

September 21, 2021

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation

Docket No. ER21-___-000

Filing of Rate Schedule No. 6889 and Request for Privileged Treatment

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) requests that the Commission accept the attached Transferred Frequency Response Agreement (Agreement) between the CAISO and Tucson Electric Power Company (Tucson Electric) as a rate schedule.¹ The Agreement will secure 1 megawatt (MW) per 0.1 Hertz (Hz) in transferred frequency response from Tucson Electric for the period from December 1, 2021 through November 30, 2022, in order to help mitigate the risk that the CAISO may not have sufficient primary frequency response from its native resources to meet its obligations under North American Electric Reliability Corporation (NERC) Reliability Standard BAL-003. The CAISO respectfully requests that the Commission accept the Agreement effective December 1, 2021, and that the Commission grant privileged treatment to the materials contained in Attachment C to this filing.

I. Background

On September 16, 2016, the Commission conditionally accepted tariff revisions submitted by the CAISO to facilitate the CAISO's compliance with the frequency response requirements of NERC Reliability Standard BAL-003, entitled *Frequency*

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d. The CAISO has designated the Agreement as Rate Schedule No: 6889.

*Response and Frequency Bias Setting.*² The Commission approved Reliability Standard BAL-003 to establish frequency response requirements for balancing authority areas.³ Requirement 1 of Reliability Standard BAL-003 obligates each balancing authority to achieve an annual frequency response measure that equals or exceeds its frequency response obligation. A balancing authority's frequency response obligation is determined each year and reflects its proportionate share – based on annual generation and load – of the interconnection's frequency response obligation. Compliance with the annual frequency response obligation runs from December 1 through November 30 of the following year.

In the Frequency Response Compliance Orders, the Commission accepted tariff revisions that authorize the CAISO to procure transferred frequency response from other balancing authorities in the Western Interconnection as a means to ensure compliance with Requirement 1 of Reliability Standard BAL-003. In particular, section 42.2.1 of the CAISO tariff states:

If the CAISO concludes that it may be unable to provide sufficient frequency response consistent with Applicable Reliability Criteria, the CAISO may, acting in accordance with Good Utility Practice, negotiate contracts for Transferred Frequency Response. The CAISO will solicit bids for contracts for Transferred Frequency Response. The CAISO shall select the bids that permit the CAISO to satisfy Applicable Reliability Criteria at lowest cost consistent with the seller's capability to provide Transferred Frequency Response, and not to exceed the estimated cost of satisfying Applicable Reliability Criteria using additional procurement of Regulation Up.⁴

The Commission has previously accepted agreements for the CAISO to procure transferred frequency response under Reliability Standard BAL-003.⁵

Earlier this year, the CAISO initiated a competitive solicitation to request offers for transferred frequency response for the 2021-2022 compliance year. The CAISO

² *Cal. Indep. Sys. Operator Corp.*, 156 FERC ¶ 61,182 (2016), *order on compliance, clarification, and reh'g*, *Cal. Indep. Sys. Operator Corp.*, 158 FERC ¶ 61,129 (2017) (collectively, Frequency Response Compliance Orders).

³ *Frequency Response and Frequency Bias Setting Reliability Standard*, Order No. 794, 146 FERC ¶ 61,024 (2014).

⁴ CAISO tariff sections 11.34 and 42.2.2 govern the allocation of costs to scheduling coordinators for any transferred frequency response contract into which the CAISO enters pursuant to tariff section 42.2.1.

⁵ See Commission Letter Orders issued in docket nos. ER17-408 and ER17-411 on January 19, 2017, issued in docket nos. ER17-2387, *et al.* on October 27, 2017, issued in docket nos. ER19-179, *et al.* on December 11, 2018, issued in docket nos. ER19-2686 *et al.* on November 12, 2019, and issued in docket nos. ER20-2850, ER20-2853, ER20-2838 issued on November 18, 2020.

stated that it intended to secure transferred frequency response in an amount not to exceed 100 MW per 0.1 Hz.

Based on an assessment of prior frequency events and the performance of resources during those events⁶, the CAISO determined it should procure 41 MW per 0.1 Hz for the 2021-2022 compliance year to help the CAISO meet its compliance obligations. As part of its assessment, the CAISO examined its performance during prior frequency events in 2020 and 2021. The CAISO also considered the potential displacement of conventional generation by inverter-based resources. Some inverter-based resources will have frequency response capabilities, but some will not operate with available headroom to respond during a frequency disturbance. Finally, as part of its assessment, the CAISO considered potential frequency response capabilities of resources that will likely reach commercial operation during the 2021-2022 compliance year, including battery energy storage additions.

II. The CAISO Completed a Competitive Solicitation for Transferred Frequency Response for the 2021-2022 Compliance Year

On April 23, 2021, pursuant to section 42.2.1 of the CAISO tariff, the CAISO issued a request for proposals to provide transferred frequency response to balancing authorities in the Western Interconnection. The CAISO also provided a draft version of the Agreement that reflected the product the CAISO was soliciting. The CAISO accepted bids in response to the request for proposals up to and including June 8, 2021. Copies of the CAISO's request and supporting documents are provided with this transmittal letter as Attachment B.⁷

After the receipt of bids from balancing authorities or their authorized sellers, the CAISO evaluated those bids against prior frequency response performance by each bidder, as well as the frequency response needs estimated by the CAISO for the 2021-2022 compliance year. After this evaluation, the CAISO commenced negotiations with selected bidders to execute transferred frequency response contracts. As a result, the CAISO entered into an agreement with Tucson Electric.⁸

⁶ The CAISO will not know which specific frequency disturbance events NERC will select under Reliability Standard BAL-003 for the 2020-2021 compliance year until the first quarter of 2022.

⁷ The CAISO market notice announcing the request for proposals is available at <http://www.caiso.com/Documents/TransferredFrequencyResponseRequest-Proposal042321.html#search=Transferred%20Frequency>.

⁸ In addition to this filing, the CAISO will file a Transferred Frequency Response Agreement with the City of Seattle for 10 MW per 0.1 Hz and will file a Transferred Frequency Response Agreement with Bonneville Power Administration for 30 MW per 0.1 Hz.

The competitive solicitation the CAISO conducted was consistent with the guidance the Commission has provided for competitive solicitation processes to ensure that affiliates do not receive undue preference.⁹ In that regard, the Commission has ruled that competitive solicitation processes should follow four guidelines:

- a. *Transparency*: the competitive solicitation should be open and fair.
- b. *Definition*: the product or products sought through the competitive solicitation process should be precisely defined.
- c. *Evaluation*: evaluation criteria should be standardized and applied equally to all bids and bidders.
- d. *Oversight*: an independent third party should design the solicitation, administer bidding, and evaluate bids prior to selection.¹⁰

For purposes of securing transferred frequency response for the 2020-2021 compliance year, the CAISO's transferred frequency response competitive solicitation process satisfies these four principles and is also consistent with the CAISO's tariff. First, as reflected in the request for proposals, the competitive solicitation was open to all balancing authorities in the Western Interconnection, or their authorized sellers, that are able to provide transferred frequency response. Second, the CAISO defined transferred frequency response, which was the product subject to the solicitation.¹¹ The request for proposals identified the terms, timeline, bidding instructions for the solicitation, evaluation criteria, and terms of service reflected in a draft contract. Third, the CAISO selected bids, consistent with its tariff and evaluation criteria. These criteria

⁹ See *Allegheny Energy Supply Co., LLC*, 108 FERC ¶ 61,082, at P 22 (2004). Although the CAISO does not have an affiliate that could provide transferred frequency response, the Commission's guidance remains instructive.

¹⁰ *Id.*

¹¹ Appendix A to the CAISO tariff defines transferred frequency response as:

A frequency response performance adjustment under Applicable Reliability Criteria expressed in MW/0.1 Hz that a receiving Balancing Authority may acquire under an arrangement whereby another Balancing Authority adjusts its frequency response performance downward by the same amount it has provided to the receiving Balancing Authority.

Transferred Frequency Response is reported on applicable NERC/WECC forms, and applied consistently to each reported frequency disturbance event. On these forms, the delivering Balancing Authority decreases its performance and the receiving Balancing Authority increases its performance by the same amount.

Transferred Frequency Response may reflect an aggregate amount from multiple contracts. Any reported Transferred Frequency Response will not exceed the frequency response performance that the delivering Balancing Authority has produced as reflected in its annual frequency response measure.

include lowest cost and the bidders' ability to provide transferred frequency response.¹² The CAISO applied these criteria to all bids and bidders for transferred frequency response. Fourth, the CAISO, an independent entity, administered the competitive solicitation on behalf of the CAISO market and evaluated the bids.

III. Purpose of the Agreement

The Agreement between the CAISO and Tucson Electric governs the terms and conditions under which the Tucson Electric will provide transferred frequency response to the CAISO and the payment the CAISO will make to Tucson Electric for such service. Pursuant to the Agreement, Tucson Electric will provide transferred frequency response and document its performance on the appropriate NERC compliance forms for the 2020-2021 NERC Reliability Standard BAL-003 compliance year beginning on December 1, 2021. The CAISO has agreed to compensate Tucson Electric at the contract price for its performance. Under the Agreement, Tucson Electric and the CAISO will adjust their frequency response performance by the contract amount for each disturbance event selected by NERC to assess compliance under Reliability Standard BAL-003 between December 1, 2021 and November 30, 2022.

IV. The Commission Should Accept the Agreement for Filing

The Commission should accept for filing the Agreement as just and reasonable. The CAISO considered its recent performance in its response to frequency disturbance events to develop a procurement target. Based on this information, the CAISO identified 41 MW per 0.1 Hz quantity of transferred frequency response to procure in order to provide adequate insurance to meet its expected frequency response obligation for the 2021-2022 compliance year under NERC Reliability Standard BAL-003.

The CAISO developed an estimate of costs per MW to obtain 41 MW per 0.1 Hz from additional regulation up capacity. The CAISO compared the cost of the bids received to the anticipated cost of ensuring compliance with Reliability Standard BAL-003 through the procurement of additional regulation up. The CAISO's study used a two-part approach to estimate the costs of procuring additional regulation up capacity. The first step determined the quantity of regulation up capacity, which could provide desired frequency response without the procurement of transferred frequency response. The second step estimated annual increased market costs based on the increased hourly procurement requirements for regulation up and additional contributing variables such as seasonality and energy market prices. To derive this estimate, the CAISO employed a statistical learning model to perform a regression analysis, which accounted for variability and uncertainty of various contributing factors.

Section 42.2.1 of the CAISO tariff states that the CAISO will select the lowest cost bids consistent with the sellers' demonstrated ability to provide transferred

¹² CAISO tariff section 42.2.1.

frequency response. Tucson Electric demonstrated its ability to support its bid for transferred frequency response based on prior performance, and its bid reflected the lowest cost offer for the quantity selected. The CAISO evaluated the offers based on an estimate of costs the market might incur by procuring additional regulation up capacity in order to secure frequency response capability. The privileged version of Attachment C to this filing contains a comparison of bids received versus the potential cost to secure frequency response through the procurement of additional regulation up capacity. Tucson Electric's offer price for 1 MW per 0.1 Hz was below the CAISO's estimated cost to secure frequency response through procurement of additional regulation up capacity. Based on the bids received and consistent with the factors set forth in tariff section 42.2.1, the CAISO selected Tucson Electric's bid along with bids from two other entities to secure 41 MW per 0.1 Hz of transferred frequency response.

Beyond the contract amount and the contract prices, the Commission should accept the remaining terms and conditions of the Agreement between the Tucson Electric and the CAISO. The Agreement provides that transferred frequency response may not exceed the frequency response performance that the transferor balancing authority has produced as reflected in its annual frequency response measure under Reliability Standard BAL-003.¹³ This term of the Agreement ensures Tucson Electric can manage the risk of having sufficient frequency response to transfer to the CAISO under the Agreement without having to provide the contract amount in response to each disturbance event identified by Reliability Standard.

With respect to payment terms, the CAISO's payment to Tucson Electric reflects the provision of transferred frequency response during the entire 2021-2022 compliance period. The CAISO and Tucson Electric have agreed that Tucson Electric will invoice the CAISO for transferred frequency response and the CAISO shall pay the invoice electronically after collecting sufficient revenues from scheduling coordinators under section 11.34 of the CAISO tariff.

V. Effective Date

The CAISO respectfully requests that the Commission accept the attached Agreement effective as of December 1, 2021.¹⁴

VI. Request for Privileged Treatment

The CAISO is submitting both a privileged version and a public version of this filing. Pursuant to 18 C.F.R. § 388.112, the CAISO requests privileged treatment for

¹³ See Agreement, sections 1.6 – 1.7.

¹⁴ Specifically, pursuant to section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), the CAISO requests waiver of the 60-day notice requirement set forth in section 35.3(a)(1) of the Commission's regulations (18 C.F.R. § 35.3(a)(1)). The Agreement will continue in effect until April 1, 2022. Agreement, section 2.1.

information within a table included in Attachment C to this filing relating to bids submitted to provide transferred frequency response and the CAISO's cost comparison of these bids. The CAISO also requests privileged treatment of the potential costs of procuring additional regulation up capacity to meet its frequency response obligation identified on line 5 of page 3 of Attachment C as well as the equivalent regulation up capacity price of Tucson Electric's transferred frequency response bid identified on line 10 of page 3 of Attachment C. The CAISO has redacted this information from the public version of this filing. This information is confidential because it reflects sensitive commercial and financial information and its disclosure could harm CAISO market participants. The CAISO also submits a form of protective agreement as Attachment D to this filing.

VII. Service

Copies of this filing have been served upon Tucson Electric, the California Public Utilities Commission, the California Energy Commission, all parties with effective scheduling coordinator service agreements under the CAISO tariff, and the Commission's service list for Docket No. ER16-1483 (the proceeding in which the Commission issued the Frequency Response Compliance Orders). In addition, the CAISO is posting this transmittal letter and all public attachments on the CAISO website.

VIII. Attachments

The following attachments, in addition to this transmittal letter, support this filing:

Attachment A	Executed Transferred Frequency Response Agreement;
Attachment B	Copies of the CAISO's Request for Proposals and attachments thereto;
Attachment C	Comparison of bids received versus the potential cost to procure additional regulation up capacity (public and privileged versions are attached); and
Attachment D	Form of Protective Agreement.

IX. Communications

Pursuant to Rule 203(b) of the Commission's Rules of Practice and Procedure,¹⁵ the CAISO requests that all correspondence, pleadings and other communications concerning this filing be served upon the following whose names should appear on the official service list established by the Commission with respect to this submittal:

Anthony Ivancovich
Deputy General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 608-7222
aivancovich@caiso.com

Andrew Ulmer
Director, Federal Regulatory Affairs
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7209
Fax: (916) 608-7222
aulmer@caiso.com

X. Conclusion

The Commission should accept the Agreement between the CAISO and Tucson Electric effective December 1, 2021 and should grant privileged treatment to Attachment C to this filing. The Agreement will help ensure the CAISO meets the requirements of Reliability Standard BAL-003 for the 2021-2022 compliance year.

Respectfully submitted,

By: /s/ Andrew Ulmer

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel, Regulatory
Andrew Ulmer
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel. (916) 608-7209
Fax. (916) 608-7222
Email aulmer@caiso.com

*Attorneys for the California Independent
System Operator Corporation*

¹⁵ See 18 C.F.R. § 385.203(b).

Attachment A – Executed Agreement
Transferred Frequency Response Agreement between
Tucson Electric Power Company and
California Independent System Operator Corporation
September 21, 2021

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

TUCSON ELECTRIC POWER COMPANY

**TRANSFERRED FREQUENCY
RESPONSE AGREEMENT**



THIS TRANSFERRED FREQUENCY RESPONSE AGREEMENT

(**"AGREEMENT"**) is established this 23rd day of August, 2021, and is accepted by and between:

Tucson Electric Power Company ("Transferor Balancing Authority"), having its registered and principal executive office at 88 East Broadway Blvd., Tucson, Arizona, 85701.

and

California Independent System Operator Corporation ("CAISO or Transferee Balancing Authority"), a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate.

The Transferor Balancing Authority and the CAISO are hereinafter referred to as the "Parties" or individually as "Party."

Whereas:

- A.** The Parties named above operate Balancing Authority Areas.
- B.** On January 16, 2014, the Federal Energy Regulatory Commission ("FERC") adopted Order No. 794, approving the North American Electric Reliability Corporation ("NERC") reliability standard BAL-003-1.1.
- C.** The NERC Reliability Standard BAL-003-2 was issued by FERC with an effective date of December 1, 2020 to replace reliability standard BAL-003-1.1.
- D.** NERC implements reliability standards in coordination with regional reliability entities and the entity for the western region is the Western Electricity Coordinating Council ("WECC").
- E.** NERC will determine on an annual basis the Frequency Response Obligation for each Balancing Authority in the Western Interconnection.



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- F. On September 16, 2016, FERC accepted, subject to condition, CAISO tariff revisions that authorize the CAISO to procure Transferred Frequency Response to comply with NERC reliability standard BAL-003-1.1.
- G. The Parties wish to enter into this Agreement to establish the terms and conditions for Transferred Frequency Response.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

1 Definitions

- 1.1 **BAL-003-1.1** A NERC reliability standard, as it may be amended from time to time.
- 1.2 **BAL-003-2** A NERC reliability standard, effective from December 1, 2020 as it may be amended from time to time
- 1.3 **Balancing Authority.** The responsible entity that integrates resource plans ahead of time, maintains demand and resource balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
- 1.4 **Balancing Authority Area.** The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.
- 1.5 **Frequency Response Obligation.** The Balancing Authority's share of the required Interconnection Frequency Response Obligation as defined by NERC. This obligation will be expressed in megawatts per 0.1 Hertz (MW/0.1Hz).
- 1.6 **Frequency Response.** The sum of the change in demand, plus the change in generation, divided by the change in frequency, expressed in MW/0.1 Hz.
- 1.7 **Frequency Response Measure.** The median of all of the Frequency Response observations reported annually by Balancing Authorities or Frequency Response Sharing Groups for frequency events as specified by NERC under BAL-003-1.1. This measure will be calculated as MW/0.1HZ

1.8 Transferred Frequency Response. Frequency response performance adjustment under BAL-003-1.1 expressed in MW/0.1 Hz that a Transferee Balancing Authority may acquire under an arrangement whereby a Transferor Balancing Authority adjusts its reported Frequency Response by the same amount transferred and added to the Transferee Balancing Authority. Transferred Frequency Response does not change NERC-designated Frequency Response Obligation of any entity. Transferred Frequency Response is reported on applicable NERC/WECC forms, and applied consistently to each reported frequency disturbance event. The Transferor Balancing Authority adjusts its reported performance downward and the Transferee Balancing Authority adjusts its reported Frequency Response performance upward by the same amount. Transferred Frequency Response may reflect an aggregate amount from multiple contracts. Any reported Transferred Frequency Response may not exceed the frequency response performance that the Transferor Balancing Authority has produced as reflected in its annual Frequency Response Measure.

2. Term and Termination

2.1 Effective Date and Term

This Agreement shall be effective as of December 1, 2021, unless this Agreement is accepted for filing and made effective by the FERC on some other date, and shall continue in effect until April 1, 2023 (“Contract Term”) notwithstanding those terms that survive the Contract Term.

2.2 Conditional Pending FERC Acceptance

CAISO has stated its intent to file this Agreement for approval by the FERC. In the event that FERC does not accept this Agreement, or conditions its acceptance on terms that are unacceptable to either Party, either Party may terminate the Agreement by providing written notice within thirty (30) days of the FERC order. In the event of termination prior to the start of the Contract Term, any and all payments made under this Agreement will be returned to the payee.

3. Transferor Balancing Authority Obligations

3.1 Transferor Balancing Authority shall adjust its Transferred Frequency Response column of the Applicable NERC/WECC forms by 1 MW/0.1 Hz

(the “Contract Amount”) in accordance with the terms of BAL-003-1.1 from December 1, 2021 to November 30, 2022 the “Compliance Year.”

- 3.2** Transferor Balancing Authority shall produce sufficient Frequency Response such that the Frequency Response Measure is greater than or equal to the Contract Amount.
- 3.3** Transferor Balancing Authority shall reasonably cooperate with the CAISO in the event that either Party is subject to NERC or WECC regulatory inquiry or audit in connection with the Transferred Frequency Response that is the subject of this Agreement.

4 CAISO Obligations

- 4.1** As full consideration to Transferor Balancing Authority for its performance under this Agreement the CAISO shall compensate Transferor Balancing Authority \$70,000 (“Contract Price”). The Contract Price shall compensate Transferor Balancing Authority for any and all costs in connection with such performance, including but not limited to, any fines or reliability based penalties assessed against Transferor Balancing Authority under BAL-003-1.1 that result from the failure to supply the Contract Amount Transferred Frequency Response.
- 4.2** The CAISO shall reasonably cooperate with the Transferor Balancing Authority in the event that either Party is subject to NERC or WECC regulatory inquiry or audit in connection with the Transferred Frequency Response that is the subject of this Agreement.

5. Performance Obligations

If Transferor Balancing Authority fails to perform its obligations under Section 3, and such failure directly causes the CAISO to incur fines or penalties imposed by FERC, WECC or NERC for non-compliance with BAL-003-1.1, Transferor Balancing Authority shall be liable for the portions of the imposed fines or penalties applied against CAISO that are a direct consequence of such failure.

6 REPRESENTATIONS AND WARRANTIES

- 6.1** The CAISO is a California nonprofit public benefit corporation and that has the full power and authority to execute, deliver and perform its obligations under this Agreement.
- 6.2** Transferor Balancing Authority is a Balancing Authority and has the full power and authority to contract for, execute, deliver and perform obligations under this Agreement.
- 6.3** Both the CAISO and Transferor Balancing Authority mutually represent and warrant on behalf of their respective entity that this Agreement has been duly authorized, executed and delivered by or on behalf of such entity and is, upon execution and delivery, the legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms.

7 Liability

7.1 Liability to Third Parties

Except as otherwise expressly provided herein, nothing in this Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of CAISO or the Transferor Balancing Authority.

7.2 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other, shall be no greater than as explicitly stated herein. Except as otherwise expressly provided herein, neither Party, its directors, officers, employees, or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge, or expense, whether direct, indirect, or consequential, arising from the Party's performance or nonperformance under this Agreement, except for a Party's gross negligence, or willful misconduct.

Nothing contained in this Agreement shall be construed as creating a corporation, company, partnership, association, joint venture or other entity with the other Party, nor shall anything contained in this Agreement

be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party.

8. Miscellaneous

8.1 Notices

Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in writing and unless otherwise stated or agreed upon by the Parties shall be made to the representative of the other Party indicated in Schedule 1 and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, (d) upon receipt of confirmation by return e-mail if sent by e-mail or (e) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 1 relating to its address as that information changes. Such changes shall not constitute an amendment to this Agreement.

8.2 Waivers

Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Agreement, shall not constitute or be deemed a waiver of such right.

8.3 Governing Law and Forum

This Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with Federal Law. No provision of this Agreement shall be deemed to waive the right of any Party to protest, or challenge in any manner, whether this Agreement, or any action or proceeding arising under or relating to this Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

8.4. Uncontrollable Forces

8.4.1 An Uncontrollable Force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, or any other cause beyond the reasonable control of the Parties which could not be avoided through compliance with mandatory NERC Reliability Standards and WECC Regional Reliability Standards.

8.4.2 Neither Party will be considered in breach of any obligation under this Agreement or liable to the other for direct, indirect, and consequential damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force requiring the Party to suspend performance of its obligations. Each Party shall each use its best efforts to mitigate the effects of an Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligations hereunder in a timely manner.

8.5 Severability

If any term, covenant, or condition of this 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 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 Agreement.

8.6 Section Headings

Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in each Section.

8.7 Amendments

This Agreement and the schedule attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA, if applicable, and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

8.8 Counterparts

This 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 Agreement.

9 Payment and Billing Disputes

9.1 Payment

CAISO shall act in good faith and use its best efforts to submit payment to Transferor Balancing Authority as soon as possible. CAISO shall pay Transferor Balancing Authority the entire Contract Price no later than March 31, 2022.

All invoices must be submitted to the attention of Dennis Estrada DEstrada@caiso.com with a copy to Chhanna Hasegawa chasegawa@caiso.com

Payments to Tucson Electric Power Company shall be sent via wire transfer to:

Bank Name: Wells Fargo Bank
ABA: 121000248
Account: 4950029116

9.2 Billing Disputes


9.2.1 If the CAISO disputes any portion of an invoice the CAISO shall, within thirty (30) days after receipt of an invoice, provide written notice to Transferor Balancing Authority with a copy of the invoice noting the disputed amount and reason for the dispute. Notwithstanding whether any portion of the bill is in dispute, the CAISO shall pay the entire bill by the due date.

9.2.2 If the Parties agree, or if after a final determination of a dispute, the CAISO is entitled to a refund of any portion of the disputed amount, then Transferor Balancing Authority shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) divided by 365.

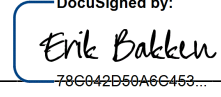


IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date first written above.

California Independent System Operator Corporation

By:  _____
Name: Neil Millar _____
Title: Vice President Infrastructure and Ops Planning _____
Date: 8/23/2021 _____

Tucson Electric Power Company

By:  _____
Name: Erik Bakken _____
Title: VP, System Operations and Energy Resources _____
Date: 8/23/2021 _____



SCHEDULE 1

Lauren Brigg

NOTICES

[Section 8.1]

Transferor Balancing Authority

Name of Primary

Representative:

Lauren Briggs

Title:

Manager, Balancing Authority Function

Company:

Tucson Electric Power Company

Address (U.S. Mail):

Mail Stop SC208, PO Box 711

City/State/Zip Code:

Tucson, AZ 85702

Email Address:

lbriggs@tep.com

Phone:

(520) 745-7157

Name of Alternative

Representative:

Sam Rugel

Title:

Director, System Control & Reliability

Company:

Tucson Electric Power Company

Address (Overnight):

Mail Stop SC208. P.O. Box 711

City/State/Zip Code:

Tucson, AZ 85702

Email Address:

SRugel@tep.com

Phone:

(520) 745-3265



CAISO

Name of Primary Representative: Regulatory Contracts
Title: N/A
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: RegulatoryContracts@caiso.com
Phone: (916) 351-4400
Fax: (916) 608-5063

Name of Alternative Representative: Christopher J. Sibley
Title: Manager, Regulatory Contracts
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: csibley@caiso.com
Phone: (916) 608-7030
Fax: (916) 608-5063