



May 24, 2004

Tariff Provisions Relating to Reliability Must-Run Generation

Definition of “Reliability Must-Run Generation”

“Reliability Must-Run Generation” is defined in the Master Definitions Supplement of the ISO tariff as follows:

Generation that the ISO determines is required to be on line to meet Applicable Reliability Criteria requirements. This includes i) Generation constrained on line to meet NERC and WSCC reliability criteria for interconnected systems operation; ii) Generation needed to meet Load demand in constrained areas; and iii) Generation needed to be operated to provide voltage or security support of the ISO or local area.

5.2 Procurement of Reliability Must-Run Generation by the ISO

5.2.3

The ISO will, subject to any existing power purchase contracts of a Generating Unit, have the right at any time based upon ISO Controlled Grid technical analyses and studies to designate a Generating Unit as a Reliability Must-Run Unit. A Generating Unit so designated shall then be obligated to provide the ISO with its proposed rates for Reliability Must-Run Generation for negotiation with the ISO. Such rates shall be authorized by FERC or the Local Regulatory Authority, whichever authority is applicable.

5.2.5

On a yearly basis, the ISO will carry out technical evaluations based upon historic patterns of the operation of the ISO Controlled Grid and the ISO’s forecast requirements for maintaining the reliability of the ISO Controlled Grid in the next year. The ISO will then determine which Generating Units it requires to continue to be Reliability Must-Run Units and which Generating Units it requires to become the subject of a Reliability Must-Run contract which had not previously been so contracted to the ISO.