GUARANTY

This Guaranty (“**Guaranty**”) dated as of [*insert date*] is made by [*insert legal name*] Corporation (“**Guarantor**”) for the benefit of the California Independent System Operator Corporation (the “**ISO**”). All capitalized terms not herein defined shall be given their meaning as set forth in the ISO Tariff.

RECITALS

A. Guarantor is the “Affiliate”, as defined in the ISO’s Tariff and Protocols, as in effect and promulgated from time to time (the “**Tariff**”) of one or more persons (such Affiliates, collectively, the “**Market Participants**”) that have entered into, desire to enter into or may in the future desire to enter into transactions in the ISO markets and/or schedule energy over the ISO-controlled transmission grid (collectively, “**Transactions**”) under various agreements, including but not limited to the Scheduling Coordinator Agreement, Congestion Revenue Right Agreements, the Business Practice Manual for Credit Management and the ISO Tariff (collectively, “**Agreements**”);

B. The Market Participants include the persons listed on Schedule 1, and all other Affiliates of Guarantor, whether or not named or presently existing, that become parties to Transactions or Agreements, or both, from time to time;

C. One or more Market Participants do not have a sufficient Aggregate Credit Limit to adequately secure its Estimated Aggregate Liability required under the Tariff to enter into Transactions;

D. Guarantor will directly or indirectly benefit from the Agreements and the Transactions to which any of its Affiliates become a party; and

E. Accordingly, in order to minimize the financial exposure of the ISO and its markets, Guarantor shall guarantee the prompt payment and performance of the obligations of each of the Market Participants to the ISO and its markets under the applicable Agreements, on the terms of this Guaranty.

NOW, THEREFORE, to induce the ISO to allow Market Participants to enter into Transactions and in consideration of the ISO agreeing to conduct business with Market Participant in accordance with the Agreements, Guarantor hereby covenants and agrees for the benefit of the ISO as follows:

1. GUARANTY. Subject to the provisions of this Guaranty, Guarantor hereby irrevocably and unconditionally guarantees the full and timely payment and performance when due of the obligations of Market Participants under the Agreements, whenever and by whomever incurred (the “**Obligations**”) in accordance with the terms of the Agreements. In furtherance, and not in limitation of the foregoing, if any Market Participant fails to pay or perform any Obligation, Guarantor shall pay to or perform for the benefit of the ISO the amount or performance due in the same currency and manner and at the times provided for in the Agreements. This Guaranty constitutes a guarantee of payment and performance and not of collection. The liability of Guarantor under the Guaranty is subject to the following:
	1. Guarantor’s monetary liability under this Guaranty is specifically limited to payments expressly required to be made in accordance with the Agreements (even if such payments are deemed to be damages), together with the Costs (as set forth in Section 14 (*Costs and Expenses*)) and, except to the extent specifically provided in the Agreements or elsewhere in this Guaranty, in no event will Guarantor be subject under this Guaranty to consequential, exemplary, equitable, loss of profits, or punitive damages.
	2. Notwithstanding Section 1(a), the aggregate liability of the Guarantor under this Guaranty will not exceed $ [*insert Guaranty amount*] USD at any one time, plus Costs, which amounts may be allocated among the Market Participants and Obligations in such amounts as the ISO, in its sole discretion, determines.
2. DEMANDS AND NOTICE. If any Market Participant fails to pay or perform any Obligations, the ISO may enforce Guarantor's liability without first proceeding against that Market Participant or any other Market Participant or resorting to any collateral, security or other guarantors or obligors, if any, or pursuing any other remedy. Guarantor shall pay to the ISO any and all amounts due by a Market Participant immediately upon delivery of notice from the ISO stating that such failure has occurred and the total amount then owing. No further detail shall be required in the ISO's notice, Guarantor agreeing herby to look to the Market Participant for any and all relevant information regarding Market Participants’ performance and liability. The liability of Guarantor to the ISO will in no way be diminished or delayed on account of any failure or delay in delivering such notice. If more than one Market Participant has failed to pay or perform any Obligations, the ISO may proceed against such Market Participants in such order and for such Obligations, or portions thereof, as the ISO, in its sole description, determines.
3. TERM. This Guaranty will remain in full force and effect until the date it is terminated by thirty (30) days Notice from Guarantor to ISO. When this Guaranty is terminated in accordance with the foregoing, Guarantor will have no further liability hereunder, except as provided in the last sentence of this paragraph. No such termination will affect Guarantor’s liability with respect to any Obligations arising from Transactions occurring prior to termination, or to pay any related Costs, regardless of when such Costs are incurred, so long as they are connected with such transactions.
4. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants that:
	1. it is a corporation duly organized and validly existing under the laws of [*insert state of incorporation for U.S. corporations, country of origin for non-U.S. Corporations*] and has the corporate power and authority to execute, deliver and carry out the terms and provisions of this Guaranty;
	2. no authorization, approval, consent or order of, or registration or filing with, any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty;
	3. Guarantor understands and acknowledges that it is a condition of ISO’s willingness to accept this Guaranty and allow one or more Market Participants to participate in the benefit of Transactions that Guarantor undertake to guaranty the Obligations of all of its Affiliates entering into Transactions, whether or not (i) such Affiliates exist or are Market Participants as of the date of this Guaranty, (ii) Guarantor has actual knowledge of a Market Participant’s participation or of specific Transactions, (iii) such Affiliates are specifically identified in this Guaranty or in Schedule 1, or (iv) any Market Participant at any time has sufficient Aggregate Credit Limits to adequately secure its “Aggregate Liability” or “Estimated Aggregate Liability” as such terms are defined in the Tariff;
	4. this Guaranty constitutes a valid and legally binding agreement of Guarantor enforceable against Guarantor in accordance with its terms, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally and by general principles of equity; and

(e) that, as applicable, Guarantor, if it is a foreign guaranty, has fully read, understands and is in compliance with the acceptance criteria for foreign or Canadian guarantees as described in Section 5.4 or 5.5, respectively, of the Business Practice Manual for Credit Management.

1. NOTIFICATION OF MARKET PARTICIPANT STATUS. For the convenience of the parties, and not as a condition to any of the ISO’s rights and remedies under this Guaranty, the ISO may from time to time notify Guarantor of those persons that the ISO believes to be Market Participants, provided that no errors in or failure to deliver such notice will in any way diminish any of the obligations of Guarantor with respect to any satisfying the definition of Market Participant under this Guaranty, whether or not such person was so identified in any such notice.
2. EFFECT OF BANKRUPTCY BY MARKET PARTICIPANT and as applicable, all Affiliates of Guarantor. The Guarantor’s obligation to pay under this Guaranty will not be affected in any way by the institution with respect to any Market Participant of a bankruptcy, reorganization, moratorium or similar insolvency proceeding or other relief under any bankruptcy or insolvency law affecting creditor’s rights or a petition for any Market Participant’s winding-up or liquidation.
3. AMENDMENT. No term or provision of this Guaranty may be amended, modified, altered, waived, or supplemented except in a writing signed by the Guarantor and the ISO.
4. WAIVERS. Guarantor hereby waives
	1. notice of acceptance of this Guaranty;
	2. presentment and demand concerning the liabilities of Guarantor other than as stated in Article 2 of this Guaranty;
	3. any right to require that any action or proceeding be brought against any Market Participant or any other person, or to require that the ISO seek enforcement of any performance against any Market Participant or any other person, prior to any action against Guarantor under the terms hereof;
	4. Guarantor’s rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the Guarantor by reason of California Civil Code Sections 2787 to 2855, inclusive, or any other source of law; and
	5. Any rights or defenses the Guarantor may have in respect of the Obligations as a guarantor or other surety by reason of any election of remedies by the creditor, regardless of whether such election has destroyed Guarantor’s rights of subrogation and reimbursement against any Market Participant.
5. RIGHTS OF THE ISO. In furtherance, and not in limitation of the waivers in Section 7 (*Waivers*), Guarantor acknowledges and agrees that: (i) any collateral, security or obligations of any other guarantors or obligors relating to the Obligations, if any, may be sold, released, surrendered, exchanged, settled, compromised, waived, subordinated or modified, in each case without consideration and on any terms or conditions, without notice to or further assent from Guarantor; (ii) all remedies, rights, powers and privileges granted to the ISO pursuant to this Guaranty are cumulative and not alternative; (iii) the exercise of any or all such rights by the ISO will not reduce, limit, impair, discharge, terminate, or otherwise affect the liability of Guarantor; (iv) except as to applicable statutes of limitation, no delay of the ISO in the exercise of, or failure to exercise, any rights hereunder will operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any Obligations.; (v) no partial exercise of any such rights will preclude the further exercise of such rights or the exercise of any other remedy or right by the ISO; and (vi) Guarantor consents to the renewal, compromise, extension, acceleration or other changes in the time of payment of or other changes in the terms of the Obligations or any changes or modifications to the terms of the Agreements.
6. GUARANTOR’S OBLIGATIONS INDEPENDENT. Guarantor’s obligations under this Guaranty are independent of those of any Market Participant. Guarantor’s obligations under this Guaranty are also several and independent of any other guarantees in effect with respect to any part of the above obligations and may be enforced regardless of the existence of any other guarantees. The ISO may bring an action against Guarantor without first proceeding against any Market Participant or any other person or security held by or for the benefit of a Market Participant and without pursuing any other remedy. The ISO’s rights under this Guaranty will not be exhausted by any action of the ISO until all of the Obligations have been fully paid and performed.
7. RIGHTS OF SUBROGATION. Guarantor will have no right of subrogation with respect to any payments it makes under this Guaranty until all of the Obligations of the Market Participant are paid in full.
8. ASSIGNMENT. The Guarantor may not assign this Guaranty without the express written consent of the ISO. The ISO may assign its rights under this Guaranty in its sole discretion.
9. NOTICE. Any notice, request, instruction, correspondence or other document to be given hereunder by any party to another (each, a “**Notice**”) must be in writing and delivered by nationally recognized overnight courier, or mailed by certified or registered mail, postage prepaid and return receipt requested, or by telegram or telecopier, as follows:

To the ISO: California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Attn: Treasury Department
Fax No.: (916) 608-5071

To Guarantor: [Name]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Address]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Address]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Address]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Address]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Attn]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 [Fax]\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Notice given by courier or mail will be effective upon actual receipt. Notice given by telegram or telecopier will be effective upon actual receipt if delivered during the recipient’s normal business hours, or at the beginning of the recipient’s next business day after receipt if not received during the recipient’s normal business hours. All notices by telegram or telecopier will be confirmed promptly after transmission in writing by certified or registered mail or personal delivery.

1. COSTS AND EXPENSES. Guarantor shall pay all reasonable costs and expenses (including, without limitation, reasonable attorneys’ fees) incurred by the ISO to enforce this Guaranty (collectively, “**Costs**”) provided that the Guarantor shall not be liable for any Costs if no payment under the Guaranty is due.
2. MISCELLANEOUS. THIS GUARANTY WILL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS. This Guaranty will be binding upon Guarantor, its successors and assigns and inure to the benefit of and be enforceable by the ISO, its successors and assigns. Any action, claim, dispute, cause of action or litigation of any kind related to or in any way arising out of this Guaranty initiated by Guarantor or a representative of the ISO will be brought in a State or federal court within Sacramento County, California. Guarantor and the ISO irrevocably consent, submit and attorn to the personal jurisdiction of such courts solely in connection with actions arising from this Guaranty, and to service of process by any means authorized by California law, and hereby waive the right to transfer the venue of any such litigation. Guarantor hereby waives any rights or defenses of sovereign immunity in connection with this Guaranty. The Guaranty embodies the entire agreement and understanding between Guarantor and the ISO and supersedes all prior agreements and understandings relating to the subject matter hereof. The headings in this Guaranty are for purposes of reference only, and will not affect the meaning hereof.
3. TARIFF IMPLICATIONS. The making of this Guaranty will not subject Guarantor to the requirements of any provisions or protocols of the ISO Tariff that would not apply to Guarantor in the absence of this Guaranty.

EXECUTED as of the day and year first above written.

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_