

Section 4

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4.3A.7 Cost Recovery and Usage Costs for Subscriber Participating TO Transmission Facilities

4.3A.7.1 Amounts from Subscribers

A Subscriber Participating TO must recover costs of its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights solely from Subscribers pursuant to Subscription Agreements. Subscribers that Self-Schedule using CRNs on the transmission assets and Entitlements will not pay Access Charges for such use.

4.3A.7.2 Amounts from Non-Subscribers

A Subscriber Participating TO may receive Non-Subscriber Usage Payment Amounts for use by Non-Subscribers of transmission assets and Entitlements and unscheduled Subscriber Rights pursuant to Section 15 of Schedule 3 of Appendix F. The Subscriber Participating TO will be responsible for obtaining FERC approval of the Non-Subscriber Usage Rate that is a required component of the calculation of Non-Subscriber Usage Payment Amounts. For a two-year period, Non-Subscriber Usage Payment Amounts will be calculated for import Schedules at a Scheduling Point on the Subscriber Participating TO's transmission facilities but not collected or allocated to the Subscriber Participating TO in accordance with CAISO Tariff, Appendix F, Section 15.1. The two-year period will commence upon the Commercial Operation Date of the last Generating Unit interconnected to the Subscriber Participating TO's transmission facilities on which that last Generating Unit is entitled to schedule using Subscriber Rights, and will include the period from the date that the Subscriber Participating TO turns over Operational Control of its transmission facilities to the CAISO to the commencement of the two-year period. This exception will apply to the first Subscriber Participating TO that turns over Operational Control of its transmission facilities and any other Subscriber Participating TO that may turn over Operational Control of its transmission facilities during this period, provided it will end for all Subscriber Participating TOs upon the expiration of the two-year period. During this entire period, the CAISO will publish annually the amount of import Schedules and the Non-Subscriber Usage Payment Amount that would have resulted absent this Section 4.3A7.2.

4.3A.7.3 Transmission Revenue Requirement

- (a) A Subscriber Participating TO may not seek FERC approval of a Transmission Revenue Requirement for the original costs or any subsequent incurred costs for transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights or receive revenue for such transmission assets and Entitlements from the Regional Access Charge, even after all Subscriber Encumbrances on the transmission assets and Entitlements terminate. This Section will not prevent a Subscriber Participating TO from obtaining FERC approval of the Non-Subscriber Usage Rate.
- (b) A Subscriber Participating TO may seek FERC approval of a Transmission Revenue Requirement for additions and upgrades to its transmission assets and Entitlements undertaken to facilitate an interconnection or pursuant to Section 24, unless such additions or upgrades are for the benefit of Subscribers in the use of their Subscriber Rights. Upon FERC approval, any reference in the CAISO Tariff to a Participating TO's Revenue Requirement or Transmission Revenue Requirement will be read as a reference to the Subscriber Participating TO's rates or revenue requirement as approved by FERC. A Subscriber Participating TO may receive revenue from the Regional Access Charge only with respect to generator Network Upgrades or Network Upgrades identified and approved in the Transmission Planning Process under Section 24 and Section 25 and in Appendix DD for existing Participating TOs that are not used to provide Subscriber Rights.

4.3A.8 Access to Available Transmission Capacity of a Subscriber Participating TO

The CAISO will make transmission capacity on Subscriber Participating TO facilities available for the purpose of: (1) scheduling Subscriber Rights transactions consistent with the Subscription Agreement, a Subscriber Participating TO's TRTC Instructions, and the CAISO Tariff; and (2) scheduling transactions for Market Participants in accordance with the CAISO Tariff, provided such use does not conflict with Subscriber Rights. The transmission capacity of a Subscriber Participating TO that is not subject to an Encumbrance as of the date of the Subscriber Participating TO's application to become a Subscriber Participating TO will not be treated as Subscriber Rights, and the CAISO will be the provider of

transmission service pursuant to the CAISO Tariff for the use of this available transmission capacity. To the extent Subscribers do not schedule their Encumbrance in the Real-Time Market, the transmission capacity underlying the Encumbrance will be available for use in the CAISO Markets in accordance with Section 16 of the CAISO tariff.

4.3A.9 Subscriber Participating TO Conversion of Subscriber Rights to CRRs

Subscribers may release Subscriber Rights they hold for use by the CAISO in exchange for CRRs to effectuate a conversion as provided below. Except as provided below, the CRRs created by the conversion of Subscriber Rights will be administered in accordance with Section 36 in the same manner as other CRRs. Additional details about the associated timelines, procedures, and characteristics of this conversion and the treatment of CRRs generally are set forth in the Business Practice Manuals.

(a) CRR Conversion Procedures

- (1) A Subscriber must register and qualify as a Candidate CRR Holder in order to convert Subscriber Rights to CRRs or to acquire CRRs in the Secondary Registration System. Once a Subscriber is a CRR Holder, all rights and obligations pertaining to a CRR Holder shall apply to the Subscriber.
- (2) On a quarterly basis at least 10 calendar days prior to the release of the Full Network Model for the first month of each quarter, a Subscriber may instruct the CAISO to release all or a portion of the Subscriber Rights it holds for administration under the CAISO Tariff. The Subscriber conversion instruction must specify: (i) the CRR Source and CRR Sink, which must be associated with an eligible and registered individual PNode, an aggregate PNode, or a Scheduling Point on the Subscriber Participating TO's transmission facilities, (ii) the direction of the Subscriber Rights, (iii) the MW quantity of Subscriber Rights, and (iv) the time duration by quarter in consecutive full-quarter increments.
- (3) The Subscriber Participating TO must submit updated TRTC Instructions commensurate with the release of Subscriber Rights by a Subscriber, which in total must not exceed the Subscriber Rights on the Subscriber Participating TO's transmission facilities. The Subscriber Rights and the associated TRTC Instructions must reflect releases by quarter for a minimum of one quarter and remain unchanged for the entire quarter and any

subsequent quarters specified in the conversion instructions.

- (4) Upon conversion of Subscriber Rights, the associated CRRs will be released for both on-peak and off-peak time periods and will not be available for a CRR Allocation or CRR Auction. Once Subscriber Rights have been converted, the CRR Holder may transfer its CRRs using the Secondary Registration System for the full duration that the rights have been released.
- (5) The CAISO will make available all released Subscriber Rights for use by Market Participants in accordance with the CAISO Tariff consistent with the Subscriber Rights as provided in the Transmission Control Agreement, subject to any restriction necessary to honor any associated Subscriber Encumbrance consistent with the TRTC Instructions and associated details submitted by the Subscriber Participating TO. The CAISO will account for a reduction in Subscriber Rights equal to the quantity of CRRs granted following the quarterly election process. Subscriber Rights converted to CRRs will lose their status as an Existing Contract throughout the entire time that they have been converted to CRRs.

(b) Converted CRR Characteristics

- (1) CRRs created by the conversion of Subscriber Rights will be administered and settled as CRR Options when a Congestion price difference in the Integrated Forward Market exists between the CRR Source and CRR Sink. No Congestion settlement will be made for Real-Time Market Congestion differences between the CRR Source and CRR Sink.
- (2) For each constrained flowgate or Intertie, CRRs created by the conversion of Subscriber Rights will not be subject to CRR underfunding allocation and will be derated hourly based on the ratio of the operating transfer capability (OTC) (i.e., the TTC as reduced by the constraint) and the TTC (absent the OTC reduction) of the flowgate or Intertie and the direction associated with the CRR Source to CRR Sink combination derived from the Subscriber Rights.

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Section 16

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16.2 Treatment of Subscriber Encumbrances

Subscriber Encumbrances shall be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or agreement entered into after the CAISO Operations Date. Subscriber Encumbrances may be converted to CRRs in accordance with Section 4.3A.9.

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