

Exhibit 5

8.2.4 Operating and Capital Reserves Cost.

The budgeted annual cost of pay-as-you-go capital expenditures and reasonable coverage of debt service obligations. Such reserves shall be utilized to minimize the impact of any variance between forecast and actual costs throughout the year ("Operating and Capital Reserves Costs").

8.3 Allocation of the Grid Management Charge Among Scheduling Coordinators and Other Appropriate Parties.

The costs recovered through the Grid Management Charge shall be allocated to the three service charges that comprise the Grid Management Charge. The costs recovered through each service charge shall be delineated in an annual filing to be made at FERC. The three service charges are as follows:

- (1) Control Area Services Charge,
- (2) Congestion Management Charge, and
- (3) Ancillary Services and Real-Time Energy Operations Charge.

The three charges shall be levied separately monthly in arrears on all Scheduling Coordinators and Other Appropriate Parties based on the billing determinants specified below for each charge.

8.3.1 Control Area Services Charge.

The Control Area Services Charge for a Scheduling Coordinator or Other Appropriate Party is calculated as the product of the rate for the Control Area Services Charge and the Control Area Gross Load and exports of the Scheduling Coordinator or Other Appropriate Party. The rate for the Control Area Services Charge is determined by dividing the GMC costs allocated to this service category by the total Control Area Gross Load and exports, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

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8.3.2 Congestion Management Charge.

The Congestion Management Charge for each Scheduling Coordinator is calculated as the product of the rate for the Congestion Management Charge and the absolute value of the net scheduled inter-zonal flow (excluding flows pursuant to Existing Contracts) per path for that Scheduling Coordinator. The rate for the Congestion Management Charge is determined by dividing the GMC costs allocated to this service category by the total Scheduling Coordinators' inter-zonal scheduled flow (excluding ETCs) per path, according to the formula in Appendix F, Schedule 1, Part A of this Tariff.

8.3.3 Ancillary Services and Real-Time Energy Operations Charge.

The Ancillary Services and Real-Time Energy Operations Charge for each Scheduling Coordinator or Other Appropriate Party is calculated as the product of the rate for the Ancillary Services and Real-Time Energy Operations Charge and the Scheduling Coordinator's or Other Appropriate Party's total purchases and sales (including out-of-market energy resources) of Ancillary Services, Supplemental Energy, and Imbalance Energy (both instructed and uninstructed), plus 50% of effective self-provision of Ancillary Services. The rate for the Ancillary Services and Real-Time Energy Operations Charge is determined by dividing the GMC costs allocated to this service category by the total purchases and sales of Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed) and 50% of effective self-provision of Ancillary Services according to the formula in Appendix F, Schedule 1, Part A of this Tariff. Energy procured to cover line losses or other transmission losses also shall be assessed this charge.

8.4 Calculation and Adjustment of the Grid Management Charge.

The three charges set forth in Section 8.3 that comprise the Grid Management Charge shall be calculated annually by summing the Operating Costs (less any available expense recoveries),

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Financing Costs, and Operating and Capital Reserves Costs associated with each of the three ISO services, to obtain a total Revenue Requirement. A separate Revenue Requirement for each component of the GMC shall be established by dividing the Revenue Requirement for the ISO as a whole and then assigning such costs to the three service categories. The Revenue Requirement for each service then shall be divided by the forecast annual or periodic billing determinant volume to obtain a rate for each service, which will be payable by Scheduling Coordinators and Other Appropriate Parties as set forth in Section 8.3. The rates so established may be adjusted annually, or over such lesser period as approved by the ISO Governing Board and filed with the FERC, to reflect any variance between forecast and actual costs for the previous year or period, or any surplus revenues from the previous year or period (as defined in Section 8.5), or the inability to recover from a Scheduling Coordinator or Other Appropriate Party its share of the Grid Management Charge, or any under-achievement of a forecast of the billing determinant volumes used to establish the rates. Appendix F, Schedule 1, Part B of this Tariff sets forth the conditions under which a quarterly adjustment to the Grid Management Charge may be made.

8.4.1 Credits and Debits of the Grid Management Charge.

In addition to the adjustments permitted under Section 11.6.3.3, the ISO shall credit or debit, as appropriate, the account of a Scheduling Coordinator or Other Appropriate Party for any overpayment or underpayment of the Grid Management Charge that the ISO determines occurred due to error, omission, or miscalculation by the ISO or the Scheduling Coordinator or Other Appropriate Party.

8.5 Operating and Capital Reserves Account.

Revenues collected to fund the ISO financial operating reserves shall be deposited in an Operating and Capital Reserves Account until such account reaches a level specified by the ISO Governing Board. If the Operating and Capital Reserves Account is fully funded, surplus funds may be considered an offset to the Revenue Requirement in the next fiscal year's operating budget.

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to the sum annually, for all New Participating TOs, of: (a) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges in accordance with Schedule 1 of Appendix F; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges if the participant had not become a New Participating TO; reduced by (b) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F; or increased by (c) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in

Aggregate Final Accepted Schedules Alert Notice

ISO approved aggregated Final Schedules.

A Notice issued by the ISO when the operating requirements of the ISO Controlled Grid are marginal because of Demand exceeding forecast, loss of major Generation, or loss of transmission capacity that has curtailed imports into the ISO Control Area, or if the Hour-Ahead Market is short on scheduled Energy and Ancillary Services for the ISO Control Area.

Ancillary Services

Regulation, Spinning Reserve, Non-Spinning Reserve, Replacement Reserve, Voltage Support and Black Start together with such other interconnected operation services as the ISO may develop in cooperation with Market Participants to support the transmission of Energy from Generation resources to Loads while maintaining reliable operation of the ISO Controlled Grid in accordance with Good Utility Practice.

Ancillary Service Provider

A Participating Generator or Participating Load who is eligible to provide an Ancillary Serviced.

**Ancillary Services and
Real-Time Energy
Operations Charge**

The component of the Grid Management Charge that provides for the recovery of the ISO's costs of providing ancillary service and real-time energy related services, including, but not limited to:

- providing for Ancillary Services and Energy balancing services, including providing for open and non-discriminatory access for market-making activities for participants through auctions;
- posting of market information;
- market surveillance and analysis;
- administering self-provision of ancillary services; and

Settlement, billing, and metering related to the above.

**Applicable Reliability
Criteria**

The reliability standards established by NERC, WSCC, and Local Reliability Criteria as amended from time to time, including any requirements of the NRC.

Applicants

Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company and any others as applicable.

<u>BEEP Interval Ex Post Prices</u>	The prices charged to or paid by Scheduling Coordinators for Imbalance Energy in each Zone in each BEEP Interval.
<u>BEEP Software</u>	The balancing energy and ex post pricing software which is used by the ISO to determine which Ancillary Service and Supplemental Energy resources to Dispatch and to calculate the Ex Post Prices.
<u>Black Start</u>	The procedure by which a Generating Unit self-starts without an external source of electricity thereby restoring power to the ISO Controlled Grid following system or local area blackouts.
<u>Black Start Generator</u>	A Participating Generator in its capacity as party to an Interim Black Start Agreement with the ISO for the provision of Black Start services, but shall exclude Participating Generators in their capacity as providers of Black Start services under their Reliability Must-Run Contracts
<u>Bulk Supply Point</u>	A UDC metering point.
<u>Business Day</u>	A day on which banks are open to conduct general banking business in California.
<u>C.F.R.</u>	Code of Federal Regulations.
<u>Conditional Energy Bids</u>	A Bid for Energy to serve Demand at or below a specified price.
<u>Congestion</u>	A condition that occurs when there is insufficient Available Transfer Capacity to implement all Preferred Schedules simultaneously or, in real time, to serve all Generation and Demand. "Congested" shall be construed accordingly.

Congestion Management

The alleviation of Congestion in accordance with Applicable
ISO Protocols and Good Utility Practice.

**Congestion Management
Charge**

The component of the Grid Management Charge that provides
for the recovery of the ISO's costs of operating the Congestion
Management process.

Grid Management Charge

The ISO monthly charge on all Scheduling Coordinators and Other Appropriate Parties that provides for the recovery of the ISO's costs through the three service charges described in Section 8.3: 1) the Control Area Services Charge, 2) the Congestion Management Charge, and 3) the Ancillary Services and Real-Time Energy Operations Charge. The three component charges are formula rates.

Grid Operations Charge

An ISO charge that recovers redispatch costs incurred due to Intra-Zonal Congestion in each Zone. These charges will be paid to the ISO by the Scheduling Coordinators, in proportion to their metered Demand within, and metered exports from, the Zone to a neighboring Control Area.

Gross Load

For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS, or Scheduling Coordinator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through over-the-fence arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; (c) was serving the customer's

Inter-Zonal Interface

The (i) group of transmission paths between two adjacent Zones of the ISO Controlled Grid, for which a physical, non-simultaneous transmission capacity rating (the rating of the interface) has been established or will be established prior to the use of the interface for Congestion Management; (ii) the group of transmission paths between an ISO Zone and an adjacent Scheduling Point, for which a physical, non-simultaneous transmission capacity rating (the rating of the interface) has been established or will be established prior to the use of the interface for Congestion Management; or (iii) the group of transmission paths between two adjacent Scheduling Points, where the group of paths has an established transfer capability and established transmission rights.

Interconnection

Transmission facilities, other than additions or replacements to existing facilities that: i) connect one system to another system where the facilities emerge from one and only one substation of the two systems and are functionally separate from the ISO Controlled Grid facilities such that the facilities are, or can be, operated and planned as a single facility; or ii) are identified as radial transmission lines pursuant to contract; or iii) produce Generation at a single point on the ISO Controlled Grid; provided that such interconnection does not include facilities that, if not owned by the Participating TO, would result in a reduction in the ISO's Operational Control of the Participating TO's portion of the ISO Controlled Grid.

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Market Participant

An entity, including a Scheduling Coordinator, who participates in the Energy marketplace through the buying, selling, transmission, or distribution of Energy or Ancillary Services into, out of, or through the ISO Controlled Grid.

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Order No. 889 The final rule issued by FERC entitled "Open Access Same-Time Information System (formerly Real Time Information Networks) and Standards of Conduct," 61 Fed. Reg. 21,737 (May 10, 1996), FERC Stats. & Regs., Regulations Preambles [1991-1996] ¶¶ 31,035 (1996), Order on Rehearing, Order No. 889-A, 78 FERC ¶¶ 61,221 (1997), as it may be amended from time to time.

Original Participating TO A Participating TO that was a Participating TO as of January 1, 2000.

Other Appropriate Party A party that may be liable for a component of the ISO Grid Management Charge on a basis other than its role, if any, as Scheduling Coordinator. Such party may include out-of-state or in-state entity that provides real-time power through out-of-market Energy transactions or consumes real-time power through other arrangements over the ISO Controlled Grid; or a governmental or municipally-owned entity with Control Area Gross Load not generally served through, but continuously interconnected with, the ISO Controlled Grid.

Outage Disconnection or separation, planned or forced, of one or more elements of an electric system.

Overgeneration A condition that occurs when total Generation exceeds total Demand in the ISO Control Area.

Participating Buyer

A Direct Access End-User or a wholesale buyer of Energy or Ancillary Services through Scheduling Coordinators.

Participating Load

An entity providing Curtailable Demand, which has undertaken in writing to comply with all applicable provisions of the ISO Tariff, as they may be amended from time to time.

**Participating Seller or
Participating Generator**

A Generator or other seller of Energy or Ancillary Services through a Scheduling Coordinator over the ISO Controlled Grid from a Generating Unit with a rated capacity of 1 MW or greater, or from a Generating Unit providing Ancillary Services and/or Imbalance Energy through an aggregation arrangement approved by the ISO, which has undertaken to be bound by the terms of the ISO Tariff, in the case of a Generator through a Participating Generator Agreement.

Schedule 1

Grid Management Charge

Part A – Monthly Calculation of Grid Management Charge (GMC)

The Grid Management Charge consists of three separate service charges: the Control Area Services Charge, the Congestion Management Charge, and the Ancillary Services and Real-Time Energy Operations Charge.

1. The rate for the Control Area Services Charge will be calculated by dividing the GMC costs allocated to this service charge by the total Control Area Gross Load and exports, in MWh.
2. The rate for the Congestion Management Charge will be calculated by dividing the GMC costs allocated to this service charge by the total Scheduling Coordinators' inter-zonal scheduled flow (excluding flows pursuant to Existing Contracts) per path in MWh.
3. The rate for the Ancillary Services and Real-Time Energy Operations Charge will be calculated by dividing the GMC costs allocated to this service charge by the total purchases and sales (including out-of-market transactions) of Ancillary Services, Supplemental Energy, and Imbalance Energy (both instructed and uninstructed) in MWh plus 50% of effective self-provision of ancillary services in MWh.

Part B – Quarterly Adjustment, If Required

Each component of the Grid Management Charge may change quarterly if the estimated billing determinate volumes for that component, on an annual basis, change by 5% or more during the year. Each year the Grid Management Charge will be recalculated to reflect the following year's budget estimates and to adjust for any difference between the previous year's cost estimates and actual costs incurred, as reflected in Part D of this Schedule, "Information Requirements". The annual filing requirement shall not affect the ISO's ability to adjust the Grid Management Charge on a quarterly basis, when warranted.

Part C – Costs Recovered through the GMC

As provided in Section 8 of the ISO Tariff, the Grid Management Charge includes the following costs:

- Operating costs (as defined in Section 8.2.2)
- Financing costs (as defined in Section 8.2.3), including Start-Up and Development costs and
- Operating and Capital Reserve costs (as defined in Section 8.2.4)

Such costs, for the ISO as a whole, are allocated to the three service charges that comprise the Grid Management Charge: (1) Control Area Services Charge, (2) Congestion Management Charge, and (3) Ancillary Services and Real-Time Energy Operations Charge, using appropriate methodologies, and

adjusted annually for:

- any surplus revenues from the previous year as deposited in the Operating and Capital Reserve Account, as defined under Section 8.5, or deficiency of revenues, as recorded in a memorandum account;

divided by:

- forecasted annual billing determinant volumes in MWh;

adjusted quarterly for:

- a change in the volume estimate used to calculate the individual Grid Management Charge components, if, on an annual basis, the change is 5% or more.

The Grid Management Charge Revenue Requirement Formula is as follows:

Grid Management Charge Revenue Requirement =

- Operating Expenses + Debt Service + [(Coverage Requirement x Senior Lien Debt Service) or (Cash Funded Capital Expenditures)] - Interest Earnings - Other Revenues - Reserve Transfer

Where,

- **Operating Expenses** = O&M Expenses plus Taxes Other Than Income Taxes and Penalties

Subsequent to the website posting, and prior to the Board approval of the budget, the ISO shall hold a public budget workshop where it will provide an overview of and answer questions from stakeholders on the proposed budget, cost allocation, and the charges for each of the ISOs services for the following year.

Annual Filing

The ISO will make a filing at FERC each year that shall contain cost data on the ISO presented in conformance with the FERC Uniform System of Accounts (USA). This filing shall contain such information as is required to set the GMC unit rate for the following fiscal year, including the criteria used to set the projected billing determinant volumes, and a description of the process used to allocate the ISO's total costs into the revenue requirements for each of the component charges of the GMC.

Periodic Financial reports

The ISO will create periodic financial reports consisting of an income statement, balance sheet, statement of operating reserves, and such other reports as are required by the ISO Board of Governors. The periodic financial reports will be posted on the ISO's Website not less than quarterly.

any of which may submit comments and objections to the ISO within two weeks of the date of posting of the draft on the ISO Home Page.

SABP 2.3.4 Final Payments Calendar

No later than October 31st in each year, the ISO will publish pursuant to Section 11.24.1 of the ISO Tariff the final ISO Payments Calendar for the following calendar year, after considering the comments and objections received from Scheduling Coordinators, Black Start Generators, Participating TOs and Owners. The final ISO Payments Calendar will be posted on the ISO Home Page.

SABP 2.3.5 Update the Final Payments Calendar

If as a result of a tariff amendment approved by FERC the final ISO Payments Calendar developed in accordance with SABP 2.3.3 and 2.3.4 above is rendered inconsistent with the timing set forth in the tariff, the ISO shall update the final ISO Payments Calendar to make it consistent with the tariff as approved by FERC on the date on which the tariff amendment goes into effect. The ISO shall simultaneously send out a notice to market participants that the final ISO Payments Calendar has been revised.

SABP 2.3.6 Final Calendar Binding

The final ISO Payments Calendar shall be binding on the ISO and on Scheduling Coordinators, Black Start Generators, Participating TOs and Owners.

SABP 3 COMPUTATION OF CHARGES

SABP 3.1 Description of Charges to be Settled

The ISO shall, based on the Settlement Quality Meter Data it has received, or, if Settlement Quality Meter Data is not available, based on the best available information or estimate it has received, calculate the following:

- (a) the amount due from each Scheduling Coordinator or Other Appropriate Party for its share for the relevant month of the three components of the Grid Management Charge in accordance with Appendix A. These Charges shall accrue on a monthly basis.
- (b) the amount due from each Scheduling Coordinator for the Grid Operations Charge in accordance with Appendix A. This charge shall accrue on a monthly basis.
- (c) the amount due from and/or owed to each Scheduling Coordinator for the Charge for each Ancillary Service in accordance with Appendix C, for each of the Settlement Periods of Day 0.

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- (f) the amount due from each Scheduling Coordinator for Wheeling Out and Wheeling Through Charges and the amount owed to each Participating TO for these charges in accordance with Appendix F, for each of the Settlement Periods of Day 0.
- (g) the amounts due from/to Scheduling Coordinators for Voltage Support (supplemental reactive power charges) for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (h) the monthly charges due from/to Scheduling Coordinators for long term voltage support provided by Owners of Reliability Must-Run Units in accordance with Appendix G.
- (i) the amounts due from/to Scheduling Coordinators for the provision of Black Start Energy from Reliability Must-Run Units for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (j) the amounts due from/to Black Start Generators for the provision of Black Start Energy for each of the Settlement Periods of Day 0 in accordance with Appendix G.
- (k) the amount due from each UDC or MSS, or from a Scheduling Coordinator delivering Energy for the supply of Gross Load not directly connected to the facilities of a UDC or MSS, for the High Voltage Access Charge and Transition Charge in accordance with operating procedures posted on the ISO Home Page. These charges shall accrue on a monthly basis.
- (l) the amounts due from Scheduling Coordinators for FERC Annual Charges.

All of the data, information, and estimates the ISO uses to calculate these amounts shall be subject to the auditing requirements of Section 10.5 of the ISO Tariff.

The ISO shall calculate these amounts using the software referred to in SABP 2.1 except in cases of system breakdown when it shall apply the procedures set out in SABP 9 (Emergency Procedures).

SABP 3.1.1

Additional Charges and Payments

The ISO shall be authorized to levy additional charges or payments as special adjustments in regard to:

- (a) amounts required to round up any invoice amount expressed in dollars and cents to the nearest whole dollar amount in order to clear the ISO Clearing Account. These charges will be allocated amongst Scheduling Coordinators over an interval determined by the ISO and pro rata based on metered Demand (including exports) during that interval;

than payments calculated as due to the ISO Creditors for the same Trading Day. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day. In the event that the charges due from ISO Debtors are higher than the payments due to ISO Creditors, the ISO shall allocate a payment to the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day.

- (d) amounts required with respect to payment adjustments for regulating Energy as calculated in accordance with Section 2.5.27.1 of the ISO Tariff. These charges will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh for that Trading Day.

SABP 3.2

Method of Settlement of Charges

SABP 3.2.1

Settlement of Payments to/from Scheduling Coordinators and Participating TOs

The ISO will calculate for each charge the amounts payable by the relevant Scheduling Coordinator, Black Start Generator or Participating TO for each Settlement Period of the Trading Day, and the amounts payable to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for each Settlement Period of that Trading Day and shall arrive at a net amount payable for each charge by or to that Scheduling Coordinator, Black Start Generator or Participating TO for each charge for that Trading Day. Each of these amounts will appear in the Preliminary and Final Settlement Statements that the ISO will provide to the relevant Scheduling Coordinator, Black Start Generator or Participating TO as provided in SABP 4.

The three components of the Grid Management Charge will be included in the Preliminary Settlement Statement and Final Settlement Statement with the other types of charges referred to in SABP 3.1, but a separate invoice for the Grid Management Charge, stating the rate, billing determinant volume and total charge for each of its three components, will be issued by the ISO to the Scheduling Coordinator or Other Appropriate Party.

SABP 4

SETTLEMENT STATEMENTS

SABP 4.1

Preliminary Settlement Statements

SABP 4.1.1

Timing of Preliminary Settlement Statements

The ISO shall provide to each Scheduling Coordinator, Black Start Generator or Participating TO for validation a Preliminary Settlement Statement for each Trading Day in accordance with the ISO Payments Calendar.

- SABP 4.4.5** **ISOContact**
- If the ISO does not agree with the amount claimed or if it requires additional information, it shall make reasonable efforts (taking into account the time it received the notice of dispute and the complexity of the issue involved) to contact the relevant Scheduling Coordinator, Black Start Generator or Participating TO to resolve the issue before issuing the Final Settlement Statement. If it is not possible to contact the relevant party, the ISO shall issue the Final Settlement Statement without taking into account the dispute notice.
- SABP 4.4.6** **Payment Pending Dispute**
- Each Scheduling Coordinator, Black Start Generator or Participating TO which receives an invoice shall pay any net debit and shall be entitled to receive any net credit shown in the invoice on the Payment Date, whether or not there is any dispute regarding the amount of the debit or credit. The provisions of Section 13 (Dispute Resolution) of the ISO Tariff shall apply to the disputed amount.
- SABP 4.5** **Settlement Statement Re-runs**
- SABP 4.5.1** **Notice**
- If a Scheduling Coordinator, Black Start Generator or Participating TO, (having made reasonable efforts to resolve with the ISO any dispute relating to a Preliminary Settlement Statement pursuant to SABP 4.4) requires a Settlement Statement re-run, it shall send at any time to the ISO Governing Board a notice in writing.
- SABP 4.5.2** **ISO Tariff**
- The provisions of Sections 11.6.3, 11.6.3.1, 11.6.3.2 and 11.6.3.3 of the ISO Tariff relating to Settlement Statement re-runs shall apply to all Scheduling Coordinators, Black Start Generators or Participating TOs who require a Settlement re-run in accordance with this SABP 4.5.
- SABP 5** **INVOICES**
- The ISO shall provide on the day specified in the ISO Payments Calendar an invoice in the format set out in SABP Appendix I showing:
- (a) amounts which according to each of the Preliminary and Final Settlement Statements of that Billing Period are to be paid from or to each Scheduling Coordinator, Other Appropriate Party, Black Start Generator or Participating TO;
 - (b) the Payment Date, being the date on which such amounts are to be paid or received and the time for such payment; and
 - (c) details (including the account number, bank name and Fed-Wire transfer instructions) of the ISO Clearing Account to which any amounts owed by the Scheduling Coordinator, Black Start Generator or Participating TO are to be paid.

A separate invoice for the Grid Management Charge, stating the rate, billing determinant volume and total charge for each of its three components, will be issued by the ISO to the Scheduling Coordinator or Other Appropriate Party.

SABP 6**PAYMENT PROCEDURES****SABP 6.1****Time of Payment****SABP 6.1.1****Payment Date**

Subject to SABP 6.1.2, payment will be made by the ISO and by each Scheduling Coordinator, Black Start Generator and Participating TO on the Payment Date as set forth in Section 11.3.2.

SABP 6.1.2**Prepayments**

- (a) A Scheduling Coordinator may choose to pay at an earlier date than the Payment Date specified in the ISO Payments Calendar by way of prepayment provided it notifies the ISO by electronic means before submitting its prepayment.
- (b) Prepayment notifications must specify the dollar amount prepaid.
- (c) Prepayments must be made by Scheduling Coordinators via Fed-Wire into their ISO prepayment account designated by the ISO. The relevant Scheduling Coordinator shall grant the ISO a security interest on all funds in its ISO prepayment account.
- (d) On any Payment Date the ISO shall be entitled to cause funds from the relevant Scheduling Coordinator's ISO prepayment account to be transferred to the ISO Clearing Account in such amounts as may be necessary to discharge in full that Scheduling Coordinator's payment obligation arising in relation to that Payment Date.
- (e) Any funds held in the relevant Scheduling Coordinator's ISO prepayment account shall be treated as part of that Scheduling Coordinator's Security.
- (f) Interest (or other income) accruing on the relevant Scheduling Coordinator's ISO prepayment account shall inure to the benefit of that Scheduling Coordinator and shall be added to the balance of its ISO prepayment account on a monthly basis.
- (g) Funds held in an ISO prepayment account by a Scheduling Coordinator may be recouped, offset or applied by the ISO to any outstanding financial obligations of that Scheduling Coordinator to the ISO or to other Scheduling Coordinators under this Protocol.

excess will be credited to the Surplus Account pursuant to SABP 6.5.2(a).

SABP 6.5.3

Distribution of Funds

In the event that there are funds in the ISO Surplus Account in excess of an amount to be determined by the ISO Governing Board and noticed by the ISO to Market Participants, the amount of such excess will be distributed to Scheduling Coordinators and Other Appropriate Parties using the same method of apportioning the refund as the method employed in apportioning the liability for the Grid Management Charge.

SABP 6.5.4

Trust

All amounts standing to the credit of the ISO Surplus Account will be held at all times on trust for Market Participants in accordance with this Protocol.

SABP 6.6

System Failure

SABP 6.6.1

At ISO Debtor's Bank

If any ISO Debtor becomes aware that a payment will not, or is unlikely to be, remitted to the ISO Bank by 10:00 am on the relevant Payment Date for any reason (including failure of the Fed-Wire or any computer system), it shall immediately notify the ISO, giving full details of the payment delay (including the reasons for the payment delay). The ISO Debtor shall make all reasonable efforts to remit payment as soon as possible, by an alternative method if necessary, to ensure that funds are received for value no later than 10:00 am on the Payment Date, or as soon as possible thereafter.

SABP 6.6.2

At the ISO's Bank

In the event of failure of any electronic transfer system affecting the ISO Bank, the ISO shall use reasonable efforts to establish alternative methods of remitting funds to the ISO Creditors' Settlement Accounts by close of banking business on that Payment Date, or as soon as possible thereafter. The ISO shall notify the ISO Debtors and the ISO Creditors of occurrence of the system failure and the alternative methods and anticipated time of payment.

SABP 6.7

Payment Default

Subject to SABP 6.8, if by 10:00 am on a Payment Date the ISO, in its reasonable opinion, believes that all or any part of any amount due to be remitted to the ISO Clearing Account by any Scheduling Coordinator will not or has not been remitted and there are insufficient funds in the relevant Scheduling Coordinator's ISO prepayment account (the amount of insufficiency being referred to as the "Default Amount"), the ISO shall take the following actions to enable the ISO Clearing Account to clear not later than the close of banking business on the relevant Payment Date:

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APPENDIX A
GRID MANAGEMENT CHARGE COMPUTATION

The Grid Management Charge will be calculated in the following manner, with the numerator of each of the equations listed below being determined as a percentage of the total ISO budget, and the denominator (billing determinant volume) for each formula being an estimated annual value:

	=	Costs recovered through the <u>Control Area Services Charge</u> Control Area Gross Load and exports (MWh)	=	RATE in \$/MWh
GMC Costs	=	Costs recovered through the <u>Congestion Management Charge</u> total Scheduling Coordinators' inter-zonal scheduled flow (excluding Flows pursuant to Existing Contracts) per path (MWh)	=	RATE in \$/MWh
	=	Costs recovered through the <u>Ancillary Services and Real-Time Energy Operations Charge</u> total purchases and sales Ancillary Services, Supplemental Energy and Imbalance Energy (both instructed and uninstructed) (MWh) plus 50% of effective self-provision of Ancillary Services and Real-Time Energy Operations Charge	=	RATE in \$/MWh

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