emergency Procedures

#### 9.2.1 Emergency Affecting the ISO

In the event of an emergency or a failure of any of the ISO software or business systems, the ISO may deem the any Estimated RMR Invoice or the Adjusted any Adjusted RMR Invoice to be correct without thorough verification and may implement any temporary variation of the timing requirements relating to the settlement and billing process contained in this Annex.

#### 9.2.2 Emergency Affecting the RMR Owner

In the event of an emergency or a failure of any of the RMR Owner's systems, the Owner may use estimated invoices as provided in Section 4.5(a) (or 4.6(a) as applicable) of the Conditions of Must-Run RMR Owner may use Estimated RMR

~~Invoices as provided in the applicable section of the RMR Contract or may implement any temporary variation of the timing requirements relating to the settlement and billing process contained in this Annex and its Reliability Must-Run RMR Contract. Details of the variation will be published on the WEnet ISO Home Page.~~

~~Communications of an emergency nature on a Due Date or a Payment Date relating to payments shall be made by the fastest practical means including by telephone.~~

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### Confidentiality

The provisions of SABP 9, 10 and 11 shall apply to this Annex between and among the RMR Owners, the ISO and Participating Responsible Utilities.

~~Except as may otherwise be required by FERC Order Nos. 888 or 889 or any other applicable Law, all information and data provided by RMR Owner or the ISO to the Participating Responsible Utility pursuant to the Conditions of Must-Run Contract RMR Contract, Section 5.2.7 of the ISO Tariff or this Annex 1 ("confidential information") shall be deemed to be treated confidential and proprietary to the providing party to the extent required by Section 12.5 and Schedule N of the RMR Contract and will be used by the receiving party solely for purposes of this Annex 1. The receiving party shall limit the disclosure of any such information to only those personnel within its organization with responsibility for assessing such information in connection with this Annex and shall be only as permitted by such Section 12.5 and Schedule N.~~

~~responsible for assuring that personnel within its organization comply with the provisions of this Section 10.~~

~~The provisions of communications, emergency and confidentiality of the Must-Run Contracts shall apply between the ISO and Owners.~~

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### Amendments to this Annex

If the ISO determines a need for an amendment to this Annex 1, the ISO will follow the requirements as set forth in Section 16 of the ISO Tariff. Provided that ISO may not modify Annex 1 as it applies to any RMR Contracts without the consent of the relevant RMR Owner and Responsible Utility