**CPM Soft Offer Cap Initiative**

Redlined draft tariff language - Section 43A

1/6/2020 posting

**Section 43A**

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**43A.4.1.1.1 Exceeding CPM Soft Offer Cap through a Resource-Specific Cost Filing with FERC**

A Scheduling Coordinator for a resource may offer a price in excess of the CPM Soft Offer Cap. The resource owner whose capacity is offered in excess of the CPM Soft Offer Cap must justify in a filing to FERC a price above the CPM Soft Offer Cap, which shall be determined in accordance with the following methodology: (fixed operation & maintenance costs, plus ad valorem taxes, plus insurance, plus 20 percent (20%) of the foregoing amount), provided such costs will be converted to a fixed $/kW-year amount. For a resource whose sales are under FERC jurisdiction that is providing CPM Capacity to be compensated at a rate higher than the CPM Soft Offer Cap, the resource owner must make a limited resource-specific filing before FERC to determine the just and reasonable capacity price for the resource as calculated under this formula. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

If the sales from the resource are not under the jurisdiction of FERC, the resource owner shall make a non-jurisdictional filing with FERC to determine the just and reasonable capacity price for the going forward costs for the resource as calculated in accordance with the following methodology: (fixed operation and maintenance costs, plus ad valorem taxes, plus insurance, plus 20 percent (20%) of the foregoing amount, provided such costs will be converted to a fixed $/kW-year amount. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

A resource owner may make a cost justification filing at FERC either before it offers a resource into the competitive solicitation process or after having capacity designated as CPM Capacity. If the resource owner has not made the cost justification filing before the capacity was designated as CPM Capacity, then the resource owner must make its cost justification filing with FERC within 30 days of the CPM designation. If the resource owner fails to make such cost justification filing within 30 days, then the CAISO shall deem the effective CPM Capacity price for the resource to be the CPM Soft Offer Cap. The resource owner may not propose – and shall not be compensated based upon – an offer price higher than the price submitted in its bid to the CAISO for the designated capacity.

A FERC-approved resource-specific CPM Capacity price shall remain in effect for the remainder of the calendar year in which it is approved and for the subsequent two calendar years, unless superseded by a subsequent FERC-approved CPM Capacity price during that period. Although a FERC-approved resource-specific CPM Capacity price will be denoted in units of $/kW-year, that $/kW-year figure will be divided by 12 so that compensation will be in terms of $/kW-month.

A resource that has obtained the appropriate FERC authorization in response to the cost justification filing described in this Section 43A.4.1.1.1 for a rate higher than the CPM Soft Offer Cap is not precluded from submitting a bid into the competitive solicitation process that is below the FERC-authorized rate and, if selected pursuant to such a bid, will be compensated based on that lower bid.

**[NOTE: REFERENCES TO THE 20% ADDER WILL BE REMOVED IN THE ALTERNTAIVE TARIFF SHEETS]**

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**43A.5.4 Individualized Non-Availability Charges and Availability Incentive Payments**

The provisions of Section 40.9 applicable to Resource Adequacy Resources apply to CPM Capacity. Capacity accepting a designation as CPM Capacity will face a resource-specific Availability Incentive Mechanism Price under section 40.9.6. The resource-specific price will be the higher of: (a) the price that the resource was paid by the CAISO ($/kW-month) as a result of receiving the designation; and (b) the RA Availability Incentive Mechanism rate. Availability Incentive Mechanism payments to a resource designated under the CPM will be capped at the general Availability Incentive Mechanism rate.

For a resource requesting a resource-specific CPM Capacity price pursuant to Section 43A.4.1.1.1, the CAISO shall use that resource-specific CPM capacity price for calculating the Availability Incentive Mechanism only if that resource-specific CPM capacity price has been approved in time for inclusion on the Recalculation Settlement Statement T+55B. Otherwise, for resources that have sought a resource-specific CPM Capacity price pursuant to Section 43A.4.1.1.1, the CAISO shall use the CPM Soft Offer Cap price for calculating the Availability Incentive Mechanism price.

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### 43A.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 43A.2.1 through 43A.2.6 or ten (10) days after the end of the month; provided that if the CAISO makes a CPM designation under Sections 43A.2.1.1, 43A.2.1.2, 43A.2.2.2, 43A.2.3, 43A.2.4 or 43A.2.6 that takes effect on the first day of the succeeding month, the CAISO will post the designation report by the earlier of 30 days after the CAISO selects the resource it will be designating or the tenth day of the month in which the designation takes effect. 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 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 or Flexible Capacity CPM designated (MW),

(c) an explanation of why that amount of CPM Capacity or Flexible Capacity CPM was designated,

(d) the date CPM Capacity was designated,

(e) the duration of the designation; and

(f) the accepted offer price of the resource, or if the resource has a request pending with FERC to exceed the CPM Soft Offer Cap, then the CPM Soft Offer Cap along with a notation that the resource has a pending request with FERC to be compensated above the CPM Soft Offer Cap.

(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 43A.6.1.

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**43A.8.8 Allocation of Flexible Capacity CPM 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 Flexible Capacity CPM 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 Flexible Capacity CPM 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 43A.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 Flexible Capacity CPM 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. If the Local Regulatory Authority does not notify the CAISO of its allocation method by the deadline established in the relevant Business Practice Manual, then the CAISO allocates Flexible Capacity CPM costs using its default allocation methodology under Section 43A.8.8(b)(2).

(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 43A.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.