

**Late Payment Enforcement Tariff Amendment**

**Fourth Replacement CAISO Tariff**

**January 15, 2010**

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**11.29.9.6.2.2 Treatment of Certain Penalty Amounts Collected by the CAISO**

The CAISO will use all penalty amounts it collects for late payments of amounts set forth in Invoices pursuant to Section 11.29.14(c) and for late postings of Financial Security pursuant to Section 12.5.2(c) towards the funding of the CAISO Reserve Account, up to an annual limit of \$5 million. Any such penalty amounts that the CAISO collects in a given year that are in excess of the annual funding limit of \$5 million will be used to offset the following year's Grid Management Charge revenue requirement pursuant to Schedule 1 of Appendix F.

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**12.5.2 Enforcement Actions for Late Posting of Financial Security~~r~~**

The CAISO will take the following enforcement actions against each Market Participant that is late in posting Financial Security within three Business Days as required by Section 12.4:

- (a) After each of the first two times during a rolling twelve-month period that a Market Participant is late in posting additional Financial Security within three Business Days as required by Section 12.4, the CAISO will send the delinquent Market Participant a warning noticeletter.
- (b) After the third time during a rolling twelve-month period that a Market Participant is late in posting additional Financial Security, the CAISO may require the Market Participant to post an additional Financial Security Amount that is as high as the highest level of the Market Participant's Estimated Aggregate Liability during the preceding twelve months. The CAISO will hold such additional Financial Security Amount for no fewer than twelve months following the month in which the Market Participant's third delinquency occurs, and the CAISO may then return to the Market Participant all or a portion of such additional Financial Security Amount if, during the intervening time, the Market Participant has timely posted all further additional Financial Security Amounts requested by the CAISO and has timely paid all of the amounts set forth in the Invoices from the CAISO.

(c) After the third time and each subsequent time during a rolling twelve-month period that a Market Participant is late in posting additional Financial Security, the CAISO will assess a penalty to the Market Participant equal to the greater of \$1,000 or two (2) percent of the additional Financial Security Amount that the Market Participant has been late in posting, up to a maximum amount of \$20,000 per each late posting for which the CAISO assesses a penalty pursuant to this Section 12.5.2(c). Penalty amounts collected by the CAISO pursuant to this Section 12.5.2(c) will be treated as set forth in Section 11.29.9.6.2.2.

(d) After the fourth and any subsequent times during a rolling twelve-month period that a Market Participant is late in posting additional Financial Security, the CAISO may extend the time period that it holds all or a portion of the additional Financial Security Amount resulting from the Market Participant's third delinquency during a rolling twelve-month period as described in Section 12.5.2(b).

(e) After the fifth time during a rolling twelve-month period that a Market Participant is late in posting additional Financial Security, the CAISO may, notwithstanding any other provision of the CAISO Tariff, (i) suspend any and all rights of the Market Participant under the CAISO Tariff, effective immediately after the CAISO sends written notice of the suspension to the Market Participant, and (ii) terminate any agreement entered into between the CAISO and the Market Participant that allows the Market Participant to participate in the CAISO Markets, effective upon the date the CAISO sends written notice of the termination to the Market Participant or upon the date established in accordance with FERC rules if FERC rules require the CAISO to file the notice of termination with FERC. If the CAISO sends a notice of suspension or termination to a Market Participant pursuant to this Section 12.5.2(e), the Market Participant will not have the right to prevent such suspension or termination by curing its late posting of additional Financial Security. The CAISO will, following termination of an agreement pursuant to this Section 12.5.2(e) and within thirty (30) days of being satisfied that no sums remain owing by the Market Participant under the CAISO Tariff, return or release to the Market Participant, as

appropriate, any money or credit support provided by such Market Participant to the CAISO under Section 12.

(f) Any time that a Market Participant is late in posting additional Financial Security, the CAISO may also take other enforcement actions as described in this Section 12 and in the applicable Business Practice Manual, if deemed necessary by the CAISO to protect the financial integrity of the CAISO Markets.

**12.5.311.29.14 Enforcement Actions for Late Payments.**

The CAISO will take the following enforcement actions against each Market Participant that is late in paying the amount set forth in an Invoice from the CAISO:

(a) After each of the first two times during a rolling twelve-month period that a Market Participant is late in paying the amount set forth in an Invoice from the CAISO, the CAISO will send the delinquent Market Participant a warning notice~~letter~~.

(b) After the third time during a rolling twelve-month period that a Market Participant is late in paying the amount set forth in an Invoice ~~from the CAISO~~, the CAISO may revoke the Market Participant's Unsecured Credit Limit and require the Market Participant to post cash in lieu of unsecured credit or any other form of Financial Security to secure the Market Participant's financial obligations. The CAISO will require such a cash posting for no fewer than twelve months following the month in which the Market Participant's third delinquency occurs, and the CAISO may then return to the Market Participant all or a portion of the posted cash, reinstate the Market Participant's ability to use an Unsecured Credit Limit, and reinstate the Market Participant's ability to use unsecured credit or other form of Financial Security to secure the Market Participant's financial obligations if, during the intervening time, the Market Participant has timely paid all of the amounts set forth in its Invoices from the CAISO, and timely met any requests for Financial Security pursuant to Section 12.4.

(c) After the third time and each subsequent time during a rolling twelve-month period that a Market Participant is late in paying the amount set forth in an Invoice, the CAISO will

assess a penalty to the Market Participant equal to the greater of \$1,000 or two (2) percent of the amount set forth in the Invoice that the Market Participant has been late in paying, up to a maximum amount of \$20,000 per each late payment for which the CAISO assesses a penalty pursuant to this Section 11.29.14(c). Penalty amounts collected by the CAISO pursuant to this Section 11.29.14(c) will be treated as set forth in Section 11.29.9.6.2.2.

(d) After the fourth and any subsequent times during a rolling twelve-month period that a Market Participant is late in paying the amount set forth in an Invoice ~~from the CAISO~~, the CAISO may extend the time period that it imposes the measures described in Section 11.29.14 (b) above for the Market Participant's third delinquency during a rolling twelve (12) month period.

(e) After the fifth time during a rolling twelve-month period that a Market Participant is late in paying the amount set forth in an Invoice, the CAISO may, notwithstanding any other provision of the CAISO Tariff, (i) suspend any and all rights of the Market Participant under the CAISO Tariff, effective immediately after the CAISO sends written notice of the suspension to the Market Participant, and (ii) terminate any agreement entered into between the CAISO and the Market Participant that allows the Market Participant to participate in the CAISO Markets, effective upon the date the CAISO sends written notice of the termination to the Market Participant or upon the date established in accordance with FERC rules if FERC rules require the CAISO to file the notice of termination with FERC. If the CAISO sends a notice of suspension or termination to a Market Participant pursuant to this Section 11.29.14(e), the Market Participant will not have the right to prevent such suspension or termination by curing its late payment of an amount set forth in an Invoice. The CAISO will, following termination of an agreement pursuant to this Section 11.29.14(e) and within thirty (30) days of being satisfied that no sums remain owing by the Market Participant under the CAISO Tariff, return or release to the Market Participant, as appropriate, any money or credit support provided by such Market Participant to the CAISO under Section 12.

(f) Any time that a Market Participant is late in paying the amount set forth in an Invoice ~~from the CAISO~~, the CAISO will assess Interest to the Market Participant and will apply Interest payments as set forth in Section 11.29.13.1. Any time that a Market Participant is late in paying the amount set forth in an Invoice ~~from the CAISO~~, the CAISO may also take other enforcement actions as described in this Section 12 and in the applicable Business Practice Manual, if deemed necessary by the CAISO to protect the financial integrity of the CAISO Markets.

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