Swidler Berlin Shereff Friedman, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7643
WWW.SWIDLAW.COM

DAVID B. RUBIN
TELEPHONE: (202) 424-7516
FACSIMILE: (202) 424-7643
DBRUBIN@SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
TELEPHONE (212) 973-0111
FACSIMILE (212) 891-9598

March 9, 2004

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *California Independent System Operator Corporation*,
Docket Nos. ER00-2019-006, ER01-819-002 and ER00-608-000

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (1994), and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13 (2003), the California Independent System Operator Corporation ("ISO")[1] respectfully submits for filing an original and six copies of an amendment to the ISO Tariff. The amendment provides for a new term, "PTO Service Territory" (which replaces the recently implemented term, "PTO Service Area"), and clarifies certain related provisions.

The ISO makes this filing in fulfillment of a stipulation it offered during the hearing in the above identified dockets. The ISO originally proposed a revised definition of "PTO Service Area" in Amendment No. 49 to the ISO Tariff, which the Commission assigned Docket No. ER03-608. The ISO considered the new term necessary in order to implement the ISO's transmission Access Charge, which is currently being considered in Docket Nos. ER00-2019-006, *et al.* Intervenors raised a number of concerns in protests and testimony about its implications to other parts of the ISO Tariff. The parties agreed at hearing to a stipulation deferring the matter to a separate future filing. With this filing—duly authorized by the ISO Board prior to the filing of Amendment 49 and reconfirmed with the ISO Board on February 26, 2004, to effectuate these current changes—the ISO fulfils the terms of that stipulation.

I. BACKGROUND

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining the transmission Access Charges through which Participating Transmission

---

[1] Capitalized terms not otherwise defined are used in the sense given in the Master Definitions Supplement, ISO Tariff Appendix A.

Owners ("Participating TOs") recover the embedded costs of the transmission facilities constituting the ISO Controlled Grid. By Order dated May 31, 2000, the Commission accepted Amendment No. 27 for filing, suspended it, and set for hearing the proposed Access Charge methodology and related tariff revisions. *California Indep. Sys. Oper. Corp.*, 91 FERC ¶61,205 (2000). The Commission held the hearing in abeyance pending efforts at settlement and established settlement judge procedures with the Chief Judge acting as Settlement Judge. After lengthy negotiations, the parties were unable to resolve the issues. The Chief Judge therefore terminated settlement proceedings on December 9, 2002. A hearing convened in the Fall of 2003 with Judge Bobbie J. McCartney presiding, and her Honor is expected to issue an initial decision on March 11, 2004.

Subsequent to Amendment No. 27, the ISO has filed six amendments to the ISO Tariff that directly or indirectly affected the transmission Access Charge. All but one of these do not bear significantly on this filing.[2] The exception is Amendment No. 49, which was filed with the Commission on March 11, 2003, to address concerns raised by a number of parties and to improve and clarify the new methodology. Amendment No. 49 became effective June 1, 2003.

Among the areas of the ISO Tariff that the ISO sought to clarify was the term "Service Area," defined in Appendix A of the ISO Tariff. The prospect of new and differently situated types of Transmission Owners participating in the ISO required a concept of "service area" specifically applicable to the provision of transmission service rather than retail electric service area where a utility may serve Load. Such a provision was needed to accommodate additional participants having little or no end-use Load.[3] Consequently, the ISO proposed the following definition of PTO Service Area: "[A]n area in which a Participating TO provides transmission service, directly or indirectly, to its own Load, the Load of a UDC, the Load of a MSS, or the Load of End-Use Customers". In response to comments or protests by Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company, the ISO agreed to work with them to develop alternative language.

In the meantime, a related issue arose in another on-going proceeding, Docket No. ER98-3760-008, *et al.*, ("Unresolved Issues") which was addressing a number of outstanding tariff issues. Citing the prospect that PG&E might disaggregate its utility functions into separate companies, the ISO sought to de-couple the concept of the area occupied by the transmission network from that of the area occupied by the retail distribution network and therefore the area in which a utility served End-Use Customers. Previously,

---

[2] These amendments include the following: Amendment No. 34, filed with the Commission in December 2000 when the City of Vernon became a New Participating TO (thus triggering the new Access Charge methodology), became effective January 1, 2001; Amendment No. 45, filed June 28, 2002, which modified the process for keeping the Access Charge current with changing Transmission Revenue Requirements and clarified whether a customer pays the transmission Access Charge or Wheeling Access Charge rates, became effective July 1, 2002; Amendment No. 46, filed July 15, 2002, which implemented the Metered Subsystem concept, became effective September 1, 2002; Amendment No. 47, filed November 25, 2002, which addressed issues regarding the Cities of Anaheim, Azusa, Banning and Riverside becoming Participating TOs, became effective January 1, 2003; and Amendment No. 57, filed August 18, 2003, which was an addendum to ISO Tariff Amendment No. 49 to provide revenue disbursement to a New Participating TO that does not serve End-Use Customers, became effective October 17, 2003.

[3] *See* Answer of the California Independent System Operator Corporation to Motions to Intervene, Comments, Protests and Requests for Rehearing, filed in Docket No. ER00-608-000 at 4 (April 16, 2003).

there had been no particular need to distinguish between the transmission and distribution arms of the investor-owned utilities, so the meaning of "Service Area" relied on the context. The prospect that the transmission and distribution functions would disaggregate into separate affiliates made reliance on a loosely defined concept of "Service Area" increasingly less tenable. The need for separate definitions was reinforced by the prospect of independent transmission companies without Load becoming Participating TOs. By order issued July 25, 2003, based on a compliance filing made on January 7, 2003, in the Unresolved Issues proceeding, the Commission agreed that it was reasonable to allow for this distinction and approved the addition to the ISO Tariff of the term, "PTO Service Area," which was defined as "[a]n area in which a Participating TO provides transmission service to itself, a UDC, a MSS, or End-Use Customers." *California Indep. Sys. Oper. Corp., et al.*, 104 FERC ¶61,129 at P 14 (2003). This definition then overrode the changes the ISO made to the term in Amendment No. 49.

During the hearing of contested issues related to Amendments No. 27 and No. 49, the ISO continued to discuss with intervenors the issue of the appropriate definition of "PTO Service Area." A consensus emerged that this issue could not receive the attention that it deserved with the hearing in progress. The parties therefore agreed to a stipulation to defer the matter until after the hearing, with the ISO pledging "to continue to work with the parties to attempt to reach an agreement on an appropriate definition of PTO service area," and, "[r]egardless of whether an agreement is reached," to file, "within 75 days of the closing of the record of this proceeding, . . . an amendment to the ISO tariff under Section 205 proposing a new definition of PTO service area."[4] After circulation and discussion of the ISO's first draft proposal, certain parties suggested that, because of the complexity of the issues, additional time was necessary in order to attempt to work out a definition acceptable to all parties. The ISO agreed, and therefore requested an extension to March 9, 2004, for this purpose.[5]

The ISO then circulated draft provisions and attempted to respond to various concerns raised by intervenors. Although many of the concerns appear to have been resolved, the ISO has not been able to achieve consensus. Nonetheless, this amendment represents a product of the lengthy discussions and comments of all concerned parties.

II. TARIFF CHANGES

In this amendment, the ISO proposes to replace the definition of "PTO Service Area" approved in Docket No. ER98-3760-008 with a new term, "PTO Service Territory," and proposes related revisions to the ISO Tariff that would (i) provide a definition of service area for Participating TOs and accommodate different types of Participating TOs, (ii) clarify the ISO Tariff's provisions for transmission pricing, and (iii) clarify Participating TOs' obligations related to transmission planning and expansion.

[4] Hearing Transcript in ER00-2019-006, *et al.*, at 2253 (November 7, 2003).

[5] Unopposed Request for Modification of the Stipulation Concerning the Definition of PTO Service Area, Docket No. ER00-2019-006, *et al.* (February 6, 2004).

A. Types of Service Areas and Participating TOs

In order to avoid confusion of the term "Service Area", which refers to areas associated with regulated retail service, with the term for a service area, where a Participating TO provides transmission service, the amendment replaces the term "PTO Service Area" with "PTO Service Territory." This term includes a cut-off date of March 31, 2000 (the date that Amendment No. 27 was filed), for determining which transmission customers and facilities remain the responsibility of a Participating TO even if the transmission assets existing as of that date are transferred to another entity. According to the ISO's analysis, the only context in which this provision has a material effect on rates is a transfer from one Participating TO to another Participating TO that occurs prior to January 1, 2011.[6] The cut-off date also means that, because the facilities will remain in the PTO Service Territory of the first Participating TO, that Participating TO will retain planning responsibility for the facilities. The cut-off date is not applicable to the definition of Responsible Utility, which determines responsibility for the costs of Reliability Must-Run Units. In this manner, the Participating Transmission Owner that is best situated to relieve the local reliability need addressed by the Reliability Must-Run Unit retains cost responsibility.

Another new term, "SCPTO," provides a means to include, where appropriate, a Scheduling Coordinator that is or represents a Participating TO that serves its own Gross Load. Other definitions are revised to include entities in circumstances such as the California Department of Water Resources, including the term "UDC," which now includes as a "UDC" an entity serving its own Load, and changes the term "End-Use Customer/End-User" to refer more broadly to one that "consumes" rather than "purchases" electric power. Certain provisions are revised to eliminate redundancy, correct grammar, or tighten the language, such as revising "MSS" to read "MSS Operator" in a number of ISO Tariff sections in order to appropriately refer to the entity itself rather than its system.[7]

B. Clarification of Transmission Pricing Provisions

A principal purpose of the revised definitions is to clarify Sections 7.1 and 7.1.2 of the ISO Tariff. In addition to the incorporation of more appropriate defined terms, the ISO's proposal further clarifies these provisions and eliminates redundancy. These provisions now more clearly indicate whether an entity pays transmission Access Charge or the Wheeling Access Charge and how they otherwise apply. Section 7.2.7.3.3, which provided for allocation of the costs of Congestion Management associated with inactive Inter Zonal interfaces based on the Service Area of the Participating TO, is no longer needed and is therefore eliminated.

---

[6] This is the date that the Transition Period provided in Amendment No. 27 ends, and the High Voltage component of the transmission Access Charge is fully blended into a uniform rate applicable grid-wide.

[7] *See* proposed revisions to Sections 3.2, 3.2.2.1, 3.2.2.2, 5.2.8, 7.1, 7.1.2, 8.6, 11.2.4.2.1; Appendix A , definitions to Access Charge, Gross Load, Responsible Utility; Appendix F, Sections 1.2, 2, 3.1–3.7; 5.4, 5.7, 7, 10.1, 10.2; and the Dispatch Protocol, Sections 6.2.2 and 6.2.3.

C. Responsibility for Transmission Planning and Expansion

The ISO proposes in this amendment revisions to Sections 3.2, 3.2.2.1 and 3.2.2.2, in order to better clarify the obligations of Participating TOs for transmission planning and expansion with respect to its PTO Service Territory. Section 3.2 addresses situations where transmission assets owned by others cross a Participating TO's territory and where a Participating TO holds an ownership interest in transmission assets located outside of its territory but constituting part of the ISO Controlled Grid. The ISO's proposal excuses Participating TOs of responsibility for the former and specifies responsibility for the latter. Section 3.2.2.1 better defines the scope of the transmission expansion plans that Participating TOs must develop on an annual basis, reflecting the current practice of including a plan for the subsequent next five years and a 10 year plan.[8] Section 3.2.2.2 expands the scope of the ISO's responsibility to review all transmission expansion plans for a PTO Service Territory regardless of whether they are prepared pursuant to Section 3.2.2.1.

III. REQUESTS FOR WAIVERS AND EFFECTIVE DATE

The ISO requests that this amendment become effective in 60 days, on May 8, 2004. To the extent necessary the ISO requests waiver of the Part 35 requirements.

IV. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

Charles Robinson*
General Counsel
Anthony Ivancovich
Senior Regulatory Counsel
Deborah A. Le Vine
Director of Contracts
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 608-7296

David B. Rubin
Michael E. Ward*
Jeffrey W. Mayes
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW
Suite 300
Washington, DC 20007-5116
Tel: (202) 424-7500
Fax: (202) 424-7643

* Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3).

---

[8] This results in each applicable Participating TO providing the ISO with six cases on an annual basis. One case for each of the next five years, and an additional case for the ten-year period. This allows sufficient detail in the near-term, yet also permits a long-term outlook for major transmission projects that may be needed for the projected Load within the PTO Service Territory.

V. SERVICE

The ISO has served copies of this transmittal letter and all attachments hereto on the restricted service list in this proceeding, as well as to the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, the Participating Transmission Owners, and upon all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting the filing on its Website.

VI. SUPPORTING DOCUMENTS

Please find the following documents included in this filing:

- Revised ISO Tariff sheets (Attachment A);
- Black-lined ISO Tariff provisions showing the changes (Attachment B); and
- A form of notice suitable for publication in the *Federal Register* (Attachment C), which is also provided in electronic form on the enclosed diskette.

* * * * *

Two additional copies of this filing are enclosed that we request be time-stamped and returned with our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

Jeffrey Mayes

Charles Robinson
General Counsel
Anthony Ivancovich
Senior Regulatory Counsel

David B. Rubin
Michael E. Ward
Jeffrey W. Mayes
Swidler Berlin Shereff Friedman, LLP

Attorneys for the California Independent System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the restricted service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C.
this 9th day of March, 2004

Anthony Ivancovich

Anthony Ivancovich
Senior Regulatory Counsel
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
(916) 608-7135

J.W.M.

Attachment A

agreements. The New Participating TO shall assume responsibility for paying all Scheduling Coordinators charges regardless of whether the New Participating TO elects to become a Scheduling Coordinator or obtains the services of a Scheduling Coordinator.

3.2 Transmission Expansion.

A Participating TO shall be obligated to construct all transmission additions and upgrades that are determined to be needed in accordance with the requirements of this Section 3.2 and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the ISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 3.2.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

remedial action schemes, constrained-on Generation, interruptible Loads or reactive support. The Participating TO, in cooperation with the ISO, shall perform the necessary studies to determine the facilities needed to meet all Applicable Reliability Criteria. The Participating TO shall provide the ISO and other Market Participants with all information relating to a proposed transmission addition or upgrade that they may reasonably request (other than information available to them through the WSCC or any other applicable regional organization) and shall, through the WSCC or any other applicable regional organization coordinated planning processes, develop the scope of and assumptions for such studies that are acceptable to the ISO and those other Market Participants. The ISO shall be free to propose any transmission upgrades or additions it deems necessary to ensure System Reliability consistent with Applicable Reliability Criteria, and, subject to appropriate appeals, the Participating TO shall be obligated to construct such lines. After the ISO Operations Date, the ISO, in consultation with Participating TOs and any affected UDCs and MSSs, will work to develop a consistent set of reliability criteria for the ISO Controlled Grid which the Participating TOs will use in their transmission planning and expansion studies or decisions.

3.2.2 Transmission Planning and Coordination.

The ISO shall actively participate with each Participating TO and the other Market Participants in the ISO Controlled Grid planning process in accordance with the terms of this ISO Tariff and the Transmission Control Agreement.

3.2.2.1 Each Participating TO with a PTO Service Territory shall develop annually a transmission expansion plan covering the next five years plus a ten-year case for the Loads that are geographically embedded within its PTO Service Territory and are within the ISO Control Area, even if such Loads are served by another Participating TO. Such Participating TO shall coordinate with the ISO and other Market Participants in the development of such plan. The Participating TO shall be responsible for ensuring that its transmission expansion plan meets all Applicable Reliability Criteria.

3.2.2.2 The ISO shall review the Participating TOs' transmission expansion plans for the PTO Service Territory, whether or not such plans are subject to Section 3.2.2.1, to ensure that each Participating TO's expansion plans meet the Applicable Reliability Criteria. The Participating TO will provide the necessary assistance and information as part of the coordinated planning process to the ISO to enable it to carry out its own studies for these purposes. If the ISO finds that the Participating TO's plan or projects do not meet the Applicable Reliability Criteria, the ISO will provide comments and the Participating TO will reassess its plans, as appropriate. The ISO may also propose new projects or suggest project changes (*e.g.*, timing, project size) for consideration by the Participating TO. Changes or additions made by the ISO and accepted by the TO will be included in the Participating TO's expansion plan. Changes or additions not accepted in the coordinated planning process will be resolved through the ISO ADR Procedure.

3.2.2.3 The Participating TO will act as a Project Sponsor for Participating TO proposed economic or reliability projects that are included in its expansion plan. The Participating TO shall provide to the ISO any information that the ISO requires to enable the ISO to comply with WSCC and any other applicable regional coordination requirements pursuant to Section 3.2.6.

3.2.2.4 The ISO will be a member of the WSCC and other applicable regional organizations and participate in WSCC's operation and planning committees, and in other applicable regional coordinated planning processes. No Participating TO, Market Participant nor the ISO shall take any position before the WSCC or a regional organization that is inconsistent with a binding decision reached through the ISO ADR Procedure.

3.2.3 Studies to Determine Facilities to be Constructed.

Where a Participating TO is obligated to construct or expand facilities in accordance with this ISO Tariff or where the ISO or any Market Participant requests that a Facility Study be

Utility) in connection with services under Reliability Must-Run Contracts in the last 3 months for which invoices have been issued. The letter of credit must be issued by a bank or other financial institution whose senior unsecured debt rating is not less than A from S&P and A2 from Moody's. The letter of credit shall be in such form as the ISO may reasonably require from time to time by notice to the New Responsible Utility and shall authorize the ISO or the Owner to draw on the letter of credit for deposit solely into the RMR Owner Facility Trust Account in an amount equal to any amount due and not paid by the Responsible Utility under the ISO Invoice. The security provided by the New Responsible Utility pursuant to this Section 5.2.7.3 is intended to cover the New Responsible Utility's outstanding liability for payments it is liable to make to the ISO under this Section 5.2.7, including monthly payments, any reimbursement for capital improvement, termination fees and any other payments to which the ISO is liable under Reliability Must-Run Contracts.

5.2.8 Responsibility for Reliability Must-Run Charge Except as otherwise provided in Section 5.2.8.1, the costs incurred by the ISO under each Reliability Must-Run Contract shall be payable to the ISO by the Responsible Utility in whose PTO Service Territory the Reliability Must-Run Generating Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Generating Unit is located outside the PTO Service Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service Territories are contiguous to the PTO Service Territory in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the ISO. Where costs incurred by the ISO under a Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the ISO will file the allocation under Section 205 of the Federal Power Act.

6.5 Confidentiality.

All information posted on WEnet shall be subject to the confidentiality obligations contained in Section 20.3 of this ISO Tariff.

6.6 Standards of Conduct.

The ISO and all Market Participants shall comply with their obligations, to the extent applicable, under the standards of conduct set out in 18 C.F.R. §37.

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by any UDC, MSS Operator, or SCPTO that is serving Gross Load in a PTO Service Territory, and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The applicable High Voltage Access Charge and the Transition Charge shall be paid to the ISO by each UDC, MSS Operator, and SCPTO based on its Gross Load connected to a High Voltage Transmission Facility in a PTO Service Territory, either directly or through intervening distribution facilities, but not through a Low Voltage Transmission Facility. The applicable High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid by each UDC, MSS Operator, and SCPTO based on its Gross Load in the PTO Service Territory. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge, as provided in its TO Tariff. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO by such other Participating TO. The ISO shall provide to the applicable Participating TO a statement of the amount of Energy delivered to each UDC, MSS Operator, and SCPTO serving Gross Load that utilizes the Low Voltage Transmission Facilities of that Participating TO on a monthly basis. If a UDC, MSS Operator, or SCPTO that is serving Gross Load in a PTO Service Territory has Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights. Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

The procedures for public participation in a federal power marketing agency's ratemaking process are posted on the federal power marketing agency's website. Each federal power marketing agency shall also post on its website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. At the time the federal power marketing agency submits its application to become a New Participating TO in accordance with the Transmission Control Agreement, it shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC and the ISO.

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs, MSS Operators and SCPTOs serving Gross Load in a PTO Service Territory shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and Gross Load connected to the facilities of the UDC, MSS Operator, and SCPTO in the PTO Service Territory. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC, MSS Operator, or SCPTO that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC, MSS Operator, or SCPTO; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

7.2.7.3.3 [Not Used]

7.2.7.3.4 The initial inactive Inter-Zonal Interfaces are the interface between the San Francisco Zone and the remainder of the ISO Controlled Grid, and the interface between the Humboldt Zone and the remainder of the ISO Controlled Grid. The initial Inactive Zones are the San Francisco Zone and the Humboldt Zone.

7.2.7.3.5 The determination of whether a new Zone or an existing Inactive Zone should become an Active Zone and the determination of whether a workably-competitive Generation market exists for a substantial portion of the year, shall be made by the ISO Governing Board, using the same approval criteria as are used for the creation or modification of Zones. The ISO Governing Board shall adopt criteria that defines a "workably competitive Generation" market. The ISO Governing Board will review the methodology used for the creation or modification of Zones (including Active Zones and Inactive Zones) on an annual basis and make such changes as it considers appropriate.

7.3 Usage Charges and Grid Operations Charges.

7.3.1 Usage Charges for Inter-Zonal Congestion.

The Usage Charge is used by the ISO to charge Scheduling Coordinators for the use of Congested Inter-Zonal Interfaces. Subject to Section 2.4.4.4.4.1, the Usage Charge shall be paid by all Scheduling Coordinators that use a Congested Inter-Zonal Interface. If a Scheduling

8.5 Operating and Capital Reserves Account.

Revenues collected to fund the ISO financial operating reserves shall be deposited in an Operating and Capital Reserves Account until such account reaches a level specified by the ISO Governing Board. The Operating and Capital Reserves Account shall be calculated separately for each GMC service category (Core Reliability Services, Energy Transmission Services, Forward Scheduling, Congestion Management, Market Usage, and Settlements, Metering and Client Relations). If the Operating and Capital Reserves Account as calculated for such service category is fully funded, surplus funds will be considered an offset to the revenue requirement of the next fiscal year.

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to, annually, for all New Participating TOs, the amount, if any, by which the New Participating TO's cost of Existing High Voltage Facilities associated with Gross Loads in the PTO Service Territory of the New Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in

Ancillary Services markets, to avoid an intervention in market operations or to prevent or relieve a System Emergency. Such Dispatch may result from, among other things, planned and unplanned transmission facility outages; bid insufficiency in the Ancillary Services and Real-Time Energy markets; and location-specific requirements of the ISO. The cost associated with each Dispatch instruction is broken into two components:

a) the portion of the Energy payment at or below the Market Clearing Price ("MCP") for the Settlement Interval, and

b) the portion of the Energy payment above the MCP, if any, for the Settlement Interval.

For each Settlement Interval, costs above the MCP incurred by the ISO for such Dispatch instructions necessary as a result of a transmission facility outage or in order to satisfy a location-specific requirement in that Settlement Interval shall be payable to the ISO by the Participating Transmission Owner in whose PTO Service Territory the transmission facility is located or the location-specific requirement arose. The costs incurred by the ISO for such Dispatch instructions for reasons other than for a transmission facility outage or a location-specific requirement will be recovered in the same way as for Instructed Imbalance energy.

11.2.4.2.2 Allocation of Above-MCP Costs For Accepted Bids

For each Settlement Interval, the at or below-MCP costs incurred as a result of accepted bids in the ISO Imbalance Energy Markets shall be allocated in accordance with 11.2.4.1. Allocation of above-MCP costs for accepted bids in the ISO Imbalance Energy Markets shall be in accordance with this Section 11.2.4.2.2 as follows.

11.2.4.2.2.1 Allocation of Bid Costs Above the Maximum Bid Level

For each Settlement Interval, costs that are both above the MCP and above the Maximum Bid Level, incurred by the ISO as a result of Instructed Imbalance Energy and Dispatch instructions for reasons other than for a transmission facility outage or a location-specific requirement shall

Access Charge A charge paid by all UDCs, MSS Operators, and SCPTOs with Gross Load in a PTO Service Territory, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.

Active Zone The Zones so identified in Appendix I to the ISO Tariff.

Actual Imbalance A deviation between scheduled Generation and metered Generation at each UDC/ISO Controlled Grid boundary or at each Participating Generator's delivery point or a deviation between scheduled Load and metered Load at each UDC/ISO Controlled Grid boundary or ISO Control Area boundary.

Adjustment Bid A bid in the form of a curve defined by (i) the minimum MW output to which a Scheduling Coordinator will permit a resource (Generating Unit or Dispatchable Load) included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (ii) the maximum MW output to which a Scheduling Coordinator will permit the resource included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (iii) up to a specified number of MW values in between; (iv) a preferred MW operating point; and (v) for the ranges between each of the MW values greater than the preferred operating point, corresponding prices (in $/MWh) for

EMS (Energy Management System)	A computer control system used by electric utility dispatchers to monitor the real time performance of the various elements of an electric system and to control Generation and transmission facilities.
Encumbrance	A legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other legal restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the ISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date.
End-Use Customer or End-User	A consumer of electric power who consumes such power to satisfy a Load directly connected to the ISO Controlled Grid or to a Distribution System and who does not resell the power.
End-Use Meter Data	Meter Data that measures the Energy consumption in respect of End-Users gathered, edited and validated by Scheduling Coordinators and submitted to the ISO in Settlement quality form.
End-Use Meter	A metering device collecting Meter Data with respect to the Energy consumption of an End-User.

Grid Management Charge	The ISO monthly charge on all Scheduling Coordinators that provides for the recovery of the ISO's costs listed in Section 8.2 through the seven service charges described in Section 8.3 calculated in accordance with the formula rate set forth in Appendix F, Schedule 1, Part A of this Tariff. The seven charges that comprise the Grid Management Charge consist of: 1) the Core Reliability Services Charge, 2) the Energy Transmission Services Net Energy Charge, 3) the Energy Transmission Services Uninstructed Deviations Charge, 4) the Forward Scheduling Charge, 5) the Congestion Management Charge, 6) the Market Usage Charge, and 7) the Settlements, Metering, and Client Relations Charge.
Grid Operations Charge	An ISO charge that recovers redispatch costs incurred due to Intra-Zonal Congestion in each Zone. These charges will be paid to the ISO by the Scheduling Coordinators, in proportion to their metered Demand within, and metered exports from, the Zone to a neighboring Control Area.
Gross Load	For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a UDC, MSS Operator, or SCPTO located in a PTO Service Territory. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS Operator, or SCPTO that: is served by a Generating Unit that (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218

Preliminary Settlement Statement — The initial statement issued by the ISO of the calculation of the Settlements and allocation of the charges in respect of all Settlement Periods covered by the period to which it relates.

Price Overlap — The price range of bids for Supplemental Energy or Energy associated with Ancillary Services bids for any Dispatch Interval that includes decremental and incremental Energy Bids where the price of the decremental Energy Bids exceeds the price of the incremental Energy Bids.

Project Sponsor — A Market Participant or group of Market Participants or a Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 3.2 of the ISO Tariff.

Proxy Price — The value determined for each gas-fired Generating Unit owned or controlled by a Must-Offer Generator in accordance with Section 2.5.23.3.4.

PTO Service Territory — The area in which an IOU, a Local Public Owned Electric Utility, or federal power marketing administration that has turned over its transmission facilities and/or Entitlements to ISO Operational Control was obligated to provided electric service to Load as of March 31, 2000. A PTO Service Territory may be comprised of the Service Areas of more than one Local Publicly Owned Electric Utility in which each entity was obligated to provide electric service as of March 31, 2000, if they are operating under an agreement with the ISO for aggregation of their MSS and their MSS Operator is designated as the Participating TO.

PX (Power Exchange)	The California Power Exchange Corporation, a state chartered, nonprofit corporation charged with providing a Day-Ahead forward market for Energy in accordance with the PX Tariff. The PX is a Scheduling Coordinator and is independent of both the ISO and all other Market Participants.
PX Auction Activity Rules	The rules by which bids submitted to and validated by the PX may be modified or withdrawn during a PX Energy market auction.
Qualifying Hours	Qualifying Hours has the meaning set forth in Section 5.12.7.1.1.2.5.

Responsible Utility	The utility which is a party to the TCA in whose PTO Service Territory the Reliability Must-Run Unit is located or whose PTO Service Territory is contiguous to the PTO Service Territory in which a Reliability Must-Run Unit owned by an entity outside of the ISO Controlled Grid is located. For the purpose of this definition, the March 31, 2000, restriction in the definition of PTO Service Territory shall not be applicable.
Revenue Requirement	The revenue level required by a utility to cover expenses made on an investment, while earning a specified rate of return on the investment.
Revised Adjusted RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting any appropriate revisions to the Adjusted RMR Invoice based on the ISO's validation and actual data for the billing month.
Revised Estimated RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting appropriate revisions to the Estimated RMR Invoice based on the ISO's validation of the Estimated RMR Invoice.
Revised Schedule	A Schedule submitted by a Scheduling Coordinator to the ISO following receipt of the ISO's Suggested Adjusted Schedule.
RMR Owner	The provider of services under a Reliability Must-Run Contract.
Real-Time Dispatch ("RTD") Software	The security constrained optimal dispatch and ex post pricing software used by the ISO to determine which Ancillary Service and Supplementary Energy resources to Dispatch and to calculate the Ex Post Prices.
RTG (Regional Transmission Group)	A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion and use of transmission on a regional and inter-regional basis.

SCADA (Supervisory Control and Data Acquisition)	A computer system that allows an electric system operator to remotely monitor and control elements of an electric system.

Scheduling Point — A location at which the ISO Controlled Grid is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the ISO's Operational Control. A Scheduling Point typically is physically located at an "outside" boundary of the ISO Controlled Grid (e.g., at the point of interconnection between a Control Area utility and the ISO Controlled Grid). For most practical purposes, a Scheduling Point can be considered to be a Zone that is outside the ISO's Controlled Grid.

SCPTO — A Scheduling Coordinator that is neither a UDC nor an MSS Operator but is a Participating TO or represents a Participating TO that serves its or its representatives' Gross Load but does not serve End-Use Customers.

Security Monitoring — The real time assessment of the ISO Controlled Grid that is conducted to ensure that the system is operating in a secure state, and in compliance with all Applicable Reliability Criteria.

Service Area — An area in which an IOU or a Local Publicly Owned Electric Utility is obligated to provide electric service to End-Use Customers.

Set Point — Scheduled operating level for each Generating Unit or other resource scheduled to run in the Hour-Ahead Schedule.

TRR (Transmission Revenue Requirement)
The TRR is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.

Trustee
The trustee of the California Independent System Operator trust established by order of the California Public Utilities Commission on August 2, 1996 Decision No. 96-08-038 relating to the Ex Parte Interim Approval of a Loan Guarantee and Trust Mechanism to Fund the Development of an Independent System Operator (ISO) and a Power Exchange (PX) pursuant to Decision 95-12-063 as modified.

UDC (Utility Distribution Company)
An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that (i) serves its own Load or (ii) provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not eligible for direct access, or who choose not to arrange services through another retailer.

"TAC Benefit" means the amount, if any, for each year by which the cost of Existing High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the PTO Service Territory is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. The Tac Benefit of a New Participating TO shall not be less than zero.

"Transition Date" means the date defined in Section 4.2 of this Schedule.

2. Assessment of High Voltage Access Charge and Transition Charge.

All UDCs, MSS Operators, and SCPTOs in a PTO Service Territory serving Gross Loads directly connected to the transmission facilities or Distribution System of a UDC, MSS Operator, or SCPTO in a PTO Service Territory shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC, MSS Operator, or SCPTO that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC, MSS Operator, or SCPTO; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the PTO Service Territory of Pacific Gas and Electric Company and the PTO Service Territory of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the PTO Service Territory of Southern California Edison Company and the PTO Service Territory of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the PTO Service Territory of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited PTO Service Territories are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its PTO Service Territory will form a fourth TAC Area, the West Central Area.

3.3 If any of the following entities becomes a Participating TO, its PTO Service Territory will become part of the Northern Area: Sacramento Municipal Utility District, Western Area Power Administration - Sierra Nevada Region, the Department of Energy California Labs, Northern California Power Agency, City of Redding, Silicon Valley Power, City of Palo Alto, City and County of San Francisco, Alameda Bureau of Electricity, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc Utility Department, Modesto Irrigation District, Turlock Irrigation District, Plumas County Water Agency, City of Roseville Electric Department, City of Shasta Lake, and City of Ukiah or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Pacific Gas and Electric Company's Control Area prior to the ISO Operations Date.

3.4 If any of the following entities becomes a Participating TO, its PTO Service Territory will become part of the East Central Area: City of Anaheim Public Utility Department, City of Riverside Public Utility Department, City of Azusa Light and Water, City of Banning Electric, City of Colton, City of Pasadena Water and Power Department, The Metropolitan Water District of Southern California and City of Vernon or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Southern California Edison Company's Control Area prior to the ISO Operations Date.

3.5 If the California Department of Water Resources becomes a Participating TO, its High Voltage Transmission Revenue Requirements associated with High Voltage Transmission Facilities in the Northern Area would become part of the High Voltage Transmission Revenue Requirement for the Northern Area while the remainder would be included in the East Central Area.

3.6 If the City of Burbank Public Service Department (Burbank) and/or the City of Glendale Public Service Department (Glendale) become Participating TOs after or at the same time as the Los Angeles Department of Water and Power becomes a Participating TO, then the PTO Service Territory of Burbank and/or Glendale would become part of the West Central Area. Otherwise, if Burbank or Glendale becomes a Participating TO, prior to Los Angeles, its PTO Service Territory will become part of the East Central Area. Once either Burbank or Glendale are part of the East Central Area, they will not move to the West Central Area if such area is established.

transmission capacity to determine the amount of FTRs to be given to the New Participating TO in accordance with Section 9.4.3 of the ISO Tariff.

5. Determination of the Access Charge.

5.1 The Access Charge consists of a High Voltage Access Charge (HVAC) that is based on a TAC Area component and an ISO Grid-wide component, a Transmission Charge, and a Low Voltage Access Charge (LVAC) that is based on a utility-specific rate established by each Participating TO in accordance with its TO Tariff..

5.2 Each Participating TO will develop, in accordance with Section 6 of this Schedule 3, a High Voltage Transmission Revenue Requirement ($HVTRR_{PTO}$) consisting of a Transmission Revenue Requirement for Existing High Voltage Facility ($EHVTRR_{PTO}$) and a Transmission Revenue Requirement for New High Voltage Facility ($NHVTRR_{PTO}$). The $HVTRR_{PTO}$ includes the TRBA adjustment described in Section 6.1 of this Schedule 3.

5.3 The Gross Load amount in MWh shall be established by each Participating TO and filed at FERC with each Participating TO's Transmission Revenue Requirement (GL_{PTO}).

5.4 The HVAC applicable to each UDC, MSS Operator, or SCPTO serving Gross Load in the PTO Service Territory, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

5.5 The Existing Transmission Revenue Requirement for the TAC Area component ($ETRR_A$) is the summation of each Participating TO's $EHVTRR_{PTO}$ in that TAC Area. The Gross Load in the TAC Area (GL_A) is the summation of each Participating TO's Gross Load in that TAC Area (GL_{PTO}). The TAC Area component will be based on the product of Existing Transmission Revenue Requirement for the TAC Area ($ETRR_A$) and the applicable annual transition percentage (%TA) in Section 5.8 of this Schedule 3, divided by the Gross Load in the TAC Area (GL_A).

$$ETRR_A = \Sigma\, EHVTRR_{PTO}$$

$$GL_A = \Sigma\, GL_{PTO}$$

$$HVAC_A = (ETRR_A * \%TA) / GL_A$$

5.6 The Existing Transmission Revenue Requirement for the ISO Grid-wide component ($ETRR_I$) will be the summation of all TAC Areas' $ETRR_A$ multiplied by the applicable annual transition percentage (%IGW) in Section 5.8 of this Schedule 3. The New Transmission Revenue Requirement (NTRR) is the summation of each Participating TO's $NHVTRR_{PTO}$. The ISO Grid-wide component will be based on the $ETRR_I$ plus the NTRR, divided by the summation of all Gross Loads in the TAC Areas (GL_A).

$$ETRR_I = \Sigma\, ETRR_A * \%IGW$$

$$HVAC_I = (ETRR_I + NTRR) / \Sigma\, GL_A$$

The foregoing formulas will be adjusted, as necessary to take account of new TAC Areas.

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the PTO Service Territory of the Participating TO, including the UDC, MSS Operator, and/or SCPTO. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of

(b) the annual high voltage TRBA adjustment shall be based on the principal balance in the high voltage TRBA as of September 30, which shall be calculated as a dollar amount based on the projected Transmission Revenue Credits as adjusted for the true up of the prior year's difference between projected and actual credits. For a Participating TO that is not a UDC, MSS or a Scheduling Coordinator serving End-Use Customers and that does not have Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, the Participating TO shall include any over- or under- recovery of its annual High Voltage Transmission Revenue Requirement in its high voltage TRBA. If the annual high voltage TRBA adjustment involves only a partial year of operations, the Participating TO's over- or under- recovery shall be based on a partial year revenue requirement, calculated by multiplying the Participating TO's High Voltage Transmission Revenue Requirement by the number of days the High Voltage Transmission Facilities were under the ISO's Operational Control divided by the number of days in the year.

7 Limitation

(a) During each year of the transition period described in this Schedule 3, the increase in the total payment responsibility applicable to Gross Loads in the PTO Service Territory of an Original Participating TO attributable to the total for the year of (i) the amount applicable for the Original Participating TO under Section 8.6 of the ISO Tariff; plus (ii) the amount applicable to the implementation of the High Voltage Access Charge shall not exceed the amount specified in paragraph (b) of this section. This limitation shall be calculated individually for each Original Participating TO, provided that, if the net effect of clauses (i) and (ii) of this paragraph is positive for one or more Original Participating TOs for any year, the combined net effect shall be allocated among all Original Participating TOs in proportion to the amounts specified in paragraph (b) of this section. This limitation shall be applied by the ISO's calculation annually of amounts payable by New Participating TOs to Original Participating TOs such that the combined effect of clauses (i) and (ii) of this paragraph, and the payments received by each Original Participating TO shall not exceed the amounts specified in paragraph (b) of this section. The amount receivable by the Original Participating TO from the New Participating TOs to implement the limitation in paragraph (b) of this section, shall be credited through the Transition Charge established pursuant to Section 5.7 of this Schedule 3.

9.2 Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirements pursuant to applicable federal laws and regulations, including filing with FERC. All such filings with FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the appropriate Gross Load data and other information required by the FERC to support the Access Charges. The procedures for public participation in a federal power marketing agency's ratemaking process shall be posted on the federal power marketing agency's website. The federal power marketing agency shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. The Participating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

10. Disbursement of High Voltage Access Charge and Transition Charge Revenues.

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b)

(i) for a Participating TO that is a UDC, MSS Operator or SCPTO and has Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC, MSS Operator or SCPTO would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage Facilities served such UDC, MSS Operator, and SCPTO times the actual Gross Load of such UDCs, MSS Operators, and SCPTOs ("Utility-specific HVAC"); or

(ii) for a Participating TO that is not a UDC, MSS Operator or a SCPTO and that does not have Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the Participating TO's portion of the total Billed HVAC/TC in subsection (a) based on the ratio of the Participating TO's High Voltage Transmission Revenue Requirement to the sum of all Participating TOs' High Voltage Revenue Requirements.

(c) if the total Billed HVAC/TC in subsection (a) received by the ISO less the total dollar amounts calculated in Utility-specific HVAC in subsection (b)(i) and subsection (b)(ii) is different from zero, the ISO shall allocate the positive or negative difference among those Participating TOs that are subject to the calculations in subsection (b)(i) based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all of those Participating TOs' High Voltage Transmission Revenue Requirements that are subject to the calculations in subsection (b)(i). This monthly distribution amount is the "HVAC Revenue Adjustment";

(d) the sum of the HVAC revenue share determined in subsection (b) and the HVAC Revenue Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

10.2 If the same entity is both a Participating TO and a UDC, MSS Operator, or SCPTO, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC, MSS Operator, or SCPTO in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

11 Determination of Transmission Revenue Requirement Allocation Between High Voltage and Low Voltage Transmission Facilities.

11.1 Each Participating TO shall allocate its Transmission Revenue Requirement between the High Voltage Transmission Revneue Requirement and Low Voltage Transmission Revenue Requirement based on the “Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charges” posted on the ISO Home Page.

DP 5.7.3 Notification of Restoration of Backup ISO Control Center

Once the Backup ISO Control Center is again available all functions will be transferred back, and the Backup ISO Control Center will notify all Participants via the WEnet.

DP 5.8 Use of IOUs' Energy Control Center Computers

The ISO and the IOUs will comply with the procedures for the utilization by the ISO of the IOUs' Energy control center computers when developed. The ISO will post such procedures on the WEnet when agreed.

DP 6 ROUTINE OPERATION OF THE ISO CONTROLLED GRID

DP 6.1 Overview/Responsibility

The ISO shall operate the ISO Controlled Grid in accordance with the standards described in DP 2 and within the limit of all applicable nomograms and established operating limits and procedures.

DP 6.2 ISO Controlled Facilities

DP 6.2.1 General

The ISO shall have Operational Control of all transmission lines and associated station equipment that have been transferred to the ISO Controlled Grid from the PTOs as listed in the ISO Register.

DP 6.2.2 Primary ISO Control Center

The Primary ISO Control Center shall have Operational Control over:

(a) all transmission lines greater than 230kV and associated station equipment on the ISO Controlled Grid;

(b) all Interconnections; and

(c) all 230 kV and lower voltage transmission lines and associated station equipment identified in the ISO Register as that portion of the ISO Controlled Grid located in the PG&E PTO Service Territory.

DP 6.2.3 Backup ISO Control Center

The Backup ISO Control Center shall have Operational Control over all 230 kV and lower voltage transmission lines and associated station equipment identified in the ISO Register as that portion of the ISO Controlled Grid located in the SCE and SDGE PTO Service Territories.

DP 6.3 Clearing Equipment for Work

The clearance procedures of the ISO and the relevant UDC and PTO must be adhered to by all parties, to ensure the safety of all personnel working on ISO Controlled Grid transmission lines and equipment. In accordance with the OCP, no work shall start on any equipment or line which is under the Operational Control of the ISO unless final approval has first been obtained from the appropriate ISO Control Center. Prior

Attachment B

TARIFF CHANGES RELATING TO

THE REVISED DEFINITION OF

PTO SERVICE AREA

ISO TARIFF

3.2 Transmission Expansion

A Participating TO shall be obligated to construct all transmission additions and upgrades ~~within its PTO Service Area~~ that are determined to be needed in accordance with the requirements of this Section 3.2 and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the ISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 3.2.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

* * *

3.2.2.1 Each Participating TO with a PTO Service Territory shall develop annually a transmission expansion plan covering ~~a minimum five-year planning~~

~~horizon~~the next five years plus a ten-year case for the Loads that are geographically embedded within its PTO Service ~~Area~~Territory and are within the ISO Control Area, even~~,~~ if such Loads are served by another Participating TO. Such Participating TO shall coordinate with the ISO and other Market Participants in the development of such plan. The Participating TO shall be responsible for ensuring that its transmission expansion plan meets all Applicable Reliability Criteria.

3.2.2.2 The ISO shall review the Participating TOs' transmission expansion plans for the PTO Service Territory, whether or not such plans are subject to Section 3.2.2.1, to ensure that each Participating TO's expansion plans meet the Applicable Reliability Criteria. The Participating TO will provide the necessary assistance and information as part of the coordinated planning process to the ISO to enable it to carry out its own studies for these purposes. If the ISO finds that the Participating TO's plan or projects do not meet the Applicable Reliability Criteria, the ISO will provide comments and the Participating TO will reassess its plans, as appropriate. The ISO may also propose new projects or suggest project changes (*e.g.*, timing, project size) for consideration by the Participating TO. Changes or additions made by the ISO and accepted by the TO will be included in the Participating TO's expansion plan. Changes or additions not accepted in the coordinated planning process will be resolved through the ISO ADR Procedure.

* * *

5.2.8 Responsibility for Reliability Must-Run Charge Except as otherwise provided in Section 5.2.8.1, the costs incurred by the ISO under each Reliability Must-Run Contract shall be payable to the ISO by the Responsible Utility in whose PTO Service ~~Area~~Territory the Reliability Must-Run Generating Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Generating Unit is located outside the PTO Service ~~Area~~Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service ~~Areas~~Territories are contiguous to the PTO Service ~~Area~~Territory in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the ISO. Where costs incurred by the ISO under a Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the ISO will file the allocation under Section 205 of the Federal Power Act.

* * *

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by ~~each~~any UDC ~~or~~, MSS Operator, or SCPTO that is serving Gross Load in a PTO Service Territory,~~delivering the Energy for the supply of Gross Load in the PTO Service Area and by Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area, where such End-Use Customers are not directly paying for the use of transmission facilities of a UDC or MSS,~~ and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The applicable High Voltage Access Charge and the Transition Charge shall be paid to the ISO by ~~Scheduling Coordinators~~each UDC, MSS Operator, and SCPTO based on ~~all Energy delivered for the supply of~~ its Gross Load ~~directly or indirectly~~ connected to a High Voltage Transmission Facility in a PTO Service Territory, either directly or through intervening distribution facilities, but not through a Low Voltage Transmission Facility.~~by the Scheduling Coordinator and by any UDC or MSS served by the Scheduling Coordinator in the PTO Service Area.~~ The applicable High Voltage Access Charge, the Transition

Charge and the Low Voltage Access Charge ~~for the applicable Participating TO~~ shall be paid by each UDC, MSS Operator, and SCPTO based on ~~all Energy delivered to all other~~ its Gross Load in the PTO Service ~~Area~~Territory ~~by the Scheduling Coordinator and by any UDC or MSS served by the Scheduling Coordinator in the PTO Service Area~~. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge, as provided in its TO Tariff. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO by such other Participating TO. The ISO shall provide to the applicable Participating TO a statement of the amount of Energy delivered to each UDC, MSS Operator, and SCPTO serving Gross Load that utilizes the Low Voltage Transmission Facilities of that Participating TO~~and Scheduling Coordinators in its PTO Service Area by each Scheduling Coordinator~~ on a monthly basis. If a ~~Scheduling Coordinator or other entity~~UDC, MSS Operator, or SCPTO that is serving Gross Load in a PTO Service Territory has ~~an~~ Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, ~~the Scheduling Coordinator or other~~ such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights. ~~If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO.~~ Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

* * *

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs, MSS Operators and SCPTOs~~Scheduling Coordinators~~ serving Gross Load in ~~the~~a PTO Service ~~Area~~Territory shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and ~~all Energy delivered for the supply of~~ Gross Load connected to the facilities of the UDC, ~~or~~ MSS Operator, and SCPTO in the PTO Service ~~Area~~Territory~~, or for a Scheduling Coordinator in the PTO Service Area with respect to the Gross Load of End-Use Customers not directly connected to the facilities of a UDC or MSS, all Energy delivered to such Gross Load~~. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC, ~~or an~~ MSS Operator, or SCPTO that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC, ~~or~~ MSS Operator, or SCPTO; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

* * *

7.2.7.3.3 **[Not Used]** ~~For Inactive Zones, any costs associated with Congestion Management on the inactive Inter-Zonal Interface (for example, the above market costs associated with Generation "call" contracts) will be allocated to the Service Area of the Participating TOs who own the inactive Inter-Zonal Interface, as set forth in the TO Tariff and any Intra-Zonal Congestion Management costs within the Inactive Zone and the adjacent Zone will be combined and will be allocated as if the two Zones were a single Zone.~~

* * *

8.6 Transition Mechanism.

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to, annually, for all New Participating TOs, the amount, if any, by which the New Participating TO's cost of Existing High Voltage Facilities associated with ~~deliveries of Energy to~~ Gross Loads in the PTO Service ~~Area~~Territory of the New Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in accordance with Schedule 3 to Appendix F. Amounts payable by Original Participating TOs under this section shall be recoverable as part of the Transition Charge calculated in accordance with Schedule 3 of Appendix F. Amounts received by the ISO under this section shall be disbursed to New Participating TOs with Existing High Voltage Facilities based on the ratio of each New Participating TO's net increase in costs in the categories described in the first sentence of this section, to the sum of the net increases in such costs for all New Participating TOs with Existing High Voltage Facilities.

* * *

11.2.4.2.1 Allocation of Costs Resulting From Dispatch Instructions

Pursuant to Section 11.2.4.1, the ISO may, at its discretion, Dispatch any Participating Generator, Participating Load and dispatchable System Resource that has not bid into the Imbalance Energy or Ancillary Services markets, to avoid an intervention in market operations or to prevent or relieve a System Emergency. Such Dispatch may result from, among other things, planned and unplanned transmission facility outages; bid insufficiency in the Ancillary Services and Real-Time Energy markets; and location-specific requirements of the ISO. The cost associated with each Dispatch instruction is broken into two components:

a) the portion of the Energy payment at or below the Market Clearing Price ("MCP") for the Settlement Interval, and

b) the portion of the Energy payment above the MCP, if any, for the Settlement Interval.

For each Settlement Interval, costs above the MCP incurred by the ISO for such Dispatch instructions necessary as a result of a transmission facility outage or in order to satisfy a location-specific requirement in that Settlement Interval shall be payable to the ISO by the Participating Transmission Owner in whose PTO Service ~~Area~~Territory the transmission facility is located or the location-specific requirement arose. The costs incurred by the ISO for such Dispatch instructions for reasons other than for a transmission facility outage or a location-specific requirement will be recovered in the same way as for Instructed Imbalance energy.

* * *

Access Charge	A charge paid by all UDCs, MSS Operators, and SCPTOs~~,~~ ~~in certain cases, Scheduling Coordinators,~~ with ~~delivering Energy to~~ Gross Load in ~~the~~a PTO Service ~~Area~~Territory, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.

* * *

End-Use Customer or **End-User**	A ~~purchaser~~consumer of electric power who ~~purchases~~consumes such power to satisfy a Load directly connected to the ISO Controlled Grid or to a Distribution System and who does not resell the power.

* * *

Gross Load

For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a UDC, ~~or~~ MSS Operator, or SCPTO located in a PTO Service Territory~~, and all Energy provided by a Scheduling Coordinator for the supply of Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS~~. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC, MSS Operator, or SCPTO~~Scheduling Coordinator~~ that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an outage of the Generating Unit serving the Load. In the case of a Local Publicly Owned Electric Utility that (a) is a Participating TO, (b) is in compliance with all metering requirements of Section 10 and the Metering Protocols of the ISO Tariff applicable to a utility that is an ISO Metered Entity, and (c) has not received a waiver of such metering requirements, Gross Load shall also exclude the portion of the Local Publicly

Owned Electric Utility's Load that is served by a Generating Unit that (a) is directly connected to the Load through the Local Publicly Owned Electric Utility's Distribution System, (b) has certified and polled metering, and (c) is operated at greater than 50% capacity in the current month as measured by such a meter. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

* * *

PTO Service ~~Area~~Territory	~~An~~The area in which an IOU, a Local Publicly Owned Electric Utility, or federal power marketing administration that has turned over its transmission facilities and/or Entitlements to ISO Operational Control was obligated to provided electric service to Load as of March 31, 2000. A PTO Service Territory may be comprised of the Service Areas of more than one Local Publicly Owned Electric Utility in which each entity was obligated to provide electric service as of March 31, 2000, if they are operating under an agreement with the ISO for aggregation of their MSS and their MSS Operator is designated as the Participating TO. ~~a Participating TO provides transmission service to itself, a UDC, a MSS, or End-Use Customers~~.

* * *

Responsible Utility	The utility which is a party to the TCA in whose PTO Service ~~Area~~Territory the Reliability Must-Run Unit is located or whose PTO Service ~~Area~~Territory is contiguous to the PTO Service ~~Area~~Territory in which a Reliability Must-Run Unit owned by an entity outside of the ISO Controlled Grid is located. For the purpose of this definition, the March 31, 2000, restriction in the definition

of PTO Service Territory shall not be applicable.

* * *

SCPTO	A Scheduling Coordinator that is neither a UDC nor an MSS Operator but is a Participating TO or represents a Participating TO that serves its or its representatives' Gross Load but does not serve End-Use Customers.

* * *

UDC (Utility Distribution Company)	An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that (i) serves its own Load or (ii) provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.

* * *

ISO Tariff Appendix F, Schedule 3

* * *

1.2 Definitions

(a) Master Definition Supplement

Unless the context otherwise requires, any word or expression defined in the Master Definition Supplement shall have the same meaning where used in this Schedule 3.

(b) Special Definitions for this Appendix

When used in this Schedule 3 with initial capitalization, the following terms shall have the meanings specified below.

"High Voltage Utility-Specific Rate" means a Participating TO's High Voltage Transmission Revenue Requirement divided by such Participating TO's forecasted Gross Load.

"TAC Benefit" means the amount, if any, for each year by which the cost of Existing High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the PTO Service ~~Area~~Territory~~ of, or directly served by, the Participating TO~~ is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. The Tac Benefit of a New Participating TO shall not be less than zero.

"Transition Date" means the date defined in Section 4.2 of this Schedule.

2. Assessment of High Voltage Access Charge and Transition Charge. All UDCs, ~~or~~ MSS Operators, and SCPTOs in a PTO Service ~~Area~~Territory serving ~~providing Energy delivered for the supply of all~~ Gross Loads directly connected to the transmission facilities or Distribution System of ~~the~~a UDC, ~~or~~ MSS Operator, or SCPTO in a PTO Service ~~Area~~Territory~~, and all Scheduling Coordinators providing Energy delivered for the supply of all Gross Loads not directly connected to the transmission facilities or Distribution System of a UDC or MSS~~ shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC, ~~or a~~ MSS Operator, or SCPTO that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC, ~~or~~ MSS Operator, or SCPTO; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the PTO

Service ~~Area~~Territory of Pacific Gas and Electric Company and the PTO Service ~~Area~~Territory of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the PTO Service ~~Area~~Territory of Southern California Edison Company and the PTO Service ~~Area~~Territory of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the PTO Service ~~Area~~Territory of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited PTO Service ~~Areas~~Territories are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its PTO Service ~~Area~~Territory will form a fourth TAC Area, the West Central Area.

3.3 If any of the following entities becomes a Participating TO, its PTO Service ~~Area~~Territory will become part of the Northern Area: Sacramento Municipal Utility District, Western Area Power Administration - Sierra Nevada Region, the Department of Energy California Labs, Northern California Power Agency, City of Redding, Silicon Valley Power, City of Palo Alto, City and County of San Francisco, Alameda Bureau of Electricity, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi, City of Lompoc Utility Department, Modesto Irrigation District, Turlock Irrigation District, Plumas County Water Agency, City of Roseville Electric Department, City of Shasta Lake, and City of Ukiah or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Pacific Gas and Electric Company's Control Area prior to the ISO Operations Date.

3.4 If any of the following entities becomes a Participating TO, its PTO Service ~~Area~~Territory will become part of the East Central Area: City of Anaheim Public Utility Department, City of Riverside Public Utility Department, City of Azusa Light and Water, City of Banning Electric, City of Colton, City of Pasadena Water and Power Department, The Metropolitan Water District of Southern California and City of Vernon or any other entity owning or having contractual rights to High Voltage or Low Voltage Transmission Facilities in Southern California Edison Company's Control Area prior to the ISO Operations Date.

3.5 If the California Department of Water Resources becomes a Participating TO, its High Voltage Transmission Revenue Requirements associated with High Voltage Transmission Facilities in the Northern Area would become part of the High Voltage Transmission Revenue Requirement for the Northern Area while the remainder would be included in the East Central Area.

3.6 If the City of Burbank Public Service Department (Burbank) and/or the City of Glendale Public Service Department (Glendale) become Participating TOs after or at the same time as the Los Angeles Department of Water and Power becomes a Participating TO, then the PTO Service ~~Area~~Territory of Burbank and/or Glendale would become part of the West Central Area. Otherwise, if Burbank or Glendale becomes a Participating TO, prior to Los Angeles, its PTO Service ~~Area~~Territory will become part of the East Central Area. Once either Burbank or Glendale are part of the East Central Area, they will not move to the West Central Area if such area is established.

3.7 If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO, the ISO Governing Board will review the reasonableness of integrating the entity into one of the existing TAC Areas. If the entity cannot be integrated without the potential for significant cost shifts, the ISO Governing Board may establish a separate TAC Area.

* * *

5.4 The HVAC applicable to each UDC, ~~and~~ MSS Operator, or SCPTO ~~in a PTO Service Area and Scheduling Coordinator~~ serving ~~Demand~~Gross Load in the PTO Service ~~Area~~Territory, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

* * *

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the PTO Service ~~Area~~Territory of the Participating TO, including the UDCs~~, and~~ MSS Operators~~s~~, and/or SCPTO. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of each Participating TO's NHVTRR shall not be included in the Transition Charge calculation.

* * *

7 Limitation

(a) During each year of the transition period described in this Schedule 3, the increase in the total payment responsibility applicable to ~~deliveries of Energy to~~ Gross Loads in the PTO Service ~~Area~~Territory of an Original Participating TO attributable to the total for the year of (i) the amount applicable for the Original Participating TO under Section 8.6 of the ISO Tariff; plus (ii) the amount applicable to the implementation of the High Voltage Access Charge shall not exceed the amount specified in paragraph (b) of this section. This limitation shall be calculated individually for each Original Participating TO, provided that, if the net effect of clauses (i) and (ii) of this paragraph is positive for one or more Original Participating TOs for any year, the combined net effect shall be allocated among all Original Participating TOs in proportion to the amounts specified in paragraph (b) of this section. This limitation shall be applied by the ISO's calculation annually of amounts payable by New Participating TOs to Original Participating TOs such that the combined effect of clauses (i) and (ii) of this paragraph, and the payments received by each Original Participating TO shall not exceed the amounts specified in paragraph (b) of this section. The amount receivable by the Original Participating TO from the New Participating TOs to implement the limitation in paragraph (b) of this section, shall be credited through the Transition Charge established pursuant to Section 5.7 of this Schedule 3.

Payment responsibility under this section, if any, shall be allocated among New Participating TOs in proportion to their TAC Benefits.

* * *

10. Disbursement of High Voltage Access Charge and Transition Charge Revenues.

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b)

(i) for a Participating TO that is a UDC, MSS Operator or SCPTO~~a Scheduling Coordinator serving End-Use Customers~~ and has Gross Load in ~~their~~its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC,~~ or~~ MSS Operator or SCPTO~~Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS~~ would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage Facilities served such UDC, ~~or~~ MSS Operator, and SCPTO~~and Scheduling Coordinators serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS~~ times the actual Gross Load of such UDC's, ~~or~~ MSS' Operators, and SCPTOs ~~and Scheduling Coordinator's serving Gross Load of End-Use Customers in the PTO Service Area not directly connected to the facilities of a UDC or MSS~~ ("Utility-specific HVAC"); or

(ii) for a Participating TO that is not a UDC, MSS Operator or a SCPTO~~cheduling Coordinator serving End-Use Customers~~ and that does not have Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the Participating TO's portion of the total Billed HVAC/TC in subsection (a) based on the ratio of the Participating TO's High Voltage Transmission Revenue Requirement to the sum of all Participating TOs' High Voltage Revenue Requirements.

* * *

10.2 If the same entity is both a Participating TO and a UDC, ~~or~~ MSS Operator, or SCPTO, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC, ~~or~~ MSS Operator, or SCPTO in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

* * *

DP 6.2.2 Primary ISO Control Center

The Primary ISO Control Center shall have Operational Control over:

(a) all transmission lines greater than 230kV and associated station equipment on the ISO Controlled Grid;

(b) all Interconnections; and

(c) all 230 kV and lower voltage transmission lines and associated station equipment identified in the ISO Register as that portion of the ISO Controlled Grid located in the PG&E PTO Service ~~Area~~Territory.

DP 6.2.3 Backup ISO Control Center

The Backup ISO Control Center shall have Operational Control over all 230 kV and lower voltage transmission lines and associated station equipment identified in the ISO Register as that portion of the ISO Controlled Grid located in the SCE and SDGE PTO Service ~~Areas~~Territories.

Attachment C

Form of Notice Suitable for Publication in the *Federal Register*

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	)))	Docket Nos. ER00-2019-006, ER01-819-002 and ER00-608-000

Notice of Filing

Take notice that, on March 9, 2004, the California Independent System Operator Corporation ("ISO") submitted an amendment to the ISO Tariff in order to revise the definition of PTO Service Area and to make clarifying changes to several related provisions. The ISO requests that this amendment become effective in 60 days, on May 8, 2004.

The ISO has served copies of this transmittal letter and all attachments hereto on the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, the Participating Transmission Owners, and upon all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting the filing on its Website.

Any person desiring to be heard or to protest the filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protests must be filed in accordance with § 35.9 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. Copies of this fling also may be viewed on the Commission's web site at http://www.ferc.gov, using the eLibrary (FERRIS) link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866)208-3676, or for TTY, contact (202)502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: _______