4.13.3 Identification of RDRRs and PDRs

Each Demand Response Provider shall provide data, as described in the Business Practice Manual, identifying each of its Reliability Demand Response Resources or Proxy Demand Resources and such information regarding the capacity and the operating characteristics of the Reliability Demand Response Resource or Proxy Demand Resource as may be reasonably requested from time to time by the CAISO. All information provided to the CAISO regarding the operational and technical constraints in the Master File shall be accurate and actually based on physical characteristics of the resources. For Proxy Demand Resources and Reliability Demand Response Providers whose maximum Load curtailment is 1 MW or more, Demand Response Providers may elect to specify in the Master File the maximum number of Operating Hours in which the CAISO could commit or dispatch the Proxy Demand Resources or Reliability Demand Response Resources in the Operating Day. Demand Response Providers for Proxy Demand Resources and Reliability Demand Response Resources may elect to specify in the Master File how the Proxy Demand Resource and Reliability Demand Response Resources will bid and be dispatched in the Real-Time Market: in (i) Hourly Blocks, (ii) fifteen (15) minute intervals, or (iii) five (5) minute intervals. Proxy Demand Resources using the load-shift methodology described in Section 4.13.4.7 may elect to bid and be dispatched in the Real-Time Market in fifteen (15) minute intervals or five (5) minute intervals. If Demand Response Providers do not submit an election in the Master File, the CAISO will set Hourly Blocks as the default.

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11.25 Settlement of Flexible Ramping Product

11.25.1 Settlement of Forecasted Movement

11.25.1.1 Generally

The CAISO will settle Forecasted Movement for a direction as specified in this Section 11.25.1 by Balancing Authority Area for each Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as specified in Section 44.2.4.1, and separately will settle Forecasted Movement for a direction as specified in this Section 11.25.1 for the group of Balancing Authority Areas that shares a
common Uncertainty Requirement for that direction, as specified in Section 44.2.4.1.

11.25.1.2  FMM.

The CAISO will settle FMM Forecasted Movement with Scheduling Coordinators as follows, where upward movement is a positive amount and downward movement is a negative amount:

(a) the product of the Forecasted Movement calculated for each resource pursuant to Section 44.3 in MWhs and the applicable FMM Flexible Ramp Up Price; plus

(b) the product of the Forecasted Movement calculated for each resource pursuant to Section 44.3 in MWhs and the product of the applicable FMM Flexible Ramp Down Price and negative one.

11.25.1.3  RTD.

The CAISO will settle RTD Forecasted Movement with Scheduling Coordinators as follows, where upward movement is a positive amount and downward movement is a negative amount:

(a) the product of the difference between the RTD Forecasted Movement and the FMM Forecasted Movement for the relevant Settlement Interval, both calculated for each resource pursuant to Section 44.3 in MWhs, and the applicable RTD Flexible Ramp Up Price, less any rescission amounts pursuant to section 11.25.3; plus

(b) the product of the difference between the RTD Forecasted Movement and the FMM Forecasted Movement for the relevant Settlement Interval, both calculated for each resource pursuant to Section 44.3 in MWhs, and the product of the applicable RTD Flexible Ramp Down Price and negative one, less any rescission amounts pursuant to section 11.25.3.

11.25.1.4  Allocation of Residual Forecasted Movement Settlements.

For Balancing Authority Areas that share a common Uncertainty Requirement for a direction, as specified in Section 44.2.4.1, the CAISO will settle amounts remaining after settlement of Forecasted Movement pursuant to Section 11.25.1 to each Scheduling Coordinator based on its EIM Demand or metered CAISO Demand in proportion to the total EIM Demand and metered CAISO Demand within that group of Balancing Authority Areas sharing a common Uncertainty Requirement.

For a Balancing Authority Area that has a distinct Uncertainty Requirement for a direction, as specified in
Section 44.2.4.1, the CAISO will settle amounts remaining after settlement of Forecasted Movement pursuant to Section 11.25.1 to each Scheduling Coordinator based on its EIM Demand or metered CAISO Demand in proportion to the total EIM Demand or metered CAISO Demand within that single Balancing Authority Area.

11.25.2 Settlement of Uncertainty Requirement

11.25.2.1 Payment to Resources.

On a daily basis, the CAISO will settle Uncertainty Awards to resources for providing the Uncertainty Requirement at the applicable Flexible Ramp Up Price or Flexible Ramp Down Price less any payment rescission for each interval pursuant to Section 11.25.3.

11.25.2.2 Allocation of Costs of Uncertainty Movement Procured.

11.25.2.2.1 Settlement Process.

(a) Generally. The CAISO will settle Uncertainty Awards for a direction as specified in this Section 11.25.2.2 by Balancing Authority Area for each Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as specified in Section 44.2.4.1, or separately will settle Uncertainty Awards for a direction as specified in this Section 11.25.2.2 for the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction, as specified in Section 44.2.4.1.

(b) Daily. The CAISO will initially –

(1) allocate the cost of the Uncertainty Awards for a direction on a daily basis according to the categories as set forth in Sections 11.25.2.2.2 and 11.25.2.2.3 within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; and

(2) allocate the daily amounts to Scheduling Coordinators as set forth in Section 11.25.2.2.4.

(c) Monthly. The CAISO will resettle the costs of the Uncertainty Awards by –

(1) reversing the daily allocation;

(2) assigning the monthly costs of the Uncertainty Awards to Peak Flexible Ramp
Hours and Off-Peak Flexible Ramp Hours;

(3) separately allocating the monthly Peak Flexible Ramp Hours amounts and Off-
Peak Flexible Ramp Hours amounts to the categories as set forth in Sections
11.25.2.2.2 and 11.25.2.2.3 within the group of Balancing Authority Areas that
shares a common Uncertainty Requirement for that direction or within a
Balancing Authority Area that has a distinct Uncertainty Requirement for that
direction, as applicable; and

(4) allocating the monthly amounts in each category to Scheduling Coordinators as
set forth in Section 11.25.2.2.4.

11.25.2.2.2 Allocation of Charges to Categories.

(a) Determination of Uncertainty Movement for Resources. For each interval, the CAISO
will calculate the net Uncertainty Movement of each resource according to the following
categories:

(1) for Supply resources other than non-Dynamic System Resources as the
difference between the Dispatch Instruction of the binding interval in the next
RTD run and the first advisory RTD interval in the current run.

(2) for non-Dynamic System Resources and export schedules as the difference
between the schedule used in the RTD (accounting for ramp) for the binding
interval in the next RTD run and the schedule used for the first advisory interval
in the current RTD run.

(b) RTD Uncertainty Movement. The CAISO will determine the total net RTD Uncertainty
Movement for each category separately for the group of Balancing Authority Areas that
shares a common Uncertainty Requirement for that direction or a Balancing Authority
Area that has a distinct Uncertainty Requirement for that direction, as applicable–

(1) for the category of Supply resources, which shall not include non-Dynamic
System Resources, as the net sum of the five-minute Uncertainty Movement
determined pursuant to Section 11.25.2.2.2 of all the Supply resources in the
category.
(2) for the category of Intertie resources, which shall comprise non-Dynamic System Resources and exports, as the net sum of the five-minute Uncertainty Movement determined pursuant to Section 11.25.2.2 of all the non-Dynamic System resources and export schedules.

(3) for the non-Participating Load category, as the difference between –

(A) the CAISO Forecast of CAISO Demand, the CAISO forecast of Balancing Authority Area EIM Demand, or the CAISO forecast of EIM Area EIM Demand, as applicable, of the binding interval in the next RTD run; and

(B) the CAISO Forecast of CAISO Demand, the CAISO forecast of Balancing Authority Area EIM Demand, or the CAISO forecast of EIM Area EIM Demand, as applicable, for the first advisory interval in the current RTD run.

11.25.2.2.3 Assignment of Uncertainty Costs to Categories.

The CAISO will allocate the total Uncertainty Award cost calculated pursuant to this section 11.25.2.2 to each category described in Section 11.25.2.2.2(b) based on –

(a) for upward Uncertainty Award cost, the ratio of such category’s positive Uncertainty Movement to the sum of the positive Uncertainty Movements of all categories with positive Uncertainty Movement for each Balancing Authority Area within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; and

(b) for downward Uncertainty Award costs, the ratio of such category’s negative Uncertainty Movement to the sum of the negative Uncertainty Movements of all categories with negative Uncertainty Movement for each Balancing Authority Area within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable.
11.25.2.4 Allocation to Scheduling Coordinators.

(a) Non-Participating Load Category. The CAISO will allocate the Uncertainty Awards costs of the non-Participating Load category to Scheduling Coordinators—

(1) for upward Uncertainty Award cost in proportion to the Scheduling Coordinator’s negative non-Participating Load UIE, excluding the non-Participating Load of an MSS that has elected to load-follow according to an MSS Agreement, without netting that UIE across Settlement Intervals, to the total of such negative non-Participating Load UIE, without netting that UIE across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable, and

(2) for downward Uncertainty Award cost calculated pursuant to Section 11.25, in proportion to the Scheduling Coordinator’s daily positive non-Participating Load UIE, excluding the non-Participating Load of an MSS that has elected to load-follow according to an MSS Agreement, without netting that UIE across Settlement Intervals, to the total of such positive non-Participating Load UIE, without netting that UIE across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable.

(b) Supply Category. The CAISO will allocate the Uncertainty Awards costs of the Supply category to Scheduling Coordinators for each resource in the Supply category based on the sum of the resource’s Uncertainty Movement and UIE—

(1) for upward Uncertainty Award cost in proportion to the Scheduling Coordinator’s positive sum of the resource’s Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, to the total positive sum of all resources’ Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, within the group of Balancing Authority Areas that shares a common
Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; and

(2) for downward Uncertainty Award cost in proportion to the Scheduling Coordinator’s negative sum of the resource’s Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, to the total negative sum of all resources’ Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; except that

(3) for the MSS that have elected to load follow pursuant to an MSS Agreement, the CAISO will calculate the positive and negative sums specified above for each Settlement Interval as the sum of MSS non-Participating Load UIE, Supply resources within the MSS UIE, MSS Load Following Energy, MSS Load Following Operational Adjustments, and Uncertainty Movement of resources within the MSS Aggregation.

(c) **Intertie Category.** The CAISO will allocate the Uncertainty Awards costs of the Intertie category to Scheduling Coordinators for each non-Dynamic System Resource and export based on the sum of the resource’s Uncertainty Movement and Operational Adjustment –

(1) for upward Uncertainty Award cost in proportion to the magnitude of the Scheduling Coordinator’s negative Operational Adjustment for non-Dynamic System Resources, or positive Operational Adjustment for export resources, to the sum of the magnitudes of such Operational Adjustments within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable, without netting that sum across Settlement Intervals; and

(2) for downward Uncertainty Award cost in proportion to the magnitude of the
Scheduling Coordinator’s positive Operational Adjustment for non-Dynamic System Resources, or negative Operational Adjustment for export resources, to the sum of the magnitudes of such Operational Adjustments within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable, without netting that sum across Settlement Intervals; and

(3) for the purposes of the allocations specified above, the MSS Load Following Operational Adjustment is excluded.

(d) **Uncertainty Award Cost Offset.** If the sum of the settlement of Uncertainty Awards and the charges to Scheduling Coordinators for Uncertainty Award costs is nonzero, either within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, then the CAISO will allocate such amounts to Scheduling Coordinators based on their metered EIM Demand or metered CAISO Demand in proportion to the total metered EIM Demand and metered CAISO Demand within that group of Balancing Authority Areas sharing a common Uncertainty Requirement for that direction or based on their metered CAISO Demand or metered EIM Demand in proportion to the total metered demand within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, respectively.

11.25.3 Rescission

11.25.3.1 **Amount of Rescission.**

For each Settlement Interval in which a resource has either a UIE deviation or Operational Adjustment and a Flexible Ramping Product settlement, separately for upward and downward, the CAISO will rescind Settlement Amount for the overlap of the UIE or Operational Adjustment and the sum of RTD Forecasted Movement and Uncertainty Award, at the RTD Flexible Ramp Up Price or Flexible Ramp Down Price.

11.25.3.2 **Order of Rescission.**

The CAISO will apply any rescission amount first to any Uncertainty Award, in the applicable direction,
and then apply any remaining rescission amount to Forecasted Movement, in the applicable direction.

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27.5.6 Management & Enforcement of Constraints in the CAISO Markets

The CAISO operates the CAISO Markets through the use of a market software system that utilizes various information including the Base Market Model, the State Estimator, submitted Bids including Self-Schedules, Generated Bids, Transmission Constraints, and transmission and generation Outages, including due to Remedial Action Schemes. The market model used in each of the CAISO Markets is derived from the most current Base Market Model available at that time. To create a more relevant time-specific network model for use in each of the CAISO Markets, the CAISO will adjust the Base Market Model to reflect Outages and derates that are known and applicable when the respective CAISO Market will operate, and to compensate for observed discrepancies between actual real-time power flows and flows calculated by the market software. Through this process the CAISO creates the market model to be used in each Day-Ahead Market and each process of the Real-Time Market. The CAISO will manage the enforcement of Transmission Constraints, consistent with good utility practice, to ensure, to the extent possible, that the market model used in each market accurately reflects all the factors that contribute to actual Real-Time flows on the CAISO Controlled Grid and that the CAISO Market results are better aligned with actual physical conditions on the CAISO Controlled Grid. In operating the CAISO Markets, the CAISO may take the following actions so that, to the extent possible, the CAISO Market solutions are feasible, accurate, and consistent with good utility practice:

(a) The CAISO may enforce, not enforce, or adjust flow-based Transmission Constraints if the CAISO observes that the CAISO Markets produce or may produce results that are inconsistent with observed or reasonably anticipated conditions or infeasible market solutions either because (a) the CAISO reasonably anticipates that the CAISO Market run will identify Congestion that is unlikely to materialize in Real-Time even if the Transmission Constraint were to be ignored in all the markets leading to Real-Time, or (b) the CAISO reasonably anticipates that the CAISO Market will fail to identify Congestion that is likely to appear in the Real-Time. The
CAISO does not make such adjustments to intertie scheduling limits.

(b) The CAISO may enforce or not enforce Transmission Constraints if the CAISO has determined that non-enforcement or enforcement, respectively, of such Transmission Constraints may result in the unnecessary pre-commitment and scheduling of use-limited resources.

(c) The CAISO may not enforce Transmission Constraints if it has determined it lacks sufficient visibility to conditions on transmission facilities necessary to reliably ascertain constraint flows required for a feasible, accurate and reliable market solution.

(d) For the duration of a planned or unplanned Outage, the CAISO may create and apply alternative Transmission Constraints that may add to or replace certain originally defined constraints.

(e) The CAISO may adjust Transmission Constraints for the purpose of setting prudent operating margins consistent with good utility practice to ensure reliable operation under anticipated conditions of unpredictable and uncontrollable flow volatility consistent with the requirements of Section 7.

To the extent that particular Transmission Constraints are not enforced in the operations of the CAISO Markets, the CAISO will operate the CAISO Controlled Grid and manage any Congestion based on available information including the State Estimator solutions and available telemetry to Dispatch resources through Exceptional Dispatch to ensure the CAISO is operating the CAISO Controlled Grid consistent with the requirements of Section 7.

29.34 EIM Operations

(n) Effect of EIM Resource Capacity or Flexibility Insufficiency.

(1) Insufficient Capacity. If, after the final opportunity for the EIM Entity to revise hourly Real-Time EIM Base Schedules as provided in Section 29.34(f)(1)(c), the EIM Resource Plan or the CAISO equivalent has insufficient Supply as determined according to Section 29.34(l) -

(A) the CAISO will not include the EIM Entity Balancing Authority Area or the
CAISO Balancing Authority Area in the Uncertainty Requirement of the EIM Area;

(B) the CAISO will hold the EIM Transfer limit into or from the EIM Entity Balancing Authority Area or the CAISO Balancing Authority Area, as specified in Section 29.34(n)(2), at the less restrictive of the value for the last 15-minute interval with sufficient Supply or the hourly Real-Time EIM Base Schedule corresponding to the 15-minute interval with insufficient Supply.

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34.1.5 Mitigating Bids in the RTM

34.1.5.1 Generally

After the Market Close of the RTM, after the CAISO has validated the Bids pursuant to Section 30.7 and Section 34.1.4, and prior to conducting any other RTM processes, the CAISO conducts a MPM process. The results are used in the RTM optimization processes. Bids on behalf of Demand Response Resources, Participating Load, Hybrid Resources, and Non-Generator Resources are considered in the MPM process but are not subject to Bid mitigation. Bids from resources comprised of multiple technologies that include Non-Generator Resources will remain subject to all applicable market power mitigation under the CAISO Tariff, including Local Market Power Mitigation.

34.1.5.2 Fifteen-Minute MPM

The CAISO conducts the MPM process as the first pass of each fifteen-minute interval in the RTUC horizon starting with the unmitigated Bid set as validated pursuant to Section 30.7 and Section 34.1.4. The MPM process produces results for each fifteen-minute interval of the RTUC horizon and thus may produce mitigated Bids for any given resource for any fifteen-minute interval in the RTUC run horizon that applies to any CAISO Market Process that is based on a specific RTUC run. The determination as to whether a Bid is mitigated is made based on the non-competitive Congestion component of each LMP for each fifteen-minute interval of the RTUC run horizon, using the methodology set forth in Section 31.2.3 except that a resource may have a non-competitive Congestion component in a fifteen-minute interval
based on a Transmission Constraint deemed non-competitive either in the base case for meeting Demand or in the cases of modeling the dispatch of Energy for the capacity corresponding to upward and downward Uncertainty Awards, respectively. If a Bid is mitigated in the MPM pass for a fifteen-minute interval in the RTUC run horizon, the mitigated Bid will be utilized in the corresponding binding HASP and FMM process for the fifteen-minute interval. If a Bid is not mitigated in a fifteen-minute MPM pass, the CAISO will still mitigate that Bid in subsequent fifteen-minute intervals of the RTUC horizon if the MPM pass for the subsequent intervals determine that mitigation is needed.

34.1.5.3 Real-Time Dispatch MPM

The RTD MPM process produces results for each five-minute interval of a Trading Hour. The determination as to whether a Bid is mitigated is made based on the non-competitive Congestion component of each LMP for each five-minute interval, using the methodology set forth in Section 31.2.3 except that a resource may have a non-competitive Congestion component in a five-minute interval based on a Transmission Constraint deemed non-competitive either in the base case for meeting Demand or in the cases of modeling the dispatch of Energy for the capacity corresponding to upward and downward Uncertainty Awards, respectively. The RTD MPM process is performed for a configurable number of RTD advisory intervals after the binding RTD interval, and the mitigated Bids are used in the corresponding RTD intervals of the following RTD.

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39.7.2 Competitive Path Designation

39.7.2.1 Timing of Assessments

For the DAM and RTM, the CAISO will make assessments and designations of whether Transmission Constraints are competitive or non-competitive as part of the MPM runs associated with the DAM and RTM, respectively. Only binding Transmission Constraints determined by the MPM process will be assessed in the applicable market.

39.7.2.2 Criteria

(A) Notwithstanding the provisions in Section 39.7.2.2(B), when the CAISO enforces the natural gas constraint pursuant to Section 27.11, the CAISO may deem selected internal constraints to be
non-competitive for specific days or hours based on its determination that actual electric supply conditions may be non-competitive due to anticipated electric supply conditions in the Southern California Gas Company and San Diego Gas & Electric Company gas regions.

**(B)** Subject to Section 39.7.3, for the DAM and RTM, a Transmission Constraint will be non-competitive only if the Transmission Constraint fails the dynamic competitive path assessment pursuant to this Section 39.7.2.2.

**(a)** Transmission Constraints for the DAM - As part of the MPM process associated with the DAM, the CAISO will designate a Transmission Constraint for the DAM as non-competitive when the fringe supply of counter-flow to the Transmission Constraint from all portfolios of suppliers that are not identified as potentially pivotal is less than the demand for counter-flow to the Transmission Constraint. For purposes of determining whether to designate a Transmission Constraint as non-competitive pursuant to this Section 39.7.2.2(B)(a):

**(i)** Counter-flow to the Transmission Constraint means the delivery of Power from a resource to the system load distributed reference bus. If counter-flow to the Transmission Constraint is in the direction opposite to the market flow of Power to the Transmission Constraint, the counter-flow to the Transmission Constraint is calculated as the shift factor multiplied by the resource’s scheduled Power. Otherwise, counter-flow to the Transmission Constraint is zero.

**(ii)** Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers and all internal Virtual Supply Awards not controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. Available capacity reflects the highest capacity of a resource’s Energy Bid adjusted for Self-Provided Ancillary Services and derates.

**(iii)** Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply and Virtual Supply Awards that provide counter-flow to the Transmission Constraint.
(iv) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that control the largest quantity of counter-flow supply to the Transmission Constraint.

(v) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Section 4.5.1.1.12 and all effective internal Virtual Supply Awards of the Scheduling Coordinator and/or Affiliate. Effectiveness in supplying counter-flow is determined by scaling generation capacity and/or Virtual Supply Awards by the shift factor from that location to the Transmission Constraint being tested.

(vi) A portfolio of a net seller means any portfolio that is not a portfolio of a net buyer. A portfolio of a net buyer means a portfolio for which the average daily net value of Measured Demand minus Supply over a twelve (12) month period is positive. The average daily net value is determined for each portfolio by subtracting, for each Trading Day, Supply from Measured Demand and then averaging the daily value for all Trading Days over the twelve (12) month period. The CAISO will calculate whether portfolios are portfolios of net buyers in the third month of each calendar quarter and the calculations will go into effect at the start of the next calendar quarter. The twelve (12) month period used in this calculation will be the most recent twelve (12) month period for which data is available. The specific mathematical formula used to perform this calculation will be set forth in a Business Practice Manual. Market Participants without physical resources will be deemed to be net sellers for purposes of this Section 39.7.2.2(a)(vi).

(vii) In determining which Scheduling Coordinators and/or Affiliates control the resources in the three (3) identified portfolios, the CAISO will include resources and Virtual Supply Awards directly associated with all Scheduling Coordinator ID Codes associated with the Scheduling Coordinators and/or Affiliates, as well as all resources that the Scheduling Coordinators and/or Affiliates control pursuant to Resource Control Agreements registered with the CAISO as set forth Section 4.5.1.1.13. Resources identified pursuant to Resource Control Agreements will
only be assigned to the portfolio of the Scheduling Coordinator that has control of
the resource or whose Affiliate has control of the resource pursuant to the
Resource Control Agreements.

(b) Transmission Constraints for the RTM - As part of the MPM processes
associated with the RTM, the CAISO separately evaluates Transmission Constraints for
the base scenario for meeting Demand, for the scenario of modeling the dispatch of
Energy for the capacity corresponding to upward Uncertainty Awards, and for the
scenario of modeling the dispatch of Energy for the capacity corresponding to downward
Uncertainty Awards. The CAISO will designate a Transmission Constraint for the RTM
as non-competitive when the sum of the supply of counter-flow from all portfolios of
potentially pivotal suppliers to the Transmission Constraint and the fringe supply of
counter-flow to the Transmission Constraint from all portfolios of suppliers that are not
identified as potentially pivotal is less than the demand for counter-flow to the
Transmission Constraint. For purposes of determining whether to designate a
Transmission Constraint as non-competitive pursuant to this Section 39.7.2.2(b):

(i) Counter-flow to the Transmission Constraint has the meaning set forth in Section
39.7.2.2(B)(a)(i).

(ii) Supply of counter-flow from all portfolios of potentially pivotal suppliers to the
Transmission Constraint means the minimum available capacity from internal
resources controlled by the identified potentially pivotal suppliers that provide
counter-flow to the Transmission Constraint. The minimum available capacity for
the current market interval will reflect the greatest amount of capacity that can be
physically withheld. The minimum available capacity is the lowest output level
the resource could achieve in the current market interval given its dispatch in the
last market interval and limiting factors including Minimum Load, Ramp Rate,
Self-Provided Ancillary Services, Ancillary Service Awards (in the Real-Time
Market only), derates, and Uncertainty Awards.

(iii) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that
control the largest quantity of counter-flow supply to the Transmission Constraint that can be withheld. Counter-flow supply to the Transmission Constraint that can be withheld reflects the difference between the highest capacity and the lowest capacity of a resource's Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute FMM interval or the preceding five (5) minute RTD interval, as applicable (taking into account the Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services/Ancillary Service Awards, derates, and Uncertainty Awards in determining whether to designate a Transmission Constraint as non-competitive for the RTM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of sixty (60) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval of the FMM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of fifteen (15) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval.

(iv) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Sections 4.5.1.1.12 and 39.7.2.2(a)(vii). Effectiveness in supplying counter-flow is determined by scaling generation capacity by the shift factor from that location to the Transmission Constraint being tested.

(v) A portfolio of a net seller has the meaning set forth in Section 39.7.2.2(a)(vi).

(vi) Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. Available
capacity reflects the highest capacity of a resource’s Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute interval of the FMM or five (5) minute interval of the RTD, as applicable (taking into account the Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services/Ancillary Service Awards, derates, and Uncertainty Awards in determining whether to designate a Transmission Constraint as non-competitive for the RTM.

(vii) Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply that provides counter-flow to the Transmission Constraint.

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44.2.1 Optimization.

44.2.1.1 Generally.

The CAISO will optimize the procurement of Uncertainty Awards in the Real-Time Market simultaneously with the procurement of Energy and Ancillary Services, as applicable. Uncertainty Awards do not overlap with Ancillary Services Awards or Available Balancing Capacity.

44.2.1.2 Nodal Procurement of Uncertainty Awards

The CAISO will optimize procurement of Uncertainty Awards such that, in the event modeled uncertainty arises fully for either the upward or downward directions, Energy that would be dispatched from resource capacity corresponding to the Uncertainty Awards would not result in flows exceeding Transmission Constraints and scheduling limits, including EIM transfer limits.

44.2.1.3 Optimization for Balancing Authority Areas with Distinct Uncertainty Requirements

For Balancing Authority Areas with a distinct Uncertainty Requirement per Section 44.2.4.1, the CAISO will optimize procurement of Uncertainty Awards assuming that the Balancing Authority Area would be limited to its final hourly Real-Time EIM Base Schedule or the CAISO equivalent in the event modeled uncertainty arises fully in the direction for which there is a distinct Uncertainty Requirement.
44.2.4 Determination of Uncertainty Requirement.

44.2.4.1 Requirement.

For each Real-Time Market run, the CAISO determines a distinct upward Uncertainty Requirement for each Balancing Authority Area that fails either the: (a) capacity test specified in Section 29.34(l) because the incremental offers in the Energy Bid range above the EIM Base Schedule (or equivalent for the CAISO) are not sufficient; or (b) flexibility test specified in Section 29.34(m) because of insufficient upward Ramping capacity. For each Real-Time Market run, the CAISO determines an upward Uncertainty Requirement for the group of Balancing Authority Areas that passes both the capacity test and flexibility tests in the upward direction.

For each Real-Time Market run, the CAISO determines a distinct downward Uncertainty Requirement for each Balancing Authority Area that fails either the: (a) capacity test specified in Section 29.34(l) because the decremental offers in the Energy Bid range below the EIM Base Schedule (or equivalent for the CAISO) are not sufficient; or (b) flexibility test specified in Section 29.34(m) because of insufficient downward Ramping capacity. For each Real-Time Market run, the CAISO determines a downward Uncertainty Requirement for the group of Balancing Authority Areas that passes both the capacity test and flexibility tests in the downward direction.

44.2.4.2 Procurement Curve.

(a) Generally. Based on statistical analysis of the Uncertainty Requirement, the CAISO will calculate constraint relaxation parameters to ensure the total cost of the Uncertainty Awards will not exceed the cost of expected power balance violations in absence of the Uncertainty Award, by each Balancing Authority Area and for the EIM Area overall, as set forth in the Business Practice Manual.

(b) Procurement Curve Cap. The CAISO will establish in the Business Practice Manual a limit on the procurement curve –

(1) at an amount less than the contingency relaxation penalty pricing parameter specified in the Business Practice Manual for market operations, in the case of
an upward demand curve; and

(2) at an amount more than the regulation down relaxation penalty pricing parameter specified in the Business Practice Manual for market operations, in the case of a downward demand curve.

44.2.4.3 Nodal Distribution of Requirements

The CAISO will distribute the upward and downward Uncertainty Requirement to the Demand and Variable Energy Resources Locations within each Balancing Authority Area in the EIM Area based on allocation factors derived from historical and/or forecasted information that reflect the relative contributions of Demand and Variable Energy Resources to overall Uncertainty Requirement.

Appendix A

Definitions

- Flexible Ramp Down Price

The Shadow Price of the downward Uncertainty Requirement constraint, which is the cost sensitivity of relaxing the downward Uncertainty Requirement constraint ($/MWh), by Location.

- Flexible Ramp Up Price

The Shadow Price of the upward Uncertainty Requirement constraint, which is the cost sensitivity of relaxing the upward Uncertainty Requirement constraint ($/MWh), by Location.
Appendix C
Locational Marginal Price

C. The System Marginal Energy Cost Component of LMP (Day-Ahead and Real-Time Market)

The SMEC shall be the same for each location throughout the system. SMEC is the sensitivity of the power balance constraint at the optimal solution. The power balance constraint ensures that the physical law of conservation of Energy (the sum of Generation and imports equals the sum of Demand, including exports and Transmission Losses) is accounted for in the network solution. This system level power balance constraint is enforced over the CAISO Balancing Authority Area for the Day-Ahead Market and over the EIM Area in the Real-Time Market. For the designated reference location the CAISO will utilize a distributed Load Reference Bus for which constituent PNodes are weighted using the Reference Bus distribution factors. The Load distributed Reference Bus distribution factors are based on the Load Distribution Factors at each PNode that represents cleared Load in the Integrated Forward Market or forecast Load for MPM, RUC and RTM. In the Integrated Forward Market, in the event that the market is not able to clear based on the use of a distributed load Reference Bus, the CAISO will use a distributed generation Reference Bus for which the constituent nodes and the weights are determined economically within the running of the Integrated Forward Market based on available economic bids. In the event that the CAISO employs a distributed generation Reference Bus, it will notify Market Participants of which Integrated Forward Market runs required the use of this backstop mechanism. A distributed Load Reference Bus will be used for RUC and RTM regardless of whether a distributed Generation Reference Bus were used in the corresponding Integrated Forward Market run. If the market-clearing problem is limited by the system-level power balance constraint, the market clearing process would create a Shadow Price for the power balance constraint only when the relaxation of the constraint would result in a reduction in the total cost to operate the system.

D. Marginal Congestion Component Calculations (Day-Ahead and Real-Time)

The CAISO calculates the Marginal Costs of Congestion at each bus as a component of the bus-level LMP. The Marginal Cost of Congestion (MCCi) component of the LMP at bus i is calculated in the Day-
Ahead Market using the equation:

\[ M_{CC_i} = - \sum_{m=1}^{M} \sum_{j=1}^{I_{m}} c_{j,m} PTDF_{i,j} \mu_m \mu - \sum_{k=1}^{K} \sum_{m=1}^{M} PTDF_{k,m} \mu_m^{k} \]

\[ - \sum_{g=1}^{K_{g}} \sum_{m=1}^{M} \left( PTDF_{l,m}^{g} + \delta^{g}_{n,m} \sum_{n=1}^{N} PTDF_{n,m}^{g} GLDF_{O_{g,n}} \right) \mu_m^{g} \]

where:

- \( i \) is a node index.
- \( n \) is a node index.
- \( m \) is the constraint or monitored element index.
- \( k \) is the preventive contingency case.
- \( g \) is the generation contingency case.
- \( O_{g} \) is the node index associated with the generator contingency case \( g \).
- \( j \) is the transmission component index of Transmission Constraint \( m \). When Transmission Constraint \( m \) is a Nomogram, there can be more than one transmission component. When Transmission Constraint \( m \) is any other Transmission Constraint, there shall be only one transmission component.
- \( N \) is the number of preventive contingencies.
- \( K \) is the number of preventive transmission contingencies, both in the base case for meeting Demand and in the case of modeling the dispatch of Energy for the capacity corresponding to the Uncertainty Awards.
- \( K_{g} \) is the number of preventive generation contingencies.
- \( M \) is the number of monitored elements, both in the base case for meeting Demand and in the case of modeling the dispatch of Energy for the capacity corresponding to the Uncertainty Awards.
- \( J_{m} \) is the number of transmission components for constraint \( m \).
Attachment B – Marked Tariff

Flexible Ramping Product

California Independent System Operator Corporation

August 15, 2022
4.13.3 Identification of RDRRs and PDRs

Each Demand Response Provider shall provide data, as described in the Business Practice Manual, identifying each of its Reliability Demand Response Resources or Proxy Demand Resources and such information regarding the capacity and the operating characteristics of the Reliability Demand Response Resource or Proxy Demand Resource as may be reasonably requested from time to time by the CAISO. All information provided to the CAISO regarding the operational and technical constraints in the Master File shall be accurate and actually based on physical characteristics of the resources. For Proxy Demand Resources and Reliability Demand Response Providers whose maximum Load curtailment is 1 MW or more, Demand Response Providers may elect to specify in the Master File the maximum number of Operating Hours in which the CAISO could commit or dispatch the Proxy Demand Resources or Reliability Demand Response Resources in the Operating Day. Demand Response Providers for Proxy Demand Resources and Reliability Demand Response Resources may elect to specify in the Master File how the Proxy Demand Resource and Reliability Demand Response Resources will bid and be dispatched in the Real-Time Market: in (i) Hourly Blocks, (ii) fifteen (15) minute intervals, or (iii) five (5) minute intervals. Proxy Demand Resources using the load-shift methodology described in Section 4.13.4.7 may elect to bid and be dispatched in the Real-Time Market in fifteen (15) minute intervals or five (5) minute intervals. If Demand Response Providers do not submit an election in the Master File, the CAISO will set Hourly Blocks set five (5) minute intervals as the default.

* * * * *

11.25 Settlement of Flexible Ramping Product

11.25.1 Settlement of Forecasted Movement

11.25.1.1 Generally

The CAISO will settle Forecasted Movement for a direction as specified in this Section 11.25.1 by Balancing Authority Area for each Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as specified in Section 44.2.4.1, and separately will settle Forecasted Movement for a direction as specified in this Section 11.25.1 for the group of Balancing Authority Areas that shares a
11.25.1.24 FMM.

The CAISO will settle FMM Forecasted Movement with Scheduling Coordinators as follows, where upward movement is a positive amount and downward movement is a negative amount:

(a) the product of the Forecasted Movement calculated for each resource pursuant to Section 44.3 in MWhs and the applicable FMM Flexible Ramp Up Price FRUP; plus

(b) the product of the Forecasted Movement calculated for each resource pursuant to Section 44.3 in MWhs and the product of the applicable FMM Flexible Ramp Down Price FRDP and negative one.

11.25.1.32 RTD.

The CAISO will settle RTD Forecasted Movement with Scheduling Coordinators as follows, where upward movement is a positive amount and downward movement is a negative amount:

(a) the product of the difference between the RTD Forecasted Movement and the FMM Forecasted Movement for the relevant Settlement Interval, both calculated for each resource pursuant to Section 44.3 in MWhs, and the applicable RTD Flexible Ramp Up Price, less any rescission amounts pursuant to section 11.25.3; plus

(b) the product of the difference between the RTD Forecasted Movement and the FMM Forecasted Movement for the relevant Settlement Interval, both calculated for each resource pursuant to Section 44.3 in MWhs, and the product of the applicable RTD Flexible Ramp Down Price and negative one, less any rescission amounts pursuant to section 11.25.3.

11.25.1.43 Allocation of Residual Forecasted Movement Settlements.

For Balancing Authority Areas that share a common Uncertainty Requirement for a direction, as specified in Section 44.2.4.1, the CAISO will settle amounts remaining after settlement of Forecasted Movement pursuant to Section 11.25.1 to each Scheduling Coordinator based on its EIM Demand or metered CAISO Demand in proportion to the total EIM Demand and metered CAISO Demand within that group of Balancing Authority Areas sharing a common Uncertainty Requirement.

For a Balancing Authority Area that has a distinct Uncertainty Requirement for a direction, as specified in
Section 44.2.4.1, the CAISO will settle amounts remaining after settlement of Forecasted Movement pursuant to Section 11.25.1 to each Scheduling Coordinator based on its EIM Demand or metered CAISO Demand in proportion to the total EIM Demand or metered CAISO Demand within that single Balancing Authority Area.

11.25.2 Settlement of Uncertainty Requirement

11.25.2.1 Payment to Resources.

On a daily basis, the CAISO will settle Uncertainty Awards to resources for providing the Uncertainty Requirement at the applicable Flexible Ramp Up Price or Flexible Ramp Down Price less any payment rescission for each interval pursuant to Section 11.25.3.

11.25.2.2 Allocation of Costs of Uncertainty Movement Procured.

11.25.2.2.1 Settlement Process.

(a) Generally. The CAISO will settle Uncertainty Awards for a direction as specified in this Section 11.25.2.2 by Balancing Authority Area for each Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as specified in Section 44.2.4.1, or separately will settle Uncertainty Awards for a direction as specified in this Section 11.25.2.2 for the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction, as specified in Section 44.2.4.1.

(b) Daily. The CAISO will initially –

(1) allocate the cost of the Uncertainty Awards for a direction within each Balancing Authority Area in the EIM Area and within the EIM Area on a daily basis according to the categories as set forth in Sections 11.25.2.2, 11.25.2.3 within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; and

(2) allocate the daily amounts to Scheduling Coordinators as set forth in this Section
11.25.2.2.4. Monthly. The CAISO will resettle the costs of the Uncertainty Awards by –

1. reversing the daily allocation;
2. assigning the monthly costs of the Uncertainty Awards to Peak Flexible Ramp Hours and Off-Peak Flexible Ramp Hours;
3. separately allocating the monthly Peak Flexible Ramp Hours amounts and Off-Peak Flexible Ramp Hours amounts to the categories within each Balancing Authority Area in the EIM Area and within the EIM Area as set forth in Sections 11.25.2.2.2 and 11.25.2.2.3 within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable; and
4. allocating the monthly amounts in each category to Scheduling Coordinators as set forth in this Section 11.25.2.2.4.

11.25.2.2.2 Allocation of Charges to Categories.

(a) Determination of Uncertainty Movement for Resources. For each interval, the CAISO will calculate the net Uncertainty Movement of each resource according to the following categories:

1. for Supply resources other than non-Dynamic System Resources as the difference between the Dispatch Instruction of the binding interval in the next RTD run and the first advisory RTD interval in the current run.
2. for non-Dynamic System Resources and export schedules as the difference between the schedule used in the RTD (accounting for ramp) for the binding interval in the next RTD run and the scheduled used for the first advisory interval in the current RTD run.

(b) RTD Uncertainty Movement by Balancing Authority Area and by EIM Area. The CAISO will determine the total net RTD Uncertainty Movement for each category separately for the group of Balancing Authority Areas that shares a common Uncertainty
Requirement for that direction or a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable each Balancing Authority Area in the EIM Area and by EIM Area –

1. For the category of Supply resources, which shall not include non-Dynamic System Resources, as the net sum of the five-minute Uncertainty Movement determined pursuant to Section 11.25.2.2.2 of all the Supply resources in the category.

2. For the category of Intertie resources, which shall comprise non-Dynamic System Resources and exports, as the net sum of the five-minute Uncertainty Movement determined pursuant to Section 11.25.2.2 of all the non-Dynamic System resources and export schedules.

3. For the non-Participating Load category, as the difference between –
   
   (A) the CAISO Forecast of CAISO Demand, the CAISO forecast of Balancing Authority Area EIM Demand, or the CAISO forecast of EIM Area EIM Demand, as applicable, of the binding interval in the next RTD run; and

   (B) the CAISO Forecast of CAISO Demand, the CAISO forecast of Balancing Authority Area EIM Demand, or the CAISO forecast of EIM Area EIM Demand, as applicable, for the first advisory interval in the current RTD run.

11.25.2.2.3 Assignment of Uncertainty Costs to Categories.

The CAISO will allocate the total Uncertainty Award cost calculated pursuant to this section 11.25.2.2 to each category described in Section 11.25.2.2.2(b) based on –

(a) for upward Uncertainty Award cost, the ratio of such category’s positive Uncertainty Movement to the sum of the positive Uncertainty Movements of all categories with positive Uncertainty Movement for each Balancing Authority Area within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement.
(b) for downward Uncertainty Award costs, the ratio of such category’s negative Uncertainty Movement to the sum of the negative Uncertainty Movements of all categories with negative Uncertainty Movement for each Balancing Authority Area within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable in the EIM Area and the EIM Area.

11.25.2.2.4 Allocation to Scheduling Coordinators.

(a) Non-Participating Load Category. The CAISO will allocate the Uncertainty Awards costs of the non-Participating Load category to Scheduling Coordinators –

(1) for upward Uncertainty Award cost in proportion to the Scheduling Coordinator’s negative non-Participating Load UIE, excluding the non-Participating Load of an MSS that has elected to load-follow according to an MSS Agreement, without netting that UIE across Settlement Intervals, to the total of such negative non-Participating Load UIE, without netting that UIE across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable in the BAA or EIM Area as applicable, and

(2) for downward Uncertainty Award cost calculated pursuant to Section 11.25, in proportion to the Scheduling Coordinator’s daily positive non-Participating Load UIE, excluding the non-Participating Load of an MSS that has elected to load-follow according to an MSS Agreement, without netting that UIE across Settlement Intervals, to the total of such positive non-Participating Load UIE, without netting that UIE across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable in the BAA or EIM Area as applicable.
(b) **Supply Category.** The CAISO will allocate the Uncertainty Awards costs of the Supply category to Scheduling Coordinators for each resource in the Supply category based on the sum of the resource’s Uncertainty Movement and UIE –

1. for upward Uncertainty Award cost in proportion to the Scheduling Coordinator’s positive sum of the resource’s Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, to the total positive sum of all resources’ Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable in the BAA or EIM Area as applicable; and

2. for downward Uncertainty Award cost in proportion to the Scheduling Coordinator’s negative sum of the resource’s Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, to the total negative sum of all resources’ Uncertainty Movement and UIE, without netting that sum across Settlement Intervals, within the group of Balancing Authority Areas that shares a common Uncertainty Requirement for that direction or within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, as applicable in the Balancing Authority Area or EIM Area as applicable, except that

3. for the MSS that have elected to load follow pursuant to an MSS Agreement, the CAISO will calculate the positive and negative sums specified above for each Settlement Interval as the sum of MSS non-Participating Load UIE, Supply resources within the MSS UIE, MSS Load Following Energy, MSS Load Following Operational Adjustments, and Uncertainty Movement of resources within the MSS Aggregation.

(c) **Intertie Category.** The CAISO will allocate the Uncertainty Awards costs of the Intertie category to Scheduling Coordinators for each non-Dynamic System Resource and export
based on the sum of the resource’s Uncertainty Movement and Operational Adjustment –

(1) for upward Uncertainty Award cost in proportion to the magnitude of the
Scheduling Coordinator’s negative Operational Adjustment for non-Dynamic
System Resources, or positive Operational Adjustment for export resources, to
the sum of the magnitudes of such Operational Adjustments within the group of
Balancing Authority Areas that shares a common Uncertainty Requirement for
that direction or within a Balancing Authority Area that has a distinct Uncertainty
Requirement for that direction, as applicable in the Balancing Authority Area or
EIM Area, without netting that sum across Settlement Intervals; and

(2) for downward Uncertainty Award cost in proportion to the magnitude of the
Scheduling Coordinator’s positive Operational Adjustment for non-Dynamic
System Resources, or negative Operational Adjustment for export resources, to
the sum of the magnitudes of such Operational Adjustments within the group of
Balancing Authority Areas that shares a common Uncertainty Requirement for
that direction or within a Balancing Authority Area that has a distinct Uncertainty
Requirement for that direction, as applicable in the Balancing Authority Area or
EIM Area, without netting that sum across Settlement Intervals; and

(3) for the purposes of the allocations specified above, the MSS Load Following
Operational Adjustment is excluded.

(d) **Uncertainty Award Cost Offset.** If the sum of the settlement of Uncertainty Awards and
the charges to Scheduling Coordinators for Uncertainty Award costs is nonzero, either
within the group of Balancing Authority Areas that shares a common Uncertainty
Requirement for that direction or within a Balancing Authority Area that has a distinct
Uncertainty Requirement for that direction, then the CAISO will allocate such amounts
to Scheduling Coordinators based on their metered EIM Demand or metered CAISO
Demand in proportion to the total metered EIM Demand and metered CAISO Demand
within that group of Balancing Authority Areas sharing a common Uncertainty
Requirement for that direction or based on their ratio of their metered CAISO Demand
or and metered EIM Demand in proportion to the total EIM area metered demand within a Balancing Authority Area that has a distinct Uncertainty Requirement for that direction, respectively.

11.25.3 Rescission

11.25.3.1 Amount of Rescission.

For each Settlement Interval in which a resource has either a UIE deviation or Operational Adjustment and a Flexible Ramping Product settlement, separately for upward and downward, the CAISO will rescind Settlement Amount for the overlap of the UIE or Operational Adjustment and the sum of RTD Foreasted Movement and Uncertainty Award, at the RTD FRUPFlexible Ramp Up Price or FRDPFlexible Ramp Down Price.

11.25.3.2 Order of Rescission.

The CAISO will apply any rescission amount first to any Uncertainty Award, in the applicable direction, and then apply any remaining rescission amount to Forecasted Movement, in the applicable direction.

* * * * *

27.5.6 Management & Enforcement of Constraints in the CAISO Markets

The CAISO operates the CAISO Markets through the use of a market software system that utilizes various information including the Base Market Model, the State Estimator, submitted Bids including Self-Schedules, Generated Bids, Transmission Constraints, and transmission and generation Outages, including due to Remedial Action Schemes. The market model used in each of the CAISO Markets is derived from the most current Base Market Model available at that time. To create a more relevant time-specific network model for use in each of the CAISO Markets, the CAISO will adjust the Base Market Model to reflect Outages and derates that are known and applicable when the respective CAISO Market will operate, and to compensate for observed discrepancies between actual real-time power flows and flows calculated by the market software. Through this process the CAISO creates the market model to be used in each Day-Ahead Market and each process of the Real-Time Market. The CAISO will manage the enforcement of Transmission Constraints, consistent with good utility practice, to ensure, to the extent
possible, that the market model used in each market accurately reflects all the factors that contribute to actual Real-Time flows on the CAISO Controlled Grid and that the CAISO Market results are better aligned with actual physical conditions on the CAISO Controlled Grid. In operating the CAISO Markets, the CAISO may take the following actions so that, to the extent possible, the CAISO Market solutions are feasible, accurate, and consistent with good utility practice:

(a) The CAISO may enforce, not enforce, or adjust flow-based Transmission Constraints if the CAISO observes that the CAISO Markets produce or may produce results that are inconsistent with observed or reasonably anticipated conditions or infeasible market solutions either because (a) the CAISO reasonably anticipates that the CAISO Market run will identify Congestion that is unlikely to materialize in Real-Time even if the Transmission Constraint were to be ignored in all the markets leading to Real-Time, or (b) the CAISO reasonably anticipates that the CAISO Market will fail to identify Congestion that is likely to appear in the Real-Time. The CAISO does not make such adjustments to intertie Scheduling Limits.

(b) The CAISO may enforce or not enforce Transmission Constraints if the CAISO has determined that non-enforcement or enforcement, respectively, of such Transmission Constraints may result in the unnecessary pre-commitment and scheduling of use-limited resources.

(c) The CAISO may not enforce Transmission Constraints if it has determined it lacks sufficient visibility to conditions on transmission facilities necessary to reliably ascertain constraint flows required for a feasible, accurate and reliable market solution.

(d) For the duration of a planned or unplanned Outage, the CAISO may create and apply alternative Transmission Constraints that may add to or replace certain originally defined constraints.

(e) The CAISO may adjust Transmission Constraints for the purpose of setting prudent operating margins consistent with good utility practice to ensure reliable operation under anticipated conditions of unpredictable and uncontrollable flow volatility consistent with the requirements of Section 7.

To the extent that particular Transmission Constraints are not enforced in the operations of the CAISO Markets, the CAISO will operate the CAISO Controlled Grid and manage any Congestion based on
available information including the State Estimator solutions and available telemetry to Dispatch resources through Exceptional Dispatch to ensure the CAISO is operating the CAISO Controlled Grid consistent with the requirements of Section 7.

29.34 EIM Operations

(n) Effect of EIM Resource Capacity or Flexibility Insufficiency.

(1) Insufficient Capacity. If, after the final opportunity for the EIM Entity to revise hourly Real-Time EIM Base Schedules as provided in Section 29.34(f)(1)(c), the EIM Resource Plan or the CAISO equivalent has insufficient Supply as determined according to Section 29.34(l) -

(A) the CAISO will not include the EIM Entity Balancing Authority Area or the CAISO Balancing Authority Area in the Uncertainty Requirement of the EIM Area;

(B) the CAISO will hold the EIM Transfer limit into or from the EIM Entity Balancing Authority Area or the CAISO Balancing Authority Area, as specified in Section 29.34(n)(2), at the less restrictive of the value for the last 15-minute interval with sufficient Supply or the hourly Real-Time EIM Base Schedule corresponding to the 15-minute interval with insufficient Supply.

34.1.5 Mitigating Bids in the RTM

34.1.5.1 Generally

After the Market Close of the RTM, after the CAISO has validated the Bids pursuant to Section 30.7 and Section 34.1.4, and prior to conducting any other RTM processes, the CAISO conducts a MPM process. The results are used in the RTM optimization processes. Bids on behalf of Demand Response Resources, Participating Load, Hybrid Resources, and Non-Generator Resources are considered in the
MPM process but are not subject to Bid mitigation. Bids from resources comprised of multiple technologies that include Non-Generator Resources will remain subject to all applicable market power mitigation under the CAISO Tariff, including Local Market Power Mitigation.

### 34.1.5.2 Fifteen-Minute MPM

The CAISO conducts the MPM process as the first pass of each fifteen-minute interval in the RTUC horizon starting with the unmitigated Bid set as validated pursuant to Section 30.7 and Section 34.1.4. The MPM process produces results for each fifteen-minute interval of the RTUC horizon and thus may produce mitigated Bids for any given resource for any fifteen-minute interval in the RTUC run horizon that applies to any CAISO Market Process that is based on a specific RTUC run. The determination as to whether a Bid is mitigated is made based on the non-competitive Congestion component of each LMP for each fifteen-minute interval of the RTUC run horizon, using the methodology set forth in Section 31.2.3 except that a resource may have a non-competitive Congestion component in a fifteen-minute interval based on a Transmission Constraint deemed non-competitive either in the base case for meeting Demand or in the cases of modeling the dispatch of Energy for the capacity corresponding to upward and downward Uncertainty Awards, respectively. If a Bid is mitigated in the MPM pass for a fifteen-minute interval in the RTUC run horizon, the mitigated Bid will be utilized in the corresponding binding HASP and FMM process for the fifteen-minute interval. If a Bid is not mitigated in a fifteen-minute MPM pass, the CAISO will still mitigate that Bid in subsequent fifteen-minute intervals of the RTUC horizon if the MPM pass for the subsequent intervals determine that mitigation is needed.

### 34.1.5.3 Real-Time Dispatch MPM

The RTD MPM process produces results for each five-minute interval of a Trading Hour. The determination as to whether a Bid is mitigated is made based on the non-competitive Congestion component of each LMP for each five-minute interval, using the methodology set forth in Section 31.2.3 except that a resource may have a non-competitive Congestion component in a five-minute interval based on a Transmission Constraint deemed non-competitive either in the base case for meeting Demand or in the cases of modeling the dispatch of Energy for the capacity corresponding to upward and downward Uncertainty Awards, respectively. The RTD MPM process is performed for a configurable
number of RTD advisory intervals after the binding RTD interval, and the mitigated Bids are used in the corresponding RTD intervals of the following RTD.

* * * * *

39.7.2 Competitive Path Designation

39.7.2.1 Timing of Assessments

For the DAM and RTM, the CAISO will make assessments and designations of whether Transmission Constraints are competitive or non-competitive as part of the MPM runs associated with the DAM and RTM, respectively. Only binding Transmission Constraints determined by the MPM process will be assessed in the applicable market.

39.7.2.2 Criteria

(A) Notwithstanding the provisions in Section 39.7.2.2(B), when the CAISO enforces the natural gas constraint pursuant to Section 27.11, the CAISO may deem selected internal constraints to be non-competitive for specific days or hours based on its determination that actual electric supply conditions may be non-competitive due to anticipated electric supply conditions in the Southern California Gas Company and San Diego Gas & Electric Company gas regions.

(B) Subject to Section 39.7.3, for the DAM and RTM, a Transmission Constraint will be non-competitive only if the Transmission Constraint fails the dynamic competitive path assessment pursuant to this Section 39.7.2.2.

(a) Transmission Constraints for the DAM - As part of the MPM process associated with the DAM, the CAISO will designate a Transmission Constraint for the DAM as non-competitive when the fringe supply of counter-flow to the Transmission Constraint from all portfolios of suppliers that are not identified as potentially pivotal is less than the demand for counter-flow to the Transmission Constraint. For purposes of determining whether to designate a Transmission Constraint as non-competitive pursuant to this Section 39.7.2.2(B)(a):

(i) Counter-flow to the Transmission Constraint means the delivery of Power from a resource to the system load distributed reference bus. If counter-flow to the
Transmission Constraint is in the direction opposite to the market flow of Power to the Transmission Constraint, the counter-flow to the Transmission Constraint is calculated as the shift factor multiplied by the resource’s scheduled Power. Otherwise, counter-flow to the Transmission Constraint is zero.

(ii) Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers and all internal Virtual Supply Awards not controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. Available capacity reflects the highest capacity of a resource’s Energy Bid adjusted for Self-Provided Ancillary Services and derates.

(iii) Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply and Virtual Supply Awards that provide counter-flow to the Transmission Constraint.

(iv) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that control the largest quantity of counter-flow supply to the Transmission Constraint.

(v) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Section 4.5.1.1.12 and all effective internal Virtual Supply Awards of the Scheduling Coordinator and/or Affiliate. Effectiveness in supplying counter-flow is determined by scaling generation capacity and/or Virtual Supply Awards by the shift factor from that location to the Transmission Constraint being tested.

(vi) A portfolio of a net seller means any portfolio that is not a portfolio of a net buyer. A portfolio of a net buyer means a portfolio for which the average daily net value of Measured Demand minus Supply over a twelve (12) month period is positive. The average daily net value is determined for each portfolio by subtracting, for each Trading Day, Supply from Measured Demand and then averaging the daily value for all Trading Days over the twelve (12) month period. The CAISO will calculate whether portfolios are portfolios of net buyers in the third month of each
calendar quarter and the calculations will go into effect at the start of the next
calendar quarter. The twelve (12) month period used in this calculation will be
the most recent twelve (12) month period for which data is available. The
specific mathematical formula used to perform this calculation will be set forth in
a Business Practice Manual. Market Participants without physical resources will
be deemed to be net sellers for purposes of this Section 39.7.2.2(a)(vi).

(vii) In determining which Scheduling Coordinators and/or Affiliates control the
resources in the three (3) identified portfolios, the CAISO will include resources
and Virtual Supply Awards directly associated with all Scheduling Coordinator ID
Codes associated with the Scheduling Coordinators and/or Affiliates, as well as
all resources that the Scheduling Coordinators and/or Affiliates control pursuant
to Resource Control Agreements registered with the CAISO as set forth Section
4.5.1.1.13. Resources identified pursuant to Resource Control Agreements will
only be assigned to the portfolio of the Scheduling Coordinator that has control of
the resource or whose Affiliate has control of the resource pursuant to the
Resource Control Agreements.

(b) Transmission Constraints for the RTM - As part of the MPM processes associated with
the RTM, the CAISO separately evaluates Transmission Constraints for the base
scenario for meeting Demand, for the scenario of modeling the dispatch of Energy for the
capacity corresponding to upward Uncertainty Awards, and for the scenario of modeling
the dispatch of Energy for the capacity corresponding to downward Uncertainty Awards.
The CAISO will designate a Transmission Constraint for the RTM as non-competitive
when the sum of the supply of counter-flow from all portfolios of potentially pivotal
suppliers to the Transmission Constraint and the fringe supply of counter-flow to the
Transmission Constraint from all portfolios of suppliers that are not identified as
potentially pivotal is less than the demand for counter-flow to the Transmission
Constraint. For purposes of determining whether to designate a Transmission Constraint
as non-competitive pursuant to this Section 39.7.2.2(b):
(i) Counter-flow to the Transmission Constraint has the meaning set forth in Section 39.7.2.2(B)(a)(i).

(ii) Supply of counter-flow from all portfolios of potentially pivotal suppliers to the Transmission Constraint means the minimum available capacity from internal resources controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. The minimum available capacity for the current market interval will reflect the greatest amount of capacity that can be physically withheld. The minimum available capacity is the lowest output level the resource could achieve in the current market interval given its dispatch in the last market interval and limiting factors including Minimum Load, Ramp Rate, Self-Provided Ancillary Services, Ancillary Service Awards (in the Real-Time Market only), and derates, and Uncertainty Awards.

(iii) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that control the largest quantity of counter-flow supply to the Transmission Constraint that can be withheld. Counter-flow supply to the Transmission Constraint that can be withheld reflects the difference between the highest capacity and the lowest capacity of a resource's Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute FMM interval or the preceding five (5) minute RTD interval, as applicable (taking into account the Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services/Ancillary Service Awards, and derates, and Uncertainty Awards in determining whether to designate a Transmission Constraint as non-competitive for the RTM, or adjusted for Ancillary Service Awards and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of
sixty (60) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval of the FMM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of fifteen (15) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval.

(iv) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Sections 4.5.1.1.12 and 39.7.2.2(a)(vii). Effectiveness in supplying counter-flow is determined by scaling generation capacity by the shift factor from that location to the Transmission Constraint being tested.

(v) A portfolio of a net seller has the meaning set forth in Section 39.7.2.2(a)(vi).

(vi) Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. Available capacity reflects the highest capacity of a resource’s Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute interval of the FMM or five (5) minute interval of the RTD, as applicable (taking into account the Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services/Ancillary Service Awards, and derates, and Uncertainty Awards in determining whether to designate a Transmission Constraint as non-competitive for the RTM, or adjusted for Ancillary Service Awards and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM.

(vii) Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply that provides counter-flow to the Transmission Constraint.
44.2.1 Optimization.

44.2.1.1 Generally.

The CAISO will optimize the procurement of Uncertainty Awards in the Real-Time Market simultaneously with the procurement of Energy and Ancillary Services, as applicable. Uncertainty Awards do not overlap with Ancillary Services Awards or Available Balancing Capacity.

44.2.1.2 Nodal Procurement of Uncertainty Awards

The CAISO will optimize procurement of Uncertainty Awards such that, in the event modeled uncertainty arises fully for either the upward or downward directions, Energy that would be dispatched from resource capacity corresponding to the Uncertainty Awards would not result in flows exceeding Transmission Constraints and scheduling limits, including EIM transfer limits.

44.2.1.3 Optimization for Balancing Authority Areas with Distinct Uncertainty Requirements

For Balancing Authority Areas with a distinct Uncertainty Requirement per Section 44.2.4.1, the CAISO will optimize procurement of Uncertainty Awards assuming that the Balancing Authority Area would be limited to its final hourly Real-Time EIM Base Schedule or the CAISO equivalent in the event modeled uncertainty arises fully in the direction for which there is a distinct Uncertainty Requirement.

* * * * *

44.2.4 Determination of Uncertainty Requirement.

44.2.4.1 Requirement.

For each Real-Time Market run, the CAISO determines a distinct upward Uncertainty Requirement for each Balancing Authority Area that fails either the: (a) capacity test specified in Section 29.34(l) because the incremental offers in the Energy Bid range above the EIM Base Schedule (or equivalent for the CAISO) are not sufficient; or (b) flexibility test specified in Section 29.34(m) because of insufficient upward Ramping capacity. For each Real-Time Market run, the CAISO determines an upward Uncertainty Requirement for the group of Balancing Authority Areas that passes both the capacity test and flexibility tests in the upward direction.
For each Real-Time Market run, the CAISO determines a distinct downward Uncertainty Requirement for each Balancing Authority Area that fails either the: (a) capacity test specified in Section 29.34(l) because the decremental offers in the Energy Bid range below the EIM Base Schedule (or equivalent for the CAISO) are not sufficient; or (b) flexibility test specified in Section 29.34(m) because of insufficient downward Ramping capacity. For each Real-Time Market run, the CAISO determines a downward Uncertainty Requirement for the group of Balancing Authority Areas that passes both the capacity test and flexibility tests in the downward direction.

The CAISO will determine the Uncertainty Requirement for each Real-Time Market run, by each BAA and for the EIM Area overall.

44.2.4.2 Procurement Curve.

(a) Generally. Based on statistical analysis of the Uncertainty Requirement, the CAISO will calculate constraint relaxation parameters to ensure the total cost of the Uncertainty Awards will not exceed the cost of expected power balance violations in absence of the Uncertainty Award, by each Balancing Authority Area and for the EIM Area overall, as set forth in the Business Practice Manual.

(b) Procurement Curve Cap. The CAISO will establish in the Business Practice Manual a limit on the procurement curve –

(1) at an amount less than the contingency relaxation penalty pricing parameter specified in the Business Practice Manual for market operations, in the case of an upward demand curve; and

(2) at an amount more than the regulation down relaxation penalty pricing parameter specified in the Business Practice Manual for market operations, in the case of a downward demand curve.

44.2.4.3 Nodal Distribution of Requirements

The CAISO will distribute the upward and downward Uncertainty Requirement to the Demand and Variable Energy Resources Locations within each Balancing Authority Area in the EIM Area based on allocation factors derived from historical and/or forecasted information that reflect the relative contributions of Demand and Variable Energy Resources to overall Uncertainty Requirement.
Appendix A
Definitions

- Flexible Ramp Down Price
The Shadow Price of the downward Uncertainty Requirement constraint, which is the cost sensitivity of relaxing the downward Uncertainty Requirement constraint ($/MWh), by Location.

- Flexible Ramp Up Price
The Shadow Price of the upward Uncertainty Requirement constraint, which is the cost sensitivity of relaxing the upward Uncertainty Requirement constraint ($/MWh), by Location.

Appendix C
Locational Marginal Price

C. The System Marginal Energy Cost Component of LMP (Day-Ahead and Real-Time Market)
The SMEC shall be the same for each location throughout the system. SMEC is the sensitivity of the power balance constraint at the optimal solution. The power balance constraint ensures that the physical law of conservation of Energy (the sum of Generation and imports equals the sum of Demand, including exports and Transmission Losses) is accounted for in the network solution. This system level power balance constraint is enforced over the CAISO Balancing Authority Area for the Day-Ahead Market and over the EIM Area in the Real-Time Market. For the designated reference location the CAISO will utilize a
distributed Load Reference Bus for which constituent PNodes are weighted using the Reference Bus
distribution factors. The Load distributed Reference Bus distribution factors are based on the Load
Distribution Factors at each PNode that represents cleared Load in the Integrated Forward Market or
forecast Load for MPM, RUC and RTM. In the Integrated Forward Market, in the event that the market is
not able to clear based on the use of a distributed load Reference Bus, the CAISO will use a distributed
generation Reference Bus for which the constituent nodes and the weights are determined economically
within the running of the Integrated Forward Market based on available economic bids. In the event that
the CAISO employs a distributed generation Reference Bus, it will notify Market Participants of which
Integrated Forward Market runs required the use of this backstop mechanism. A distributed Load
Reference Bus will be used for RUC and RTM regardless of whether a distributed Generation Reference
Bus were used in the corresponding Integrated Forward Market run. If the market-clearing problem is
limited by the system-level power balance constraint, the market clearing process would create a Shadow
Price for the power balance constraint only when the relaxation of the constraint would result in a
reduction in the total cost to operate the system.

D. Marginal Congestion Component Calculations (Day-Ahead and Real-Time)
The CAISO calculates the Marginal Costs of Congestion at each bus as a component of the bus-level
LMP. The Marginal Cost of Congestion (MCCI) component of the LMP at bus i is calculated in the Day-
Ahead Market using the equation:

\[
MCCI_i = - \sum_{m=1}^{M} \sum_{j=1}^{J} c_{j,m} PT_{DF}^{L,j}_i \mu_m - \sum_{k=1}^{K} \sum_{m=1}^{M} PT_{DF}^{k}_i \mu_m^k
\]

\[
- \sum_{g=1}^{G} \sum_{m=1}^{M} \left( PT_{DF}^{g}_L + \delta_{O,g,i} \sum_{n=1}^{N} PT_{DF}^{g}_{n,m} GLDF_{O,p,n} \right) \mu_m^g
\]

where:

- \( i \) is a node index.
- \( n \) is a node index.
- \( m \) is the constraint or monitored element index.
- \( k \) is the preventive contingency case.
- \( g \) is the generation contingency case.
• $O_g$ is the node index associated with the generator contingency case $g$.

• $j$ is the transmission component index of Transmission Constraint $m$. When Transmission Constraint $m$ is a Nomogram, there can be more than one transmission component. When Transmission Constraint $m$ is any other Transmission Constraint, there shall be only one transmission component.

• $N$ is the number of preventive contingencies.

• $K$ is the number of preventive transmission contingencies, both in the base case for meeting Demand and in the case of modeling the dispatch of Energy for the capacity corresponding to the Uncertainty Awards.

• $K_g$ is the number of preventive generation contingencies.

• $M$ is the number of monitored elements, both in the base case for meeting Demand and in the case of modeling the dispatch of Energy for the capacity corresponding to the Uncertainty Awards.

• $J_m$ is the number of transmission components for constraint $m$. 

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