

POWEREX CORP.

WSPP SCHEDULE C FIRM ENERGY

MID-COLUMBIA (MIDC) PRODUCTS – TERMS AND POLICY

Effective: December 28, 2022, for transactions with delivery on or after January 1, 2023

The objective of this Terms and Policy document is to be transparent with, and clearly communicate to, counterparties, Powerex's requirements when transacting WSPP Schedule C Firm Energy at Mid-Columbia (MIDC). In particular, Powerex has observed two relatively recent market developments:

- (i) a higher incidence of sellers attempting to meet firm energy commitments with resources and transmission that are not sufficiently reliable to assure delivery, and
- (ii) uncertainty regarding Washington's new cap and invest program and application thereof to transactions at MIDC, which is in Washington, as reporting requirements and compliance costs may be imposed on one party based on the actions and decision-making of the other party.

Powerex believes clarity is beneficial for both parties to a transaction regarding (i) the quality of supply and transmission associated with a WSPP Schedule C Firm Energy delivery, and (ii) the reporting requirements and compliance costs under Washington and other cap and trade/cap and invest programs. To achieve this, Powerex will be transacting WSPP Schedule C Firm Energy for delivery on or after January 1, 2023, by seeking to clearly define three distinct WSPP Schedule C Firm Energy products, each with terms and conditions addressing the above-referenced market developments:

1. WSPP Schedule C Firm Energy – WA CCA Compliant
2. WSPP Schedule C Firm Energy – No Washington Sink
3. WSPP Schedule C Firm Energy – Specified Source Energy from one of the following sources:
 - a. A carbon free source (assigned emissions factor of 0.00 TCO_{2e}/MWh)
 - b. An asset-controlling supplier

Product 1 (WA CCA Compliant) is the standard WSPP Schedule C Firm Energy MIDC product transacted on ICE, with the mutual understanding between the Seller and the Purchaser that such product is WA CCA Compliant. To the extent a Seller does not agree that the standard product transacted on ICE is a WA CCA Compliant product, Powerex will no longer transact the standard product with that counterparty on ICE. Powerex expects to transact Product 2 and Product 3 through brokers (off ICE) or bilaterally.

Appendix A provides a backgrounder on the policy considerations underlying Powerex's position and response to the above market developments.

Appendix B provides a detailed description and terms and conditions for each Product.

This Terms and Policy document may be updated from time to time as market rules or circumstances change. Powerex welcomes feedback on this Terms and Policy document. For general questions or comments please contact Powerex Cash Desk at cash.desk@powerex.com or 604-891-5007. For questions related to the contractual terms and conditions provided in this document, please contact Jonathan Gilhen at Jonathan.Gilhen@powerex.com or 604-891-5063.

APPENDIX A – POLICY BACKGROUNDER

PART 1: WSPP SCHEDULE C FIRM ENERGY – RELIABLE TRANSMISSION AND SOURCES

WSPP Service Schedule C Firm Energy is expected to provide reliable physical supply of power to the Purchaser. Service terms that require Seller to schedule the energy as firm power consistent with applicable reliability rules, requiring transactions be prescheduled (subject to any conditions agreed by schedulers) and the very narrow circumstances in which WSPP Schedule C Firm Energy may be interrupted, with or without damages, are all indicia of the expectation of reliable physical supply. Firm energy is predicated on Seller using reliable sources and reliable transmission such that Purchaser can be confident that the energy will be delivered as contracted. As such, it is imperative that Purchaser evaluates whether a schedule is likely to satisfy a firm energy obligation in advance of delivery rather than be forced to use liquidated damages as the sole remedy.

Powerex has identified two key criteria it expects all WSPP Schedule C Firm Energy will satisfy, as follows:

Criterion 1 – Reliable Transmission. WSPP Schedule C Firm Energy must be scheduled using sufficiently reliable transmission. Powerex reserves the right, at its discretion, to reject a schedule which uses non-firm transmission service that it deems to be at material risk of curtailment. Notwithstanding Powerex’s acceptance of a schedule using lower quality transmission, any curtailment of non-firm transmission service will be considered a failure to deliver under the Agreement and subject to liquidated damages.

Criterion 2 – Reliable Sources. WSPP Schedule C Firm Energy purchases must be scheduled from sources that are capable of being reliably committed in the preschedule window for delivery during the hours and day(s) being prescheduled. Sources, which may include system resources, will meet this criterion if the Seller can commit in preschedule to reasonable assurance of the availability of sufficient available generating capacity—including necessary operating reserves—to enable firm delivery from the identified source during the hours and days being prescheduled.

Energy that is: (a) economically curtailable, (b) sourced from an organized market without a confirmed day-ahead market award, or (c) scheduled from a source without assurance of sufficient available committed capacity to support firm energy delivery for all days and hours of the prescheduled period does not satisfy this requirement. If a transaction for WSPP Schedule C Firm Energy does not meet the above criteria, Purchaser has the right to reject the schedule in advance.

Application of Criteria to Certain Sources/Resources

The following sources do not meet the criteria for WSPP Schedule C Firm Energy, either generally or in the circumstances described. However, if one of the specified exceptions below is satisfied the source may still be accepted.

Alberta

Alberta (AESO) does not have a day-ahead market, and therefore any upstream counterparty seeking to source a forward or day-ahead sale commitment to Purchaser from the AESO does not yet have a preschedule source, because it does not have a market award.

Further: AESO has awarded exports in real-time even if it has insufficient physical resources to support the total export quantity, export transactions are exclusively on opportunity service transmission, and AESO unambiguously does not provide any assurance of the firmness of the supply supporting export transactions from its market, all of which materially increase the risk of export or transmission curtailment.

Exceptions: None.

CAISO

CAISO only considers an export from its service territory to be “high priority” if it is explicitly linked to an identified physical resource inside the CAISO service territory that does not have an RA obligation to California. Generic CAISO-sourced day-ahead exports that are not explicitly supported by an identified non-RA resource (generally referred to by the CAISO as “Low Priority Exports”) are not guaranteed to be supported by sufficient physical resources to ensure delivery and are subject to higher curtailment risk in real-time. Low priority exports cannot, as a categorical matter, be relied upon for firm energy delivery. Furthermore, CAISO has made changes in recent years to its treatment of such low priority energy exports, including, among others, temporary FERC approval to reduce the priority of wheel-through and export schedules, and it has detailed its practice of curtailing energy exports in circumstances other than reliability events. All of the foregoing means that low priority generic CAISO-sourced energy is not capable of being committed in the preschedule window with confidence.

Exceptions:

Powerex is willing to accept generic CAISO-sourced energy (i.e., CAISO-sourced exports that are not explicitly supported by an identified non-RA resource) under the following specific conditions (both of which must apply):

- Seller offers the CAISO-sourced energy in a period where the CAISO has not issued a flex alert notice or posted any other communication or taken any other action indicating a potential supply insufficiency; and
- Seller commits to confirm by 2 pm on the prescheduling day that it has received a Residual Unit Commitment (RUC) schedule from CAISO to support the CAISO export.

SPP

Powerex understands that SPP considers a day-ahead cleared Export Interchange Transaction to be a firm commitment that is prioritized in a manner comparable to internal demand, with market processes that commit physical capacity to support those export transactions. Furthermore, Powerex understands that SPP will apply curtailments to exports on a pro-rata basis with internal demand during a capacity shortage in the SPP footprint. Absent emergency conditions, cleared day-ahead exports from SPP are generally supported by sufficient committed physical capacity within the SPP footprint and can be committed in the preschedule window.

Deliveries from SPP, however, require additional consideration of the transmission risks associated with scheduling energy from the Eastern Interconnection. First, transactions sourced from SPP must be scheduled across one of a small number of DC ties that face unique scheduling risks, including the potential for curtailment resulting from operating restrictions (e.g., DC tie operators may apply limitations to schedules to ensure net flows do not fall within an operating “deadband”). In addition, deliveries from SPP typically require several additional transmission segments to enable delivery to Mid-C or other western trading hubs, often across several WECC constrained flowgates that have historically been subject to real-time curtailments, particularly for short-duration, low-priority transmission service. These circumstances can result in deliveries from SPP facing a heightened risk of transmission curtailment relative to deliveries sourced from less remote locations.

Powerex will currently accept an SPP sourced sale as a source to meet a WSPP Schedule C Firm Energy delivery obligation in the preschedule timeframe under the following specific conditions:

- Seller offers the SPP sourced energy in a period where SPP has not issued an emergency notice or posted any other communication or taken any other action indicating supply insufficiency; and

- Seller commits to submit a confirmed e-Tag by 2pm on the prescheduling day that:
 - reflects its cleared Day Ahead export awards for each hour; and
 - includes sufficiently reliable transmission service on all segments (including the DC path connecting the Eastern Interconnection with WECC)

PART 2: WASHINGTON CCA COMPLIANCE – MIDC TRANSACTIONS

Washington State’s cap and invest program starts on January 1, 2023. The program, created pursuant to the Climate Commitment Act (CCA), adopts the WCI’s first jurisdictional deliverer (FJD) approach for regulating electricity imports into Washington State. Generally, the FJD is the first entity in a scheduled electricity transaction over which the state has jurisdiction. The CCA states that where the transaction is scheduled with an e-tag, the electricity importer is “the purchasing-selling entity on the last segment of the tag’s physical path with the point of receipt located outside the state of Washington and the point of delivery located inside the state of Washington.”

The CCA includes a variety of exceptions to this approach that allocates the CCA reporting and compliance obligation to a different entity in the schedule. These exceptions are addressed in WAC 173-441-124.(2).(c) and (g) for supply from a Federal Power Marketing administration (BPA), Multi-Jurisdictional Electric Companies and Consumer Owned Utilities, and for entities importing to a designated scheduling point inside the balancing authority area of a Federal Power Marketing administration (BPA).

Under the FJD approach for imported electricity the CCA regulates the first entity in the physical path for which the Department of Ecology has jurisdiction. Until BPA elects to be bound by the CCA the FJD is the next purchase-selling entity in the physical path on the e-tag downstream of BPA. This modification has implications for a substantial number of transactions, given BPA’s Balancing Authority Area connects to MIDC and BPA appears as the purchase-selling entity on many e-tags. As a result, buyers who would not otherwise be the FJD may incur liability under the cap and invest program.

APPENDIX B – TERMS AND CONDITIONS

Product 1 – WSPP Schedule C Firm Energy – WA CCA Compliant

Description: WSPP Schedule C Firm Energy MIDC product transacted on ICE, with the mutual understanding that such product is WA CCA Compliant.

Terms and Conditions: The Parties agree the following terms and conditions will apply to transactions for Product 1:

1. Seller is expected to use reliable transmission service to schedule energy to the delivery point. Purchaser reserves the right, at its discretion, to reject a schedule using non-firm transmission service that it deems to be at material risk of curtailment as per Section 5 below. In any event, an interruption of non-firm transmission service resulting in a failure to deliver energy will be considered non-performance and subject to damages provisions under this Agreement.
2. Seller must provide a source (which may include a system resource) in the preschedule window that: (i) is not subject to economic curtailment, (ii) has a confirmed day-ahead market award (if the source is or is within an organized market), (iii) has sufficient available generating capacity—including necessary operating reserves—in the preschedule window to reliably meet the day-ahead commitment. The following sources are not permitted:
 - a. Alberta Electric System Operator (AESO)
 - b. California Independent System Operator (CAISO), except as follows:
 - i. Seller confirms it has an identified resource inside the CAISO service territory supporting the export that is not a Resource Adequacy Resource, or
 - ii. if both of the following are satisfied:
 - A. CAISO has not issued a flex alert notice or posted any other communication or taken any other action indicating supply insufficiency affecting the day(s) of delivery; and
 - B. by 14:00 on the prescheduling day, seller confirms that it has received a Residual Unit Commitment (RUC) schedule from CAISO to support the CAISO export.
 - c. Southwest Power Pool (SPP), except as follows:
 - i. SPP has not issued an emergency notice or posted any communication or taken any action indicating supply insufficiency affecting the day(s) of delivery; and
 - ii. Seller submits a confirmed e-Tag by 14:00 on the preschedule day that reflects its cleared day-ahead export awards from SPP for each hour.
3. Seller is responsible for all applicable reporting and compliance obligations under State of Washington's Climate Commitment Act (unless Purchaser is required to be the "electricity importer" under WAC 173-441-124.(2).(c)).
4. If the importer would be a federal PMA under (v) of WAC 173-441-124.(2).(c), then Seller is required to be the next PSE in the physical path of the e-Tag.
5. Purchaser will have the right to reject a schedule not complying with the above terms and treat the rejected schedule as a failure to schedule and deliver the energy as provided in this Confirmation. Seller may dispute Purchaser's rejection and damages claim in accordance with the Agreement's applicable dispute resolution provisions.

Product 2 – WSPP Schedule C Firm Energy – No Washington Sink

Description: WSPP Schedule C Firm Energy that is not sunk in State of Washington.

Terms and Conditions: The Parties agree the following terms and conditions will apply to transactions for Product 2:

1. Seller is expected to use reliable transmission service to schedule energy to the delivery point. Purchaser reserves the right, at its discretion, to reject a schedule using non-firm transmission service that it deems to be at material risk of curtailment as per Section 4 below. In any event, an interruption of non-firm transmission service resulting in a failure to deliver energy will be considered non-performance and subject to damages provisions under this Agreement.
2. Seller must provide a source (which may include a system resource) in the preschedule window that (i) is not subject to economic curtailment, (ii) has a confirmed day-ahead market award (if the source is or is within an organized market), (iii) has sufficient available generating capacity—including necessary operating reserves—in the preschedule window to reliably meet the day-ahead commitment. The following sources are not permitted:
 - a. Alberta Electric System Operator (AESO)
 - b. California Independent System Operator (CAISO), except as follows:
 - i. Seller confirms it has an identified resource inside the CAISO service territory supporting the export that is not a Resource Adequacy Resource, or
 - ii. if both of the following are satisfied:
 - A. CAISO has not issued a flex alert notice or posted any other communication or taken any other action indicating supply insufficiency affecting the day(s) of delivery; and
 - B. by 2 pm on the prescheduling day, seller confirms that it has received a Residual Unit Commitment (RUC) schedule from CAISO to support the CAISO export.
 - c. Southwest Power Pool (SPP), except as follows:
 - i. SPP has not issued an emergency notice or posted any communication or taken any action indicating supply insufficiency affecting the day(s) of delivery; and
 - ii. Seller submits a confirmed e-Tag by 14:00 on the preschedule day that reflects its cleared day-ahead export awards from SPP for each hour.
3. Seller will have the right to reject a day-ahead and real-time schedule that has a final sink in the State of Washington and treat the rejected schedule as a failure to schedule and receive the energy as provided in this Confirmation.
4. Purchaser will have the right to reject a schedule not complying with Section 1 or 2 above and treat the rejected schedule as a failure to schedule and deliver the energy as provided in this Confirmation.
5. Either party may dispute the other party's rejection and damages claim in accordance with the Agreement's applicable dispute resolution provisions.

Product 3 – WSPP Schedule C Firm Energy – Specified Source Energy (Carbon-Free or ACS)

Description: WSPP Schedule C Firm Energy delivered to MIDC that is contingent on delivery from a source specified at the time of execution.

Terms and Conditions: The Parties agree the following terms and conditions will apply to transactions for Product 3:

1. Seller is expected to use reliable transmission service to schedule energy to the delivery point. Purchaser reserves the right, at its discretion, to reject a schedule using non-firm transmission service that it deems to be at material risk of curtailment as per Section 5 below. In any event, an interruption of non-firm transmission service resulting in a failure to deliver energy will be considered non-performance and subject to damages provisions under this Agreement.
2. “Applicable Cap and Trade Program” means any mandatory program implemented by a US State or Canadian Province requiring the reporting of emissions associated with generation or delivery of electricity and imposing compliance obligations in consequence thereof, including California’s Cap and Trade Program (17 CA ADC Articles 2 and 5) and Washington’s Cap and Invest Program (Ch. 70A.65 RCW and associated regulations and rulemaking), as applicable to the energy purchased and sold pursuant to this Confirmation.
3. This Confirmation provides for delivery of electric energy from the particular facility, unit, or asset-controlling supplier's system (“Source”) designated in this Confirmation. As part of the product, Purchaser has the right to identify that the energy was generated by and attributable to the Source, including the source emissions factor associated with the Source.
4. For Sources other than asset-controlling supplier sources, Seller will provide Purchaser with Source meter data (or equivalent) if requested by Purchaser to support delivery of energy from the Source pursuant to this Confirmation and reporting, if required, under an Applicable Cap and Trade Program.
5. Purchaser may reject a schedule not complying with the above terms and treat such rejected schedule as a failure to schedule and deliver the energy as provided in this Confirmation. For each MWh of energy that Seller delivers from any source other than the Source, including unspecified market energy, Seller will pay Purchaser an amount determined by Purchaser in a commercially reasonable manner representing an estimate of the difference in compliance cost under the Applicable Cap and Trade Program between unspecified (or market) energy and specified energy from the Source having regard to, among other things, the most recent auction or ICE/OTC traded prices for allowances or other applicable compliance instruments. Seller may dispute Purchaser’s rejection or damages claim in accordance with the Agreement’s applicable dispute resolution provisions.