

IMPORTANT NOTE:

California ISO Conformed Tariff as of January 12, 2006

The Tariff is current through January 12, 2006. Currently effective language from Tariff Amendments and compliance filings which FERC has approved is shown in clean copy. Pending language from compliance filings that FERC has not ruled on as of January 12, 2006, but whose proposed effective date has already arrived, is shown in highlight.

Note that where such pending compliance filing language will supersede currently approved language, it will be necessary to consult previous versions of the Tariff to see the full text of the language superseded by the highlighted pending language.

The Tariff does not include Tariff Amendments submitted to the Commission but not yet approved.

This version updates the September 21, 2005 version of the Conformed Tariff to reflect:

- FERC's September 22, 2005 Order in the GMC SWPL matter (Docket Nos. ER04-115 et al), which approved the proposed settlement filed by the ISO June 8, 2005 in those dockets (see 112 FERC ¶ 62,329). The approved language can be found on pages 375 and 376l.
- FERC's acceptance of Tariff Amendment No. 70, with modifications, in an Order issued September 23, 2005 (see 112 FERC ¶ 61,323). The Amendment 70 language can be found on pages 299A, 299B, 299C, 299D, 299E, 350, 350A, and 1088 through 1110.
- FERC's acceptance of Tariff Amendment No. 72, with modifications, in an Order issued November 21, 2005 (see 113 FERC ¶ 61,187). The approved language can be found on pages 15, 15A, 28, 28A, 33, 33.01, and 290.
- FERC's December 1, 2005 letter Order in the Amendment 66 Docket (ER05-718), which accepted the ISO's November 1, 2005 compliance filing in that docket. The approved language can be found on pages 247.03 and 247.04.
- FERC's December 15, 2005 letter Order in the Amendment 62 Docket (ER04-1087), which accepted the ISO's June 8, 2005 compliance filing in that docket. The approved language (shown in highlight in previous versions of the Conformed Tariff) can be found on page 349A.
- FERC's December 19, 2005 letter Order in the Amendment 55 Docket (ER03-1102), which accepted the ISO's August 1, 2005 compliance filing in that docket. The approved language (shown in highlight in the previous version of the Conformed Tariff) can be found on pages 859A, 859B, 861, 862, 871, 871A, 871B, 872 and 873.
- The ISO's Compliance Filing made on December 21, 2005 in the Amendment 72 Docket (ER05-1502). The proposed language can be found on page 15, 28, 588, 597, 598 and 598A; as this filing has not been approved by FERC as of January 12, 2006, all of the proposed language is shown in highlight.
- FERC's January 10 letter order in the Amendment 70 Docket (ER05-1025), which accepted the ISO's October 21, 2005 compliance filing in that docket. The approved language can be found on page 1095. [This page is contained in the PDF document below numbered 29, as well as in the Combined Tariff PDF document.]

It should also be noted that there are two supplementary Tabs accompanying this Conformed Tariff which contain language which, although accepted by FERC, has not yet gone into effect. Tab 1 contains Section 2.2.9, a provision concerning scheduling on zero-rated paths which was added by Amendment 55, but will not go into effect until the ISO implements certain changes in its scheduling system. Tab 2 shows language accepted but not yet effective from Amendment 68 regarding Station Power.

2.2.7.2 Submitting Balanced Schedules. A Scheduling Coordinator shall submit to the ISO only Balanced Schedules in the Day-Ahead Market and the Hour-Ahead Market. A Schedule shall be treated as a Balanced Schedule when aggregate Generation, Inter-Scheduling Coordinator Energy Trades (whether purchases or sales), and imports or exports to or from external Control Areas adjusted for Transmission Losses as appropriate, equals aggregate forecast Demand with respect to all entities for which the Scheduling Coordinator schedules in each Zone. If a Scheduling Coordinator submits a Schedule that is not a Balanced Schedule, the ISO shall reject that Schedule provided that Scheduling Coordinators shall have an opportunity to validate their Schedules prior to the deadline for submission to the ISO by requesting such validation prior to the applicable deadline.

2.2.7.2.1 Submission of Schedules Sufficient to Meet Forecasted Demand

2.2.7.2.1.1 Each Scheduling Coordinator shall submit to the ISO, for each hour of each Trading Day, a Day-Ahead Schedule that includes at least ninety-five percent (95%) of that Scheduling Coordinator's forecast Demand for each hour, for each UDC Service Area, with respect to all entities for which the Scheduling Coordinator schedules in the applicable UDC Service Areas.

2.2.7.3 Limitation on Trading. A Scheduling Coordinator, UDC or MSS that does not maintain an Approved Credit Rating, as defined with respect to either payment of the Grid Management Charge, or payment of other charges, shall maintain security in accordance with Section 2.2.3.2. For the avoidance of doubt, the ISO Security Amount is intended to cover the entity's outstanding and estimated liability for

either (i) Grid Management Charge; and/or (ii) Imbalance Energy, Ancillary Services, Grid Operations Charge, Wheeling Access Charge, High Voltage Access Charge, Transition Charge, Usage Charges, and FERC Annual Charges. Each Scheduling Coordinator, UDC or MSS required to provide an ISO Security Amount under Section 2.2.3.2 shall notify the ISO of the initial ISO Security Amount (separated into amounts securing payment of the Grid Management Charge and amounts securing payments of other charges) that it wishes to provide at least fifteen (15) days in advance and shall ensure that the ISO has received such ISO Security Amount prior to the date the Scheduling Coordinator commences trading or the UDC or MSS commences receiving bills for the High Voltage

2.2.12.3 Demand Information.

2.2.12.3.1 Daily Information. By 10:00 a.m. on the day preceding the Trading Day, each Scheduling Coordinator shall provide to the ISO a Demand Forecast specified by UDC Service Area for which it will schedule deliveries for each of the Settlement Periods of the following Trading Day. The ISO shall aggregate the Demand information by UDC Service Area and transmit the aggregate Demand information to each UDC serving such aggregate Demand.

2.2.12.3.2 Preliminary Weekly Information. Each Scheduling Coordinator shall provide to the ISO, no later than seven (7) days after the end of each week, which shall end at Sunday HE 24, data for the previous week (Monday through Sunday), in electronic format, comparing, for each hour of that week: (1) the Scheduling Coordinator's total Day-Ahead scheduled Demand by UDC Service Area, as submitted pursuant to Section 2.2.7.2, (2) the Scheduling Coordinator's total Day-Ahead Demand Forecast by UDC Service Area, as submitted pursuant to Section 2.2.12.3.1, and (3) an estimate of the Scheduling Coordinator's actual Demand by UDC Service Area.

2.2.12.4 The Preferred Schedule of each Scheduling Coordinator for the following Trading Day shall be submitted at or prior to 10:00 a.m. on the day preceding the Trading Day together with any Adjustment Bids and Ancillary Services bids.

2.2.12.5 In submitting its Preferred Schedule, each Scheduling Coordinator shall notify the ISO of any Dispatchable Loads which are not scheduled but have submitted Adjustment Bids and are available for Dispatch at those same Adjustment Bids to assist in relieving Congestion.

2.2.12.6 ISO Analysis of Preferred Schedules. On receipt of the Preferred Schedules, the ISO will analyze the Preferred Schedules of Applicable RMR SCs to determine the compatibility of such Preferred Schedules with the RMR Dispatch Notices. If the ISO identifies mismatches in the scheduled quantity or location for any Inter-Scheduling Coordinator Energy Trade, it will notify the Scheduling Coordinators concerned

2.2.16 Relationship Between ISO and Participating Loads

The ISO shall only accept bids for Supplemental Energy or Ancillary Services, or Schedules for self-provision of Ancillary Services, from Loads if such Loads are Participating Loads which meet standards adopted by the ISO and published on the ISO Home Page. The ISO shall not schedule Energy or Ancillary Services from a Participating Load other than through a Scheduling Coordinator.

2.2.17 Relationship Between ISO and Eligible Intermittent Resources and Between the ISO and Participating Intermittent Resources

The ISO shall not schedule Energy from an Eligible Intermittent Resource other than through a Scheduling Coordinator. Settlement with Participating Intermittent Resources that meet the scheduling obligations established in the ISO Protocols shall be as provided in this ISO Tariff. No Adjustment Bids or Supplemental Energy bids may be submitted on behalf of Participating Intermittent Resources. Any Eligible Intermittent Resource that is not a Participating Intermittent Resource, or any Participating Intermittent Resource for which Adjustment Bids or Supplemental Energy bids are submitted, or that fails to meet the scheduling obligations established in the ISO Protocols, shall be scheduled and settled as a Generating Unit for the associated Settlement Periods (except that the Forecasting Fee shall apply in such Settlement Periods).

2.2.18 Compliance with Scheduling and Data Provision Requirements. Pursuant to its obligation to notify FERC of any potential violations of Section 7 of the ISO's Enforcement Protocol, the ISO will routinely report any underscheduling behavior that it observes to FERC, for investigation as a potential violation of Section 7 of the Enforcement Protocol and/or FERC's Market Behavior Rule 2.

2.3 System Operations under Normal and Emergency Operating Conditions.

2.3.1 ISO Control Center Operations.

2.3.1.1 ISO Control Center.

2.3.1.1.1 Establish ISO Control Center. The ISO shall establish a WECC approved Control Area and control center to direct the operation of all facilities forming part of the ISO Controlled Grid, Reliability Must-Run Units and Generating Units providing Ancillary Services.

11.2.4.1.1.2 Bid Cost Recovery for System Resources

The ISO shall settle pre-dispatched Energy from System Resources based on each resource's Energy Bid costs for each Settlement Interval, for each System Resource submitting bids in the Real Time Market pursuant to Section 2.5.22. This Energy bid cost settlement shall be calculated as set forth in Sections D 2.1.2 and D 2.6.3 in Appendix D of the Settlements and Billing Protocol. Bid cost settlement shall apply to both incremental and decremental pre-dispatched Energy.

An uplift payment will be made as necessary for each Settlement Interval to assure that the System Resource recovers its Energy Bid costs for the quantity of Energy delivered. Payments for un-recovered bid costs for portions of Energy associated with bids above the Maximum Bid Level are subject to recall if such bids have not been adequately justified pursuant to Section 28.1.2.

The settlement methodology set forth in this section will continue in effect until such time as the ISO implements a methodology for settling bids from System Resources as part of its Market Redesign and Technology Upgrade process.

11.2.4.1.2 Penalties for Uninstructed Imbalance Energy

Effective December 1, 2004, the ISO shall not charge any Uninstructed Deviation Penalties pursuant to this Section 11.2.4.1.2 until FERC issues an order authorizing the ISO to charge Uninstructed Deviation Penalties pursuant to this section. Beginning with Settlement Statements for the first Trading Day for which FERC authorizes the ISO to charge Uninstructed Deviation Penalties pursuant to this section, the ISO shall charge Scheduling Coordinators Uninstructed Deviation Penalties for Uninstructed Imbalance Energy resulting from resource deviations outside a Tolerance Band from their Dispatch Operating Point, for dispatched resources, or their Final Hour-Ahead Schedule otherwise. The Dispatch Operating Point will take into account the expected Ramping of a resource as it moves to a new Hour-Ahead Schedule at the top of each hour and as it responds to Dispatch Instructions. The Uninstructed Deviation Penalty will be applied as follows:

- a) The Uninstructed Deviation Penalty for negative Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval. The Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy will be calculated and assessed in each Settlement Interval in which the ISO has not declared a staged System Emergency;

20.3.2 Confidential Information

The following information provided to the ISO by Scheduling Coordinators shall be treated by the ISO as confidential:

- (a) individual bids for Supplemental Energy;
- (b) individual Adjustment Bids for Congestion Management which are not designated by the Scheduling Coordinator as available;
- (c) individual bids for Ancillary Services;
- (d) transactions between Scheduling Coordinators;
- (e) individual Generator Outage programs unless a Generator makes a change to its Generator Outage program which causes Congestion in the short term (i.e. one month or less), in which case, the ISO may publish the identity of that Generator;
- (f) Demand Forecast and other hourly data provided by Scheduling Coordinators to the ISO pursuant to Section 2.2.12.3.

20.3.3 Other Parties

No Market Participant shall have the right hereunder to receive from the ISO or to review any documents, data or other information of another Market Participant to the extent such documents, data or information is to be treated as in accordance with Section 20.3.2; provided, however, a Market Participant may receive and review any composite documents, data, and other information that may be developed based upon such confidential documents, data, or information, if the composite document does not disclose such confidential data or information relating to an individual Market Participant and provided, however, that the ISO may disclose information as provided for in its bylaws.

31. RELATIONSHIP BETWEEN ISO AND SUDCS.

31.1 General Nature of Relationship Between ISO and SUDCs.

31.1.1 The ISO shall not be obliged to accept Schedules, Adjustment Bids or bids for Ancillary Services which would require Energy to be transmitted to or from the Distribution System of a SUDC directly connected to the ISO Controlled Grid unless the relevant SUDC has entered into a SUDC Operating Agreement. The SUDC Operating Agreement shall require SUDCs to comply with the applicable provisions of this Section 31 and any other expressly applicable Sections of this ISO Tariff and the ISO Protocols, as they may be amended from time to time. The ISO shall maintain a pro forma SUDC Operating Agreement available for SUDCs to enter into with the ISO.

31.1.2 The ISO shall operate the ISO Control Area and the ISO Controlled Grid and each SUDC shall operate its Distribution System at all times in accordance with Good Utility Practice and in a manner which ensures safe and reliable operation. The ISO shall, in respect of its obligations set forth in this Section 31, have the right by mutual agreement to delegate certain operational responsibilities to the relevant Participating TO or SUDC pursuant to this Section 31. All information made available to SUDCs by the ISO shall also be made available to Scheduling Coordinators. Any information, pertaining to the physical state, operation, maintenance or failure of the SUDC Distribution System that may cause a material adverse affect to the operation of the ISO Controlled Grid, that is made available to the ISO by the SUDC shall also be made available to Scheduling Coordinators upon receipt of reasonable notice.

31.2 Coordinating Maintenance Outages of SUDC Facilities.

Each SUDC and the Participating TO with which it is interconnected shall coordinate their Outage requirements with respect to their transmission interconnection facilities prior to the submission by that Participating TO of its maintenance Outage requirements under Section 2.3.3.

31.3 SUDC Responsibilities.

Recognizing the ISO's duty to ensure efficient use and reliable operation of the ISO Control Area and the ISO Controlled Grid consistent with the Applicable Reliability Criteria, each SUDC shall:

31.3.1 operate and maintain its Distribution System in accordance with applicable reliability standards, statutes and regulations, and Good Utility Practice so as to avoid any material adverse impact on the reliability of the ISO Control Area and the ISO Controlled Grid;

31.3.2 provide the ISO Outage Coordination Office each year with a schedule of upcoming maintenance on its transmission interconnection facilities with the ISO Controlled Grid that has a reasonable potential of causing a material adverse impact to the reliability of the ISO Controlled Grid.

31.4 System Emergencies.

31.4.1 In the event of a System Emergency, SUDCs shall comply with all directions from the ISO concerning the management and alleviation of the System Emergency and shall comply with all procedures concerning SUDCs for System Emergencies set out in the individual SUDC Operating Agreements.

31.4.2 During a System Emergency, the ISO and SUDCs shall communicate in accordance with procedures established in individual SUDC operating agreements.

31.5 Load Reduction.

31.5.1 If the ISO declares a Stage 1 System Emergency, the SUDC shall use any reasonably available local communication infrastructure to request that its customers curtail their electricity usage. The SUDC shall not be called separately in Stage 3 System Emergencies to manually shed Load. Load restoration of any voluntary Load reduction will occur once the ISO declares that a System Emergency no longer exists.

31.5.2 If the Participating TO sheds the SUDC Load associated with the Participating TO's transmission facilities, the Participating TO will provide timely information and work with the SUDC regarding SUDC Load restoration.

31.6 System Emergency Reports: SUDC Obligations.

31.6.1 Each SUDC shall maintain all appropriate records pertaining to a System Emergency in accordance with the SUDC's then-existing record retention practice or policy, provided the records are kept for a minimum of six (6) years.

31.6.2 In accordance with its SUDC Operating Agreement, each SUDC shall provide available information to the ISO regarding the ISO's preparation of an Outage review.

31.7 Coordination of Expansion or Modifications to SUDC Facilities.

Each SUDC and the Participating TO with which it is interconnected shall coordinate in the planning and implementation of any expansion or modifications of a SUDC's or Participating TO's system that will materially affect the reliability of their transmission interconnection facilities, the ISO Controlled Grid or the transmission services to be required by the SUDC. The Participating TO shall be responsible for coordinating with the ISO.

31.8 Information Sharing.

31.8.1 System Planning Studies.

The ISO, Participating TOs and SUDCs shall share available information such as projected SUDC Load growth and SUDC system expansions necessary for the ISO or the Participating TOs to conduct necessary system planning studies to the extent that such SUDC Load growth or SUDC system expansions will materially impact the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.2 System Surveys and Inspections.

The ISO, each UDC and each SUDC shall cooperate, to the extent economically feasible for the SUDC, in performing system surveys and inspections regarding the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.3 Reports.

31.8.3.1 The ISO shall make available to the SUDCs any public annual reviews or reports regarding performance standards, measurements and incentives relating to the ISO Control Area and the ISO Controlled Grid and shall also make available, upon reasonable notice, any such reports that the ISO receives from the Participating TOs. Each SUDC shall make available to the ISO upon request any public annual reviews or reports regarding performance standards, measurements and incentives relating to the SUDC's Distribution System to the extent these relate to the operation of the ISO Control Area and the ISO Controlled Grid.

31.8.3.2 The ISO and SUDCs shall develop an operating procedure for the ISO to record requests received from the SUDC for Maintenance Outages and the completion of the requested maintenance and turnaround times.

31.9 Installation of Equipment on and Rights of Access to SUDC Facilities.

31.9.1 Installation of Facilities.

The ISO and the SUDC shall each have the right on reasonable notice to install or to have installed equipment (including metering equipment) or other facilities on the property of the other, to the extent that such installation is necessary for the installing party to meet its service obligations unless to do so would have a negative impact on the reliability of the service provided by the party owning the property. The ISO and the SUDC shall enter into agreements governing the installation of such equipment or other facilities containing customary, reasonable terms and conditions.

31.9.2 Access to Facilities.

The SUDCs shall grant, free of charge, the ISO reasonable access to SUDC facilities for purposes of inspection, repair, maintenance, or upgrading of facilities installed by the ISO on the SUDC's system, provided that the ISO must provide reasonable advance notice of its intent to access SUDC facilities and opportunity for SUDC staff to be present. Such access shall not be provided unless the parties mutually agree to the date, time and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld.

31.9.3 Access During Emergencies.

Notwithstanding any provision in this Section 31 the ISO may have access, without giving prior notice, to any SUDC's equipment or other facilities during times of a System Emergency.

31.9.4 Access For Audit Functions.

Notwithstanding any provision in this Section 31 the ISO may have access, without giving prior notice, to any SUDC's equipment or other facilities where the ISO has a reasonable basis to believe the SUDC has failed to comply with the SUDC Operating Agreement, applicable ISO Tariff or ISO Protocol provisions and access is required to conduct an audit to gather relevant facts.

<u>Start-Up Cost Charge</u>	The charge determined in accordance with Section 2.5.23.3.7.
<u>Start-Up Cost Demand</u>	The level of Demand specified in Section 2.5.23.3.7.3.
<u>Start-Up Cost Invoice</u>	The invoice submitted to the ISO in accordance with Section 2.5.23.3.7.6.
<u>Start-Up Cost Trust Account</u>	The trust account established in accordance with Section 2.5.23.3.7.2.
<u>Start-Up Costs</u>	The cost incurred by a particular Generating Unit from the time of first fire, the time of receipt of an ISO Dispatch instruction, or the time the unit was last synchronized to the grid, whichever is later, until the time the generating unit reaches its minimum operating level. Start-Up Costs are determined as the sum of (1) the cost of auxiliary power used during the start-up and (2) the number that is determined multiplying the actual amount of fuel consumed by the proxy gas price as determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Must-Offer Generator is not served from one of those three Service Areas, from the nearest of those three Service Areas.

**SUDC (Small Utility
Distribution Company)**

An entity that owns a Distribution System that is capable of transmitting or delivery of Energy to and/or from the ISO Controlled Grid that provides retail electric service to End-Use Customers, and has the following characteristics:

1. Annual peak Demand is 25 MW or less;
2. The Distribution System is not in a local reliability area defined by the ISO; and
3. Good Utility Practice was used in designing all substation facilities that are owned or operated by the entity and interconnected to the ISO Controlled Grid, and none of those substations have transmission circuit breakers.

**Suggested Adjusted
Schedule**

The output of the ISO's initial Congestion Management for each Scheduling Coordinator for the Day-Ahead Market ("Suggested Adjusted Day-Ahead Schedule") or for the Hour-Ahead Market ("Suggested Adjusted Hour-Ahead Schedule"). These Schedules will reflect ISO suggested adjustments to each Scheduling Coordinator's Preferred Schedule to resolve Inter-Zonal Congestion on the ISO Controlled Grid, based on the Adjustment Bids submitted. These Schedules will be balanced with respect to Generation, Transmission Losses, Load, and trades between Scheduling Coordinators to resolve Inter-Zonal Congestion.

Supplemental Energy

Energy from Generating Units bound by a Participating Generator Agreement, Loads bound by a Participating Load Agreement, System Units, and System Resources which have

uncommitted capacity following finalization of the Hour-Ahead Schedules and for which Scheduling Coordinators have submitted bids to the ISO at least half an hour before the commencement of the Settlement Period.

Supply

The rate at which Energy is delivered to the ISO Controlled Grid measured in units of watts or standard multiples thereof, e.g., 1,000W=1 KW; 1,000 KW = 1MW, etc.

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

A separate revenue requirement shall be established for each component of the Grid Management Charge by developing the revenue requirement for the ISO as a whole and then assigning such costs to the seven service categories using the allocation factors provided in Appendix F, Schedule 1, Part E of this Tariff.

Part D – Information Requirements

Budget Schedule

The ISO will convene, prior to the commencement of the Annual Budget process, an initial meeting with stakeholders to: (a) receive ideas to control ISO costs; (b) receive ideas for projects to be considered in the capital budget development process; and, (c) receive suggestions for reordering ISO priorities in the coming year.

Within 2 weeks of the initial meeting, the ideas presented by the stakeholders shall be communicated in writing to the ISO's officers, directors and managers as part of the budget development process, and a copy of this communication shall be made available to stakeholders.

Subsequent to the initial submission of the draft budget to the finance committee of the ISO Governing Board, the ISO will provide stakeholders with the following information: (a) proposed capital budget with indicative projects for the next subsequent calendar year, a budget-to-actual

under SCID PGAB, the ISO will not charge any additional GMC at the tariffed GMC rate, but rather will attribute such schedules and load to the fixed \$75,000.00 per month payment set forth above, provided that MID schedules such load under a new and separate SCID and the ISO shall not assess GMC charges to such SCID.

4. San Diego Gas & Electric is the Scheduling Coordinator for transactions on those portions of the Southwest Power Link ("SWPL") which are owned by the Arizona Public Service Company ("APS") and the Imperial Irrigation District ("IID"), and are scheduled by SDG&E under a designated SCID. Schedules submitted to the ISO under that designated SCID shall not be subject to GMC charges. In lieu of GMC charges, SDG&E will pay the ISO a Line Operator Charge, as agreed to in the SWPL Operations Agreement, entered into by the ISO and SDG&E on May 23, 2005, and submitted to the Commission as a rate schedule pursuant to the Federal Power Act.

SCHEDULING PROTOCOL

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SP 3.2.1.1 By 5:00 am, One Day Ahead

By no later than 5:00 am on the day before the Trading Day, the ISO will notify SCs of the Energy Requirements from any Reliability Must-Run Units which the ISO requires to run in the Trading Day, except in those instances where a Reliability Must-Run Unit requires more than one day's notice, in which case the ISO may notify the applicable SC more than one day in advance of the Trading Day;

SP 3.2.1.2 By 6:00 am, One Day Ahead

By no later than 6:00 am on the day before the Trading Day, SCs that have been notified that a Reliability Must-Run Unit is required to run in the Trading Day will inform the ISO, with regard to each hour for which the ISO has provided such notice, whether the RMR Owner will take payment from the market or under the RMR Contract.

SP 3.2.2 [Not Used]

SP 3.2.3 By 6:30 am, One Day Ahead

By 6:30 am on the day ahead of the Trading Day (for example, by 6:30 am on Tuesday for the Wednesday Trading Day) and for each Settlement Period of the Trading Day: the ISO will provide to UDCs, via WEnet, the sum of the SCs' Direct Access Demand Forecasts by UDC Service Area; and

SP 3.2.4 By 8:00 am, One Day Ahead

By 8:00 am on the day ahead of the Trading Day (for example, by 8:00 am on Tuesday for the Wednesday Trading Day), and for each Settlement Period of that Trading Day, Firm Transmission Rights owners will notify the ISO, via the Secondary Registration System or other means established by the ISO, of any transaction of Firm Transmission Rights and of any changes in SCs' rights to schedule the use of Firm Transmission Rights at particular Inter-Zonal Interfaces.

SP 3.2.5 By 8:30 am, One Day Ahead

By 8:30 am on the day ahead of the Trading Day (for example, by 8:30 am on Tuesday for the Wednesday Trading Day), and for each Settlement Period of that Trading Day, Participating Transmission Owners will notify the ISO, via e-mail of an electronic spreadsheet or other means established by the ISO, of the amounts of transmission capacity to reserve for its transmission service customers under Existing Contracts at particular Inter-Zonal Interfaces. Upon receiving this information, the ISO will, by 9:00 am, calculate the Firm Transmission Rights available on each Inter-Zonal Interface after taking into account transfer capabilities and Existing Contract transmission capacity reservations, and then publish adjusted scheduling rights for SCs scheduling the use of Firm Transmission Rights and Existing Contract rights. After publishing the adjusted scheduling rights for Existing Contract rights and Firm Transmission Rights, SCs may submit contract usage templates (in accordance with the SBP) for validation by the ISO prior to the ISO's deadline for receiving Preferred Day-Ahead Schedules.

SP 3.2.6 By 10:00 am, One Day Ahead

By 10:00 am on the day ahead of the Trading Day (for example, by 10:00 am on Tuesday for the Wednesday Trading Day), the following information flows for each Settlement Period of the Trading Day will be required to take place:

- (a) SCs will provide, via WEnet, the ISO with forecasts of their Direct Access Demand by UDC Service Area;
- (b) the ISO will publish, via WEnet, an updated forecast of system Demands and of the Ancillary Services requirements; and
- (c) the ISO will validate (in accordance with the SBP) the information submitted above by SCs and UDCs.

SP 3.2.6.1 Actions by SCs and the ISO

By 10:00 am on the day ahead of the Trading Day (for example, by 10:00 am on Tuesday for the Wednesday Trading Day) and for each Settlement Period of that Trading Day (see SP 3.2.6.2 for information on the pre-validation performed at ten (10) minutes prior to the 10:00 am deadline):

- (a) SCs will submit their Preferred Day-Ahead Schedules to the ISO in accordance with the SBP;
- (b) SCs will submit, as part of their Preferred Day-Ahead Schedules, their Adjustment Bids, if any, to the ISO in accordance with the SBP;
- (c) SCs will submit their Ancillary Services bids, if any, to the ISO in accordance with the SBP and SP 9;
- (d) SCs will submit their schedules for self-provided Ancillary Services, if any, to the ISO in accordance with the SBP and SP 9;

- (e) the ISO will validate (in accordance with the SBP) all SC submitted Preferred Day-Ahead Schedules for Energy and Adjustment Bids and may assist SCs to resolve mismatches in scheduled quantities or locations for Inter-Scheduling Coordinator Energy Trades in accordance with the procedure described in SP 3.2.6.4;
- (f) the ISO will validate (in accordance with the SBP) all SC submitted schedules for self-provided Ancillary Services, Inter-

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- (b) **“Market Behavior Rules”** mean those rules established by FERC under Docket No. EL01-118.
- (c) **“Market Manipulation”** has the meaning set forth in EP 7.
- (d) **“Market Monitoring Unit”** means the component of the ISO organization (currently the “Department of Market Monitoring”) that is assigned responsibility in the first instance for the functions of a Market Monitoring Unit, as that term is used in Docket No. EL01-118.
- (e) **“Rules of Conduct”** refers to the rules set forth in EP 2 through EP 7.
- (f) **“Sanction”** is a consequence specified in this EP for the violation of a Rule of Conduct, which may include a) a warning letter notifying the Market Participant of the violation and future consequences specified under this EP if the behavior is not corrected, or b) financial penalties. Neither referral to FERC nor rescission of payment for service not provided shall constitute a Sanction.

EP 1.5 Rules of Interpretation

Unless the context otherwise requires, if the provisions of this Protocol and the ISO Tariff conflict, the ISO Tariff will prevail to the extent of the inconsistency. Provisions of the ISO Tariff have been summarized or repeated in this Protocol only to aid understanding.

A reference in this Protocol to a given agreement, ISO Protocol, 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. This EP does not modify the terms of any ISO agreements or the relationship of those agreements to the ISO Tariff.

The captions and headings in this EP are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Protocol.

EP 1.6 Scope

The EP applies to:

- (a) Scheduling Coordinators;
- (b) Utility Distribution Companies (UDCs);
- (c) Metered Subsystems (MSSs);

- (d) Participating Transmission Owners (PTOs);
- (e) Participating Generators;
- (f) Control Area Operators, to the extent the agreement between the Control Area Operator and the ISO so provides;
- (g) Operators;
- (h) Other Market Participants;
- (i) The ISO; and
- (j) FERC

EP 1.7 Liability of ISO

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

EP 1.8 Application of Other Remedies

The activities and remedies authorized under this Protocol are in addition to any other actions or relief that may be available to the ISO elsewhere in the ISO Tariff or under law, regulation or order. Nothing in this Protocol limits or should be construed to limit the right of the ISO to take action or seek relief otherwise available to it, and such action or relief may be pursued in lieu of or in addition to the action or relief specified in this Protocol.

EP 1.9 FERC Authority

In addition to any authority afforded Market Monitoring Unit in this Protocol, FERC shall have the authority to assess the sanctions, and otherwise to enforce the rules as set forth and described in this Protocol. FERC shall have authority to remedy a violation under this Protocol from the date of the violation. Nothing in this Protocol shall be deemed to be a limitation or condition on the authority of FERC or other entities under current law or regulation.

EP 1.10 Administration of the EP

The Market Monitoring Unit will administer the Rules of Conduct specified herein, except for EP 7, which shall be administered by FERC, and except as provided in EP 2.5 and EP 4.4. Nothing in this Protocol limits or should be construed to limit the ability of components of the ISO organization other than the Market Monitoring Unit to analyse data and refer matters to the Market Monitoring Unit for enforcement.

EP 7.3 False Information

- (a) **Expected Conduct.** A Market Participant shall not engage in transactions predicated on submitting false information to transmission providers or other entities responsible for operation of the transmission grid (such as inaccurate load or generation data; or scheduling non-firm service or products sold as firm), unless the Market Participant exercised due diligence to prevent such occurrences.
- (b) **Sanctions.** Violations or potential violations of this rule shall be referred to FERC for appropriate sanction.

EP 7.4 Artificial Congestion

- (a) **Expected Conduct.** A Market Participant shall not engage in transactions in which it first creates artificial congestion and then purports to relieve such artificial congestion (unless the Market Participant exercised due diligence to prevent such an occurrence).
- (b) **Sanctions.** Violations or potential violations of this rule shall be referred to FERC for appropriate sanction.

EP 7.5 Collusion

- (a) **Expected Conduct.** Market Participants shall not engage in collusion with another party for the purpose of manipulating market prices, market conditions, or market rules for electric energy or electricity products.
- (b) **Sanctions.** Violations or potential violations of this rule shall be referred to FERC for appropriate sanction.

EP 8 PROCESS FOR INVESTIGATION AND ENFORCEMENT

EP 8.1 Purpose; Scope

The provisions of this EP 8 set forth the procedures by which the Market Monitoring Unit will independently investigate potential violations of the Rules of Conduct and administer enforcement activities. Except as hereinafter provided, and except as provided in EP 2.5 and EP 4.4, the provisions of this section apply to the Rules of Conduct set forth in EP 2 through EP 7.

EP 8.2 Referrals to FERC

EP 7 shall be enforced by FERC, in accordance with FERC's rules and procedures. The Market Monitoring Unit shall refer to FERC and its staff all matters in which it has formed a reasonable belief that a violation of EP 7 may have occurred. Although EP 2 through EP 6 will generally be enforced by the Market Monitoring Unit, the Market Monitoring Unit shall refer to FERC any matter for which the particular circumstances preclude the objective

determination of a Rules of Conduct violation, and shall refer to FERC any Sanction that it believes should be modified in accordance with EP 2.5, EP 4.4, or EP 9.1. The time limitation contained in EP 10.1 to assess a Sanction under this Protocol shall be determined as of the date that a Sanction is initially assessed by the ISO, excluding the time required for FERC to investigate a potential Rules of Conduct violation and/or determine a Sanction in accordance with this section, EP 2.5, EP 4.4, or EP 9.1.

EP 8.3 Investigation

The Market Monitoring Unit shall conduct a reasonable investigation seeking available facts, data, and other information relevant to the potential Rules of Conduct violation.

EP 8.4 Notice

The Market Monitoring Unit shall provide notice of the investigation in sufficient detail to allow for a meaningful response to the Scheduling Coordinator and, as limited below, to all Market Participants the Scheduling Coordinator represents that are the subject(s) of the investigation. The Market Monitoring Unit shall contact the Market Participant(s) that may be involved, so long as the ISO has sufficient objective information to identify and verify the role of the Market Participant(s) in the potential Rules of Conduct violation. Such Market Participant(s) will likely have an existing contractual relationship with the ISO (e.g., UDC, MSS, ISO Metered Entity, Participating Transmission Owner, Participating Generator, or Participating Load).

EP 8.5 Opportunity to Present Evidence

The Market Monitoring Unit shall provide an opportunity to the Market Participant(s) that are the subject(s) of the investigation to present any issues of fact or other information relevant to the potential Rules of Conduct violation being investigated. The Market Monitoring Unit shall consider all such information or data presented.

EP 8.6 Results of Investigation

The Market Monitoring Unit shall notify the Market Participant(s) that are the subject(s) of the investigation of the results of the investigation. The Market Participant(s) shall have 30 days to respond to the findings of the Market Monitoring Unit before the Market Monitoring Unit makes a determination of whether a Sanction is required by this EP.

EP 8.7 Statement of Findings and Conclusions

Where the investigation results in a Sanction, the Market Monitoring Unit shall state its findings and conclusions in writing, and will make such writing available to the Scheduling Coordinator and, as provided in EP 8.4, to the Market Participant(s) that are the subject(s) of the investigation.

EP 8.8 Officer Representative

Where an investigation results in a Sanction by the Market Monitoring Unit, the Market Monitoring Unit shall direct its notice of such result to a responsible representative of the Scheduling Coordinator and, as provided in EP 8.4, to the Market Participant(s) that are the subject(s) of the investigation at the officer level.

EP 8.9 Record of Investigation

Where an investigation results in a Sanction, the Market Monitoring Unit will maintain a record of the investigation until its decision has been finally reviewed, if review is sought, or until the period for seeking review has expired.

EP 8.10 Review of Determination

A Market Participant that receives a Sanction may obtain immediate review of the Market Monitoring Unit's determination by directly appealing to FERC, in accordance with FERC's rules and procedures. In such case, the applicable Scheduling Coordinator shall also dispute the Preliminary Settlement Statement containing the financial penalty, in accordance with Section 11 of the ISO Tariff. The Preliminary Settlement Statement dispute and appeal to FERC must be made in accordance with the timeline for raising disputes specified in Section 11.7.2 of the ISO Tariff. The penalty will be tolled until FERC renders its decision on the appeal. The disposition by FERC of such appeal shall be final, and no separate dispute of such Sanction may be initiated under Section 13 of the ISO Tariff, except as provided in EP 9.3(d). For the purpose of applying the time limitations set forth in EP 10.1, a sanction will be considered assessed when it is included on a Preliminary Settlement Statement, whether or not the ISO accepts a Scheduling Coordinator's dispute of such Preliminary Settlement Statement pending resolution of an appeal to FERC in accordance with this section or EP 9.3(c).

EP 9 ADMINISTRATION OF SANCTIONS

EP 9.1 Assessment; Waivers and Adjustments

Penalty amounts for violation of these Rules of Conduct shall be calculated as specified in EP 2 through 7. A Sanction specified in this EP may be modified by FERC when it determines that such adjustment is just and reasonable. The ISO may make a recommendation to FERC to modify a Sanction. An adjustment generally shall be deemed appropriate if the prescribed Sanction appears to be insufficient to deter the prohibited behavior, or if the circumstances suggest that the violation was inadvertent, unintentional, or some other mitigating circumstances exist.

EP 9.2 Excuse

The following circumstances shall excuse a violation of a Rule of Conduct under the terms of this Protocol:

- (a) **Uncontrollable Force.** No failure by a Market Participant to satisfy the Rules of Conduct shall be subject to penalty to the extent and for the period that the Market Participant's inability to satisfy the Rules of Conduct is caused by an event or condition of Uncontrollable Force affecting the Market Participant; provided that the Market Participant gives notice to the ISO of the event or condition of Uncontrollable Force as promptly as possible after it knows of the event or condition and makes all reasonable efforts to cure, mitigate, or remedy the effects of the event or condition.
- (b) **Safety, Licensing, or Other Requirements.** Failure by a Market Participant to perform its obligations shall not be subject to penalty if the Market Participant is able to demonstrate that it was acting in accordance with Section 2.3.1.2.1 of the ISO Tariff.
- (c) **Emergencies.** Failure by a Market Participant to perform its obligations may not be subject to penalty if the Market Participant is able to demonstrate that it was acting in good faith and consistent with Good Utility Practice to preserve System Reliability in a System Emergency, unless contrary to an ISO operating order.
- (d) **Conflicting Directives.** To the extent that any action or omission by a Market Participant is specifically required by a FERC Order or ISO operating order, the Market Participant may not be subject to penalty for that act or omission.

EP 9.3 Settlement

- (a) **Settlement Statements.** The ISO will administer any penalties issued under this Enforcement Protocol through Preliminary Settlement Statements, and Final Settlement Statements issued to the responsible Scheduling Coordinator by the ISO. Before invoicing a financial penalty through the Settlement process, the ISO will provide a description of the penalty to the responsible Scheduling Coordinator and all Market Participants the Scheduling Coordinator represents that are liable for the penalty, when the ISO has sufficient objective information to identify and verify responsibility of such Market Participants. The ISO shall specify whether such penalty is modified pursuant to EP 2.5, EP 4.4, or EP 9.1. The description shall include the identity of the Market Participant that committed the violation and the amount of the penalty. Where FERC has determined the Sanction, the ISO will provide such of the above information as is provided to it by FERC. The ISO also may publish this information under the ISO Home Page after Final Settlement Statements are issued.
- (b) **Payment.** Except as provided in EP 2.5, EP 4.4, EP 8.10, or EP 9.3(c) below, the Scheduling Coordinator shall be obligated to pay all penalty amounts reflected on the Preliminary and Final Settlement Statements to the ISO pursuant to the ISO's Settlement process, as set forth in Section 11 of the ISO Tariff.
- (c) **Other Responsible Party.** Where a party or parties other than the Scheduling Coordinator is responsible for the conduct giving rise to a penalty reflected on a Preliminary or Final Settlement Statement, and where the Scheduling Coordinator bears no responsibility for the conduct, such other party or parties ultimately shall be liable for the penalty. Under such circumstances, the Scheduling Coordinator shall use reasonable efforts to obtain payment of the penalty from the responsible party(ies) and to remit such payment to the ISO in the ordinary course of the settlement process. In the event that the responsible party(ies) wish to dispute the penalty, or the Scheduling Coordinator otherwise is unable to obtain payment from the responsible parties, the Scheduling Coordinator shall notify the ISO and dispute the Preliminary Settlement Statement. The ISO promptly shall notify FERC. If the ISO finds that a Market Participant separate from the Scheduling Coordinator that is unable to obtain payment from the responsible party(ies) is solely responsible for a violation, the Scheduling Coordinator that is unable to obtain payment may net its payment of its Invoice amount by the amount of the penalty in question. The ISO may refuse to offer further service to any responsible party that fails to pay a penalty, unless excused under the terms of the Tariff or this Enforcement Protocol, by providing notice of such refusal to the Scheduling Coordinator. Following such notice, the Scheduling Coordinator shall be liable for any subsequent penalties assessed on account of such responsible party.

ISO TARIFF APPENDIX T
Small Utility Distribution Company Operating Agreement

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

[SMALL UTILITY DISTRIBUTION COMPANY]

**SMALL UTILITY DISTRIBUTION
COMPANY OPERATING AGREEMENT**

**SMALL UTILITY DISTRIBUTION COMPANY
OPERATING AGREEMENT**

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

- (1) **[Full legal name of SUDC]**, having its registered and principal place of business located at **[Address]** (the "SUDC");
and
- (2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in 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 SUDC and the ISO are hereinafter referred to individually as "Party" and collectively as "Parties".

Whereas:

- A. The purpose of this Operating Agreement is to establish the rights and obligations of the SUDC and the ISO with respect to the SUDC's Facilities interconnected with the ISO Controlled Grid and the SUDC's cooperation and coordination with the ISO regarding reliability and the operational control of the ISO Controlled Grid and the SUDC's Distribution System.
- B. The SUDC owns and operates a small Distribution System within the ISO Control Area subject to the authority of a Local Regulatory Authority.
- C. The SUDC wishes to receive and transmit Energy and/or Ancillary Services to and/or from the ISO Controlled Grid under the terms and conditions set forth in the ISO Tariff.
- D. The ISO has certain statutory obligations under California law to maintain the reliability of the ISO Controlled Grid.
- E. The Parties recognize that while a single SUDC has little or no ability to materially, adversely affect reliability of the ISO Controlled Grid or the ISO Control Area, the SUDC agrees to support and be part of the coordinated response to System Emergencies and to reliability concerns relating to the ISO Control Area as set forth in this Operating Agreement.
- F. This Operating Agreement obligates the SUDC to comply with the sections of the ISO Tariff, the ISO Operating Procedures and the ISO Specifications specified in this Operating Agreement.

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.** Unless defined in Section 1.2 of this Operating Agreement, all defined terms and expressions used in this Operating Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

1.2 Special Definitions for this Operating Agreement. In this Operating Agreement, the following words and expressions shall have the meanings set opposite them:

“ISO Specifications” means those standards pertaining to the areas of operation listed in Article IV of this Operating Agreement and listed in Schedule 6, approved by the ISO to establish detailed technical performance and reliability parameters at the ISO Controlled Grid and SUDC Interconnection, associated with the ISO Tariff, as those standards may be amended from time to time.

“ISO Operating Procedures” means those procedures pertaining to the areas of operation listed in Article IV of this Operating Agreement and listed in Schedule 9, created by the ISO to establish detailed operating procedures at the ISO Controlled Grid and SUDC Interconnection, associated with general provisions required in the ISO Tariff, as those standards may be amended from time to time.

“SUDC Facilities” shall have the meaning accorded to such term as provided in Section 3.2 of this Operating Agreement.

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

- (a) if there is any inconsistency between this Operating Agreement and the ISO Tariff, the ISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Operating Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference in this Operating Agreement to a given agreement, instrument or the ISO Tariff shall be a reference to that agreement, instrument or the ISO Tariff 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 the captions and headings in this Operating Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Operating Agreement.

ARTICLE II TERM AND TERMINATION

- 2.1 Effective Date.** This Operating Agreement shall be effective as of the date it is accepted for filing and made effective by the FERC and shall remain in full force and effect until the earlier of the termination date, the termination of the Transmission Control Agreement or such other date as the Parties shall mutually agree. With respect to any such termination, the ISO must file a timely notice of termination with FERC, and this Operating Agreement shall terminate on the date FERC permits such a notice of termination to be effective.
- 2.2 Termination Date.**
- 2.2.1 Termination by Default.** Either Party (the terminating Party) may terminate this Operating Agreement by giving written notice in the event that the other Party (the defaulting Party) commits any default under this Operating Agreement and/or the ISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article X of this Operating Agreement.
- 2.2.2 Failure To Meet SUDC Definition.** Failure of a SUDC to satisfy the ISO Tariff definition of a SUDC shall be grounds for the ISO to terminate this Operating Agreement. In the event the ISO believes the SUDC no longer satisfies the ISO Tariff definition of a SUDC, the ISO shall provide written notification of the same to the SUDC and the SUDC shall have 60 days to respond. Following the 60-day response period and regardless of the position of the SUDC, if the ISO believes the SUDC no longer satisfies the ISO Tariff definition of a SUDC regardless of the response, the ISO may file a notice of termination with FERC in accordance with Section 2.2.3.
- 2.2.3 Filing.** With respect to any notice of termination given pursuant to this Section 2.2, 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 by either Party 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 Operating Agreement shall terminate on the date FERC permits such a notice of termination to be effective.

ARTICLE III GENERAL TERMS AND CONDITIONS

- 3.1 SUDC Responsibilities.** The SUDC will be responsible to operate and maintain its SUDC Facilities in accordance with applicable reliability standards, statutes, and regulations and Good Utility Practice so as to avoid any material adverse impact on the reliability of the ISO Control Area and the ISO Controlled Grid.
- 3.2 Interconnection and SUDC Facilities.** Schedule 1 sets forth the SUDC's Generating Units, if any, and those facilities that comprise the interconnection of the SUDC Distribution System and the ISO Controlled Grid. These facilities will be considered the "SUDC Facilities" and, except as otherwise expressly provided, the provisions of this Operating Agreement shall apply only to such SUDC Facilities.

- 3.3 Non-SUDC Facilities.** To assist the ISO in cataloging non-SUDC facilities located in the ISO Control Area and for information purposes only, Schedule 2 sets forth any non-SUDC Generating Units or other facilities that are interconnected to the SUDC Distribution System. Such non-SUDC facilities are not owned or operated by the SUDC.
- 3.4 Agreement Subject to ISO Tariff.** Notwithstanding anything to the contrary herein, the Parties agree that they will comply with Section 31 of the ISO Tariff, and any other applicable provisions of the ISO Tariff specifically referenced in this Operating Agreement. This Operating Agreement shall be subject to such provisions of the ISO Tariff, which shall be deemed to be incorporated to the extent referenced herein, as the same may be changed or superseded from time to time pursuant to Sections 16.1 and 20.1.3 of the ISO Tariff. Nothing in this Operating Agreement shall affect in any way the authority of the ISO to unilaterally make application to FERC for a change in the ISO Tariff under Section 205 of the Federal Power Act, nor shall anything in this Operating Agreement affect the right of either Party to file a complaint under Section 206 of the Federal Power Act regarding the ISO Tariff.
- 3.5 Operation of ISO Controlled Grid.** The ISO shall operate the ISO Control Area and the ISO Controlled Grid in accordance with the ISO Tariff and the Transmission Control Agreement to which it is a party.
- 3.6 ISO Specifications and ISO Operating Procedures.**
- 3.6.1 Compliance with ISO Specifications and ISO Operating Procedures.** The SUDC will abide by and will perform all of the obligations under the ISO Specifications identified in Schedule 6 and ISO Operating Procedures identified in Schedule 9 in respect of all matters set forth therein as the same may be changed or superseded from time to time pursuant to the procedures set forth in Sections 16.1 and 20.1.3 of the ISO Tariff. In the event of any conflict or dispute over interpretation, those sections of the ISO Tariff identified herein shall, at all times, take precedence over such ISO Specifications and ISO Operating Procedures. The ISO shall not implement any reliability requirements, operating requirements or performance standards that would impose increased costs on the SUDC without giving due consideration to whether the benefits of such requirements or standards are sufficient to justify such increased costs. In any proceeding concerning the cost recovery by the SUDC of capital and operation and maintenance costs incurred to comply with ISO Specifications and ISO Operating Procedures, the ISO shall to the extent practicable, at the request of the SUDC, provide specific information in a form that may be readily understood by the general public regarding the nature of, and need for, the ISO-imposed requirements or standards to enable the SUDC to use this information in public hearings in support of cost recovery through rates and tariffs.
- 3.6.2 Review of ISO Specifications and ISO Operating Procedures.** The ISO shall periodically review with the SUDC the ISO Specifications identified in Schedule 6 and ISO Operating Procedures identified in Schedule 9 and shall modify such ISO Specifications and/or ISO Operating Procedure as provided in Section 3.6.1. If a new ISO Specification or ISO Operating Procedure applicable to the SUDC is adopted pursuant to Section 3.6.1, the ISO shall provide a revised version of Schedule 6 or Schedule 9 to the SUDC. Any changes to Schedule 6 or Schedule 9 will not constitute an amendment to this Operating Agreement.
- 3.6.3 Periods When Compliance is Required.** While awaiting dispute resolution or regulatory review, the SUDC shall not be required to comply with changes to the ISO Specifications and ISO Operating Procedures, except where compliance is necessary in order to prevent or remedy an imminent System Emergency.

- 3.7 Utilization of Certified Scheduling Coordinator.** The SUDC shall utilize an ISO-certified Scheduling Coordinator to schedule Energy and Ancillary Services to or from the ISO Controlled Grid. At the time when the SUDC retains such Scheduling Coordinator, the SUDC shall confirm that the Scheduling Coordinator has entered into a Scheduling Coordinator Agreement with the ISO that is currently in effect.
- 3.8 Single Point of Contact.** The ISO and the SUDC shall each provide a single point of contact for the exchange of operational procedures and information. Details of requirements relating to and the identity of the initial points of contact are set forth in Schedule 3.
- 3.9 SUDC Compliance.** In the event the ISO believes that the SUDC has failed to comply with any provision of the ISO Tariff created after the effective date applicable to the SUDC in accordance with this Operating Agreement, the ISO shall notify the SUDC of such alleged failure and, if requested, shall meet with the SUDC regarding such alleged failure to comply. If the Parties cannot reach agreement on the alleged failure to comply, then the ISO may, if applicable, invoke Section 2.2.1 of this Operating Agreement.

ARTICLE IV OPERATIONAL COORDINATION

- 4.1 Maintenance Coordination.** The SUDC shall coordinate its SUDC Facilities Outage requirements with the Participating TO with which it is interconnected. The SUDC will provide the ISO with copy of any written information regarding Outages of the SUDC Facilities that could cause a material adverse impact on the reliability of the ISO Controlled Grid. To the extent the SUDC schedules maintenance of SUDC Facilities that has a reasonable potential to cause a material adverse impact to reliability of the ISO Controlled Grid, the SUDC shall notify the ISO of such maintenance when it becomes known, and that information will be updated quarterly or as changes occur to the proposed schedule. Consistent with the SUDC's normal record generation and retention practices, the SUDC will record the details for all such work and shall provide available records when it is known, quarterly, or upon written request by the ISO.
- 4.2 System Emergencies.** The responsibilities of the Parties in relation to System Emergencies are stated in Sections 31.4, 31.5 and the Dispatch Protocol of the ISO Tariff, the ISO Operating Procedures identified in Schedule 9, and in Schedule 4.
- 4.3 System Emergency Response.** The SUDC will participate in Load Shedding by reducing Load on a voluntary basis when the ISO declares a Stage 1 System Emergency. The SUDC will use any available local communication infrastructure to request that its customers curtail their electricity usage. The SUDC will not be called separately in Stage 3 System Emergencies to manually shed Load. Load restoration of any voluntary Load reduction may not commence until such time as the ISO declares that a System Emergency no longer exists. The responsibilities of the Parties to direct and to accept direction for Load reduction or other emergency plans are stated in Sections 31.4 and 31.5 of the ISO Tariff, and the ISO Operating Procedures identified in Schedule 9 and ISO Specifications identified in Schedule 6.
- 4.4 System Disturbance Load Restoration.** The responsibilities of the Parties for restoring Load following a system disturbance are stated in Section 31.5.2 of the ISO Tariff, the ISO Operating Procedures identified in Schedule 9 and ISO Specifications identified in Schedule 6, and in Schedule 5.

- 4.5 Interconnection Operation Standards.** The ISO and SUDC shall maintain stable established operating parameters and control power and reactive flow within standards stated in Schedule 6.
- 4.6 Records, Information and Reports.** The Parties are required to maintain such records, to share information, and to make such reports as are stated in Section 31.1.2, 31.6 and 31.8 of the ISO Tariff, and the ISO Operating Procedures identified in Schedule 9 and the ISO Specifications identified in Schedule 6. In accordance with Schedule 7, the SUDC will cooperate with the ISO regarding its collection, study and transmittal of system data, information, reports, and forecasts, provided that the SUDC need only provide available information to the ISO. Upon the request of the ISO, the SUDC will cooperate with the ISO regarding any ISO review following a major Outage and provide any requested information that is available.
- 4.7 Critical Protective Systems.** The SUDC shall (in accordance with Section 11.2 of this Operating Agreement) notify the ISO as soon as is reasonably practicable of any condition that it becomes aware of that may compromise the ISO Controlled Grid Critical Protective Systems.
- 4.8 SUDC Distribution System.** The ISO shall (in accordance with Section 11.2 of this Operating Agreement) notify the SUDC as soon as is reasonably practicable of any condition which the ISO becomes aware that may compromise the operation and reliability of the SUDC Distribution System.

ARTICLE V ACCESS TO FACILITIES

- 5.1 Access Rights.** Pursuant to Section 31.9.1 of the ISO Tariff and Schedule 8 of this Operating Agreement, the ISO and the SUDC shall each have the right to install or to have installed equipment or other facilities, including metering equipment, on the electric utility property of the other necessary for the implementation of this Operating Agreement. The ISO's installation of equipment on the property of the SUDC shall comply with Local Regulatory Authority regulations, except where compliance with Local Regulatory Authority regulations would cause the ISO to violate the ISO Tariff, and with all relevant safety standards. In such case, the SUDC and ISO will work together to resolve the conflict between the Local Regulatory Authority regulations and the ISO Tariff.
- 5.2 Meter Testing.** The SUDC shall, at the request of the ISO and upon reasonable notice, provide access to its facilities necessary to permit the ISO or an ISO-approved meter inspector to perform such testing as necessary in accordance with Section 31.9.2 or 31.9.4 of the ISO Tariff and the procedures set forth in Schedule 8. For meters that are not owned by the SUDC, the ISO will obtain approval from the meter owner in advance of accessing SUDC's Facilities. Such approval shall be provided to the SUDC upon request.
- 5.3 Emergency Access Rights.** The ISO shall have a right to access the SUDC's equipment or other facilities during a System Emergency in accordance with Section 31.9.3 of the ISO Tariff. In a System Emergency, the SUDC shall have a right of access to ISO equipment on SUDC property and SUDC equipment on ISO property without notice.

ARTICLE VI COSTS

- 6.1 SUDC Operating and Maintenance Costs.** The SUDC shall be responsible for all costs incurred in connection with procuring, installing, operating and maintaining its facilities identified in Schedule 1 for the purpose of meeting its obligations under this Operating Agreement.

- 6.2 ISO Operating and Maintenance Costs.** The ISO shall be responsible for the procurement, installation, operation and maintenance costs of ISO equipment set out in Article V of this Operating Agreement installed on SUDC property.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 Alternative Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Operating 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 all reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to the SUDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

- 8.1 Representations and Warranties.** Each Party represents and warrants that its execution, delivery and performance of this Operating Agreement has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** Each Party represents that all necessary approvals, permits, licenses, easements, right of way or access to install, own and operate its facilities subject to this Operating Agreement have been obtained prior to the effective date of this Operating Agreement.

ARTICLE IX LIABILITY

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

ARTICLE X UNCONTROLLABLE FORCES

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

ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign its obligations under this Operating Agreement, with the other Party's prior written consent, in accordance with Section 17 of the ISO Tariff, which is incorporated by reference into this Operating Agreement. Such consent shall not be unreasonably withheld.

- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in accordance with Section 20.1 of the ISO Tariff, which is incorporated by reference, except that all reference in Section 20.1 to Market Participants shall be read as a reference to the SUDC. A Party must update the information in Schedule 3 of this Operating Agreement as that information changes in accordance with Section 20.1 of the ISO Tariff. Such changes will not constitute an amendment to this Operating Agreement.
- 11.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Operating 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 in its conflict of laws provisions. The Parties irrevocably consent that any legal action or proceeding arising under or in relation to this Operating 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.**
- (a) Nothing in this Operating Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
 - (b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.
- 11.6 Integration.** This Operating Agreement constitutes the full agreement of the Parties with respect to the subject matter hereto and supercedes all prior agreements, whether written or oral, with respect to such subject matter.

- 11.7 Severability.** If any term, covenant, or condition of this Operating 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 Operating 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 Operating Agreement.
- 11.8 Penalties.** Any penalties to be levied under this Operating Agreement shall be established in accordance with the ISO Tariff and approved by the FERC. Nothing in this Operating Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the SUDC 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 SUDC.
- 11.9 Section Headings:** Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.
- 11.10 Amendments.** This Operating 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.
- 11.11 Counterparts.** This Operating 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 Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating 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: _____

[Full name of SUDC]

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 1

SYSTEM INTERCONNECTION FACILITIES

[List to be provided in accordance with the SUDC Operating Agreement.]

SCHEDULE 2

Non-SUDC FACILITIES

[List to be provided in accordance with the SUDC Operating Agreement.]

SCHEDULE 3

OPERATIONAL CONTACTS

ISO:

Transmission Dispatcher
(Folsom): _____
Transmission Dispatcher
(Alhambra): _____
Generator Dispatcher:
(Folsom-Primary) _____
Generator Dispatcher:
(Alhambra-Backup) _____
Real Time Scheduler:
(Folsom) _____
Real Time Scheduler:
(Alhambra) _____

Pre Scheduler: _____

Shift Manager: _____
Control Room fax: _____

Outage Coordination: _____
Fax: _____

Director of Grid Operations: _____

WECC Reliability Coordinator: _____

SUDC:

Name of Operations
Representative: _____
Title: _____
Address: _____
City/State/Zip Code: _____
Email address: _____
Phone: _____
Fax: _____

Name of Alternative
Representative: _____
Title: _____
Email address: _____
Phone: _____
Fax: _____

CONTACTS FOR NOTICES

SUDC

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: _____

SCHEDULE 4

SYSTEM EMERGENCIES

The ISO will notify the SUDC's operational contact, as identified in Schedule 2, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. The SUDC contact will then take such actions as are appropriate for the emergency.

The SUDC will make requests for information from the ISO regarding emergencies through the ISO Operations Shift Manager, by the SUDC's operational contact, or the SUDC may coordinate public information with the ISO Communication Coordinator.

For transmission system caused outages the ISO Operations Shift Manager will notify the SUDC contact of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

Available SUDC information and ISO Grid Control Center logs, ISO Electric Switching Orders and ISO Energy Management System temporal database will be used in the ISO's preparation of outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching program, etc.

The SUDC will retain records in accordance with its record retention policy or practice, provided the records associated with this Operating Agreement are retained for a minimum of six years.

SCHEDULE 5

SYSTEM DISTURBANCE LOAD RESTORATION

If the SUDC is required to shed load, the SUDC will follow the procedures set forth below in this Schedule 5 in promoting orderly, coordinated restoration of electric systems after a major system disturbance has occurred which resulted in load shedding by frequency relays in California.

1. Immediately after load shedding has occurred in the SUDC, the SUDC will remain in contact with their respective Participating Transmission Owner (PTO) Area Control Center (ACC) until normal frequency has been restored throughout the ISO Control Area or the ISO Shift Manager has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the ISO Shift Manager and the senior dispatcher present at the affected PTO ACC(s).
2. Manual load restoration will not normally be initiated until the California ACC Hot Line is attended. No load is to be manually restored unless directed by the ISO, either directly or through its assignee, provided that the procedure for the ISO's designation of any assignee is agreed to by the SUDC, after the frequency has recovered and there is indication that the frequency can be maintained. The SUDC will await direction from the ISO or its assignee, who will be in contact with the ISO Shift Manager. The ISO Shift Manager will determine whether adequate generation resources are available on line to support the load to be restored.
3. If the ISO cannot meet the WECC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual load restoration will be permitted. If the frequency is such that automatic load restoration occurs under these conditions, if the SUDC has restored load automatically, it will manually shed an equivalent amount of load to offset the load which was automatically restored.

SCHEDULE 6

INTERCONNECTION OPERATION STANDARDS

The ISO and SUDC shall jointly maintain stable operating parameters and control power and reactive flow in accordance with the capabilities of the SUDC, the ISO Tariff and the following interconnection operation standards.

SUDC Responsibilities

1. The SUDC shall operate its SUDC Facilities at each point of interconnection with the ISO Controlled Grid in such manner as to avoid any material adverse impact on the reliability of the ISO Controlled Grid. In accordance with this performance goal, the SUDC shall: i) operate its SUDC Facilities at each point of interconnection with the ISO Controlled Grid in accordance with Good Utility Practice with respect to normal ratings, emergency ratings, voltage limits, and balance of load between electrical phases; and ii) maintain load power factor at each point of interconnection with the ISO Controlled Grid as close as reasonably possible to unity power factor and consistent with Good Utility Practice.

ISO Responsibilities

1. The ISO shall operate the ISO Controlled Grid at each point of interconnection with the SUDC in accordance with the ISO Tariff and in such manner as to avoid any material adverse impact on the SUDC Facilities. In accordance with this performance goal, the ISO shall:
2. At the request of the SUDC, participate with the SUDC and Participating TO in the development of joint power quality performance standards and jointly maintain compliance with such standards.
3. Observe SUDC grid voltage limits specified in Attachment 1 including requirements for reduced voltage on ISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover.
4. At the request of the SUDC, support SUDC investigation of power quality incidents, and provide related data to the SUDC in a timely manner.
5. Support installation of apparatus on the ISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate power quality concerns caused by actions or events in neighboring systems or Control Areas.
6. Maintain, or cause to be maintained, load power factor at each SUDC Interconnection as close as reasonably possible to unity power factor and consistent with Good Utility Practice, pursuant to Section 2.5.3.4 of the ISO Tariff.

The Parties may adopt additional operations standards for the interconnection provided such standards are in writing and are mutually agreed to.

SCHEDULE 6
ATTACHMENT 1

[To be determined.]

SCHEDULE 7

RECORDS, INFORMATION, REPORTS

The SUDC shall provide available information to the ISO relating to SUDC system operations reasonably related to system reliability of the ISO Controlled Grid. The Parties shall jointly develop any necessary forms and procedures for collection, study and transmittal of system data, information, reports and forecasts.

SCHEDULE 8

RIGHTS OF ACCESS TO FACILITIES

1. **Equipment Installation.** In order to give effect to this Operating Agreement, a Party that requires the use of particular equipment (the equipment owner) may require installation of such equipment on property owned by the other Party (the property owner), provided that the equipment is necessary to meet the equipment owner's service obligations and that the equipment shall not have a negative impact on the reliability of the service provided, nor prevent the property owner from performing its own obligations or exercising its rights under this Operating Agreement.
2. **Free Access.** The property owner shall grant to the equipment owner free of charge reasonable installation rights and rights of access to accommodate equipment inspection, maintenance, repair, upgrading, or removal for the purposes of this Operating Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.
3. **Notice.** The equipment owner shall provide reasonable notice to the property owner when requesting access for site assessment, equipment installation, or other relevant purposes. Such access shall not be provided unless the parties mutually agree to the date, time, and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld or delayed.
4. **Removal of Installed Equipment.** Following reasonable notice, the equipment owner shall be required, at its own expense, to remove or relocate equipment, at the request of the property owner, provided that the equipment owner shall not be required to do so if it would have a negative impact on the reliability of the service provided, or be prevented from performing its own obligations or exercising its rights under this Operating Agreement.
5. **Costs.** The equipment owner shall repair at its own expense any property damage it causes in exercising its rights and shall reimburse the property owner for any other reasonable costs that it may be required to incur to accommodate the equipment owner's exercise of its rights under Section 1 or Section 4.
6. **Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.
7. **Inspection of Facilities.** In order to meet their respective obligations under this Operating Agreement, the ISO may view or inspect SUDC Facilities and the SUDC may view or inspect ISO Grid facilities. Provided that reasonable notice is given, a Party shall not unreasonably deny access to such facilities for viewing or inspection by the requesting Party.
8. **Access During Emergencies.** Either Party shall have rights of access, without prior notice, to the other Party's equipment as necessary during times of a System Emergency.

SCHEDULE 9

SUDC OPERATING PROCEDURES

[To be determined.]