
**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

[PARTICIPATING GENERATOR]

**AGGREGATED DISTRIBUTED GENERATION
PILOT PROJECT PARTICIPATING GENERATOR
AGREEMENT**

AGGREGATED DISTRIBUTED GENERATION PILOT PROJECT (ADGPP) PARTICIPATING GENERATOR AGREEMENT (PGA)

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

(1) **[Full Legal Name]**, having its registered and principal place of business located at **[Address]** (the "Participating Generator");

and

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

The Participating Generator and the ISO are hereinafter referred to as the "Parties".

Whereas:

- A.** The ISO Tariff provides that the ISO shall not schedule Energy or Ancillary Services generated by any Generating Unit interconnected to the ISO Controlled Grid, or to the Distribution System of a Participating TO or of a UDC otherwise than through a Scheduling Coordinator.
- B.** The ISO Tariff further provides that the ISO shall not be obliged to accept Schedules or Adjustment Bids or bids for Ancillary Services relating to Generation from any Generating Unit interconnected to the ISO Controlled Grid unless the relevant Generator undertakes in writing to the ISO to comply with all applicable provisions of the ISO Tariff.
- C.** The Participating Generator wishes to be able to Schedule Energy and to submit Adjustment Bids and Supplemental Energy bids to the ISO through a Scheduling Coordinator as a participant in the ISO's Aggregated Distributed Generation Pilot Project ("ADGPP"), the requirements for which are posted on the ISO Home Page and were submitted to the Federal Energy Regulatory Commission on April 26, 2002 for informational purposes ("ADGPP Requirements"), and, therefore, wishes to undertake to the ISO that it will comply with the applicable provisions of the ISO Tariff and the ADGPP Requirements.
- D.** The Parties are entering into this Agreement in order to establish the terms and conditions on which the ISO and the Participating Generator will discharge their

respective duties and responsibilities under the ISO Tariff and the ADGPP Requirements.

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

ARTICLE I DEFINITIONS AND INTERPRETATION

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

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

ARTICLE II

ACKNOWLEDGEMENTS OF PARTICIPATING GENERATOR AND ISO

- 2.1 ISO Responsibility.** The Parties acknowledge that the ISO is responsible for the efficient use and reliable operation of the ISO Controlled Grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council and further acknowledges that the ISO may not be able to satisfy fully these responsibilities if the Participating Generator fails to fully comply with all of its obligations under this Agreement and the ISO Tariff.
- 2.2 Scope of Application to Parties.** The Participating Generator and ISO acknowledge that all Generators, except those specified in Section 2.2.1 of this Agreement, wishing to schedule Energy and to submit Adjustment Bids, Supplemental Energy bids and bids for Ancillary Services to the ISO through a Scheduling Coordinator must sign a Participating Generator Agreement in accordance with Section 5 of the ISO Tariff.
- 2.2.1 Exemption for Certain Generators.** The Generator with an existing power purchase agreement with a UDC is not required to sign a Participating Generator Agreement if: (a) the Generator sells all of its Energy (excluding any Energy consumed by auxiliary load equipment electrically connected to that Generator at the same point) and Ancillary Services to the UDC; (b) the Generator sells any Energy through "over the fence" arrangements as authorized under Section 218(b) of the California Public Utilities Code; or (c) the Generator employs landfill gas technology for the generation of electricity as authorized under 218(c) of the California Public Utilities Code. With respect to subsections (a) and (b), an existing power purchase agreement shall mean an agreement which has been entered into and is effective as of December 20, 1995. With respect to subsection (c), an existing power purchase agreement shall mean an agreement which has been entered into and is effective as of December 31, 1996.

ARTICLE III

TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall be effective as of the later of the date it is executed by the Parties or the date it is accepted for filing and made effective by

FERC, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

3.2 Termination

3.2.1 Termination. This Agreement shall terminate on the earlier of the date specified in Section 3.2.2, the date specified in Section 3.2.3, or December 31, 2002.

3.2.2 Termination by ISO. The ISO may, at its sole discretion, terminate this Agreement any time after September 30, 2002, with fifteen (15) days prior notice. In addition, subject to Section 5.2, the ISO may terminate this Agreement by giving written notice of termination in the event that the Participating Generator commits any material default under this Agreement, the ISO Tariff and/or the ADGPP Requirements which, if capable of being remedied, is not remedied within thirty (30) days after the ISO has given, to the Participating Generator, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request. This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

3.2.3 Termination by Participating Generator. In the event that the Participating Generator no longer wishes to schedule Energy or provide Supplemental Energy through a Scheduling Coordinator as a participant in the ADGPP, it may terminate this Agreement, on giving the ISO ninety (90) days written notice. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request. This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

ARTICLE IV GENERAL TERMS AND CONDITIONS

4.1 Generating Units

4.1.1 Identification of Generating Units. The Participating Generator has identified the Generating Units comprising its ADGPP aggregation that it owns, operates or has a contractual entitlement to in an ADGPP Units List and has provided the list to the ISO, as required by the ADGPP Requirements.

4.1.2 Technical Characteristics. The Participating Generator has provided to the ISO in its ADGPP Units List the information required by the ADGPP Requirements

regarding the capacity and operating characteristics of each of the Generating Units listed in that list. Pursuant to the ADGPP Requirements, the ISO may verify, inspect and test the capacity and operating characteristics provided in the Participating Generator's ADGPP Units List.

- 4.1.3 Notification of Changes.** At least ten (10) days prior to changing the Generating Units or the technical information in its ADGPP Units List, the Participating Generator shall notify the ISO of the proposed changes. Pursuant to the ADGPP Requirements, the ISO may verify, inspect and test the capacity and operating characteristics provided in the revised ADGPP Units List, and no change to the ADGPP Units List shall be effective without the ISO's approval. The ISO shall post on the ISO Home Page a schedule showing, for at least one year in advance: (i) the proposed dates on which the ISO's Master File will be updated, which dates shall occur at least every three months; (ii) the dates on which the information contained in the revised Master File will become effective; and (iii) the deadlines by which changed technical information must be submitted to the ISO in order to be tested and included in the next scheduled update of the ISO's Master File. Unless the Participating Generator fails to test at the values in the proposed change(s) or proposes an increase in the aggregated rated capacity of its Generating Units to an amount greater than or equal to 10 MW, the change will become effective upon the effective date for the next scheduled update of the Master File, provided the Participating Generator submits the changed information by the applicable deadline and is tested by the deadline. Subject to such notification, this Agreement shall not apply to any Generating Unit identified in the Participating Generator's ADGPP Units List which the Participating Generator no longer owns or no longer has contractual entitlement to.
- 4.2 Agreement Subject to ISO Tariff and ADGPP Requirements.** The Parties will comply with all applicable provisions of the ISO Tariff, including Sections 2.3.2, 2.5.3.4 and 5, and shall comply with the ADGPP Requirements. This Agreement shall be subject to the ISO Tariff and the ADGPP Requirements which shall be deemed to be incorporated herein.
- 4.3 Obligations Relating to Ancillary Services and Supplemental Energy**
- 4.3.1 Submission of Bids.** Notwithstanding the provisions of the ISO Tariff, the following provisions shall apply to the ADGPP, as described in greater detail in the ADGPP Requirements. With regard to the Generating Units in its ADGPP Units List, the Participating Generator shall not during the term of this Agreement, submit Ancillary Services bids, or permit its Scheduling Coordinator to submit Ancillary Services bids on its behalf. When the Scheduling Coordinator on behalf of the Participating Generator submits a bid for Supplemental Energy, the Participating Generator will, by the operation of this Section 4.3.1, warrant to the ISO that it has the capability to provide that service in accordance with the ISO Tariff and the ADGPP Requirements and that it will comply with ISO Dispatch instructions for the provision of the service in accordance with the ISO Tariff.

4.4 Obligations relating to Major Incidents

4.4.1 Major Incident Reports. The Participating Generator shall promptly provide such information as the ISO may reasonably request in relation to major incidents, in accordance with Section 5.8.3 of the ISO Tariff.

4.5 Operational Data Reporting. Notwithstanding the provisions of the ISO Tariff, the following provisions shall apply to the ADGPP, as described in greater detail in the ADGPP Requirements. The Participating Generator shall provide near real-time operational data, consistent with the ADGPP Requirements, for its aggregated Generating Units using processes, protocols, and formats approved in advance by the ISO. The Participating Generator shall have the ability to provide near real-time operational data updates no less frequently than every ten (10) minutes, and, upon the direction of the ISO, shall demonstrate the feasibility of providing operational data updates as often as every one minute.

4.6 Capacity Requirement and Testing. Notwithstanding the provisions of the ISO Tariff, the following provisions shall apply to the ADGPP, as described in greater detail in the ADGPP Requirements. The total rated capacity of the Generating Units in the ADGPP Units List minus the monthly average Demand of any Load that the Generating Units in the ADGPP Units List are serving under a net metering arrangement must be no less than 1 MW. Furthermore, each individual Generating Unit in the ADGPP Units List must have a rated capacity greater than the monthly average Demand of any Load that it is serving under a net metering arrangement and must be capable of delivering Energy to the grid absent any forced outages or maintenance activities. All available Energy from the Generating Units in the ADGPP Units List in excess of Energy consumed by any Load that the Generating Units are serving under a net metering arrangement must be Scheduled with the ISO through bilateral Energy transactions or bid into the ISO's Supplemental Energy market. For purposes of testing the capabilities and responsiveness of the Generating Units in the ADGPP Units List, the Scheduling Coordinator will be required by the ISO, for limited periods of time, to have Energy Schedules of zero MW for the Generating Units in the ADGPP Units List and to bid the entire capability of the Generating Units into the ISO's Supplemental Energy market at a \$0/MWh price.

ARTICLE V PENALTIES AND SANCTIONS

- 5.1 Penalties.** If the Participating Generator fails to comply with any provisions of this Agreement, the ISO shall be entitled to impose penalties and sanctions on the Participating Generator. No penalties or sanctions may be imposed under this Agreement unless a Schedule providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in the Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the Participating Generator to oppose or protest any penalty proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty on the Participating Generator.
- 5.2 Corrective Measures.** If the Participating Generator fails to meet or maintain the requirements set forth in this Agreement, the ADGPP Requirements and/or the ISO Tariff, the ISO shall be permitted to take any of the measures, contained or referenced in the ISO Tariff and/or the ADGPP Requirements, which the ISO deems to be necessary to correct the situation.

ARTICLE VI COSTS

- 6.1 Operating and Maintenance Costs.** The Participating Generator shall be responsible for all its costs incurred in connection with operating and maintaining the Generating Units identified in its ADGPP Units List for the purpose of meeting its obligations under this Agreement.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** The Participating Generator represents that all necessary leases, approvals, permits, licenses, easements, rights of way or access to install, own and/or operate its Generating Units have been or will be obtained by the Participating Generator prior to the effective date of this Agreement. Further, the Participating Generator hereby certifies to the ISO that each Generating Unit has the necessary environmental permits and permissions to operated interconnected with the grid freely on an as-scheduled and as-dispatched basis. Within five (5) days of receipt of an ISO request, the Participating Generator shall provide to the ISO the applicable environmental permits and permissions.

ARTICLE IX LIABILITY

- 9.1 Liability.** The provisions of Section 14 of the ISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the ISO Tariff to Market Participants shall be read as references to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

ARTICLE X UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the ISO Tariff shall be read as references to this Agreement.

ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in

accordance with Section 17 of the ISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 20.1 of the ISO Tariff. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consents that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 20.8 of the ISO Tariff as if the references to the ISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent

jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

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

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information. Nothing contained herein shall be construed as affecting in any way the right of the ISO to unilaterally make application to the Federal Energy Regulatory Commission for a change in the rates, terms and conditions under section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

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

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

[NAME OF PARTICIPATING GENERATOR]

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

**ISO IMPOSED PENALTIES AND SANCTIONS
[Section 5.1]**

[TO BE INSERTED UPON FERC APPROVAL]

SCHEDULE 2

**NOTICES
(Section 11.2)**

Participating Generator

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

ISO

Name of Primary

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____

Name of Alternative

Representative: _____

Title: _____

Address: _____

City/State/Zip Code: _____

Email Address: _____

Phone: _____

Fax No: _____