

Specified Source Confirmation Attachment Exhibit C-SS

WSPP Operating Committee Webinar

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Brief Overview

- Confirmation Attachment
 - For use WITH a confirmation- not a complete confirm itself
 - For use with all WSPP Service Schedules and other bilateral transaction documentation
- Parties agree to behavior intended to create a Grade AA product that meet the requirements of AB32, but do not have to agree to “comply” with California AB32 rules
- Elections/Default Provisions
 - Users must select options if they do not want the default provisions to automatically apply
- To modify or not?
 - Users can modify Exhibit C-SS or use as is
 - User’s Guide will provide helpful information

**EXHIBIT C
SAMPLE FORM FOR CONFIRMATION**

1. Transaction Specific Agreements

The undersigned Parties agree to sell and purchase electric energy, or a Physically-Settled Option, pursuant to the WSPP Agreement as it is supplemented and modified below:

- (a) Seller: _____
- (b) Purchaser: _____
- (c) Period of Delivery: From ____/____/____ To ____/____/____
- (d) Schedule (Days and Hours): _____
- (e) Delivery Rate: _____
- (f) Delivery Point(s): _____
- (g) Type of Service (Check as Applicable)
 - Service Schedule A _____
 - Service Schedule B _____
 - Service Schedule C _____
 - Physically-Settled Option Service Schedule B _____
 - Physically-Settled Option Service Schedule C _____
 - Other products per Section 32.6 _____ [Describe Product]
- (h) Contract Quantity: _____ Total MWhrs.
- (i) Contract or Strike Price: _____
- (j) Transmission Path for the Transaction (If Applicable): _____
- (k) Date of Agreement if different: _____
- (l) Additional Information for Physically-Settled Options
 - (i) Option Type: Put _____ Call _____
 - (ii) Option Style: _____
 - (iii) Exercise Date or Period: _____
 - (iv) Premium: _____
 - (v) Premium Payment Date: _____
 - (vi) Method for providing notice of exercise _____
- (m) Special Terms and Exceptions: _____
See Attachment A

[Special Terms and Exceptions shall be shown on an Attachment to this Confirmation.]

_____ Name of Trader for Purchaser	_____ Name of Trader for Seller
_____ Authorized Signature for Purchaser	_____ Authorized Signature for Seller
_____ Date	_____ Date

**EXHIBIT C-SS
SPECIFIED SOURCE
CONFIRMATION ATTACHMENT¹**

This "Specified Source Confirmation Attachment" applies to the Confirmation to which this is attached and made a part by and between [] ("Purchaser") and [] ("Seller") dated as of []. In the event of any inconsistency between this Specified Source Confirmation Attachment and the WSPP Agreement or any master confirmation agreement between the Parties, this Specified Source Confirmation Attachment will control.

1. Specified Source.

a. Identity of Source:
The following (i) facility, generator, unit or (ii) ACS system ("Source"):
Source CARB IDs, if applicable and available:
California Energy Commission RPS ID, if Source is an ERR:
WREGIS ID#, if applicable:
b. Source EF_{sp}:
c. Carbon Adjustment (rapid settlement if Seller delivers higher emissions factor energy than agreed): Carbon Adjustment applies unless the following box is checked:
<input type="checkbox"/> Carbon Adjustment <u>does not</u> apply. Instead of Carbon Adjustment, Seller shall compensate Purchaser as follows, in addition to Purchaser's remedies in Section 21 of the WSPP Agreement, if Seller fails to schedule and deliver energy from the Source unless excused pursuant to the terms of the applicable Schedule or this Confirmation: [e.g., fixed damages of \$0, \$2, or % of Carbon Adjustment.]
d. EF True-Up (full indemnity for difference between agreed and CARB-assigned emissions factors, settled after verification): EF True-Up does not apply unless one or more of the following boxes that are checked cause a change to EF_{sp} or EF_{asn}:
<input type="checkbox"/> Change in generator operations or fuel source.
<input type="checkbox"/> Prospective or retroactive change in law (including AB32).

¹ This is a completely optional document that may be used for ANY WSPP energy product. Users would attach this to the form of Confirmation that is Exhibit C of the WSPP Agreement. It is not a "Schedule" or "Schedule C"; rather, it adds further completely optional lines for parties to describe their transaction, such as those in Exhibit C where parties, e.g., select the Service Schedule. The Cap-and-Trade Regulations are subject to change, and such changes may have a material impact on the operation of this document. This document may be periodically reviewed and revised after publication in response to such changes or other market developments and comments received. However, the foregoing is not a warranty that further revisions will be made, and the WSPP does not offer legal advice. Accordingly, all WSPP members and other users of this document are urged to consult with their own legal counsel to ensure that their commercial objectives are achieved and legal interests protected in light of the then-current state of the Cap-and-Trade Regulations.

Development Process

- Contract Subcommittee Initiative open to all members
- In-person meetings and webinars
 - Technical difficulties in webinars overcome with experience
- Volunteer subcommittees on special issues
 - Damages
 - Addressing new regulation text
 - Documentary Writing Protocol
 - Seeking comments and review by CARB staff
- Further comments have been received and more are expected
 - These will be reviewed in meetings open to all in an open process prior to adoption, as were the most recent changes suggested by CARB staff

Structure of Exhibit C-SS

Section 1: Elections

- Identity of the “Source”
- Selection of compensation for failure to meet obligations in addition to ordinary WSPP damages for non-delivery
 - Carbon Adjustment – replacement power at default emissions factor
 - EF True-Up – emissions from source as verified by CARB were different than contract
 - Or other mechanism chosen by parties, such as fixed or capped
- RECs Disclosure
- Regulation Incorporation
- Any additional provisions parties choose

Section 2: Definitions

Exhibit C-SS (cont.)

Section 3: The Specified Source Transaction

- Sale and purchase of power from a specified source
- Seller provision of meter data and proof of Section 4 reps
- Daisy chains disclosure – allows Buyer to disclose to future buyers this transaction and meter data necessary for end-user verification. Permits price redaction.

Section 4: Seller Representations

- Right to sell specified source energy
- What type of entity – owner, marketer, ACS, etc.
- Specified source daisy chain rep; CARB rule- “Seller warrants from the Source through the market path” (proposed 95111(a)(4))
- Has the documentation to prove Specified Source daisy chain rep

Exhibit C-SS (cont.)

Section 4: Documentary Writing and Electronic Writing

- Electronic writing is permitted under the WSPP for transactions less than one week
- Awaiting further CARB feedback.
- Parties can sign up to a Protocol (similar to netting) saying they will not agree to a specified source transaction by Electronic Writing. These parties are announcing that they are not entering into a Specified Source Transaction except by a SIGNED document
 - To provide comfort that such parties would not be inadvertently caught up in a California regulation by a phone call

Exhibit C-SS (cont.)

Section 5: Service Schedules

- Whatever Service Schedule used remains unchanged
 - Including Uncontrollable Forces
- Changes to AB32 do not allow cancelling underlying transactions

Section 6: Covenants

- Audit Rights in WSPP remain unchanged
- LDs (damages for failure to deliver/receive) remain intact
- RECS – Only if source is or becomes an “eligible renewable resource” under California RPS does Seller provide RECs and WREGIS serial numbers to Buyer (Disclosure on Cover Sheet)
- Regulation Incorporation – option for seller to take on change in law risk

Exhibit C-SS (cont.)

Section 7: Carbon Adjustment

- Default Election is Applies – parties must select a different settlement if they want a fixed or capped damage or other calculation
- Buyer entitled to a “carbon adjustment” for the difference between the emissions factor for the contracted specified source and the default emissions factor when unspecified power is substituted for specified power
- CAISO replacement power – no carbon adjustment applies
- If there is an early termination due to a default, damages calculation compensates buyer for not receiving the specified power as if replacing with unspecified

Exhibit C-SS (cont.)

Section 7: EF True-Up

- Default Election is DOES NOT Apply – parties must affirmatively select when EF True-Up applies
 - Change in fuel or generator
 - Change in AB 32
 - Other
 - Damages Cap
- At the time of CARB verification, the actual emissions factor of the unit is higher than the contracted emissions factor (e.g. the unit ran less efficiently)
- Busbar transactions do not carry a Transmission Loss factor
- Users Guide has sample language to include to compensate seller if actual delivery shows up with a BETTER emissions factor.

Questions?