

California Independent System Operator Corporation
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41. Procurement of RMR Resources

This section applies to RMR Resources, which are resources subject to an RMR Contract entered into after September 1, 2018. For Legacy RMR Units, refer to Appendix H.

41.1 Procurement of Reliability Must-Run Resources by the CAISO

A Reliability Must-Run Contract is a contract entered into by the CAISO with a resource owner that operates a Generating Unit or other resource giving the CAISO the right to call on the Generating Unit or Resource to generate Energy, provide Ancillary Services, Black Start, Voltage Support or similar services to maintain the reliability of the CAISO Controlled Grid.

41.2 Designation of Resources as Reliability Must-Run Resources

The CAISO will, subject to any existing power purchase contracts, have the right at any time based upon CAISO Controlled Grid technical analyses and studies to designate a Generating Unit or other resource as a Reliability Must-Run Resource. The CAISO will also have the right at any time based upon CAISO Controlled Grid technical analyses and studies to designate a resource for Reliability Must-Run service that is needed to provide Ancillary Services or other reliability services. A resource so designated shall then be obligated to provide the CAISO with its proposed rates for Reliability Must-Run service for negotiation with the CAISO. A pro forma Reliability Must-Run Contract applicable to resources that receive RMR designations is attached as Appendix G. Such rates shall be authorized by FERC.

41.2.1 Formal Withdrawal Notice Applicable to Generating Units

If an owner of a Generating Unit plans to withdraw the Generating Unit from the CAISO markets, it must submit a formal written notice to the CAISO indicating its intent to retire or mothball the unit. The written notice must include a signed affidavit by an executive officer of the entity that owns or controls the company who has the legal authority to bind the company attesting that it intends to take the Generating Unit out of service by retiring or mothballing it. The notice and affidavit will require the unit owner to certify as follows:

[] In accordance with the Business Practice Manual for Generator Management, it is retiring the Generating Unit effective _____ [month], _____ [day], _____ [year]. The Generating Unit does not have a contract for Resource Adequacy Capacity for [check one or both] _____ the current year and/or _____ the upcoming year, it is uneconomic for the Generating Unit to

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remain in service for such year(s), and the decision to retire is definite unless the CAISO procures the Generating Unit, the Generating Unit is sold to an unaffiliated third-party, a third-party contracts with the Generating Unit for Resource Adequacy purposes, or the Generating Unit obtains some other contract.

- [] In accordance with the Business Practice Manual for Generator Management, it is retiring the Generating Unit effective _____ [month], _____ [day], _____ [year]. The Generating Unit does not have a contract for Resource Adequacy Capacity for [check one or both] _____ the current year and/or _____ the upcoming year, it is retiring the Generating Unit for reasons other than it is uneconomic for the unit to remain in service during such year(s).

Owner is retiring the Generating Unit for the following reason(s) (state with specificity the reason for retiring the unit):

The decision to retire the Generating Unit is definite. Note: The CAISO may designate the resource for RMR service if needed for reliability.

State with specificity any legal, regulatory, or other reason(s) that might present an obstacle to providing RMR service:

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- [] In accordance with the Business Practice Manual for Generator Management, it is mothballing the Generating Unit effective _____ [month], _____ [day], _____ [year]. The Generating Unit does not have a contract for Resource Adequacy Capacity for [check one and/or both] _____ the current year and/or _____ the upcoming year, it is uneconomic for the Generating Unit to remain in service for such year(s), and the decision to mothball is definite unless the CAISO procures the Generating Unit, the Generating Unit is sold to an unaffiliated third-party, a third-party contracts with the Generating Unit for Resource Adequacy purposes or the Generating Unit obtains some other contract.

- [] It is rescinding its prior notice to retire or mothball the Generating Unit before the effective date of the retirement or mothball, because the CAISO has procured the unit, the Generating Unit was sold to an unaffiliated third-party, a third-party contracted with the Generating Unit for Resource

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Adequacy purposes, or the Generating Unit obtained some other contract.

State with specificity the reason(s) for rescinding the notice:

- [] It is terminating the Generating Unit's mothball status because the CAISO procured the Generating Unit, the Generating Unit was sold to an unaffiliated third-party, a third-party contracted with the Generating Unit for Resource Adequacy purposes, the Generating Unit obtained some other contract, or it is economic for the Generating Unit to return to service.

State with specificity the reason(s) for returning from mothball status:

Failure to provide a complete notice may result in the CAISO requesting submission of a revised notice with deficiencies cured. A form of notice and affidavit will be included in the Business Practice Manual for Generator Management.

41.2.2 Processing Retirement/Mothball Notices

The CAISO will process retirement/mothball notices as follows:

- (a) If the Generating Unit is not a Resource Adequacy Resource in the current Resource Adequacy Compliance Year and is planning to retire or mothball its Generating Unit, the owner may submit its written notice at any time during the year, and the CAISO will inform the owner of the study results after it completes the study specified in Section 41.3. If the owner of a non-Resource Adequacy Resource desires an earlier determination of need, it can submit its written notice to the CAISO before the 90-day deadline specified in the Participating Generator Agreement for terminating the agreement or removing a resource from the agreement. Under Section 41.3 the CAISO will study whether the Generating Unit is needed for reliability in the current Resource Adequacy Compliance Year or by the end of the upcoming Resource Adequacy Compliance Year. If the CAISO finds that a retiring Generating Unit is needed for reliability in either of these timeframes, the CAISO will designate the Generating Unit as RMR for the remainder of the current Resource Adequacy Compliance Year at the next feasible CAISO Governing Board meeting, conditioned on the Generating Unit not being

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procured as Resource Adequacy Capacity. If the CAISO finds a mothballing Generating Unit is needed for reliability in the current Resource Adequacy Compliance Year, the CAISO will grant the Generating Unit an RMR designation for the remainder of the current Resource Adequacy Compliance Year at the next feasible CAISO Governing Board meeting, conditioned on the Generating Unit not being procured as Resource Adequacy Capacity.

- (b) If the Generating Unit is subject to any conditions to provide Resource Adequacy Resource for the upcoming Resource Adequacy Compliance Year and the unit owner is planning to retire or mothball its Generating Unit, the unit owner may submit a notice by the deadline established in the applicable Business Practice Manual which will be in the first quarter of the current Resource Adequacy Compliance Year. The CAISO will study the Generating Unit and post the results of the reliability study to its website by the deadline established in the applicable Business Practice Manual, which will be by the end of the second quarter of the current Resource Adequacy Compliance Year. The CAISO will allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on the report and will allow Load-Serving Entities the opportunity to procure capacity from the needed Generating Unit. Under Section 41.3, the CAISO will study whether the Generating Unit is needed for reliability in the upcoming Resource Adequacy Compliance Year and may study whether the Generating Unit is needed for reliability by the end of the following Resource Adequacy Compliance Year. If the CAISO finds that a retiring Generating Unit is needed for reliability in either the upcoming Resource Adequacy Compliance Year or by the end of the following Resource Adequacy Compliance Year, the CAISO will grant the Generating Unit an RMR designation for the upcoming Resource Adequacy Compliance Year at the next feasible CAISO Governing Board meeting, conditioned on the Generating Unit not being shown on annual Resource Adequacy showings for the upcoming Resource Adequacy Compliance Year. If the CAISO finds a mothballing Generating Unit is needed for reliability in the upcoming Resource Adequacy Compliance Year, the CAISO will grant the Generating Unit an RMR

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designation for the upcoming Resource Adequacy Compliance Year at the next feasible CAISO Governing Board meeting, conditioned on the Generating Unit not being shown on annual Resource Adequacy showings for the upcoming Resource Adequacy Compliance Year.

If the unit owner of a Resource Adequacy Resource provides notice after the deadline specified in the applicable Business Practice Manual, the CAISO will inform the resource of the study results 60 days prior to expiration of the Resource Adequacy contract or 90 days from the date of the notice, whichever is later.

- (c) If multiple Generating Units file the requisite notice with the CAISO and can meet the reliability need identified by the CAISO, but the CAISO does not need all of the Generating Units to meet the reliability need, the CAISO will ask each unit owner to submit a proposed annual fixed requirement for its Generating Unit plus a total cost for Planned Capital Items pursuant to the rate schedules included in the pro forma RMR Contract. If the Generating Unit that would receive an RMR Contract based on cost-effectiveness criteria faces use limitations such that the unit, in the CAISO's reasonable discretion, poses the risk of being unavailable to fully meet the reliability need identified by the CAISO, then the CAISO may at its reasonable discretion, and giving due regard for meeting cost-effectiveness considerations, instead grant the designation to another unit that fully meets the reliability need. In exercising this discretion, the CAISO will not unduly discriminate against units with use-limitations. If more than one Generating Unit remain that can meet such criteria, then the CAISO will determine which Generating Unit(s) receives an RMR designation by selecting the Generating Unit(s) with the lowest combined proposed costs for RMR service including Planned Capital Items for the next RMR Contract Year provided that if the total costs of two or more Generating Units are within ten percent of each other, then the CAISO will grant the designation in its discretion based on the following criteria: (1) relative effectiveness of the Generating Units in meeting local and/or zonal constraints or other CAISO system needs; and (2) relative operating characteristics of the Generating Units including dispatch ability, ramp

rate, and load following capability. A designated Generating Unit will not be able to propose to FERC – and will not be compensated by the CAISO for any costs higher than – its proposed annual fixed cost revenue requirement, plus any Planned Capital Items provided to the CAISO, respectively. The RMR Owner will still be allowed to recover any costs for items not covered in its proposal, as permitted by the RMR Contract.

41.3 Reliability Studies and Determination of RMR Status

In addition to the Local Capacity Technical Study under 40.3.1, the CAISO may perform additional technical studies, as necessary, to ensure compliance with Reliability Criteria. Although the CAISO may base an RMR designation on the Local Capacity Technical Study, the CAISO does not use its RMR authority to address Resource Adequacy deficiencies. The CAISO will then determine which resources it requires to continue to be Reliability Must-Run Resources, which resources it no longer requires to be Reliability Must-Run Resources and which Generating Units it requires to become the subject of a Reliability Must-Run Contract which had not previously been so contracted to the CAISO. When making this determination, the CAISO will be evaluating whether there are any more cost-effective options that are available or may be made available to avoid the need for a Reliability Must-Run Contract.

41.4 [Not Used]

41.5 RMR Dispatch

41.5.1 Day-Ahead and RTM RMR Dispatch

RMR Resources will be subject to all of the availability, dispatch, testing, reporting, verification, and any other applicable requirements imposed under Section 40.6 or Section 40.10.6, as applicable to specific types of Resource Adequacy Resources identified in Resource Adequacy Plans and Flexible RA Capacity resources identified in Resource Flexible RA Capacity Plans. RMR Resources will meet the Day-Ahead availability requirements specified in Section 40.6, the Real-Time availability requirements specified in Section 40.6.2, and the Day-Ahead and Real-Time availability requirements specified under Section 40.10.6.1 for the highest Flexible Capacity Category for which the unit qualifies under Section 40.10.3. Also in accordance with those requirements, RMR Resources that meet the definition of Short Start Units, will be obligated to meet the availability requirements of Section 40.6.2, RMR Resources that meet the definition of Long Start Units will have the rights and obligations specified in Section 40.6.2. If the CAISO

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has not received an Economic Bid or Self-Schedule for capacity from an RMR Resource, the CAISO will utilize a Generated Bid in accordance with the procedures specified in Section 40.6.8. In addition to Energy Bids, RMR Resources will submit Ancillary Services Bids for the capacity to the extent the resource is certified to provide Ancillary Service.

41.5.2 RMR Payments

RMR Resources will be paid in accordance with the RMR Contract and Sections 11.13 and 11.18.6.

41.5.3 Provisions of Ancillary Services and other Reliability Services

The CAISO may call upon RMR Resources for Ancillary Services or any other reliability service that the RMR Resource is contracted to provide in any amounts and at any time that the CAISO has determined is necessary.

41.6 [Not Used]

41.6.1 [Not Used]

41.6.2 [Not Used]

41.6.3 [Not Used]

41.6.4 [Not Used]

41.6.5 [Not Used]

41.6.6 [Not Used]

41.7 Non-Availability Charges and Availability Incentive Payments

The provisions of Section 40.9 applicable to resources providing Resource Adequacy Capacity and Flexible RA Capacity also apply to RMR Resources. RMR Resources will face a resource-specific Resource Adequacy Availability Incentive Mechanism price under Section 40.9.6. The resource-specific price will be the price that the resources is being paid by the CAISO (\$kW/month) under the RMR Contract. Resource Adequacy Availability Incentive Mechanism payments to RMR Resources will be capped at the general Resource Adequacy Availability Incentive Mechanism rate. RMR Resources can provide RA Substitute Capacity based on the same rules applicable to Resource Adequacy Resources under Section 40.9.

41.8 Allocating Resource Adequacy Credits for RMR Designations

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The CAISO will provide Resource Adequacy credits to the Scheduling Coordinators of Load-Serving Entities that serve load in the applicable TAC Area(s) in which the need for the RMR Contract arose equal to the Load-Serving Entity's pro rata share of the eligible net qualifying capacity of the RMR Resource, which shall be based upon each Load-Serving Entity's proportionate share of the Load-Serving Entity's applicable TAC Area Load at the time of the CAISO's annual coincident Peak Demand set forth in the annual Peak Demand Forecast for the next Resource Adequacy Compliance Year. The credited amount will be broken down into monthly values. Each year, the CAISO will provide information to the CPUC regarding the allocation of Resource Adequacy credits to CPUC-jurisdictional Load Serving Entities to allow the CPUC to determine whether the Load Serving Entity should receive the Resource Adequacy credits the CAISO has allocated. The CAISO will provide that same information to any Local Regulatory Authority that has designated a CPE to procure RA Capacity on behalf of a Load Serving Entity under that Local Regulatory Authority's jurisdiction. The CPUC and any other Local Regulatory Authority that is so notified by the CAISO may reallocate the credits among its jurisdictional Load Serving Entities and any CPEs procuring capacity on behalf of those jurisdictional Load Serving Entities. If a Local Regulatory Authority notifies the CAISO of any adjusted initial allocation or subsequent reallocation of RMR credits, the CAISO will reflect the revised allocation in its systems prospectively at the next practicable opportunity. A Local Regulatory Authority's subsequent reallocation of RMR credits among its jurisdictional Load Serving Entities or CPEs may not exceed the total of the initial RMR credit provided by the CAISO to the Scheduling Coordinators for the Load Serving Entities under the jurisdiction of the given Local Regulatory Authority.

41.9 Allocation of Reliability Must-Run Contract Costs

As specified in Section 11.13.7, the CAISO will allocate Reliability Must-Run costs not recovered through market revenues to the Scheduling Coordinators for Load-Serving Entities that serve load in the TAC Area(s) in which the need for the RMR Contract arose. These amounts paid will be allocated to each Scheduling Coordinator based on the pro-rata share of each Load-Serving Entity's TAC Area Metered Demand to total metered Demand recorded in the CAISO settlement system for the actual days of any settlement month period for which the RMR Contract was in effect.

41.9.1 [Not Used]