

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

Table of Contents

43.	Capacity Procurement Mechanism	2
43.1	Applicability	2
43.2	Capacity Procurement Mechanism Designation	2
43.2.1	SC Failure to Show Sufficient Local Capacity Area Resource	3
43.2.2	Collective Deficiency in Local Capacity Area Resources.....	4
43.2.3	SC Failure to Show Sufficient Resource Adequacy Resources	5
43.2.4	CPM Significant Events.....	5
43.2.5	Exceptional Dispatch CPM.....	5
43.2.6	Capacity at Risk of Retirement Needed for Reliability	8
43.2.7	Cumulative Deficiency in Flexible RA Capacity	9
43.3	Terms of CPM Designation	10
43.3.1	SC Annual Plan Failure to Show Local Capacity Area Resources	10
43.3.2	SC Month Plan Failure to Show Local Capacity Area Resources	10
43.3.3	Annual Plan Collective LCA Resources Insufficient.....	11
43.3.4	SC Failure to Show Sufficient Resource Adequacy Resources	11
43.3.5	Term – CPM Significant Event.....	11
43.3.6	Term – Exceptional Dispatch CPM	12
43.3.7	Term – Capacity at Risk of Retirement Needed for Reliability.....	12
43.3.8	Term – Flexible Capacity CPM Designation	12
43.4	Selection of Eligible Capacity Under the CPM	13
43.4.1	Limitation of Eligibility for Flexible Capacity CPM Designation.....	14
43.4.2	Designation Amount.....	15
43.4.3	Simultaneous Designations.....	15
43.5	Obligations of a Resource Designated Under the CPM	15
43.5.1	Availability Obligations	15
43.5.2	Obligation to Provide Capacity and Termination.....	16
43.5.3	Availability Obligations for Simultaneous Designations	17
43.6	Reports.....	17
43.6.1	CPM Designation Market Notice	17
43.6.2	Designation of a Resource Under the CPM	17
43.6.3	Non-Market and Repeated Market Commitment on Non-RA Capacity	18
43.6.4	[Not Used]	19
43.7	Payments to Resources Designated Under the CPM.....	19
43.7.1	Monthly CPM Capacity Payment	19
43.7.2	Resource-Specific CPM Capacity Payment.....	21
43.7.3	Market Payments	24
43.8	Allocation of CPM Payment Costs	24
43.8.1	LSE Shortage of Local Capacity Area Resources in Annual Plan.....	24
43.8.2	LSE Shortage of Local Capacity Area Resources in Month Plan	24
43.8.3	Collective Deficiency in Local Capacity Area Resources.....	25
43.8.4	LSE Shortage of Demand or Reserve Margin Requirement in Plan.....	25
43.8.5	Allocation of CPM Significant Event Costs	25
43.8.6	Allocation of Exceptional Dispatch CPM.....	25
43.8.7	Allocation of CPM Costs for Resources at Risk of Retirement	26
43.8.8	Allocation of CPM Flexible Capacity Costs	26
43.9	Crediting of CPM Capacity.....	28
43.10	[Not Used]	29

43. Capacity Procurement Mechanism

43.1 Applicability

This Section 43 shall apply to all designations of Eligible Capacity to provide CPM Capacity services under the CPM that commence prior to November 1, 2016. Designations of CPM Capacity and Flexible Capacity CPM not made through a CSP and in existence as of October 31, 2016 shall continue in effect and remain subject to the tariff provisions applicable at the time the designation of CPM Capacity or Flexible Capacity CPM was made, including the provisions concerning compensation, cost allocation and Settlement, until such time as the CPM resources have been finally compensated for their services rendered under the CPM prior to , and the CAISO has finally allocated and recovered the costs associated with such CPM compensation.

43.2 Capacity Procurement Mechanism Designation

The CAISO shall have the authority to designate Eligible Capacity to provide CPM Capacity services under the CPM to address the following circumstances, as discussed in greater detail in Section 43:

1. Insufficient Local Capacity Area Resources in an annual or monthly Resource Adequacy Plan;
2. Collective deficiency in Local Capacity Area Resources;
3. Insufficient Resource Adequacy Resources in an LSE's annual or monthly Resource Adequacy Plan;
4. A CPM Significant Event;
5. A reliability or operational need for an Exceptional Dispatch CPM;
6. Capacity at risk of retirement within the current RA Compliance Year that will be needed for reliability by the end of the calendar year following the current RA Compliance Year; and
7. A cumulative deficiency in the total Flexible RA Capacity included in the annual or monthly Flexible RA Capacity Plans, or in a Flexible Capacity Category in the monthly Flexible RA Capacity Plans.

43.2.1 SC Failure to Show Sufficient Local Capacity Area Resource

43.2.1.1 Annual Resource Adequacy Plan

Where a Scheduling Coordinator fails to demonstrate in an annual Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE's share of Local Capacity Area Resources, as determined in Section 40.3.2 for each month of the following Resource Adequacy Compliance Year, the CAISO shall have the authority to designate CPM Capacity; provided, however, that the CAISO shall not designate CPM Capacity under this Section 43.2.1.1 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7. The CAISO's authority to designate CPM Capacity under this Section 43.2.1.1 is to ensure that each Local Capacity Area in a TAC Area in which the LSE serves Load has Local Capacity Area Resources in the amounts and locations necessary to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all Resource Adequacy Resources reflected in all submitted annual Resource Adequacy Plans and any supplements thereto, as may be permitted by the CPUC, Local Regulatory Authority, or federal agency and provided to the CAISO in accordance with Section 40.7, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area.

43.2.1.2 Monthly Resource Adequacy Plan

Where a Scheduling Coordinator fails to demonstrate in a monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE's share of Local Capacity Area Resources, as determined in Section 40.3.2 for the reported month, the CAISO shall have the authority to designate CPM Capacity; provided, however, that the CAISO shall not designate CPM Capacity under this Section 43.2.1.2 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7. The CAISO's authority to designate CPM Capacity under this Section 43.2.1.2 is to ensure that each Local Capacity Area in a TAC Area in which the LSE serves Load has Local Capacity Area Resources in the amounts and locations necessary to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all Resource Adequacy Resources reflected in all submitted annual and monthly Resource Adequacy Plans and any supplements thereto, as may be

permitted by the CPUC, Local Regulatory Authority, or federal agency and provided to the CAISO in accordance with Section 40.7, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area.

43.2.2 Collective Deficiency in Local Capacity Area Resources

The CAISO shall have the authority to designate CPM Capacity where the Local Capacity Area Resources specified in the annual Resource Adequacy Plans of all applicable Scheduling Coordinators, after the opportunity to cure under Section 43.2.2.1 has been exhausted, fail to ensure compliance in one or more Local Capacity Areas with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, regardless of whether such resources satisfy, for the deficient Local Capacity Area, the minimum amount of Local Capacity Area Resources identified in the Local Capacity Technical Study, and after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all Resource Adequacy Resources reflected in all submitted annual Resource Adequacy Plans, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area. The CAISO may, pursuant to this Section 43.2.2, designate CPM Capacity in an amount and location sufficient to ensure compliance with the Reliability Criteria applied in the Local Capacity Technical Study.

43.2.2.1 LSE Opportunity to Resolve Collective Deficiency in Local Capacity Area Resources

Where the CAISO determines that a need for CPM Capacity exists under Section 43.2.2, but prior to any designation of CPM Capacity, the CAISO shall issue a Market Notice identifying the deficient Local Capacity Area and the quantity of capacity that would permit the deficient Local Capacity Area to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1 and, where only specific resources are effective to resolve the Reliability Criteria deficiency, the CAISO shall provide the identity of such resources. Any Scheduling Coordinator may submit a revised annual Resource Adequacy Plan within thirty (30) days of the date of the Market Notice demonstrating procurement of additional Local Capacity Area Resources consistent with the Market Notice issued under this Section.

Any Scheduling Coordinator that provides such additional Local Capacity Area Resources consistent with the Market Notice under this Section shall have its share of any CPM procurement costs under Section

43.8.3 reduced on a proportionate basis. If the full quantity of capacity is not reported to the CAISO under revised annual Resource Adequacy Plans in accordance with this Section, the CAISO may designate CPM Capacity sufficient to alleviate the deficiency.

43.2.3 SC Failure to Show Sufficient Resource Adequacy Resources

The CAISO shall have the authority to designate CPM Capacity where a Scheduling Coordinator fails to demonstrate in an annual or monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of sufficient Resource Adequacy Resources to comply with each LSE's annual and monthly Demand and Reserve Margin requirements under Section 40; provided that the CAISO shall not designate CPM Capacity under this Section 43.2.3 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7; provide further that the CAISO shall not designate CPM Capacity under this Section 43.2.3 unless there is an overall net deficiency in meeting the total annual or monthly Demand and Reserve Margin requirements, whichever is applicable, after taking into account all LSE demonstrations in their applicable or monthly Resource Adequacy Plans.

43.2.4 CPM Significant Events

The CAISO may designate CPM Capacity to provide service on a prospective basis following CPM Significant Event, to the extent necessary to maintain compliance with Reliability Criteria and taking into account the expected duration of the CPM Significant Event.

43.2.5 Exceptional Dispatch CPM

Except as provided in Section 43.2.5.1, the CAISO shall designate as ICPM Capacity to provide service on a prospective basis the capacity of a resource that responds to an Exceptional Dispatch if the Exceptional Dispatch is issued pursuant to Section 34.9.1, subsections (6), (9) or (10) of Section 34.9.2, or Section 34.9.3, unless the Exceptional Dispatch directs the curtailment or shut down of the resource.

43.5.2.1 Limitation on Eligibility for Exceptional Dispatch ICPM Designation

The following capacity is not eligible to receive an Exceptional Dispatch ICPM designation under this Section 43.2.5.1:

- (1) RA Capacity, RMR Capacity, and ICPM Capacity; and
- (2) Capacity of a resource that is eligible to receive supplemental revenues under Section 39.10.3 during any month for which the resource has notified the CAISO under Section

39.10.3 that it chooses to receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation.

43.2.5.2 Quantity of Capacity included in an Exceptional Dispatch ICPM Designation

43.2.5.2.1 Exceptional Dispatch Commitments of Non RA, Non RMR and Non ICPM

Resources

If a resource does not have any self-schedule, market-based commitment, or RA, RMR or CPM Capacity and receives an Exceptional Dispatch CPM designation under Section 43.2.5 following an Exceptional Dispatch eligible for a CPM designation, the CAISO shall designate as CPM Capacity the greater of the resource's PMin or the quantity of capacity needed from the resource to address the reliability issue as determined in an engineering assessment if available at that time. For designations made in the post-day ahead timeframe, the CAISO will make an initial determination of the quantity of Exceptional Dispatch CPM Capacity and will subsequently make a post-day ahead reliability assessment of the amount of capacity needed to address the reliability issue, as set forth in the Business Practice Manuals. If the post-day ahead reliability assessment shows that no additional Exceptional Dispatch CPM Capacity is needed from the resource to address the reliability issue, the resource will be compensated based on the initial quantity of capacity designated. If the post-day ahead reliability assessment shows that additional Exceptional Dispatch CPM Capacity is needed from the resource to address the reliability issue, the CAISO will designate the incremental quantity of capacity, will treat the initial and incremental quantities of the Exceptional Dispatch CPM Capacity as a single designation effective as of the date of the initial designation, and will compensate the resource based on the sum of the initial and incremental quantities of the Exceptional Dispatch CPM Capacity for the term of the designation. Any incremental Exceptional Dispatch CPM Capacity designated under this section does not result in a new thirty (30) day term or sixty (60)-day term, as applicable.

43.2.5.2.2 Exceptional Dispatch of Partial RA, Partial CPM Unit, or Market Committed

Resource

If a resource is a Partial Resource Adequacy Resource, has a CPM designation of less than its entire capacity, has a Self Schedule or has a market based commitment, or has already received an Exceptional Dispatch CPM designation under Section 43.2.5, the CAISO shall designate as CPM

Capacity the amount by which the quantity of capacity needed from the resource to address the reliability issue exceeds the greater of –

- (1) the capacity that the resources must make available to the CAISO as the result of an RA Capacity or CPM Capacity obligation; if any; and
- (2) the sum of any Self-Schedule and any market-based commitment or dispatch of the resource.

43.2.5.2.3 Subsequent Exceptional Dispatch

If the CAISO, during the term of a resource's Exceptional Dispatch CPM designation, issues a subsequent Exceptional Dispatch to the resource that exceeds the sum of the resource's CPM Capacity and RA Capacity, the subsequent Exceptional Dispatch CPM Capacity shall equal the difference between the quantity of capacity needed from the resource to address the reliability issue, as determined in an engineering assessment conducted as set forth in the Business Practice Manuals, and the sum of the resource's CPM Capacity and RA Capacity, but not to exceed the resource's Eligible Capacity. The increase will be effective for the remainder of the initial Exceptional Dispatch CPM Term and retroactively to the beginning of the initial Exceptional Dispatch CPM Term or the first day of the month in which the increase occurs, whichever is later. Any incremental Exceptional Dispatch issued within any Exceptional Dispatch CPM Term does not result in a new 30-day term or 60-day term, as applicable.

43.2.5.2.4 Change in RA, RMR, or CPM Status

If a resource has an RA, RMR or CPM Capacity obligation that pre-existed the resource's Exceptional Dispatch CPM designation and, during the term of the resource's Exceptional Dispatch CPM designation, the amount of the resource's RA, RMR or CPM Capacity is reduced, the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch CPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch CPM designation becomes RA Capacity or receives a monthly CPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch CPM designation shall be reduced by the amount of the new RA Capacity, CPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

43.2.6 Capacity at Risk of Retirement Needed for Reliability

The CAISO shall have the authority to designate CPM Capacity to keep a resource in operation that is at risk of retirement during the current RA Compliance Year and that will be needed for reliability by the end of the calendar year following the current RA Compliance Year. The CAISO may issue this risk of retirement CPM designation in the event that all of the following requirements apply:

- (1) the resource was not contracted as RA Capacity nor listed as RA Capacity in any LSE's annual Resource Adequacy Plan during the current RA Compliance Year;
- (2) the CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year;
- (3) CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year;
- (4) no new generation is projected by the ISO to be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need; and
- (5) the resource owner submits to the CAISO and DMM, at least 180 days prior to terminating the resource's PGA or removing the resource from PGA Schedule 1, a request for a CPM designation under this Section 43.2.6 and the affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to remain in service in the current RA Compliance Year and that the decision to retire is definite unless CPM procurement occurs.

If the CAISO determines that all of the requirements have been met, prior to issuing the CPM designation, the CAISO shall prepare a report that explains the basis and need for the CPM designation. The CAISO shall post the report on the CAISO's Website and allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on the report and no less than thirty (30) days for an LSE to procure Capacity from the resource. If an LSE does not, within that period, procure sufficient RA

Capacity to keep the resource in operation during the current RA Compliance Year, the CAISO may issue the risk of retirement CPM designation; provided that the CAISO determines that the designation is necessary and that all other available procurement measures have failed to procure the resources needed for reliable operation. The ISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.

43.2.7 Cumulative Deficiency in Flexible RA Capacity

- (a) **Annual Plans.** A cumulative deficiency will exist in the annual LSE Flexible RA Capacity Plans if the total amount of Flexible RA Capacity shown in the plans of all Load Serving Entities, based on the Effective Flexible Capacity value determined by the CAISO for each resource, is less than 90 percent of the annual Flexible Capacity Need determined by the CAISO pursuant to Section 40.10.1.
- (b) **Monthly Plans.** A cumulative deficiency will exist in the monthly Flexible RA Capacity Plans –
 - (1) if the total amount of Flexible RA Capacity shown in the plans of all Load Serving Entities, limited on a collective basis to the maximum monthly requirement for each category and based on the Effective Flexible Capacity value determined by the CAISO for each resource, is less than the applicable monthly Flexible Capacity Need determined by the CAISO pursuant to Section 40.10.1; or
 - (2) if the total amount of Flexible RA Capacity shown in the base ramping Flexible Capacity Category in the plans of all Load Serving Entities, based on the Effective Flexible Capacity value determined by the CAISO for each resources, on a collective basis is less than the minimum monthly requirement for the base ramping Flexible Capacity Category determined by the CAISO pursuant to Section 40.10.1.4.

43.2.7.1 Final Opportunity to Resolve Deficiency

If the processes set forth in Section 40.10.5.4, 40.10.5.5, and 40.10.5.6 do not fully resolve a deficiency or discrepancy in the annual or monthly Flexible RA Capacity Plans, and if the CAISO determines that a cumulative deficiency exists under Section 43.2.7 and that there is a need for Flexible Capacity CPM, but

prior to issuing a Flexible Capacity CPM designation for the cumulative deficiency –

- (1) the CAISO shall (i) issue a Market Notice that describes the cumulative deficiency and specifies the quantity of Flexible RA Capacity necessary to meet the applicable Flexible Capacity Need, and (ii) notify the Load Serving Entities that are deficient and the Local Regulatory Authority with jurisdiction over each deficient Load Serving Entity;
- (2) a Scheduling Coordinator for a Load Serving Entity that is deficient, or for a Load Serving Entity subject to the jurisdiction of a Local Regulatory Authority that is deficient, may submit a revised annual or monthly Flexible RA Capacity Plan to demonstrate procurement of additional Flexible RA Capacity consistent with the Market Notice issued under this Section; but shall not include any other revisions in a plan submitted under this Section. A revised annual Flexible RA Capacity Plan must be submitted no later than December 31 for the following calendar year. A revised monthly Flexible RA Capacity Plan must be submitted no less than five days prior to the first day of the applicable month.

43.2.7.2 Designation

After the opportunity to resolve the cumulative deficiency under Section 40.10.5.4 has been exhausted, if total required Flexible RA Capacity reported to the CAISO in revised annual or monthly Flexible RA Capacity Plans does not meet the Flexible RA Capacity Need in accordance with this Section, the CAISO may issue a Flexible Capacity CPM designation in an amount sufficient to alleviate the deficiency.

43.3 Terms of CPM Designation

43.3.1 SC Annual Plan Failure to Show Local Capacity Area Resources

CPM Capacity designated under Section 43.2.1.1 shall have a minimum commitment term of one (1) month and a maximum commitment term of one (1) year, based on the period(s) of overall shortage as reflected in the annual Resource Adequacy Plans that have been submitted. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

43.3.2 SC Month Plan Failure to Show Local Capacity Area Resources

CPM Capacity designated under Section 43.2.2.2 shall have a minimum commitment term of one (1) month. The term of the designation may not extend into a subsequent Resource Adequacy Compliance

Year.

43.3.3 Annual Plan Collective LCA Resources Insufficient

CPM Capacity designated under Section 43.2.2 shall have a minimum commitment term of one (1) month and a maximum commitment term of one year, based on the period(s) of overall shortage as reflected in the annual Resource Adequacy Plans that have been submitted. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

43.3.4 SC Failure to Show Sufficient Resource Adequacy Resources

CPM Capacity designated under Section 43.2.3 shall: (a) have a minimum commitment term of one (1) month and a maximum commitment term equal to the maximum annual procurement period established by the Local Reliability Authority based on the period of the deficiency reflected in the annual Resource Adequacy Plan or (b) have a commitment term of one (1) month if the deficiency is in the monthly Resource Adequacy Plan. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

43.3.5 Term – CPM Significant Event

CPM Capacity designated under Section 43.2.4 shall have an initial term of thirty (30) days. If the CAISO determines that the CPM Significant Event is likely to extend beyond the thirty (30) day period, the CAISO shall extend the designation for another sixty (60) days. During this additional sixty (60) day period, the CAISO will provide Market Participants with an opportunity to provide alternative solutions to meet the CAISO's operational and reliability needs in response to the CPM Significant Event, rather than rely on the CAISO's designation of capacity under the CPM. The CAISO shall consider and implement, if acceptable to the CAISO in accordance with Good Utility Practice, such alternative solutions provided by Market Participants in a timely manner. If Market Participants do not submit any alternatives to the designation of CPM capacity that are fully effective in addressing the deficiencies in Reliability Criteria resulting from CPM Significant Event, the CAISO shall extend the term of the designation under Section 43.2.4 for the expected duration of the CPM Significant Event.

If the solutions offered by Market Participants are only partially effective in addressing the CAISO's operational and reliability needs resulting from the CPM Significant Event, the CAISO shall extend the designation under Section 43.2.4 for the expected duration of the CPM Significant Event, but only as to

the amount of CPM Capacity necessary to satisfy the CAISO's operational and reliability needs after taking into account the effective capacity provided by the alternative solution. If there is a reasonable alternative solution that fully resolves the CAISO's operational and reliability needs, the CAISO will not extend the designation under Section 43.2.4.

43.3.6 Term – Exceptional Dispatch CPM

The CAISO shall make an explicit determination for each initial Exceptional Dispatch CPM designation as to whether it was necessary to address an Exceptional Dispatch CPM System Reliability Need or an Exceptional Dispatch CPM Non-System Reliability Need. Exceptional Dispatch CPM Capacity designated under Section 43.2.5 for an Exceptional Dispatch CPM System Reliability Need shall have an Exceptional Dispatch CPM Term of thirty (30) days. If the CAISO determines that the circumstances that led to the Exceptional Dispatch are likely to extend beyond the initial thirty (30) day period, the CAISO shall issue an Exceptional Dispatch CPM or other CPM designation for an additional thirty (30) days. Exceptional Dispatch CPM Capacity designated under Section 43.2.5 for an Exceptional Dispatch CPM Non-System Reliability Need shall have an Exceptional Dispatch CPM Term of sixty (60) days. If the CAISO determines that the circumstances that led to the Exceptional Dispatch are likely to extend beyond the initial sixty (60) day period, the CAISO shall issue an Exceptional Dispatch CPM or other CPM designation for an additional sixty (60) days.

43.3.7 Term – Capacity at Risk of Retirement Needed for Reliability

A CPM designation for Capacity at risk of retirement under Section 43.2.6 shall have a minimum commitment term of one (1) month and a maximum commitment term of one (1) year, based on the number of months for which the capacity is to be procured within the current RA Compliance Year. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year. The CAISO shall rescind the CPM designation for any month during which the resource is under contract with an LSE to provide RA Capacity.

43.3.8 Term – Flexible Capacity CPM Designation

- (a) **Annual Plan.** A Flexible Capacity CPM designation under Section 43.2.7 for the failure to show sufficient Flexible RA Capacity in an annual Flexible RA Capacity Plan shall have a minimum commitment term of one month and a maximum commitment term of one

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

year, based on the period(s) of overall shortage reflected in the annual plans. The term of a Flexible Capacity CPM designation under this Section must begin and end during the same calendar year.

- (b) **Monthly Plan.** A Flexible Capacity CPM designation under Section 43.2.7 for the failure to show sufficient Flexible RA Capacity in a monthly Flexible RA Capacity Plan shall have a commitment term of one month. The term of a Flexible Capacity CPM designation under this Section must begin and end during the same calendar month.

43.4 Selection of Eligible Capacity Under the CPM

In accordance with Good Utility Practice, the CAISO shall make designations of Eligible Capacity as CPM Capacity or CPM Flexible Capacity under Section 43.1 by applying the following criteria in the order listed:

- (1) the effectiveness of the Eligible Capacity at meeting the designation criteria specified in Section 43.2;
- (2) the capacity costs associated with the Eligible Capacity;
- (3) the quantity of a resource's available Eligible Capacity, based on a resource's PMin, relative to the remaining amount of capacity needed;
- (4) the operating characteristics of the resource, such as dispatchability, Ramp Rate, and load-following capability;
- (5) whether the resource is subject to restrictions as a Use-Limited Resource; and
- (6) for designations under Section 43.2.3, the effectiveness of the Eligible Capacity in meeting local and/or zonal constraints or other CAISO system needs.

In applying these selection criteria, the goal of the CAISO is to designate lower cost resources that will be effective in meeting the reliability needs underlying the CPM designations. In making this determination, the CAISO will apply the first criterion to identify the effective Eligible Capacity by considering the effectiveness of the resources at meeting the designation criteria for the type of CPM to be issued and at resolving the underlying reliability need. The CAISO will apply the second criterion by considering the cost of the effective Eligible Capacity. The CAISO will endeavor to designate a resource at the CPM Capacity price determined in accordance with Section 43.7.1 before selecting a resource with a higher

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

unit-specific CPM Capacity price specified under Section 43.7.2. The CAISO will endeavor to designate resources that have specified a capacity price before designating resources that have not specified a CPM Capacity price under Section 43.7.2.1. The CAISO will apply the third criterion by considering the quantity of a resource's Eligible Capacity. The CAISO will endeavor to select a resource that has a PMin at or below the capacity that is needed to meet the reliability need before selecting a resource that has a PMin that would result in over-procurement. The CAISO will apply the fourth criterion by considering specific operating characteristics of a resource, such as dispatchability, ramp rate, and load-following capability to the extent that such characteristics are an important factor in resolving the reliability need. The CAISO will apply the fifth criterion by considering whether a resource is use-limited and whether that status may restrict its ability to be available to the CAISO in the Day-Ahead Market and Real-Time Market throughout the period for which it is being procured. To the extent that use-limited resources are capable of performing the required service for the duration of the CPM designation, the CAISO will not unduly discriminate in favor of non-Use Limited resources when applying the selection criteria. The CAISO will apply the sixth criterion by considering the effectiveness of the Eligible Capacity to meet local and/or zonal constraints or other CAISO system needs for CPM designations under 43.2.3. If after applying these criteria, two or more resources that are eligible for designation equally satisfy these criteria, the CAISO shall utilize a random selection method to determine the designation between those resources. While the CAISO does not have to designate the full capability of a resource, the CAISO may designate under the CPM an amount of CPM Capacity from a resource that exceeds the amount of capacity identified to ensure compliance with the Reliability Criteria set forth in Section 40.3 due to the PMin or other operational requirements/limits of a resource that has available capacity to provide CPM service. The CAISO shall not designate the capacity of a resource for an amount of capacity that is less than the resource's PMin.

43.4.1 Limitation of Eligibility for Flexible Capacity CPM Designation

- (a) **Committed Capacity.** Capacity committed as RA Capacity, Flexible RA Capacity, RA Replacement Capacity, RA Substitute Capacity, RMR Capacity, or CPM Capacity shall not be eligible to receive a Flexible Capacity CPM designation for the duration of that commitment.

- (b) **Operationally Unavailable Capacity.** Capacity on, or scheduled to be on, a Forced Outage, Approved Maintenance Outage, or de-rate, is not operationally available and shall not be eligible to receive a Flexible Capacity CPM designation for the duration of that unavailability.

43.4.2 Designation Amount

While the CAISO does not have to designate the full capability of a resource, the CAISO may designate under the CPM an amount of CPM Capacity or CPM Flexible Capacity from a resource that exceeds the amount of capacity identified to ensure compliance with the Reliability Criteria set forth in Section 40.3 due to the PMin or other operational requirements/limits of a resource that has available capacity to provide CPM service. The CAISO shall not designate the capacity of a resource for an amount of capacity that is less than the resource's PMin.

43.4.3 Simultaneous Designations

In the event the CAISO determines that a CPM designation must be issued to resolve a collective deficiency of system RA Capacity under Section 43.2.3 and that Flexible Capacity CPM designation must be issued to resolve a cumulative deficiency of Flexible RA Capacity under Section 43.2.7 for annual or monthly plans covering the same or overlapping time periods, the CAISO will apply the criteria in Section 43.4 and endeavor to designate capacity that will be effective in resolving both underlying reliability needs

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- (1) If the MW amount of the simultaneous or overlapping designation is sufficient to resolve both underlying reliability needs, no further designation of CPM Capacity or CPM Flexible Capacity will be issued.
- (2) If the MW amount of the simultaneous or overlapping designation is not sufficient to resolve both underlying reliability needs, the CAISO may designate additional CPM Capacity or CPM Flexible Capacity to cover the remaining deficiency.

43.5 Obligations of a Resource Designated Under the CPM

43.5.1 Availability Obligations

Capacity and CPM Flexible Capacity from resources designated under the CPM shall be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

under Section 40.6 or Section 40.10.6 as applicable to Resource Adequacy Resources identified in Resource Adequacy Plans and Flexible RA Capacity resources identified in Resource Flexible RA Capacity Plans. In accordance with those requirements, CPM Capacity designated under the CPM shall meet the Day-Ahead availability requirements specified in Section 40.6.1 and the Real-Time availability requirements of Section 40.6.2, and CPM Flexible Capacity shall meet the Day-Ahead and Real-Time availability requirements specified in Section 40.10.6.1. Also in accordance with those requirements, Generating Units designated under the CPM that meet the definition of Short Start Units shall have the obligation to meet the additional availability requirements of Section 40.6.3, and Generating Units designated under the CPM that meet the definition of Long Start Units will have the rights and obligations specified in Section 40.6.7.1.

If the CAISO has not received an Economic Bid or a Self-Schedule for CPM Capacity, the CAISO shall utilize a Generated Bid in accordance with the procedures specified in Section 40.6.8. In addition to Energy Bids, resources designated under the CPM shall submit Ancillary Service Bids for their CPM Capacity and CPM Flexible Capacity to the extent that the resource is certified to provide the Ancillary Service.

43.5.2 Obligation to Provide Capacity and Termination

The decision to accept a CPM or Flexible Capacity CPM designation shall be voluntary for the Scheduling Coordinator for any resource. If the Scheduling Coordinator for a resource accepts an CPM designation, it shall be obligated to perform for the full quantity and full period of the designation with respect to the amount of CPM Capacity for which it has accepted an CPM designation. If the Scheduling Coordinator for a resource accepts a Flexible Capacity CPM designation, the resource shall be obligated to perform for the full quantity and full period of the designation, subject to the must-offer obligation in Section 40.10.6 that applies to the Flexible Capacity Category of the resource that was designated. If a Participating Generator's or Participating Load's Eligible Capacity is designated under the CPM after the Participating Generator or Participating Load has filed notice to terminate its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement or withdraw the Eligible Capacity from its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, and the

Scheduling Coordinator for the resource agrees to provide service under the CPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, as applicable, with the CAISO.

43.5.3 Availability Obligations for Simultaneous Designations

To the extent a resource accepts simultaneous or overlapping designations as CPM Capacity and CPM Flexible Capacity under Section 43.4.3, that resource shall be subject to the must-offer obligations for both designations.

43.6 Reports

The CAISO shall publish the following reports and notices.

43.6.1 CPM Designation Market Notice

The CAISO shall issue a Market Notice within two (2) Business Days of a CPM designation under Sections 43.2.1 through 43.2.6. CPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.9.4. The Market Notice shall include a preliminary description of what caused the CPM designation, the name of the resource(s) procured, the preliminary expected duration of the CPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43.6.2. For Exceptional Dispatch CPM designations, the market notice shall additionally indicate whether the designation was made to address an Exceptional Dispatch CPM System Reliability Need or an Exceptional Dispatch CPM Non-System Reliability Need, specify the quantity of the Exceptional Dispatch CPM capacity that was procured and the Exceptional Dispatch CPM Term, and identify the engineering assessment the CAISO used to determine the quantity of capacity needed from the resource to address the reliability issue.

43.6.2 Designation of a Resource Under the CPM

The CAISO shall post a designation report to the CAISO Website and provide a Market Notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under Sections 43.2.1 through 43.2.6 or ten (10) days after the end of the month. The designation report shall include the following information:

- (1) A description of the reason for the designation (LSE procurement shortfall, Local Capacity Area Resource effectiveness deficiency, or CPM Significant Event), and an

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

explanation of why it was necessary for the CAISO to utilize the CPM authority);

- (2) The following information would be reported for all backstop designations:
 - (a) the resource name;
 - (b) the amount of CPM Capacity and/or CPM Flexible Capacity designated (MW),
 - (c) an explanation of why that amount of CPM Capacity and/or CPM Flexible Capacity was designated,
 - (d) the date CPM Capacity and/or CPM Flexible Capacity was designated,
 - (e) the duration of the designation; and
 - (f) the price for the CPM procurement.
- (3) If the reason for the designation is a CPM Significant Event, the CAISO will also include:
 - (a) a discussion of the event or events that have occurred, why the CAISO has procured CPM Capacity, and how much has been procured;
 - (b) an assessment of the expected duration of the CPM Significant Event;
 - (c) the duration of the initial designation (thirty (30) days); and
 - (d) a statement as to whether the initial designation has been extended (such that the backstop procurement is now for more than thirty (30) days), and, if it has been extended, the length of the extension.
- (4) If the reason for the designation is Exceptional Dispatch CPM Capacity, the CAISO will also include additional information about the CAISO's determination of the quantity and term of the designation, which supplements the information included in the market notice issued pursuant to Section 43.6.1.

43.6.3 Non-Market and Repeated Market Commitment on Non-RA Capacity

Within ten (10) calendar days after the end of each month, the CAISO shall post a report to the CAISO Website that identifies for the prior month:

- (1) Any non-market commitments of non-Resource Adequacy Capacity; and
- (2) All market commitments of non-Resource Adequacy Capacity.

The CAISO will provide a Market Notice of the availability of this report. The report will not include commitments of RMR Generation capacity, Resource Adequacy Capacity or designated CPM Capacity.

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

The report shall include the following information:

- (a) the name of the resource;
- (b) the IOU Service Area and Local Capacity Area (if applicable);
- (c) the maximum capacity committed in response to the event (MW);
- (d) how capacity was procured (for example, by RUC or Exceptional Dispatch);
- (e) the reason capacity was committed; and
- (f) information as to whether or not all Resource Adequacy Resources and previously-designated CPM Capacity were used first and, if not, why they were not.

43.6.4 [Not Used]

43.7 Payments to Resources Designated Under the CPM

43.7.1 Monthly CPM Capacity Payment

On February 16, 2012, the fixed CPM Capacity price of \$67.50/kW-year shall become effective and shall remain in effect for two (2) years. On February 16, 2014, the fixed CPM Capacity price shall increase by five (5) percent and the effective price shall be \$70.88/kW-year, which shall remain in effect for two (2) years until February 16, 2016. The fixed CPM Capacity price shall also apply to CPM Flexible Capacity payments.

43.7.1.1 Calculation of Monthly CPM Capacity Payment

Scheduling Coordinators representing resources receiving payment under Section 43.7.1 shall receive a monthly CPM Capacity Payment for each month of CPM designation equal to the product of the amount of their CPM Capacity or CPM Flexible Capacity, the relevant CPM Availability Factor for Forced Outages, as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, the effective fixed CPM Capacity price per kW-year and the CPM Availability Percentage for Maintenance Outages, so that the formula for determining the monthly CPM Capacity Payment would be as follows:

(CPM Capacity MW) x (CPM Availability Factor for Forced Outages) x (1/12 monthly shaping factor) x (effective fixed CPM Capacity price per kW-year) x CPM Availability Percentage for Maintenance Outages.

The CPM Availability Percentage for Maintenance Outages is equal to the ratio of: (1) the sum of the

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

CPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Maintenance Outage or non-temperature-related ambient de-rates to (2) the product of CPM Capacity MW and the total hours in the month.

The foregoing formula shall apply to all CPM Capacity and CPM Flexible Capacity receiving monthly CPM Capacity Payments under this Section 43.7.1 except for CPM Capacity designated to respond to a CPM Significant Event or an Exceptional Dispatch CPM, in which case the monthly CPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as CPM Capacity during the month to the total number of days in the month.

For purposes of CPM designations, except for designations for CPM Significant Events and Exceptional Dispatch CPM, the CPM Availability Factor for Forced Outages shall be calculated as the ratio of: (1) the sum of the CPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Forced Outage or temperature-related ambient de-rate, to (2) the product of CPM Capacity MW and the total hours in the month.

For purposes of CPM designations for CPM Significant Events and Exceptional Dispatch CPM, the CPM Availability Factor for Forced Outages shall be calculated as the ratio of: (1) the sum of the CPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Forced Outage or temperature-related ambient de-rate, to (2) the product of CPM Capacity MW and the total hours in the month or part of the month for which a unit is designated, whichever is applicable.

43.7.1.2 Payments for Simultaneous Designations

If a resource accepts simultaneous or overlapping designations as CPM Capacity and CPM Flexible Capacity, the MW amount of the CPM capacity payments for the period the designations overlap shall be the highest MW amount of either designation. The resource shall not be provided with two CPM payments for the same capacity.

43.7.2 Resource-Specific CPM Capacity Payment

If a Scheduling Coordinator for Eligible Capacity believes that the fixed CPM Capacity price per KW-year in effect under Section 43.7.1 will not compensate a resource for its going forward costs, as calculated in accordance with the formula provided in Section 43.7.2.2, the Scheduling Coordinator may annually in accordance with Section 43.7, inform the CAISO of what proposed higher CPM Capacity price or CPM Flexible Capacity price would compensate the resource for its going forward costs and which the Scheduling Coordinator is willing to have the CAISO use for purposes of the CPM designation process (“going forward cost offer price”).

43.7.2.1 Failure to Submit Going Forward Cost Offer Price

A Scheduling Coordinator for a resource is not required to submit a specific going forward cost offer price for such resource under the process provided for in Section 43.7; however, except for an Exceptional Dispatch CPM designation, a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource must notify the CAISO of what that price is before any CAISO designation of that resource’s capacity as CPM Capacity or CPM Flexible Capacity can become effective. In the case of an Exceptional Dispatch CPM designation on behalf of a resource that has not selected the supplemental revenues option, the CPM designation shall become effective notwithstanding the resource’s failure to select compensation pursuant to Section 43.7.1 or to identify a going forward cost offer price pursuant to Section 43.7.2. In such a case, the CAISO shall use the compensation under Section 43.7.1 for both dispatch and compensation for the Exceptional Dispatch CPM Term. In the case of a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource, the cap on supplemental revenues under Section 39.10.4 will be calculated using the monthly capacity payment under Section 43.7.1.

43.7.2.1.1 Determination of Capacity Price

If the CAISO designates a resource that has proposed a CPM Capacity or CPM Flexible Capacity price above the fixed CPM Capacity price per kW-year in effect under Section 43.7.1, and the sales from the resource are under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a limited resource-specific filing before the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO’s FERC jurisdictional monthly

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

CPM Capacity Payment formula. If the sales from the resource are not under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a non-jurisdictional filing with the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO's FERC-jurisdictional monthly CPM Capacity Payment formula.

43.7.2.1.2 Going Forward Cost

In making the cost justification filing with FERC for a CPM Capacity or CPM Flexible Capacity price above the fixed CPM Capacity price per kW-year under Section 43.7.1, the Scheduling Coordinator for the resource may not propose – and shall not get paid – an amount higher than the going forward cost offer price that it had previously proposed to the CAISO as its going forward cost offer price under Section 43.7 or this Section 43.7.2, either prior to or at the time of CPM designation.

Going forward costs for any resource-specific filing under this Section shall be calculated based on the following formula:

(fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs,
plus ten (10) percent of the foregoing amounts),

provided such costs shall be converted to a fixed \$/kW-year amount.

43.7.2.2 Resource-Specific Monthly CPM Capacity Payment

Scheduling Coordinators representing resources receiving payment under Section 43.7.2 shall receive a monthly CPM Capacity Payment for each month of CPM designation equal to the product of the amount of their CPM Capacity or CPM Flexible Capacity, the relevant CPM Availability Factor for Forced Outages as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, the resource-specific CPM Capacity price, as determined by FERC and the CPM Availability Percentage for Maintenance Outages, in accordance with the following formula:

(CPM Capacity MW) x (CPM Availability Factor for Forced Outages) x (1/12 monthly shaping factor) x (the resource-specific CPM Capacity price as determined by FERC) x CPM Availability Percentage for Maintenance Outages.

The CPM Availability Percentage for Maintenance Outages is equal to the ratio of: (1) the sum of the CPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

MW for each hour the resource is not available due to a Maintenance Outage or non-temperature-related ambient de-rate to (2) the product of CPM Capacity MW and the total hours in the month.

The foregoing formula shall apply to all CPM Capacity or CPM Flexible Capacity receiving monthly CPM Capacity Payments under Section 43.7.2 except for CPM Capacity designated to respond to a CPM Significant Event or Exceptional Dispatch CPM, in which case the monthly CPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as CPM Capacity during the month and available to the CAISO to the total number of days in the month.

Prior to the determination by FERC of the resource-specific going forward costs for CPM Capacity or CPM Flexible Capacity designated and paid pursuant to Section 43.7.2, the CAISO shall proceed as follows. For the period between the CAISO's designation and the FERC's determination, the CAISO shall utilize the fixed CPM Capacity price per kW-year in effect under Section 43.7.1 for purposes of the resource-specific monthly CPM Capacity Payment for financial Settlement. This amount shall be subject to surcharge based on the outcome of the FERC proceeding so that the resource will receive any higher actual resource-specific payment as determined by FERC for the full period of the CPM designation.

Once approved by FERC, the CAISO shall apply the higher of the fixed CPM Capacity price per kW-year in effect under Section 43.7.1 or the resource-specific CPM Capacity price as determined by the FERC.

For purposes of CPM and Flexible Capacity CPM designations, except for designations for CPM Significant Events, the CPM Availability Factor for Forced Outages shall be calculated as the ratio of: (1) the sum of the CPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available due to a Forced Outage or temperature-related ambient de-rates, to (2) the product of CPM Capacity MW and the total hours in the month.

For purposes of CPM designations for CPM Significant Events, the CPM Availability Factor for Forced Outages shall be calculated as the ratio of: (1) the sum of the CPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the CAISO, if less than the CPM Capacity MW, shall be substituted for CPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of CPM Capacity MW and the total hours in the month or part of the month for which a unit is

designated, whichever is applicable.

For purposes of this Section 43.7.2, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

43.7.3 Market Payments

In addition to the CPM Capacity Payment identified in Section 43.7, CPM resources, including Flexible Capacity CPM resources, shall be entitled to retain any revenues received as a result of their selection in the CAISO Markets, provided, however, that CPM resources required to participate in the RUC process will be optimized using a zero (\$0) dollar RUC Availability Bid and are not eligible to receive compensation through the RUC process.

43.8 Allocation of CPM Payment Costs

For each month, the CAISO shall allocate the costs of CPM Capacity Payments made pursuant to Section 43.7 as follows:

43.8.1 LSE Shortage of Local Capacity Area Resources in Annual Plan

If the CAISO makes CPM designations under Section 43.2.1.1 to address a shortage resulting from the failure of a Scheduling Coordinator for an LSE to identify sufficient Local Capacity Area Resources to meet its applicable Local Capacity Area capacity requirements in its annual Resource Adequacy Plan, then the CAISO shall allocate the total costs of the CPM Capacity Payments for such CPM designations (for the full term of those CPM designations) pro rata to each Scheduling Coordinator for an LSE based on the ratio of its Local Capacity Area Resource Deficiency to the sum of the deficiency of Local Capacity Area Resources in the deficient Local Capacity Area(s) within a TAC Area. The Local Capacity Area Resource Deficiency under this Section shall be computed on a monthly basis and the CPM Capacity Payments allocated based on deficiencies during the month(s) covered by the CPM designation(s).

43.8.2 LSE Shortage of Local Capacity Area Resources in Month Plan

If the CAISO makes CPM designations under Section 43.2.1.2 to address a shortage resulting from the failure of a Scheduling Coordinator for an LSE to identify sufficient Local Capacity Area Resources to meet its applicable Local Capacity Area capacity requirements in its monthly Resource Adequacy Plan, then the CAISO shall allocate the total costs of the CPM Capacity Payments for such CPM designations (for the full term of those CPM designations) pro rata to each Scheduling Coordinator for an LSE based

on the ratio of its Local Capacity Area Resource Deficiency to the sum of the deficiency of Local Capacity Area Resources in the deficient Local Capacity Area(s) within a TAC Area.

43.8.3 Collective Deficiency in Local Capacity Area Resources

If the CAISO makes designations under Section 43.2.2, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs serving Load in the TAC Area(s) in which the deficient Local Capacity Area was located. The allocation will be based on the Scheduling Coordinators' proportionate share of Load in such TAC Area(s) as determined in accordance with Section 40.3.2, excluding Scheduling Coordinators for LSEs that procured additional capacity in accordance with Section 43.2.1.2 on a proportionate basis, to the extent of their additional procurement.

43.8.4 LSE Shortage of Demand or Reserve Margin Requirement in Plan

If the CAISO makes CPM designations under Section 43.1.3, then the CAISO will allocate the total costs of the CPM Capacity Payments for such CPM designations (for the full term of those CPM designations) pro rata to each LSE based on the proportion of its deficiency to the aggregate deficiency.

43.8.5 Allocation of CPM Significant Event Costs

If the CAISO makes any CPM Significant Event designations under Section 43.2.4, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the CPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

43.8.6 Allocation of Exceptional Dispatch CPM

If the CAISO makes any Exceptional Dispatch CPM designations under Section 43.2.5, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the Exceptional Dispatch CPM arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

43.8.7 Allocation of CPM Costs for Resources at Risk of Retirement

If the CAISO makes any CPM designations under Section 43.2.6 for resources at risk of retirement needed for reliability, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the CPM designation arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

43.8.8 Allocation of CPM Flexible Capacity Costs

(a) **Calculation of Deficiency by LRA.**

- (1) The CAISO will determine whether each Local Regulatory Authority met its allocable share of the Flexible Capacity Need based on the cumulative amount of Flexible RA Capacity that Local Regulatory Authority's jurisdictional Load Serving Entities included in their annual and monthly Flexible RA Capacity Plans in total, and included in their monthly Flexible RA Capacity Plans for each Flexible Capacity Category.
- (2) The CAISO will calculate the total amount of Flexible RA Capacity included in the annual and monthly Flexible RA Capacity Plans collectively for all Load Serving Entities within the Local Regulatory Authority, and the total amount included in the monthly Flexible RA Capacity Plans for each Flexible Capacity Category using the minimum or maximum quantity, as applicable, for each category, and using the Effective Flexible Capacity value calculated under Section 40.10.4 for each resource designated in a plan as a Flexible RA Capacity Resource.

(b) **Allocation By CAISO Method.**

- (1) If the amount of Flexible RA Capacity the jurisdictional Load Serving Entities included in their annual Flexible RA Capacity Plans or monthly Flexible RA Capacity Plans, in total and in each Flexible Capacity Category, meets or exceeds the applicable Flexible Capacity Need allocated to their Local Regulatory Authority, the CAISO will not allocate any of the CPM Flexible

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

Capacity costs to the Scheduling Coordinators for those Load Serving Entities.

- (2) If the amount of Flexible RA Capacity the jurisdictional Load Serving Entities included in their annual Flexible RA Capacity Plans or monthly Flexible RA Capacity Plans, either in total or for a Flexible Capacity Category, is less than the applicable Flexible Capacity Need allocated to their Local Regulatory Authority, and that Local Authority has not established its own methodology for allocating the Flexible Capacity Need to its jurisdictional Load Serving Entities, the CAISO will allocate the CPM Flexible Capacity costs proportionately to the Scheduling Coordinator of each jurisdictional Load Serving Entity that failed to meet its procurement obligation.
- (c) **Allocation by Local Regulatory Authority Method.** If Load Serving Entities jurisdictional to a Local Regulatory Authority have a cumulative deficiency under Section 43.8.8(a) and the Local Regulatory Authority has established its own methodology for allocating the Flexible Capacity Need to its jurisdictional Load Serving Entities, the CAISO will use the Local Regulatory Authority's methodology to allocate the CPM Flexible Capacity costs to the Scheduling Coordinator of each Load Serving Entity that is jurisdictional to that Local Regulatory Authority and that failed to meet its procurement obligation.
- (d) **Reduction of Cost Allocation.** If the CAISO issues a Flexible Capacity CPM designation, a Scheduling Coordinator for a Load Serving Entity that was deficient, but provided additional Flexible RA Capacity in a revised annual or monthly Flexible RA Capacity Plan consistent with the Market Notice under Section 43.2.7.1 --
 - (1) will be not be allocated a share of the Flexible Capacity CPM procurement costs if the additional Flexible RA Capacity included in that LSE's revised LSE Flexible RA Capacity Plan resolved the total deficiency of that Load Serving Entity; or
 - (2) will be allocated a share of the Flexible Capacity CPM procurement costs on a proportionate basis to the extent that Load Serving Entity has a remaining partial deficiency.

43.9 Crediting of CPM Capacity

The CAISO shall credit CPM designations to the resource adequacy obligations of Scheduling Coordinators for Load Serving Entities as follows:

- (a) To the extent the cost of CPM designation under Section 43.2.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8.1, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards (1) the LSE's Local Capacity Area Resource obligation under Section 40.3.2 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43.2.1.1 and (2) the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43.2.1.1.
- (b) To the extent the cost of CAISO designation under Section 43.2.2 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8.3, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43.2.2.
- (c) To the extent the cost of CPM designation under Section 43.2.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8.4, and the designation is for greater than one month under Section 43.3.4, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43.2.3.
- (d) To the extent the cost of CPM designation under Section 43.2.6 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8.7, and the designation is for greater than one month under Section 43.3.7, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the

California Independent System Operator Corporation
Fifth Replacement Electronic Tariff

LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43.2.6.

- (e) The credit provided in this Section shall be used for determining the need for the additional designation of CPM Capacity under Section 43.2 and for allocation of CPM costs under Section 43.8.
- (f) For each Scheduling Coordinator that is provided credit pursuant to this Section, the CAISO shall provide information, including the quantity of capacity procured in MW, necessary to allow the CPUC, other Local Regulatory Authority, or federal agency with jurisdiction over the LSE on whose behalf the credit was provided to determine whether the LSE should receive credit toward its resource adequacy requirements adopted by such agencies or authorities.
- (g) To the extent the cost of Flexible Capacity CPM designation under Section 43.2.7 is allocated to a Scheduling Coordinator for an LSE under Section 43.8.8, and the designation is for greater than one month under Section 43.3.8, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Flexible Capacity requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Flexible Capacity designated under Section 43.2.7.

43.10 [Not Used]