

2.2.7 and that it is capable of complying with the requirements of all ISO Protocols;

- (b) identify each of the Eligible Customers (including itself if it trades for its own account) which it is authorized to represent as Scheduling Coordinator and confirm that the metering requirements under Section 10 are met in relation to each Eligible Customer for which it is submitting bids under this ISO Tariff;
- (c) confirm that each of the End-Use Customers it represents is eligible for Direct Access;
- (d) confirm that none of the Wholesale Customers it represents is ineligible for wholesale transmission service pursuant to the provisions of FPA Section 212(h);
- (e) demonstrate to the ISO's reasonable satisfaction that it meets the financial criteria set out in Section 2.2.3.2;
- (f) enter into an SC Agreement with the ISO; and
- (g) provide NERC tagging data.

2.2.3.2 Each Scheduling Coordinator shall either maintain an Approved Credit Rating or provide in favor of the ISO one of the following forms of security for an amount to be determined by the Scheduling Coordinator and notified to the ISO under Section 2.2.7.3:

- (a) an irrevocable and unconditional letter of credit confirmed by a bank or financial institution reasonably acceptable to the ISO;
- (b) an irrevocable and unconditional surety bond posted by an insurance company reasonably acceptable to the ISO;
- (c) an unconditional and irrevocable guarantee by a company which has and maintains an Approved Credit Rating;

- (f) The SC Applicant shall become a Scheduling Coordinator when, following acceptance of its Application, it has entered into an SC Agreement with the ISO and has met the requirements of Section 2.2.3.2.

2.2.4.3 The SC Applicant may within twenty-eight (28) days following rejection of its application, appeal in writing that rejection to the ISO Governing Board setting out the grounds for the appeal. The ISO Governing Board will hear the appeal on and present an oral decision within thirty-five (35) days of the date the appeal notice is served on the ISO Governing Board in accordance with Section 20.1. The ISO Governing Board will notify the SC Applicant in writing of its decision within seven (7) days of hearing the appeal.

2.2.4.4 If the ISO Governing Board rejects the application on appeal then the SC Applicant may appeal under the ISO ADR Procedure. The ISO shall agree to mediation under Section 13.2 if the SC Applicant so requests.

2.2.4.5 Termination of Service Agreement.

- (a) A Scheduling Coordinator's SC Agreement may be terminated by the ISO on written notice to the Scheduling Coordinator:
 - (i) if the Scheduling Coordinator no longer meets the requirements for eligibility set out in Section 2.2.3 and fails to remedy the default within a period of seven (7) days after the ISO has given written notice of the default;
 - (ii) if the Scheduling Coordinator fails to pay any sum under this ISO Tariff and fails to remedy the default within a period of seven (7) days after the ISO has given written notice of the default; or

- (iii) if the Scheduling Coordinator commits any other default under this ISO
Tariff or any of the ISO Protocols which, if capable of being

remedied, is not remedied within thirty (30) days after the ISO has given it written notice of the default; or

- (b) by the Scheduling Coordinator on sixty (60) days written notice to the ISO, provided that such notice shall not be effective to terminate the SC Agreement until the Scheduling Coordinator has complied with all applicable requirements of Section 2.2.5.

The ISO shall, following termination of an SC Agreement and within thirty (30) days of being satisfied that no sums remain owing by the Scheduling Coordinator under the ISO Tariff, return or release to the Scheduling Coordinator, as appropriate, any money or credit support provided by such Scheduling Coordinator to the ISO under Section 2.2.3.2.

2.2.4.5.1 Pending acceptance of termination of service pursuant to Section 2.2.4.6.1 by FERC, the ISO will suspend the certification of a Scheduling Coordinator which has received a notice of termination under Section 2.2.4.5(a) and the Scheduling Coordinator will not be eligible to submit schedules and bids for Energy and Ancillary Services to the ISO.

2.2.4.6 Notification of Termination. The ISO shall, promptly after providing written notice of default to a Scheduling Coordinator as specified in Section 2.2.4.5(a), notify the Scheduling Coordinators that could be required to represent End Use Eligible Customers of the Scheduling Coordinator under Section 2.2.4.7.2 if the default is not cured. The ISO shall, as soon as reasonably practicable following the occurrence of any of the events specified in Section 2.2.4.5, notify the Scheduling Coordinator and the Scheduling Coordinators that could be required to

represent End Use Eligible Customers of the defaulting Scheduling Coordinator, and the UDCs, and shall as soon as reasonably practicable after the issuance of such notice of termination post such notice on the ISO Home Page. Termination of the SC Agreement will automatically remove the Scheduling Coordinator's certification under Section 2.2.4 and Section 2.5.6.

2.2.4.6.1 Filing of Notice of Termination. Any notice of termination given pursuant to Section 2.2.4.5 shall also be filed by the ISO with FERC.

2.2.4.7 Continuation of Service on Termination.

2.2.4.7.1 Option for Eligible Customers to choose a new Scheduling Coordinator.

When the ISO suspends the certification of a Scheduling Coordinator pending termination, Eligible Customers of the defaulting Scheduling Coordinator shall be entitled to select another Scheduling Coordinator to represent them. The ISO will post notice of any suspension on the ISO Home Page. Until the ISO is notified by another Scheduling Coordinator that it represents an Eligible Customer of the defaulting Scheduling Coordinator, the Eligible Customer of the defaulting Scheduling Coordinator will receive interim service in accordance with Section 2.2.4.7.2.

2.2.4.7.2 Interim Service.

The ISO shall maintain a list of Scheduling Coordinators willing to represent Eligible Customers of a defaulting Scheduling Coordinator, which list may be differentiated by UDC Service Area. Scheduling Coordinators who indicate to the ISO their desire to be on such list shall be placed thereon by the ISO in random order.

- (a) When the ISO suspends the certification of a Scheduling Coordinator in accordance with Section 2.2.4.5.1, Eligible Customers of the defaulting Scheduling Coordinators shall be assigned to all Scheduling Coordinators on the list established pursuant to Section 2.2.4.7.2 in a non-discriminatory manner to be established by the ISO, and each Eligible Customer shall thereafter be represented by the Scheduling Coordinator to which

it is assigned unless and until it selects another Scheduling Coordinator in accordance with Section 2.2.4.7.1, subject to subsection (b).

- (b) Unless the ISO is notified by another Scheduling Coordinator that it represents an Eligible Customer of a defaulting Scheduling Coordinator within seven (7) days of the notice of termination being posted on the ISO Home Page, the Scheduling Coordinator to which that Eligible Customer has been assigned in accordance with subsection (a) may establish a reasonable minimum period for service, not to exceed thirty (30) days.
- (c) In the event no Scheduling Coordinator indicates its willingness to represent Eligible Customers of a defaulting Scheduling Coordinator, the UDC, who has the obligation to serve End Use Customers of the Eligible Customer, if any, shall arrange to serve those End Use Customers of such Eligible Customers that are located within the Service Area of the UDC. Such service will be provided in a manner consistent with that which the UDC provides, pursuant to the rules and tariffs of the Local Regulatory Authority, for its bundled end-use customers.
- (d) This Section shall not in any way require a UDC to provide or arrange for Scheduling Coordinator service for wholesale Eligible Customers.

2.2.5 Eligible Customers Represented by Scheduling Coordinators.

Each Scheduling Coordinator shall within ten (10) days of a request by the ISO provide the ISO with a list of the Eligible Customers which it represents at the date of the request.

2.2.6 Responsibilities of a Scheduling Coordinator.

Each Scheduling Coordinator shall be responsible for:

2.2.6.1 Obligation to Pay. Paying the ISO's charges in accordance with this ISO Tariff;

2.2.6.9 ISO Protocols. Complying with all ISO Protocols and ensuring compliance by each of the Market Participants which it represents with all applicable provisions of the ISO Protocols; and

2.2.6.10 Interruptible Imports. Identifying any Interruptible Imports included in its Schedules.

2.2.7 Operations of a Scheduling Coordinator.

2.2.7.1 Maintain Twenty-four (24) Hour Scheduling Centers. Each Scheduling Coordinator shall operate and maintain a twenty-four (24) hour, seven (7) days per week, scheduling center. Each Scheduling Coordinator shall designate a senior member of staff as its scheduling center manager who shall be responsible for operational communications with the ISO and who shall have sufficient authority to commit and bind the Scheduling Coordinator.

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.

2.2.7.3 Limitation on Trading. A Scheduling Coordinator which does not maintain an Approved Credit Rating 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 Scheduling Coordinator's outstanding liability for Imbalance Energy, Ancillary Services, Grid Management Charge, Grid Operations Charge, Wheeling Access Charge, and Usage Charges. Each Scheduling Coordinator required to provide an ISO Security Amount under Section 2.2.3.2 shall notify the ISO of the initial ISO Security Amount that it wishes to provide at least fifteen (15) days and shall ensure that the ISO has received such ISO Security Amount prior to the date the Scheduling Coordinator commences trading. A Scheduling Coordinator may at any time increase its ISO Security Amount by providing additional guarantees or credit support in accordance with Section 2.2.3.2. A Scheduling Coordinator may reduce its ISO Security Amount by giving the ISO not less than fifteen (15) days notice of the reduction, provided that the Scheduling Coordinator is not then in breach of this Section 2.2.7.3. The ISO shall release, or permit a reduction in the amount of, such guarantees or other credit support required to give effect to a permitted reduction in the ISO Security Amount as the Scheduling Coordinator may select. Following the date on which a Scheduling Coordinator commences trading, the Scheduling Coordinator shall not be entitled to submit a Schedule to the ISO and the ISO shall reject any Schedule submitted if, at the time of submission, the Scheduling Coordinator's ISO Security Amount is exceeded by the Scheduling Coordinator's

estimated aggregate liability for Imbalance Energy, Ancillary Services, Grid Management Charge, Grid Operations Charge, Wheeling Access Charge, and Usage Charges on each Trading Day for which Settlement has not yet been made in accordance with Section 11.3.1. The ISO shall notify a Scheduling Coordinator if at any time such outstanding liability exceeds 90% of the ISO Security Amount. For the purposes of calculating the Scheduling Coordinator's liability, for any Trading Day for which all relevant Settlement data is not yet available, calculation of the Scheduling Coordinator's liability shall be equal to the gross Energy (in kWh) scheduled by the Scheduling Coordinator on that Trading Day multiplied by the ISO's estimated average cost for Imbalance Energy, Ancillary Services and Usage Charges per kWh of Energy traded, as such estimated cost is notified by the ISO to Scheduling Coordinators from time to time.

2.2.7.4 The ISO shall notify the relevant Scheduling Coordinator if it rejects a Schedule under Section 2.2.7.3 in which event the Scheduling Coordinator shall not be entitled to submit any further Schedules until it has demonstrated to the ISO's satisfaction that its ISO Security Amount has been increased sufficiently to avoid the limit on trading imposed under Section 2.2.7.3 from being exceeded.

2.2.7.5 The ISO may restrict, or suspend a Scheduling Coordinator's right to Schedule or require the Scheduling Coordinator to increase its ISO Security Amount if at any time such Scheduling Coordinator's liability for Imbalance Energy is determined by the ISO to be excessive by comparison with the likely cost of the amount of Energy scheduled by the Scheduling Coordinator.

2.2.8 The Scheduling Process.

The ISO scheduling process is described for information purposes only in tabular form in Appendix C. The scheduling process by nature will need constant review and amendment as the market develops and matures and, therefore, is subject to change.

The description in Appendix C aids understanding of the implementation and operation of the various markets administered by the ISO and is filed for information purposes only.

2.2.8.1 Preferred Schedule. A Preferred Schedule shall be submitted by each Scheduling Coordinator on a daily and/or hourly basis to the ISO. Scheduling Coordinators may also submit to the ISO, Ancillary Services bids in accordance with Section 2.5.10 and, where they elect to self provide Ancillary Services pursuant to Section 2.5.20.1, an Ancillary Service schedule meeting the requirements set forth in Section 2.5.20.6. The Preferred Schedule shall also include an indication of which resources (Generation or Load) if any may be adjusted by the ISO to eliminate Congestion. On receipt of the Preferred Schedule in the Day-Ahead scheduling process, the ISO shall notify the Scheduling Coordinator of any specific Reliability Must-Run Units which have not been included in the Preferred Schedule but which the ISO requires to run in the next Trading Day. The ISO will also notify the

2.2.10.6 Ancillary Services. Expected Ancillary Services requirement by reference to Zones for each of the reserve Ancillary Services.

2.2.10.7 [Not Used]

2.2.10.8 [Not Used]

2.2.11 Information to Be Submitted by Scheduling Coordinators to the ISO.

Each Preferred Schedule submitted by a Scheduling Coordinator shall represent its preferred mix of Generation to meet its Demand and account for Transmission Losses and must include the name and identification number of each Eligible Customer for whom a Demand Bid or an Adjustment Bid is submitted, as well as:

2.2.11.1 For Load:

2.2.11.1.1 Designated Location Code. For all Load the Location Code of the Take-Out Point;

2.2.11.1.2 Quantity at Take-Out Point. The aggregate quantity (in MWh) of Demand being served at each Take-Out Point for which a bid has been submitted;

2.2.11.1.3 Flexibility. Whether the Preferred Schedule is flexible for adjustment to eliminate Congestion;

2.2.11.1.4 Adjustment Bids. The MW and \$/MWh values representing the Adjustment Bid curve for any Dispatchable Load.

2.2.11.2 For Generation:

2.2.11.2.1 Location of Generating Units. The Location Code of all Generating Units scheduled, if applicable, or the source Control Area and Scheduling Point;

2.2.11.2.2 Quantity Scheduled. The aggregate quantity (in MWh) being scheduled from each Generating Unit and System Resource;

2.2.11.2.3 Notification of Flexibility. Notification of whether the Preferred Schedule is flexible for adjustment to eliminate Congestion;

2.2.11.2.4 Adjustment Bids. The MW and \$/MWh values representing the Adjustment Bid curve for each Generating Unit and System Resource for which an Adjustment Bid has been submitted;

2.2.11.2.5 Operating Characteristics. Operating characteristics for each Generating Unit and System Resource for which an Adjustment Bid has been submitted; and

2.2.11.2.6 Must-Take/Must-Run Generation. Identification of all scheduled Generating Units that are Regulatory Must-Take Generation or Regulatory Must-Run Generation.

2.2.11.3 For deliveries to/from other Scheduling Coordinators:

2.2.11.3.1 Identification Code. Identification Code of Scheduling Coordinator to which Energy is provided or from which Energy is received;

2.2.11.3.2 Quantity of Energy. Quantity (in MWh) of Energy being received or delivered;

2.2.11.3.3 Zone. The Zone within which Energy is deemed to be provided by one Scheduling Coordinator to another under the Inter-Scheduling Coordinator Energy Trades.

2.2.11.3.4 Adjustments. Scheduling Coordinators will have the opportunity to resubmit Preferred Schedules and or Revised Schedules upon notice by the ISO if the ISO determines that the quantity or location of the receiving Scheduling Coordinator is not consistent with the quantity or location of the delivering Scheduling Coordinator. If the Scheduling Coordinators involved in a mismatched Inter-

2.2.13.2 ISO Analysis of Preferred Schedules. The ISO shall analyze the combined Preferred Schedules submitted by all Scheduling Coordinators to forecast the probability of Congestion being caused by the Preferred Schedules.

2.2.13.2.1 Preferred Schedules Become Final Hour-Ahead Schedules. If the ISO identifies no Congestion on the ISO Controlled Grid, the Preferred Schedules shall become Final Hour-Ahead Schedules and the ISO shall notify Scheduling Coordinators accordingly.

2.2.13.2.2 Congestion Management Provisions for Final Hour Ahead Schedules. If the ISO identifies Congestion, it shall use the Congestion Management provisions of Section 7.2 of this ISO Tariff and the ISO Scheduling Protocol to develop the Final Hour-Ahead Schedules.

2.2.13.3 Final Hour-Ahead Schedules. The ISO shall inform each Scheduling Coordinator of its responsibilities to provide Ancillary Services in accordance with Section 2.5.21. Not later than thirty (30) minutes before the commencement of each Settlement Period, the ISO shall provide each Scheduling Coordinator with the Final Schedule for that Settlement Period. Each Final Schedule shall be a Balanced Schedule and shall contain the following information:

2.2.13.3.1 Generation.

2.2.13.3.1.1 Name and identification number of each Participating Generator appearing in the Final Schedule;

2.2.13.3.1.2 Location Code of each Generating Unit, System Resource and Scheduling Point;

2.2.13.3.1.3 The changes in the final scheduled quantity (in MWh) for each such Generating Unit, System Resource and scheduled voltage;

Shedding to curtail Demand on an involuntary basis to the extent that the ISO considers necessary.

2.3.2.3.3 The Administrative Price in relation to each of the markets for Imbalance Energy and Ancillary Services shall be set at the applicable Market Clearing Price in the Settlement Period immediately preceding the Settlement Period in which the intervention took place. When Administrative Prices are imposed, Inter-Zonal Congestion will be managed in accordance with DP 8.5 of the Dispatch Protocol.

2.3.2.3.4 The intervention will cease as soon as the ISO has restored all Demand that was curtailed on an involuntary basis under Section 2.3.2.3.2(d).

2.3.2.4 Emergency Guidelines. The ISO shall issue protocols for all Market Participants to follow during a System Emergency. These guidelines shall be consistent with the specific obligations of Scheduling Coordinators and Market Participants referenced in Section 2.3.2.7 below.

2.3.2.5 Periodic Tests of Emergency Procedures. The ISO shall develop and administer periodic unannounced tests of System Emergency procedures set out in the ISO Protocols. Such tests shall be designed to ensure that the ISO Market Participants are capable of promptly and efficiently responding to imminent or actual System Emergencies.

2.3.2.6 Prioritization Schedule for Shedding and Restoring Load. Prior to the ISO Operations Date, and annually thereafter, the ISO shall, in consultation with Market Participants and subject to the provisions of Section 2.1.3, develop a prioritization schedule for Load Shedding should a System Emergency require such action. The prioritization schedule shall also establish a sequence for the restoration of Load in

The ISO may establish standards for automatic communication of curtailment instructions to implement Load curtailment as a condition for accepting any offered Curtailable Demand as an Ancillary Service.

2.3.2.9 System Emergency Reports and Sanctions.

2.3.2.9.1 Review of Major Outages. The ISO with the cooperation of any affected UDC shall jointly perform a review following a major Outage that affects at least ten (10) percent of the Load served by the Distribution System of a UDC or any Outage that results in major damage to the ISO Controlled Grid or to the health and safety of personnel. The review shall address the cause of the Outage, the response time and effectiveness of emergency management efforts, and whether the operation, maintenance or scheduling practices of the ISO, any Participating TOs, Eligible Customers, UDCs or Participating Generators enhanced or undermined the ability of the ISO to maintain or restore service efficiently and in a timely manner.

2.3.2.9.2 Provide Information to Review Outages. Participating TOs, Participating Generators, Eligible Customers, Scheduling Coordinators and UDCs shall promptly provide information requested by the ISO to review Outages pursuant to Section 2.3.2.9.1 and to prepare Outage reports. The ISO shall seek the views of any affected Participating TOs, Participating Generators, Eligible Customers, Scheduling Coordinator or UDCs and allow such affected Participating TOs, Participating Generators, Eligible Customers, Scheduling Coordinators or UDCs to comment on any issues arising during the preparation of a report. All findings and reports arising from

2.4.4.2.2 Under either of the alternatives referred to in Section 2.4.4.2.1, modifications to an Existing Contract may be needed. Any required modifications must be agreed upon by all parties to the contract. Failure of the parties to reach agreement on the modifications required under Section 2.4.4.2.1 shall be addressed using the dispute resolution provisions of the Existing Contract, including any remedies as are provided by law consistent with the terms of the Existing Contract. The rights of the parties to challenge such changes, under the FPA or as otherwise provided by law, are preserved.

2.4.4.3 Converted Rights.

2.4.4.3.1 A recipient of transmission service under an Existing Contract that chooses to become a Participating TO and convert its rights to ISO transmission service, and the Participating TO which provides the transmission service under the Existing Contract shall change the terms and conditions of the contract to provide that:

2.4.4.3.1.1 The recipient of the transmission service received under an Existing Contract that has converted its rights to ISO transmission service shall turn over Operational Control of its transmission entitlement to the ISO for management by the ISO in accordance with the ISO's scheduling, Congestion Management, curtailment and other ISO Protocols;

2.4.4.3.1.2 The recipient of the transmission service under an Existing Contract that has converted its rights to ISO transmission service shall obtain all future transmission services within, into (starting at the ISO Controlled Grid), out of, or through the ISO Controlled Grid using the ISO's scheduling and operational procedures and protocols and the ISO Tariff and

