

Late Payment Enforcement Tariff Amendment

Fourth Replacement CAISO Tariff

January 27, 2010

All edits since the January 15th posting are shown in RED

All edits previously posted on January 15th are shown in BLUE

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11.29.9.2 CAISO Accounts to be Established.

The CAISO is authorized to establish and maintain bank accounts held in trust for Market Participants and obtain lines of credit and other banking facilities (not exceeding an aggregate amount set by the CAISO Governing Board) necessary for the operation of its Settlement and billing procedures. Unless otherwise specified in this CAISO Tariff the CAISO will recover all costs incurred in connection with these CAISO banking facilities through the appropriate component of the Grid Management Charge. The CAISO shall establish and operate the following accounts:

11.29.9.2.1 A CAISO Clearing Account to and from which all payments are made;

11.29.9.2.2 A CAISO Reserve Account from which any debit balances on the CAISO Clearing Account at the close of banking business on each Business Day shall be settled or reduced in accordance with this CAISO Tariff. The CAISO shall use the Financial Security provided by a Scheduling Coordinator, CRR Holder, or Candidate CRR Holder pursuant to Section 12, if necessary, to clear any debit balances on the CAISO Reserve Account that may arise as a result of that Scheduling Coordinator's or CRR Holder's failure to pay an amount due under this CAISO Tariff;

11.29.9.2.3 A CAISO Surplus Account; ~~and~~

~~**11.29.9.2.4** A CAISO Penalty Reserve Account; and~~

11.29.9.2.45 Such other accounts as the CAISO deems necessary or convenient for the purpose of efficiently implementing the funds transfer system under this CAISO Tariff. The CAISO shall notify Market Participants of the establishment of such accounts through the CAISO Website and by issuance of a Market Notice.

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

~~The CAISO will use all penalty amounts it collects for late payments of amounts set forth in Invoices pursuant to Section 11.29.14(c) and for late postings of Financial Security pursuant to Section 12.5.2(c) towards the funding of the CAISO Reserve Account, up to an annual limit of five (\$5) million. Any such penalty amounts that the CAISO collects in a given year that are in excess of the annual funding limit of~~

five (\$5) million will be used to offset the following year's Grid Management Charge revenue requirement pursuant to Schedule 1 of Appendix F.

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11.29.9.6.4 CAISO Penalty Reserve Account

- (a) The CAISO Penalty Reserve Account will be available to the CAISO for the purpose of using funds collected for late payments of amounts set forth in Invoices pursuant to Section 11.29.14(c) and for late postings of Financial Security pursuant to Section 12.5.2(c) to clear the CAISO Clearing Account in the event that there are insufficient funds in the CAISO Clearing Account to pay CAISO Creditors. If there are insufficient funds in the CAISO Clearing Account to pay CAISO Creditors and to clear the account on any Payment Date occurring on or after April 1, 2010, due to payment default by one or more CAISO Debtors, the CAISO shall transfer funds from the CAISO Penalty Reserve Account to the CAISO Clearing Account to clear it by close of banking business on that Payment Date pursuant to Section 11.29.13.4. If available funds in the CAISO Penalty Reserve Account are insufficient to clear the CAISO Clearing Account and the payment default is not cured, the payment default will be allocated in accordance with the CAISO Tariff. After the payment default is allocated in accordance with the CAISO Tariff, any funds that are subsequently added to the CAISO Penalty Reserve Account can only be used to clear the CAISO Clearing Account pursuant to this Section 11.29.9.6.4 for payment defaults that occur after the funds were added to the CAISO Penalty Reserve Account.
- (b) On December 31 of each year, the CAISO will draw any funds then available in the CAISO Penalty Reserve Account in excess of five (5) million dollars and will apply that excess to offset the following year's Grid Management Charge revenue requirement pursuant to Schedule 1 of Appendix F.
- (c) If the CAISO Penalty Reserve Account is drawn upon, the CAISO shall as soon as possible thereafter take any necessary steps against the defaulting

Scheduling Coordinator or CRR Holder, including making any calculations or taking any other appropriate action, to replenish the CAISO Penalty Reserve Account, including drawing on any credit support or other Financial Security provided by the defaulting Scheduling Coordinator or CRR Holder pursuant to Section 12 or serving demands on any defaulting Scheduling Coordinator if Financial Security has been exhausted or if no Financial Security is available due to establishment of an Unsecured Credit Limit.

- (d) The proceeds of drawings under any line of credit, other credit facility, or other Financial Security of the CAISO Penalty Reserve Account will be held on trust for CAISO Creditors to which amounts are owed on any Payment Date occurring on or after April 1, 2010. If the CAISO Penalty Reserve Account is replenished as provided for in this Section 11.29.9.6.4, any credits shall be held on trust for CAISO Creditors to which amounts are owed on any Payment Date occurring on or after April 1, 2010.

11.29.9.6.4.1 Replenishment Following Payment Default

If the CAISO has debited the CAISO Penalty Reserve Account, then:

- (a) If, after the CAISO has debited the CAISO Penalty Reserve Account on a Payment Date, the CAISO Bank receives a remittance from a CAISO Debtor which has not been (but should have been, if it had been received on a timely basis) credited to the CAISO Clearing Account by 10:00 am on the Payment Date and which required the debiting of the CAISO Penalty Reserve Account, such remittance shall be credited to the CAISO Penalty Reserve Account.
- (b) The proceeds of any enforcement of Financial Security and/or amounts recovered under proceedings shall be credited to the CAISO Penalty Reserve Account.
- (c) If, after taking reasonable action, the CAISO determines that the default amount (or any part) and/or Interest cannot be recovered, such amounts shall be deemed

to be owing by those Market Participants who were CAISO Creditors on the relevant Payment Date pro rata to the net payments they received on that Payment Date and shall be accounted for by way of a charge in the next Settlement Statements of those CAISO Creditors. Such charge shall be credited to the CAISO Penalty Reserve Account.

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11.29.13.4 Use of CAISO Reserve Account.

If there are funds standing to the credit of the CAISO Reserve Account or the CAISO Penalty Reserve Account (including the proceeds of drawings under banking facilities described in Sections 11.29.9.6.2 and 11.29.9.6.4), ~~or the CAISO Penalty Reserve Account~~, the CAISO shall debit the CAISO Reserve Account or and the CAISO Penalty Reserve Account with the default amount in order to clear the CAISO Clearing Account and effect payment to the CAISO Creditors.

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11.29.13.10 Application of Funds Received.

Amounts credited to the CAISO Clearing Account in payment of a default amount (as set out in Section 11.29.9.6.2.1 and 11.29.9.6.4.1) or as a result of enforcing the defaulting CAISO Debtor's Financial Security shall be applied to the CAISO Reserve Account pursuant to Section 11.29.9.6.2.1 or to the CAISO Penalty Reserve Account pursuant to Section 11.29.9.6.4.1 to reduce amounts outstanding under any CAISO banking facilities used to fund the CAISO Reserve Account or the CAISO Penalty Reserve Account on the relevant Payment Date and the balance (if any) shall be applied to reimburse pro rata any CAISO Creditors whose payments were reduced pursuant to Section 11.29.17.1.

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12.5.2 Enforcement Actions for Late Posting of Financial Security.

The CAISO will take the following enforcement actions against each Market Participant that is late in posting Financial Security within three (3) Business Days as required by Section 12.4:

- (a) After each of the first two (2) times during a rolling twelve (12)-month period that a Market Participant is late in posting additional Financial Security within three Business Days as

required by Section 12.4, the CAISO will send the delinquent Market Participant a warning [noticeletter](#).

[\(b\)](#) After the third time during a rolling twelve [\(12\)](#)-month period that a Market Participant is late in posting additional Financial Security, the CAISO may require the Market Participant to post an additional Financial Security Amount that is as high as the highest level of the Market Participant's Estimated Aggregate Liability during the preceding twelve [\(12\)](#) months. The CAISO will hold such additional Financial Security Amount for no fewer than twelve [\(12\)](#) months following the month in which the Market Participant's third delinquency occurs, and the CAISO may then return to the Market Participant all or a portion of such additional Financial Security Amount if, during the intervening time, the Market Participant has timely posted all further additional Financial Security Amounts requested by the CAISO and has timely paid all of the amounts set forth in the Invoices from the CAISO.

[\(c\)](#) After the third time and each subsequent time during a rolling twelve (12) month period that a Market Participant is late in posting additional Financial Security, the CAISO will assess a penalty to the Market Participant equal to the greater of \$1,000 or two ~~(2%)~~ percent (2%) of the additional Financial Security Amount that the Market Participant has been late in posting, up to a maximum amount of \$20,000 per each late posting for which the CAISO assesses a penalty pursuant to this Section 12.5.2(c). This penalty will be included in the next Invoice to the Market Participant. Penalty amounts collected by the CAISO pursuant to this Section 12.5.2(c) will be treated as set forth in Section [11.29.9.6.42.2](#).

[\(d\)](#) After the fourth and any subsequent times during a rolling twelve [\(12\)](#)-month period that a Market Participant is late in posting additional Financial Security, the CAISO may extend the time period that it holds all or a portion of the additional Financial Security Amount resulting from the Market Participant's third delinquency [during a rolling twelve \(12\) month period as described in Section 12.5.2\(b\)](#).

(e) After the fifth time during a rolling twelve (12) month period that a Market Participant is late in posting additional Financial Security, the CAISO may, notwithstanding any other provision of the CAISO Tariff, (i) suspend any and all rights of the Market Participant under the CAISO Tariff, effective immediately after the CAISO sends written notice of the suspension to the Market Participant, and (ii) terminate any agreement entered into between the CAISO and the Market Participant that allows the Market Participant to participate in the CAISO Markets, effective upon the date the CAISO sends written notice of the termination to the Market Participant or upon the date established in accordance with FERC rules if FERC rules require the CAISO to file the notice of termination with FERC. If the CAISO sends a notice of suspension or termination to a Market Participant pursuant to this Section 12.5.2(e), the Market Participant will not have the right to prevent such suspension or termination by curing its late posting of additional Financial Security. The CAISO will, following termination of an agreement pursuant to this Section 12.5.2(e) and within thirty (30) days of being satisfied that no sums remain owing by the Market Participant under the CAISO Tariff, return or release to the Market Participant, as appropriate, any money or credit support provided by such Market Participant to the CAISO under Section 12.

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

12.5.311.29.14 Enforcement Actions for Late Payments:

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

(a) After each of the first two (2) times during a rolling twelve- (12) month period that a Market Participant is late in paying the amount set forth in an Invoice from the CAISO, the CAISO will send the delinquent Market Participant a warning noticeletter.

(b) After the third time during a rolling twelve- ~~(12)~~ month period that a Market Participant is late in paying the amount set forth in an Invoice ~~from the CAISO~~, the CAISO may revoke the Market Participant's Unsecured Credit Limit and require the Market Participant to post cash or another form of Financial Security reasonably acceptable to the ISO in lieu of unsecured credit or ~~any other form of Financial Security~~ to secure the Market Participant's financial obligations. The CAISO will require such a cash posting for no fewer than twelve (12) months following the month in which the Market Participant's third delinquency occurs, and the CAISO may then return to the Market Participant all or a portion of the posted cash, reinstate the Market Participant's ability to use an Unsecured Credit Limit, and reinstate the Market Participant's ability to use unsecured credit or other form of Financial Security to secure the Market Participant's financial obligations if, during the intervening time, the Market Participant has timely paid all of the amounts set forth in its Invoices from the CAISO, and timely met any requests for Financial Security pursuant to Section 12.4.

(c) After the third time and each subsequent time during a rolling twelve (12) month period that a Market Participant is late in paying the amount set forth in an Invoice, the CAISO will assess a penalty to the Market Participant equal to the greater of \$1,000 or two ~~(2%)~~ percent (2%) of the amount set forth in the Invoice that the Market Participant has been late in paying, up to a maximum amount of \$20,000 per each late payment for which the CAISO assesses a penalty pursuant to this Section 11.29.14(c). ~~This penalty will be included in the next Invoice to the Market Participant.~~ Penalty amounts collected by the CAISO pursuant to this Section 11.29.14(c) will be treated as set forth in Section 11.29.9.6.42.2.

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

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

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

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CAISO Tariff Appendix A

Master Definitions Supplement

**CAISO Penalty Reserve
Account**

The account established by the CAISO pursuant to Section 11.29.9.6.4.

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