

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

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42. Adequacy of Facilities to Meet Applicable Reliability Criteria

42.1 Generation Planning Reserve Criteria

Generation planning reserve criteria shall be met as follows:

42.1.1 On an annual basis, the CAISO shall prepare a forecast of weekly Generation capacity and weekly peak Demand on the CAISO Controlled Grid. This forecast shall cover a period of twelve months and be posted on the CAISO Website and the CAISO may make the forecast available in other forms at the CAISO's option.

42.1.2 Applicable Reliability Criteria Met in Peak Demand

If the forecast shows that the Applicable Reliability Criteria can be met during peak Demand periods, then the CAISO shall take no further action.

42.1.3 Applicable Reliability Criteria Not Met in Peak Demand

If the forecast shows that the Applicable Reliability Criteria cannot be met during peak Demand periods, then the CAISO shall facilitate the development of market mechanisms to bring the CAISO Controlled Grid during peak periods into compliance with the Applicable Reliability Criteria (or such more stringent criteria as the CAISO may impose). The CAISO shall solicit bids in the form of Ancillary Services, short-term Generation supply contracts of up to one (1) year with Generators, and Load curtailment contracts giving the CAISO the right to reduce the Demands of those parties that win the contracts when there is insufficient Generation capacity to satisfy those Demands in addition to all other Demands. The Load curtailment contracts shall provide that the CAISO's curtailment rights can only be exercised after all available Generation capacity has been fully utilized unless the exercise of such rights would allow the CAISO to satisfy the Applicable Reliability Criteria at lower cost, and the curtailment rights shall not be exercised to stabilize or otherwise influence prices for power in the Energy markets.

42.1.4 Lowest Cost Bids Satisfying Applicable Reliability Criteria

If Ancillary Services contracts, short-term Generation supply contracts, or Load curtailment contracts are required to meet Applicable Reliability Criteria, the CAISO shall select the bids that permit the satisfaction of those Applicable Reliability Criteria at the lowest cost.

42.1.5 CAISO to Take Necessary Steps to Ensure Criteria Compliance

Notwithstanding the foregoing, if the CAISO concludes that it may be unable to comply with the Applicable Reliability Criteria, the CAISO shall, acting in accordance with Good Utility Practice, take such steps as it considers to be necessary to ensure compliance, including the negotiation of contracts through processes other than competitive solicitations. These steps can include the negotiation of contracts on a Real-Time basis for Generation, Ancillary Services, or unloaded resource capacity to meet Applicable Reliability Criteria. Unless otherwise specified, the contract price for Ancillary Services or unloaded resource capacity to meet Applicable Reliability Criteria is the applicable Fifteen-Minute Market Ancillary Service Marginal Price.

42.1.6 Long Term Forecast for Information Purposes

The CAISO may, in addition to the required annual forecast, publish a forecast of the peak Demands and Generation resources for two or more additional years. This forecast would be for information purposes to allow Market Participants to take appropriate steps to satisfy the Applicable Reliability Criteria, and would not be used by the CAISO to determine whether additional resources are necessary.

42.1.7 Reliance on Market Forces to Maximize Possible Extent

In fulfilling its requirement to ensure that the applicable Generation planning reserve criteria are satisfied, the CAISO shall rely to the maximum extent possible on market forces.

42.1.8 Allocation of Costs Incurred by CAISO in Trading Hour to SCs

Except where and to the extent costs incurred by the CAISO for any contract entered into under Section 42.1.5 are recovered from Scheduling Coordinators pursuant to Sections 11.5.8, 11.10 or 42.1.9, all costs incurred by the CAISO in any Trading Hour shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's Measured Demand bears to the total Measured Demand served in that hour.

42.1.9 Costs for Difference in Schedules and Real-Time Deviations

Costs incurred by the CAISO pursuant to any contract entered into under this Section for resources to meet any portion of the anticipated difference between forward Schedules and the Real-Time deviations from those Schedules shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's obligation for RUC Availability Payments.

42.2 Transferred Frequency Response

42.2.1 Procurement of Transferred Frequency Response

If the CAISO concludes that it may be unable to provide sufficient frequency response consistent with Applicable Reliability Criteria, the CAISO may, acting in accordance with Good Utility Practice, negotiate contracts for Transferred Frequency Response. The CAISO will solicit bids for contracts for Transferred Frequency Response. The CAISO shall select the bids that permit the CAISO to satisfy Applicable Reliability Criteria at lowest cost consistent with the seller's capability to provide Transferred Frequency Response and not to exceed the estimated cost of satisfying Applicable Reliability Criteria using additional procurement of Regulation Up.

42.2.2 Allocation of Transferred Frequency Response Costs Incurred

The costs incurred by the CAISO for any contract for Transferred Frequency Response entered into under Section 42.2.1 are recovered from Scheduling Coordinators pursuant to Section 11.34.