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**HYDRO POWER AND ENERGY
PLANNING PROJECT (HPEP)**

DRAFT TEMPLATE OF TSO TO TRANSMISSION COMPANY AGREEMENT

DECEMBER, 2013

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Draft Template of TSO to Transmission Company Agreement

USAID HYDRO POWER AND ENERGY PLANNING PROJECT
(HPEP)
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1.0 LIST OF ABBREVIATIONS

AGC	Automatic Generation Control
ETA	Existing Transmission Agreement
GCA	Georgian Control Area
GNERC	Georgian National Energy and Water Supply
GSE	Georgian State Electro System
IP	Interconnection Points
LBMP	Location Based Marginal Pricing
LSE	Load Serving Entity
MW	Megawatt
MWA	Modified Wheeling Agreement
MWH	Megawatt Hour
OATT	Open Access Transmission Tariff
PE	Power Exange
POI	Points of Injection
POW	Points of Withdrawal
SCD	Security Constrained Dispatch
SRE	Supplemental Resource Evaluation
TCC	Transmission Congestion Contract
TransCo	Transmission Company
TSC	Transmission Service Charge
TSO	Transmission System Operator

TUC	Transmission Usage Charge
TWA	Transmission Wheeling Agreement

2.0 INTRODUCTION

USAID-funded Hydro Power and Energy Planning (HPEP) supports the development of the enabling environment for financing of new Georgian run-of-river hydropower projects that intend to sell their electricity output to the regional competitive market. USAID HPEP provides support to several electricity sector entities including the Georgian Electrosystem (GSE). During discussion with GSE on development of a transmission system operator (TSO) in Georgia, GSE requested USAID HPEP to create a template contract between Transmission System Operator (TSO) and a Transmission Company (Transco).

The Georgian TSO is obligated to manage the security of the electricity system in real time and to coordinate the supply of and demand for electricity in a manner that avoids frequency fluctuations and supply interruptions. Under the Georgian Electricity Market Model (GEMM 2015) prepared by the predecessor project, USAID HIPP, this obligation (or function), is separate from GSE's role as owner of the transmission system. GSE presently performs both the generator dispatch function and owns the Transmission System. The TSO should be established in the near future as a separate legal entity to be in conformity with EU legislation.

With the aim to regulate the above-mentioned issues, a draft template agreement between TSO and Transmission companies (TSO-Transco Agreement) was drafted by USAID HPEP. According to the TSO-TransCo Agreement, the TSO's principal mission is to maintain the integrity and reliability of the transmission system, which will require the TSO to exercise Operational Control of the transmission facilities of the Transmission Company(s). The transmission companies will continue to own, physically operate, modify, and maintain the transmission facilities under TSO operational control, and transmission companies will continue to have fiduciary obligations to its investors to protect its transmission facilities and to protect their investors from liability that may result from the operation of those facilities.

The basic concepts included in the draft TSO-TransCo Template Agreement are:

- In maintaining a continuous balance between electricity supply from generators and demand from consumers, the TSO must also ensure the provision and availability of reserves to cover for sudden contingencies and imbalances in the transmission system. The TSO accomplishes this task by determining the optimal combination of generating stations and reserve providers, instructing generators when and how much electricity to generate, procuring ancillary services to support the power system, and managing any contingent events that cause the balance between supply and demand to be disrupted.
- In addition, the TSO will also conduct planning to ensure that supply can meet demand and that system security can be maintained in the future (short-, medium- and long-term). Under the GEMM, the TSO shall review the information provided by the distribution system operators (DSOs) and the

retail public suppliers (RPSs) in order to determine that these Market Participants have secured all the resources needed to supply all customer load and to cover distribution losses on an annual, monthly, weekly and day-ahead basis.

- It is agreed that Transmission System Operator shall direct the operation of, and coordinate the maintenance scheduling of, certain facilities of the Georgia's power system, including coordination with control centers maintained by the transmission companies in accordance with the Georgian Grid Code and any reliability rules, to ensuring the safe, reliable and efficient operation of the Georgia power system. Transmission companies have specified transmission facilities over which the TSO will have day-to-day operational control. The Transmission companies also will be responsible for providing notification to the TSO with respect to actions related to other specified transmission facilities.

The draft TSO-Transco Template Agreement is provided below.

This Agreement is made as of the __day of _____, 20__, by and between [*name of Transmission System Operator, type of legal entity and jurisdiction of organization*] (“**TSO**”) and [*name of Transmission Company (1), type of legal entity and jurisdiction of organization*] (“**Transmission Company 1**”) and [*name of any further Transmission Company(s), i.e. Transmission Company (2), type of legal entity and jurisdiction of organization*] (“**Transmission Company 2**”), etc. The TSO and Transmission Company(s) are herein referred to collectively as the Parties.

WHEREAS, the Transmission Company(s) has created, invested in and operated transmission facilities in Georgia and each has fiduciary responsibilities to assure, among other things, the receipt of adequate revenues to maintain the facilities, a reasonable rate of return on its transmission facilities, and to provide for recovery of the capital invested in its transmission facilities; and

WHEREAS, the TSO's principal mission is to maintain the integrity and reliability of the transmission system, which will require the TSO to exercise Operational Control of the transmission facilities of the Transmission Company(s), referred to as "Transmission Facilities Under TSO Control"; and

WHEREAS, Transmission Company(s) has legal obligations to provide safe and reliable service to the public, including assuring suitable use of its transmission facilities to attain and maintain compliance with this obligation; and

WHEREAS, Transmission Company(s) will continue to own, physically operate, modify, and maintain the Transmission Facilities Under TSO Operational Control, and Transmission Company will continue to have fiduciary obligations to its investors to protect its transmission facilities and to protect their investors from liability that may result from the operation of those facilities;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Parties do hereby agree with each other, for themselves and their successors and assigns, as follows:

3.0 ARTICLE 1.0: DEFINITIONS

1.0 Terms used in this Agreement will have the meaning set forth in this Article. The definitions contained in Article 2 of the Law of Georgia on Electricity and Natural Gas and in the Glossary and Definitions of the Georgian Grid Code are hereby incorporated by reference in their entirety into this Agreement and shall prevail over any inconsistency with the meaning of any terms set forth in this Article. Modifications to such definitions under the Law of Georgia on Electricity and Natural Gas and the Georgian Grid Code shall apply to this Agreement, only if the Parties to this Agreement agree in writing pursuant to Section 6.14 below.

Ancillary Services. Services necessary to support the transmission of Energy from Generators to Loads, while maintaining reliable operation of the Georgia Power System in accordance with Good Utility Practice and Reliability Rules. Ancillary Services include Scheduling, System Control and Dispatch Service; Reactive Supply and Voltage Support Services (or “Voltage Support Service”); Regulation and Frequency Response Service (or “Regulation Service”); Energy Imbalance Service; Operating Reserve Service; and Black Start Capability.

Annual Transmission Revenue Requirement. The total annual cost for each Transmission Owner to provide transmission service subject to review and acceptance by GNERC.

Automatic Generation Control (“AGC”). The automatic regulation of the power output of electric Generators within a prescribed range in response to a change in system frequency, or tieline loading, to maintain system frequency or scheduled interchange with other areas within predetermined limits.

Bid. Offer to purchase and/or sell Energy, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the TSO pursuant to TSO Procedures.

Bid Price. The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

Bilateral Transaction. A Transaction between two or more parties for the purchase and/or sale of Capacity, Energy, and/or Ancillary Services other than those in the TSO Administered Markets.

Capability Period. Six (6) month periods which are established as follows: (1) from May 1 through October 31 of each year (“Summer Capability Period”); and (2) from November 1 of each year through April 30 of the following year (“Winter Capability Period”); or such other periods as may be determined by the relevant committee of the TSO. A Summer Capability Period followed by a Winter Capability Period shall be referred to as a “Capability Year.” Each Capability Period shall consist of On-Peak and Off-Peak periods.

Capacity. The capability to generate or transmit electrical power, measured in megawatts (“MW”).

Code of Conduct. The rules, procedures and restrictions concerning the conduct of TSO Directors and employees contained in the TSO Open Access Transmission Tariff.

Completed Application. An Application that satisfies all of the information and other requirements of a TSO Tariff.

Confidential Information. Information and/or data that has been designated by an entity taking service under a TSO Tariff to be proprietary and confidential, provided that such designation is consistent with TSO Procedures and the applicable TSO Tariff, including the TSO Code of Conduct.

Congestion. A characteristic of the transmission system produced by a constraint on the optimum economic operation of the power system, such that the marginal price of Energy to serve the next increment of Load, exclusive of losses, at different locations on the transmission system is unequal.

Congestion Rent. The opportunity costs of transmission Constraints on the Georgian Transmission System. Congestion Rents are collected by the TSO from Loads through its facilitation of the

LBMP Market Transactions and the collection of Transmission Usage Charges from Bilateral

Transactions.

Control Area. An electric power system or combination of electric power systems to which a

common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the Generators within the electric power system(s), and capacity and energy purchased from entities outside the electric power system(s), with the Load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

Control Area Services. Services provided by the TSO under the TSO Services Tariff related to the TSO's responsibilities as the Control Area operator for the GCA

Curtailement or Curtail. A reduction in Firm or Non-Firm Transmission Service in response to a transmission capacity shortage as a result of system reliability conditions.

Customer. An entity taking services under the TSO Services Tariff.

Day-Ahead. Nominally, the twenty-four (24) hour period directly preceding the Dispatch Day, except when this period may be extended by the TSO to accommodate weekends and holidays.

Day-Ahead Market. The TSO Administered Market in which Capacity, Energy and/or Ancillary Services are scheduled and sold Day-Ahead consisting of the Day-Ahead scheduling process, price calculations and Settlements.

Demand Response Provider. An entity that does not own Demand Side Resources but is qualified pursuant to TSO Procedures to submit aggregated bids for Demand Side Resources into TSO demand response programs (e.g., the Emergency Demand Response Program, Special Case Resource Program, Day-Ahead Demand Response Program.)

Demand Side Resources. Resources located in the GCA that are capable of reducing demand in a responsive, measurable and verifiable manner within time limits, and that are qualified to participate in competitive Energy markets pursuant to the TSO Tariffs and the TSO Procedures.

Dispatch Day. The twenty-four (24) hour period commencing at the beginning of each day (0000 hour).

Distributed Generator. A facility, existing or under construction, for the generation of electricity that is or will be connected at the distribution level, typically located on the End-Use Consumer's side of the consumption meter, and usually located at or near the intended place of use for at least some of the facility's output.

Distributed Generator Owner. An entity that owns, or leases with rights equivalent to ownership, a Distributed Generator.

Emergency. Any abnormal system condition that requires immediate automatic or manual action to prevent or limit loss of transmission facilities or Generators that could adversely affect the reliability of an electric system.

Energy (“MWh”). A quantity of electricity that is bid, produced, purchased, consumed, sold, or transmitted over a period of time, and measured or calculated in megawatt hours.

Existing Transmission Agreement (“ETA”). An agreement between two or more Transmission Company(s), or between a Transmission Company and another entity, that was executed and was in effect on the date that the TSO commenced operations, including amendments and superseding issues thereof (including service agreements) under individual Transmission Company(s) open access tariffs (provided that the Points of Injection (“POI”) and Points of Withdrawal (“POW”) and contract amounts do not change). Existing Transmission Agreements are either Transmission Wheeling Agreements or Transmission Facility Agreements, and are listed in the TSO OATT.

External Transactions. Purchases, sales or exchanges of Energy, Capacity or Ancillary Services for which either the Point of Injection (“POI”) or Point of Withdrawal (“POW”) or both are located outside the GCA (i.e. Exports, Imports or Wheels Through)

Generator. A legal entity licensed to engage in the production of electricity through a Generating Unit or Generating Station, other than a Distributed Generator or Demand Response Provider, that:

(a) is located in Georgia, or

(b) is supplying capacity to the Georgia Energy System, or

(c) for the purposes of TSO governance, has filed an application for siting approval with GNERC, which is deemed complete by the GNERC Board. An entity that qualifies under subsection (c) will retain its status until the entity’s application is denied or withdrawn.

Generator Owner. A Party that owns, or leases with rights equivalent to ownership, a Generator. Purchasing all or a portion of the output of a Generator shall not be sufficient to qualify a Party for participation in the Generation Owner sector for purposes of TSO governance.

Georgian Control Area (“GCA”). The Control Area that is under the control of the TSO which includes transmission facilities listed in this Agreement Appendices A-1 and A-2, as amended from time-to-time, and Generation located outside the Georgian Power System that is subject to protocols (e.g., telemetry signal biasing) which allow the TSO and other Control Area operator(s) to treat some or all of that Generation as though it were part of the Georgian Power System.

Georgian Power System. All facilities of the Georgian Transmission System, and all those Generators located within the GCA or outside the GCA, some of which may be from time-to-time subject to operational control by the TSO.

Georgian Transmission System. The entire Georgia electric transmission system, which includes: (1) the Transmission Facilities Under TSO Operational Control; (2) the Transmission Facilities Requiring TSO Notification; and (3) all remaining transmission facilities within the GCA.

Good Utility Practice. Any of the practices, methods or acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods or acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of

Interconnection or Interconnection Points (“IP”). The point(s) at which the GCA connects with a distribution system or adjacent Control Area. The IP may be a single tie line or several tie lines that are operated in parallel.

Interface. A defined set of transmission facilities that separate Load Zones and that separate the GCA from adjacent Control Areas.

LBMP Markets. A term that collectively refers to both the Real-Time Market and the Day-Ahead Market.

Load. A term that refers to either a consumer of Energy or the amount of demand (MW) or Energy (MWh) consumed by certain customers.

Load Serving Entity (“LSE”). Any entity, including a Municipal Electric System and a Cooperatively Owned Electric System, authorized or required by law, regulatory authorization or requirement, agreement, or contractual obligation to supply Energy, Capacity and/or Ancillary Services to retail customers located within the GCA, including an entity that takes service from the TSO to supply its own Load within the GCA; provided, however, that such entity has obtained all governmental authorizations necessary to serve Load in the GCA.

Load Shedding. The systematic reduction of system demand by temporarily decreasing Load in response to a transmission system or area Capacity shortage, system instability, or voltage control considerations under the TSO OATT.

Locational Based Marginal Pricing (“LBMP”). A pricing methodology under which the price of Energy at each location in the Georgian Transmission System is equivalent to the cost to supply the next increment of Load at that location (i.e., the short-run marginal cost). The short-run marginal cost takes generation Bid Prices and the physical aspects of the Georgian Transmission System into account. The short-run marginal cost also considers the impact of Out-of-Merit Generation (as measured by its Bid Price) resulting from the Congestion and Marginal Losses occurring on the Georgian Transmission System which are associated with supplying an increment of Load. The term LBMP also means the price of Energy bought or sold in the LBMP Markets at a specific location.

Marginal Losses. The Georgian Transmission System Real Power Losses associated with each additional MWh of consumption by Load, or each additional MWh transmitted under a Bilateral Transaction as measured at the Points of Withdrawal.

Market Participant. An entity, excluding the TSO, that is a Transmission Customer under the TSO OATT, Customer under the TSO Services Tariff, Supplier, Distributed Generator, Demand Response Provider, and their designated agents. Market Participants also include entities buying or selling TCCs.

Market Services. Services provided by the TSO under the TSO Services Tariff related to the TSO Administered Markets for Energy, Capacity and Ancillary Services.

Modified Wheeling Agreement (“MWA”). A Transmission Agreement in existence, as amended, between Transmission Company(s), that is associated with existing Generators or power supply contracts, that will be modified effective upon LBMP implementation. The terms and conditions of the MWA will remain the same as the original agreement, except as noted in the TSO OATT.

Normal State. The condition that the Georgian Power System is in when the Transmission Facilities Under TSO Operational Control are operated within the parameters listed for Normal State in the Reliability Rules. These parameters include, but are not limited to, thermal, voltage, stability, Frequency and operating reserve

Off-Peak. The hours between 11 p.m. and 7:00 a.m., prevailing Georgian Time, Monday through Friday, and all day Saturday and Sunday, and GNERC-defined holidays, or as otherwise decided by the TSO.

On-Peak. The hours between 7 a.m. and 11 p.m. inclusive, prevailing Georgian Time, Monday through Friday, except for GNERC-defined holidays, or as otherwise decided by the TSO.

Operating Capacity. Capacity that is readily converted to Energy and is measured in MW

Operating Reserves. Generating Capacity that is available to supply Energy, or Interruptible Load Resources that are available to Curtail Energy usage, in the event of contingency conditions which meet the requirements of the TSO. Operating Reserves include spinning reserves, ten-minute non-synchronized reserves, and thirty-minute reserves.

Operational Control. Directing the operation of the Transmission Facilities Under TSO Operational Control to maintain these facilities in a reliable state, as defined by the Reliability Rules. The TSO shall approve operational decisions concerning these facilities, made by each Transmission Company before the Transmission Company implements those decisions. In accordance with TSO Procedures, the TSO shall direct each Transmission Company to take certain actions to restore the system to the Normal State. Operational Control includes security monitoring, adjustment of generation and transmission resources, coordination and approval of changes in transmission status for maintenance, determination of changes in transmission status for reliability, coordination with other Control Areas, voltage reductions and Load Shedding, except that each Transmission Company continues to physically operate and maintain its facilities.

Out-of-Merit Generation. Generators producing at a different level of output than they would produce in a dispatch to meet Load which was not security constrained.

Out-of-Merit Generation occurs to maintain system reliability or to provide Ancillary Services.

Point(s) of Injection (“POI” or “Point of Receipt”). The point(s) on the Georgian Transmission System where Energy, Capacity and Ancillary Services will be made available to the TSO by the delivering party under the TSO OATT or the TSO Services Tariff. The Point(s) of Injection shall be specified in the Service Agreement.

Point(s) of Withdrawal (“POW” or “Point of Delivery”). The point(s) on the Georgian Transmission System where Energy, Capacity and Ancillary Services will be made available to the receiving party under the TSO OATT or the TSO Services Tariff. The Point(s) of Withdrawal shall be specified in the Service Agreement.

Power Exchange (“PE”). A commercial entity meeting the requirements for service under the TSO OATT or the TSO Services Tariff that facilitates the purchase and/or sale of Energy, Capacity and/or Ancillary Services in a Georgia Wholesale Market. A PE may transact with the TSO on its own behalf or as an agent for others.

Power Flow. A simulation which determines the Energy flows on the Georgian Transmission System and adjacent transmission systems.

Real-Time Market. The TSO Administered Market resulting from the operation of the Security Constrained Dispatch (“SCD”).

Reliability Standards. Those rules, standards, procedures and protocols developed and promulgated by NERC or the TSO for ensuring the operation of the electricity system, despite the change of system operation conditions.

Safe Operations. Actions that avoid placing personnel and equipment in peril with regard to the safety of life and equipment damage.

Service Agreement. An agreement entered into by a Transmission Customer and the TSO for Transmission Service under the TSO OATT or between the TSO and a Customer for services under the TSO Services Tariff that the TSO unilaterally files with the NERC.

Settlement. The process of determining the charges to be paid to, or by, a Transmission Customer or a Customer to satisfy its obligations.

Strandable Costs. Prudent and verifiable expenditures and commitments made pursuant to a Transmission Company’s legal obligations that are currently recovered in the Transmission Owner’s retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or transmission service suppliers.

Stranded Investment Recovery Charge. A charge established by a Transmission Company to recover Strandable Costs.

Supplemental Resource Evaluation (“SRE”). A determination of the least cost selection of additional generators, which are to be committed, to meet changed conditions that may cause the original system dispatch to be inadequate to meet load and/or reliability requirements.

Supplier. A Party that is supplying the Capacity, Energy and/or associated Ancillary Services to be made available under the TSO OATT or the TSO Services Tariff, including Generators and Demand Side Resources that satisfy all applicable TSO requirements.

TCC Market Clearing Price. The market clearing price for TCCs awarded in the centralized TCC auction is the price at which all TCCs between specific POIs and POWs in a specific stage of the auction are sold for the duration of the centralized TCC auction period.

Third Party Transmission Wheeling Agreements (“Third Party TWAs”). A Transmission Wheeling Agreement, as amended, between Transmission Company or between a Transmission Owner and an entity that is not a Transmission Company associated with the purchase (or sale) of Energy, Capacity, and/or Ancillary Services for the benefit of an entity that is not a Transmission Owner. These agreements are listed in Attachment L, Table 1.

Transfer Capability. The measure of the ability of interconnected electrical system to reliably move or transfer power from one area to another over all transmission facilities (or paths) between those areas under specified system conditions.

Transmission Company. An entity that owns, controls and operates facilities in Georgia used for the transmission of Energy. A Transmission Company must own, individually or jointly, at least 100 circuit miles of 115 kV or above in Georgia and have become a signatory to this Agreement.

Transmission Congestion Contract (“TCC”). The right to collect or obligation to pay Congestion Rents associated with a single MW of transmission between a specified POI and POW. TCCs are financial instruments that enable Energy buyers and sellers to hedge fluctuations in the price of transmission.

Transmission Customer. Any entity (or its designated agent) that receives Transmission Service pursuant to a Service Agreement and the terms of the TSO OATT.

Transmission District. The geographic area served by the Transmission Company, as well as the customers directly interconnected with its transmission facilities.

Transmission Facilities Under TSO Operation Control. The transmission facilities of the Transmission Company(s) listed in Appendix A-1 of this Agreement that are subject to the Operational Control of the TSO.

Transmission Facilities Requiring TSO Notification. The transmission facilities of the Transmission Company(s) listed in Appendix A-2 of this Agreement, whose status of operation must be provided to the TSO by the Transmission Company(s) (for the purposes stated in the TSO Tariffs, and in accordance with, the TSO Tariffs and this Agreement) prior to the Transmission Company(s) making operational changes to the state of these facilities.

Transmission Facility Agreement. The agreements listed in the TSO Tariff governing the use of specific or designated transmission facilities pursuant to which the provider or owner of said transmission facilities charges all, or a portion, of the costs to install, own, operate, or maintain said transmission facilities, to the customer

under the agreement. These agreements may or may not have provisions to provide Transmission Service utilizing said transmission facilities.

Transmission Service. Point-To-Point Network Integration or Retail Access Transmission Service provided under the TSO OATT.

Transmission Service Charge (“TSC”). A charge under the TSO OATT designed to ensure recovery of the embedded cost of a Transmission Company’s transmission system.

Transmission System. The facilities operated by the TSO that are used to provide Transmission Services under the TSO OATT.

Transmission System Operator (“TSO”). A legal entity granted with an exclusive Grid/System Operations license by the GNEWRC and responsible for safe and reliable planning and operation of Electricity Transmission Grid in accordance with Georgian laws, established regulatory framework and effective Technical Codes, Norms and Standards.

Transmission Usage Charge (“TUC”). Payments made by the Transmission Customer to cover the cost of Marginal Losses and, during periods of time when the transmission system is constrained, the marginal cost of Congestion. The TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in \$/MWh); and (2) the scheduled or delivered Energy (in MWh).

Transmission Wheeling Agreement (“TWA”). The agreements listed in the TSO OATT governing the use of specific or designated transmission facilities that are owned, controlled or operated by an entity for the transmission of electric Energy.

TSO Administered Markets. The Day-Ahead Market and the Real-Time Market (collectively the LBMP Markets) and any other market administered by the TSO.

TSO OATT. The TSO Open Access Transmission Tariff.

TSO Procedures. The procedures adopted by the TSO in order to fulfill its responsibilities under the TSO OATT, the TSO Services Tariff and the Georgian Grid Code and consistent with any reliability rules.

TSO Services Tariff. The TSO Market Administration and Control Area Services Tariff.

TSO Tariffs. The TSO OATT and the TSO Services Tariff, collectively.

Wholesale Market. The sum of purchases and sales of Energy and Capacity for resale along with Ancillary Services needed to maintain reliability and power quality at the transmission level coordinated together through the TSO and Power Exchanges. A Party who purchases Energy, Capacity or Ancillary Services in the Wholesale Market to serve its own Load is considered to be a participant in the Wholesale Market.

4.0 ARTICLE 2.0: RESPONSIBILITIES OF THE TRANSMISSION COMPANY(S)

4.1 Transmission Facilities

The Transmission Company(s) have specified transmission facilities over which

the TSO will have day-to-day Operational Control. These facilities shall be collectively known as the "Transmission Facilities Under TSO Operational Control," and are listed in Appendix A-1. The Transmission Company(s) also will be responsible for providing notification to the TSO with respect to actions related to other specified transmission facilities. These facilities shall be collectively known as "Transmission Facilities Requiring TSO Notification," and are listed in Appendix A-2. Transmission facilities may be added to, or deleted from, the lists of facilities provided in Appendices A-1 and A-2 by mutual written agreement of the TSO and the Transmission Company owning and controlling such facilities. A current version of such list will be posted on the TSO's open access transmission information system.

4.2 Transmission System Operation

Each Transmission Company shall operate and maintain its facilities that are designated as Transmission Facilities Under TSO Operational Control and Transmission Facilities Requiring TSO Notification in accordance with the terms of this Agreement and in accordance with all Reliability Rules and all other applicable operating instructions, and TSO Procedures. The relevant committee of the TSO will promulgate procedures to provide for the assumption of authority by the Transmission Company(s)' control centers to respond to an Emergency. These procedures shall provide for the coordination of such response with the TSO. The procedures will provide that, in situations where immediate action is required, the Transmission Company(s)' control centers will have the authority to take actions, including without limitation, the following:

1. exercising control over facilities listed in Appendix A-1 of this Agreement and generating units;
2. starting quick start generation and the adjustment of generation;
3. re-energizing transmission facilities following breaker trips;
4. implementing emergency Load Shedding and voltage reduction measures and subsequent restoration;
5. voltage/VAR control during an Emergency;
6. changing ratings of transmission facilities; and
7. taking other measures consistent with Good Utility Practice that are required to respond to the Emergency.

Until the relevant TSO committee promulgates such procedures, the Transmission Company(s) will exercise the above responsibilities during an Emergency.

4.3 Local Area Transmission System Facilities

Transmission system facilities not designated as Transmission Facilities Under TSO Operational Control or as Transmission Facilities Requiring TSO Notification shall be collectively known as "Local Area Transmission System Facilities." Each Transmission Company shall have sole responsibility for the operation of its Local Area Transmission System Facilities, provided, however, that such operation by each Transmission Company shall not compromise the reliable and secure operation of the Georgia Transmission System. Each Transmission Company shall promptly comply to the extent practicable with a request from the TSO to take action with respect to coordination of the operation of its Local Area Transmission System Facilities.

4.4 Safe Operations

Notwithstanding any other provision of this Agreement, a Transmission Company may take such action with respect to the operation of its facilities as it deems necessary to maintain Safe Operations. To ensure Safe Operations, all Transmission Company local operating rules shall govern the connection and disconnection of generation with transmission facilities. Safe Operations include the application and enforcement of rules, procedures and protocols that are intended to ensure the safety of personnel operating or performing work or tests on transmission facilities.

4.5 Local Control Center, Metering and Telemetry

Each Transmission Company shall operate, or arrange for a suitable third party to operate, on a twenty-four (24) hour basis, a suitable control center, and shall install and maintain all other equipment and facilities reasonably required for the TSO to exercise Operational Control over Transmission Facilities Under TSO Operational Control. Operation of the Georgia Power System will be a cooperative effort coordinated by the TSO control center in conjunction with each Transmission Company's control center and will require the exchange of all reasonably necessary information. The Transmissions Owners' control centers must provide the TSO with supervisory control and data acquisition information on facilities listed in Appendices A-1 and A-2 as well as on certain generation resources in their Transmission Districts.

Each Transmission Company shall have the responsibility for providing metering data in its Transmission District to the TSO, unless other parties are authorized by the appropriate regulatory authority to provide metering data. Each Transmission Company shall be responsible for collecting and making available to the TSO billing quality metering data and any other information for the Transmission District required by the TSO for billing purposes. The Parties agree that the metering and data acquisition systems currently in place will be acceptable for initial TSO operation. The Transmission Company shall cooperate with the TSO in implementing reasonable metering enhancements and new metering installations that the TSO may deem necessary, provided that mechanisms satisfactory to each Transmission Company are in place for their recovery of all associated costs. Each Transmission Company shall continue to receive telemetry from existing Generators in its Transmission District and provide for the receipt of such information from new Generators. Automatic Generation Control ("AGC") will be implemented via each Transmission Company's control center. Each Transmission Company shall operate its control center to comply with current AGC procedures, as well as any revised or new AGC procedures reasonably adopted by the TSO. In addition, each Transmission Company shall provide backup control services to the TSO in the event the TSO's computer systems malfunction. In such situations, Bid curves will be made available to the Transmission Company(s)' control centers to facilitate the continued economic operation of the system. Each Transmission Company will maintain a strict Code of Conduct to prevent such information from reaching any unauthorized person or entity.

4.6 Security Constrained Unit Commitment Adjustments

A Transmission Company may request commitment of additional Generators (including specific output level(s)) if it determines that an additional Generator

is needed to ensure local area reliability. The TSO will use Supplemental Resource Evaluation (“SRE”) to fulfill a Transmission Company’s request for additional units.

4.7 Design, Maintenance and Rating Capabilities

Each Transmission Company shall comply with the provisions of this Agreement, the Georgian Grid Code and all reliability rules, TSO Procedures, and Good Utility Practice with respect to the design, maintenance and rating the capabilities of Georgia Transmission System facilities.

4.8 Maintenance Scheduling

The Transmission Company(s) shall schedule maintenance of their facilities designated as Transmission Facilities Under TSO Operational Control and schedule any outages (other than forced transmission outages) of said transmission system facilities in accordance with outage schedules approved by the TSO. The Transmission Company(s) shall comply with maintenance schedules coordinated by the TSO, pursuant to this Agreement, for Transmission Facilities Under TSO Operational Control. Each Transmission Company shall be responsible for providing notification of maintenance schedules to the TSO for Facilities Requiring TSO Notification.

4.9 Investigations and Restoration

Each Transmission Company shall promptly conduct investigations of equipment malfunctions and failures and forced transmission outages in a manner consistent with applicable NERC, Georgian Grid Code, rules, principles, guidelines, standards and requirements, TSO Procedures and Good Utility Practice. Each Transmission Company shall supply the results of such investigations to NERC, the TSO and the other Transmission Company(s). Each Transmission Company shall determine the level of resources to be applied to restore facilities to service following a failure, malfunction, or forced transmission outage. Following a total or partial system interruption, restoration shall be coordinated between the TSO and the Transmission Company(s)’ control centers. The Transmission Company(s)’ control centers shall have the authority, in coordination with the TSO, to restore the system and to re-establish service if doing so would minimize the period of service interruption.

4.10 Information and Support

The Transmission Company(s) shall obtain from the TSO and the TSO shall provide to the Transmission Company(s) the necessary information and support services to comply with their obligations under this Article.

5.0 ARTICLE 3.0: RESPONSIBILITIES OF THE TSO

5.1 Operation and Coordination

The TSO shall direct the operation of, and coordinate the maintenance scheduling of, certain facilities of the Georgia Power System, including coordination with control centers maintained by the Transmission Company(s) in accordance with the Georgian Grid Code and any reliability rules, as follows:

- a. Assuming responsibility for Control Area operations of the Georgia

- b. Power System previously performed by GSE;
- b. Performing balancing of Generation and Load while ensuring the safe, reliable and efficient operation of the Georgia Power System;
- c. Exercising Operational Control over certain facilities of the Georgia Power System under normal operating conditions and system Emergencies to maintain system reliability; and
- d. Coordinating the Georgia Power System equipment outages and maintenance and maintaining the safety and short term reliability of the Georgia Power System.

5.2 Tariff Administration and Performance of Responsibilities

Subject to the provisions of Section 6.09, the TSO shall (a) administer the TSO OATT, the TSO Services Tariff in accordance with their provisions as they may be amended from time to time, and (b) shall comply with the provisions of this Agreement and the Georgian Grid Code.

5.3 Amendment of TSO Agreement and TSO Tariffs

Notwithstanding any other provision in this Agreement except for the provisions of Section 3.10, the TSO OATT and the TSO Services Tariff may be modified only as follows: any proposed amendment to the TSO OATT or the TSO Services Tariff must be submitted to both the relevant TSO committee and the TSO Board; if both the TSO Board and the relevant TSO committee agree to the proposed amendment, the TSO shall file the proposed amendment with GNERC; if the TSO Board and the relevant TSO committee do not agree on the proposed amendment, the proposed amendment may not be filed with GNERC. Notwithstanding the foregoing, the TSO Board may submit to GNERC a proposed amendment to the TSO OATT or the TSO Services Tariff, without the concurrence of the relevant TSO committee, under the following circumstances: the TSO Board certifies that (1) the proposed amendment is necessary to address exigent circumstances related to the reliability of the Georgia Power System or to address exigent circumstances related to a TSO Administered Market; and (2) the urgency of the situation justifies a deviation from the normal TSO governance procedures. Any proposed amendment submitted unilaterally by the TSO shall contain an expiration date of no later than one hundred and twenty (120) days after it is filed with GNERC and shall expire no later than one hundred twenty (120) days after it was filed with GNERC, unless the relevant TSO committee files with GNERC a written concurrence with the proposed amendment within the one hundred and twenty (120) day period or GNERC approves the proposed amendment under any just and reasonable standard. The TSO Board shall have the authority to call a special meeting of the relevant TSO committee to request its concurrence in a proposed amendment.

5.4 Granting of Authority

The TSO responsibilities set forth in Article 3 of this Agreement, are granted by each Transmission Company to the TSO only so long as each of the conditions set forth below is met and continues to be met throughout the term of this Agreement:

- e. The TSO fully implements all Reliability Rules including, without limitation, using all reasonable efforts to require all Market Participants to maintain applicable levels of installed Capacity and

- Operating Capacity, consistent with the TSO OATT, the TSO Services Tariff and all Reliability Rules;
- f. The TSO has a GNERC-accepted transmission tariff(s) which provide(s) for full recovery of the following, to the extent allowed, accepted or approved by GNERC: the Annual Transmission Revenue Requirement of each of the Investor Owned Transmission Company(s) and any Stranded Investment Recovery Charge;
 - g. The TSO does not materially and adversely affect the right of any Transmission Company concerning transitional arrangements set forth in the TSO Tariffs, pertaining or relating to Existing Transmission Agreements which are in effect at the commencement of TSO operations;
 - h. The TSO does not act in violation of lawful GNERC Orders;
 - i. The TSO does not file a request to revise the provisions in the TSO Services Tariff related to indemnification and limitation of liability;
 - j. The TSO does not have a financial interest in any commercial transaction involving the use of the Georgia Power System or any other electrical system except to the limited extent required for the TSO to be the single counterparty to market transactions in accordance with the credit requirements for organized wholesale electric markets;
 - k. The TSO does not seek modification of any provision of the TSO OATT or the TSO Services Tariff so as to require, directly or indirectly, wheeling to end users except as authorized by GNERC;
 - l. The TSO distributes revenues from the collection of transmission charges to the Transmission Company in a timely manner; and
 - m. The TSO enforces and complies with the creditworthiness and collection standards of the TSO Procedures, the TSO OATT and the TSO Services Tariff.

5.5 Collection and Billing

The TSO shall facilitate and/or perform the billing and collection of revenues related to services provided by the TSO pursuant to the terms of the TSO OATT and the TSO Services Tariff.

5.6 Proposed Material Modifications to the Georgia Power System

The TSO shall establish procedures to evaluate the impact of any proposed material modifications to the Georgia Power System. If the TSO or a Transmission Company determines that a proposed modification will have a negative impact on system reliability or on total Interface transfer capability over an Interface or Interfaces, the TSO or the Transmission Company may refer the issue to GNERC for resolution

5.7 Transmission Company Reimbursement and Assumption of Existing Obligations

As soon as practicable, or no later than a date to be mutually agreed upon by the Parties, the TSO shall reimburse the Transmission Company(s) for all costs associated with the start-up and establishment of the TSO, to the extent that the TSO is authorized by GNERC to recover such costs. Such costs shall include, but are not limited to, the costs associated with: the transfer of the current GSE Control Center buildings and facilities to the TSO; and start-up and development

costs, including but not limited to software development and licensing costs, project development costs, and regulatory costs.

The TSO shall assume all existing contractual and other obligations of the GSE. If the TSO decides to take action to terminate any such contract or obligation, or its assumption of existing obligations, it will bear any costs related thereto. The TSO shall utilize the current facilities and equipment of the GSE and retain GSE employees to the greatest extent practicable.

5.8 Transmission Company(s) Reserved Rights

Notwithstanding any other provision of this Agreement, or any other agreement or amendment made in connection with the restructuring of the GSE and establishment of the Georgia TSO, each Transmission Company shall retain all of the rights set forth in this Section; provided, however, that such rights shall be exercised in a manner consistent with the Transmission Company(s)' rights and obligations under the Georgian Energy Law and GNERC's rules and regulations thereunder. This Section is not intended to reduce or limit any other rights of a Transmission Company as a signatory to this Agreement or any other TSO agreements or under a TSO Tariff.

- a. Each Transmission Company shall have the right at any time unilaterally to file to change the TSO OATT or a Service Agreement under the TSO OATT to the extent necessary: (i) to recover all of its reasonably incurred costs, plus a reasonable return on investment related to services under the TSO OATT and (ii) to accommodate implementation of, and changes to, a Transmission Company's retail access program.
- b. Each Transmission Company retains all rights that it otherwise has incident to its ownership of its assets, including, without limitation, its transmission facilities including, without limitation, the right to build, acquire, sell, merge, dispose of, retire, use as security, or otherwise transfer or convey all or any part of its assets, including, without limitation, the right, individually or collectively, to amend or terminate the Transmission Company's relationship with the TSO in connection with the creation of an alternative arrangement for the ownership and/or operation of its transmission facilities on an unbundled basis (e.g., a transmission company), subject to necessary regulatory approvals and to any approvals required under applicable provisions of this Agreement.
- c. The obligation of any Transmission Company to expand or modify its transmission facilities in accordance with the TSO OATT shall be subject to the Transmission Company's right to recover, pursuant to appropriate financial arrangements contained in GNERC-accepted tariffs or agreements, all reasonably incurred costs, plus a reasonable return on investment, associated with constructing and owning or financing such expansions or modifications to its facilities.
- d. The responsibilities granted to the TSO under this Agreement shall not expand or diminish the responsibilities of a Transmission Company to modify or expand its transmission system, nor confer upon the TSO the authority to direct a Transmission Company to modify or expand its transmission system.
- e. Each Transmission Company shall have the right to adopt and

- implement procedures it deems necessary to protect its electric facilities from physical damage or to prevent injury or damage to persons or property.
- f. Each Transmission Company retains the right to take whatever actions it deems necessary to fulfill its obligations under Georgian law.
 - g. Notwithstanding anything to the contrary in this Agreement, no amendment to any provision of this Section may be adopted without the agreement of the Transmission Company(s).

5.9 Retention of Non-Transferred Obligations

Any and all other rights and responsibilities of a Transmission Company related to the ownership or operation of its transmission assets or to its rights to withdraw its assets from TSO control, that have not been specifically transferred to the TSO under this Agreement or otherwise addressed under this Agreement, will remain with the Transmission Company(s).

6.0 ARTICLE 4.0: ASSIGNMENT

6.1 Limitations of Assignment by the TSO.

This Agreement cannot be assigned by the TSO.

6.2 Transmission Company Assignments.

This Agreement may be assigned by any Transmission Company including, without limitation, to:

- a. any entity(ies) formed pursuant to a plan of restructuring approved by the GNERC; or
- b. any entity(ies) in connection with a merger, consolidation, reorganization or change in the organizational structure of the assigning Transmission Company, provided that the surviving entity(ies) agree, in writing, to be bound by the terms of this Agreement.

7.0 ARTICLE 5.0: LIMITATION OF LIABILITY AND INDEMNIFICATION

7.1 Limitations of Liability

Except as otherwise provided under the TSO OATT, the Transmission Company(s) shall not be liable (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) to the TSO or any Market Participant or any third party or other party for any damages whatsoever, including without limitation, special, indirect, incidental, consequential, punitive, exemplary or direct damages resulting from any act or omission in any way associated with this Agreement, except to the extent the Transmission Company is found liable for gross negligence or intentional misconduct, in which case the Transmission Company shall not be liable for any special, indirect, incidental, consequential, punitive or exemplary damages. Nothing in this Section will excuse a Transmission Company from an obligation to pay for services provided to the Transmission Company by the TSO or to pay any deficiency payments, penalties or sanctions imposed by the TSO under the TSO OATT or the TSO Services Tariff.

7.2 Additional Limitations of Liability

Except as otherwise provided under the TSO OATT, a Transmission Company shall not be liable for any indirect, consequential, exemplary, special, incidental or punitive damages including, without limitation, lost revenues or profits, the cost of replacement power or the cost of capital, even if such damages are foreseeable or the damaged party has been advised of the possibility of such damages and regardless of whether any such damages are deemed to result from the failure or inadequacy of any exclusive or other remedy.

7.3 Indemnification

The TSO shall indemnify, save harmless and defend the Transmission Company(s), including their directors, officers, employees, trustees, and agents, or each of them, from and against all claims, demands, losses, liabilities, judgments, damages (including, without limitation, any consequential, incidental, direct, special, indirect, exemplary or punitive damages and economic costs), and related costs and expenses (including, without limitation, reasonable attorney and expert fees, and disbursements incurred by the Transmission Company(s) in any actions or proceedings between one or more Transmission Company(s) and one or more Transmission Company(s) and a third party, Market Participant, the TSO, or any other party) arising out of or related to the Transmission Company's or the TSO's acts or omissions related in any way to the Transmission Company's ownership or operation of its transmission facilities when such acts or omissions are either (1) pursuant to or consistent with TSO Procedures or direction; or (2) in any way related to the Transmission Company's or the TSO's performance under the TSO OATT, except to the extent that the Transmission Company(s) is found liable for negligence or intentional misconduct, and under the TSO Services Tariff or this Agreement, except to the extent the Transmission Company(s) is found liable for gross negligence or intentional misconduct.

7.4 Force Majeure

A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, arising out of or from any act, omission, or circumstance occasioned by or in consequence of any event of Force Majeure permitted under Georgian law; or failure of contractors or suppliers of materials, breakage or accident to machinery or equipment beyond such Party's reasonable control; or any curtailment, order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities, or by the making of repairs necessitated by an emergency circumstance not limited to those listed above upon the property or equipment of the TSO or any party to the TSO Agreement. Nothing contained in this Article shall relieve any entity of the obligations to make payments when due hereunder or pursuant to a Service Agreement. Any party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except the settlement of any labor disturbance shall be in the sole judgment of the affected party.

7.5 Claims by Employees and Insurance

A Party shall be solely responsible for and shall bear all of the costs of claims by its

own employees, contractors, or agents arising under and covered by, any workers' compensation law. A Party shall furnish, at its sole expense, such insurance coverage and such evidence thereof, or evidence of self-insurance, as is reasonably necessary to meet its obligations under this Agreement. Additionally, the TSO will procure insurance or other alternative risk financing arrangements sufficient to cover the risks associated with the TSO carrying out its obligations, including the obligation to indemnify the Transmission Company(s). The TSO shall provide the Transmission Company(s) with the details of such insurance and shall have them named as additional insured to the extent of their insurable interests.

7.6 Survival

The provisions of this Article, "Limitations of Liability and Indemnification" shall survive the termination or expiration of this Agreement or the TSO Tariffs.

8.0 ARTICLE 6.0: OTHER PROVISIONS

8.1 Term and Termination

This Agreement shall become effective upon the execution of this Agreement by the Transmission Company(s) and the TSO and on the latest of: (i) the date(s) GNERC accepts for filing, without condition or material modification: (a) this Agreement and (b) the TSO Tariffs; (ii) the date on which GNERC and any other regulatory agency having jurisdiction grant all necessary approvals, including, without limitation, any approvals; (iii) on such date specified by GNERC. Without waiving or limiting any of its other rights under this Article, if a Transmission Company determines that any of the conditions set forth in Section 3.04 hereof is not being met or ceases to be in full force and effect that Transmission Company may withdraw from this Agreement and the TSO Tariffs and withdraw its assets from the TSO's control and administration on ninety (90) days prior written notice to all Parties to this Agreement and GNERC. Such notice shall identify the condition or conditions set forth in Section 3.04 that have not been met or no longer are in full force and effect; provided, however, that prior to the filing of such notice, the TSO shall be advised of the specific condition or conditions that are no longer in full force and effect, and the TSO shall have the opportunity to restore the effectiveness of the condition or conditions identified within a thirty (30) day period. If the effectiveness of the condition or conditions is not restored within thirty (30) days, the Transmission Company may file a notice of withdrawal with the TSO and GNERC; provided, however, that if the TSO demonstrates that it has made a good faith effort but has been unable to restore the effectiveness of the condition or conditions within the thirty (30) day period, the TSO shall be provided an additional thirty (30) day period to restore the effectiveness of the condition or conditions and the Transmission Company may not file the notice of withdrawal until the expiration of the second thirty (30) day period. Withdrawal of a Transmission Company under this Section shall be effective ninety (90) days after the filing of the notice of withdrawal unless GNERC finds that such withdrawal of an Investor-Owned Transmission Company is contrary to the public interest. However, the Transmission Company who submitted the notice of withdrawal may withdraw the notice or extend the withdrawal date. Nothing in this section shall be construed as a voluntary undertaking by any Transmission Company to remain a Party to this Agreement after the expiration of its notice of withdrawal.

8.2 Withdrawal

Any Transmission Company may withdraw from this Agreement and the TSO

Tariffs and withdraw its assets from the TSO control and administration upon ninety (90) days written notice to the TSO Board and GNERC. Any modification to this Article shall provide any Party with the right to withdraw from the Agreement pursuant to the unmodified provisions of this Article, within ninety (90) days of the effective date of such modification.

8.3 Obligations after Termination or Withdrawal

Following termination or withdrawal from the Agreement, a Party shall remain liable for all obligations arising hereunder prior to the effective date of termination or withdrawal, including all obligations accrued prior to the effective date, imposed on the Party by this Agreement or the TSO Tariffs or other agreements entered into with the TSO.

- a. Termination or the withdrawal from this Agreement shall not relieve a Party of any continuing obligation it may have under the TSO Tariffs or other agreements entered into with the TSO, unless the Party also withdraws from the TSO Tariffs or such agreements.

8.4 Winding Up

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or withdrawal from this Agreement shall survive such termination or withdrawal. The surviving provisions shall include, but shall not be limited to (i) those provisions necessary to permit the orderly conclusion, or continuation pursuant to another agreement, of transactions entered into prior to the termination or withdrawal from this Agreement, (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder, and (iii) the indemnification and limitation of liability provisions as applicable to periods prior to such termination or withdrawal. The TSO and the terminating or withdrawing Party or Parties shall have an obligation to make a good faith effort to agree upon a mutually satisfactory termination or withdrawal plan. Such plan shall have among its objectives an orderly termination or withdrawal. The plan shall address, to the extent necessary, the allocation of any costs directly related to the termination or withdrawal by the Party or Parties terminating or withdrawing from the Agreement.

8.5 Confidentiality

- a. **Party Access.** No Transmission Company shall have a right hereunder to receive or review any documents, data or other information of another Transmission Company or the TSO supplied pursuant to this Agreement, including documents, data or other information provided to the TSO, to the extent such documents, data or information have been designated as confidential pursuant to the procedures specified in the TSO Tariffs or to the extent that they have been designated as confidential by such other Party; provided, however, that a Party may receive and review any composite documents, data and other information that may be developed based on such confidential documents, data or information if the composite does not disclose any individual Party's confidential data or information.
- b. **Required Disclosure.** Notwithstanding anything in this Section to the contrary, if a Party is required by applicable law, or in the course of administrative or judicial proceedings, or subpoena, to disclose information that is otherwise required to be maintained in confidence pursuant to this

Section, that Party may make disclosure of such information; provided, however, that as soon as the Party learns of the disclosure requirement and prior to making such disclosure, that Party shall notify the affected Party or Parties of the requirement and the terms thereof and the affected Party or Parties may, at their sole discretion and cost, assert any challenge to or defense against the disclosure requirement and the Party shall cooperate with such affected Parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. Each Party shall cooperate with the affected Parties to obtain proprietary or confidential treatment of such information by the person to whom such information is disclosed prior to any such disclosure.

8.6 Governing Law; Jurisdiction

The interpretation and performance of this Agreement shall be in accordance with and shall be controlled by the laws of the State of Georgia as though this Agreement is made and performed entirely in Georgia. With respect to any claim or controversy arising from this Agreement or performance hereunder within the subject matter jurisdiction of Georgian courts, the Parties consent to the exclusive jurisdiction and venue of said courts.

8.7 Headings

The section headings herein are for convenience and reference only and in no way define or limit the scope of this Agreement or in any way affect its provisions. Whenever the terms hereto, hereunder, herein or hereof are used in this Agreement, they shall be construed as referring to this entire Agreement, rather than to any individual section, subsection or sentence.

8.8 Mutual Agreement

Nothing in this Agreement is intended to limit the Parties' ability to mutually agree upon taking a course of action different than that provided for herein; provided that doing so will not adversely affect any other Parties' rights under this Agreement.

8.9 Contract Supremacy

In the case of a conflict between the express terms of this Agreement and the express terms of a TSO Tariff the terms of this Agreement shall prevail.

8.10 Additional Remedies

The Parties agree that remedies at law will be inadequate to protect the interests of the Transmission Company(s) and that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the TSO in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that the Transmission Company(s), or any Transmission Company, individually or in conjunction with one or more other Transmission Company(s), shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or a TSO Tariff by the TSO and specific performance to enforce specifically the terms and provisions thereof in any court of Georgia, this being in addition to any other remedy to which the Transmission Company(s) are entitled at law or in equity.

8.11 No Third Party Rights

Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any rights or remedies under or by reason of this Agreement.

8.12 Not Partners

Nothing contained in this Agreement shall be construed to make the Parties partners or joint venturers or to render any Party liable for the debts or obligations of any other Party.

8.13 Waiver

Any waiver at any time of the rights of any Party as to any default or failure to require strict adherence to any of the terms herein, on the part of any other Party or Parties to this Agreement or as to any other matters arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.

8.14 Modification

Absent mutual agreement of the Parties, it is the intent of this Section 6.14 that, to the maximum extent permitted by law, the terms and conditions set forth in Sections 2.01, 3.03, 3.04, 3.07, 3.08, 3.09, 4.01, 4.02, 5.01, 5.02, 5.03, 5.04, 5.05, 5.06, 6.01, 6.02, 6.09 and 6.14 of this Agreement shall not be subject to change, regardless of whether such change is sought (a) by GNERC acting sua sponte on behalf of a Party or third party, (b) by a Party, (c) by a third party, or (d) in any other manner. Any other provision of this Agreement may be changed pursuant to a filing with GNERC and a finding by GNERC that such change is just and reasonable.

8.15 Counterparts.

This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all of the Parties, and this Agreement shall be binding upon all the Parties with the same force and effect as if all the Parties had signed the same document, and each such signed counterpart shall constitute an original of this Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed in its corporate name by its proper officers as of the date first written above.

Georgia Transmission System Operator

By: _____

Title:

Date: _____

Transmission Company (1)

By: _____

Title:

Date: _____

Transmission Company (2)

By: _____

Title:

Date: _____

Transmission Company (3)

By: _____

Title:

Date: _____

9.0 APPENDIX A-1

LISTING OF TRANSMISSION FACILITIES

UNDER TSO OPERATIONAL CONTROL

USAID Hydro Power and Energy Planning Project (USAID-HPEP)

Deloitte Consulting Overseas Projects - HPEP

Tiflis Business Centre, 13th Floor

11 Apakidze Street

Tbilisi, 0171, Georgia