

Comments by Brian Theaker, NRG Energy, Inc.**41. Procurement of RMR ~~Generation Resources~~****41.1 Procurement of Reliability Must-Run ~~Generation Resources~~ by the CAISO**

A Reliability Must-Run Contract is a contract entered into by the CAISO with a ~~resource owner~~Generator which ~~that~~ operates a Generating Unit ~~and/or is capable of providing a reliability service~~, giving the CAISO the right to call on the ~~resource~~ Generator to generate Energy and ~~or provide Ancillary Services or other reliability services to maintain, only as provided in this Section 41.1, or as needed for Black Start or Voltage Support required to meet local reliability needs, or to procure Ancillary Services from Potrero power plant to meet operating criteria associated with the San Francisco local reliability area, to provide Ancillary Services from the Generating Units as and when this is required to ensure that the reliability of the CAISO Controlled Grid is maintained, including meeting system, local, and flexible capacity needs.~~

41.2 Designation of ~~Generating Unit Resources~~ as Reliability Must-Run ~~Unit Resources~~

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

41.2.1 Formal Notice Applicable to Generating Units

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

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Unit, the Generating Unit enters into an RA contract or some other arrangement for compensation for the capacity of the Generating Unit, or the Generating Unit is sold to a non-affiliated entity. In the notice, the resource owner must state that it is planning to retire/mothball the Generating Unit at a certain date, providing a minimum of 90-days' notice for retirement or mothballing. Failure to provide this notice may result in the CAISO rejecting the request and not studying the need for the Generating Unit under Section 41.3.

41.2.2 Processing Retirement/Mothball Notices

The CAISO will process retirement/mothball notices as follows:

- (a) If the Generating Unit is not a Resource Adequacy Resource in the current Resource Adequacy Compliance Year and the Generating Unit owner is planning to retire or mothball its Generating Unit, the unit owner may submit its written notice at any time during the year, and the CAISO will inform the owner of the study results after it completes the study in Section 41.3. If the owner of a non-Resource Adequacy Generating Unit desires an earlier determination of need, it can submit its written notice to the CAISO before the deadline specified in the Participating Generator Agreement for terminating the agreement or removing a resource from the agreement. Under Section 41.3, the CAISO will study whether the Generating Unit is needed for reliability in the current Resource Adequacy Compliance Year or the by the end of the upcoming Resource Adequacy Compliance Year. If the CAISO finds that the Generating Unit is needed for reliability in either of these timeframes, the CAISO may grant the Generating Unit an RMR designation for the remainder of the current Resource Adequacy Compliance Year.
- (b) If the Generating Unit is a Resource Adequacy Resource in the current Resource Adequacy Compliance Year and the unit owner is planning to retire or mothball its Generating Unit, the unit owner may submit a notice by the deadline established in the applicable Business Practice Manual, which will be in the first quarter of the current Resource Adequacy Compliance Year, and the CAISO will study the Generating Unit and

Commented [A2]: In the deleted CPM risk-of-retirement section (43A.2.6), prior to the CAISO granting a CPM designation, the CAISO posts a report and allows LSEs to contract with the resource. Will the CAISO offer LSEs a similar opportunity to contract with a potential RMR unit?

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post the results of the study by the deadline established in the applicable Business Practice Manual, which will be by the end of the second quarter of the current Resource Adequacy Compliance Year. Generating Units that are not Resource Adequacy Resources in the current Resource Adequacy Compliance Year may also submit a notice to be studied under this sub-section and the prior sub-section. The CAISO will not commence its RMR procurement process for any Generating Unit the CAISO finds to be needed until September 1. Any new RMR designations will be conditional until the deadline for LSEs to submit their annual Resource Adequacy showings to the CAISO passes. Under Section 41.3, the CAISO will study whether the Generating Unit is needed for reliability in the upcoming Resource Adequacy Compliance Year and may study whether the Generating Unit is needed for reliability by the end of the following Resource Adequacy Compliance Year. If the CAISO finds that the Generating Unit is needed for reliability in either the upcoming Resource Adequacy Compliance Year or by the end of the following Resource Adequacy Compliance Year, the CAISO may grant the Generating Unit an RMR designation for the upcoming Resource Adequacy Compliance Year.

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

(d) If multiple Generating Units file the requisite notice with the CAISO and can meet the reliability need identified by the CAISO, but the CAISO does not need all of the Generating Units to meet the reliability need, the CAISO will ask each unit owner to submit a proposed cost-based RMR price for its Generating Unit and a total cost for Planned Capital Items pursuant to the rate schedules including in the pro forma RMR Contract. The CAISO will determine which Generating Unit(s) receives an RMR designation by selecting the Generating Unit(s) with the lowest combined proposed costs

~~for RMR service including Planned Capital Items for the next RMR Contract Year provided that if the total costs of two or more Generating Units are within 10% of each other, then the CAISO will grant the designation in its discretion based on the following criteria: (1) relative effectiveness of the Generating Units in meeting local and/or zonal constraints or other CAISO system needs, including flexible capacity needs; and (2) relative operating characteristics of the Generating Units including dispatch ability, ramp rate, and load following capability. A designated Generating Unit will not be able to propose to FERC – and will not be compensated by the CAISO for any costs higher than – its proposed RMR costs, including any Planned Capital Items provided to the CAISO, respectively.~~

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41.3 Reliability Studies and Determination of RMR Units Status

In addition to the Local Capacity Technical Study under 40.3.1, the CAISO may perform additional technical studies, as necessary, to ensure compliance with Reliability Criteria, ~~including system, local, and flexible capacity needs~~. The CAISO will then determine which ~~Generating Units resources~~ it requires to continue to be Reliability Must-Run Units, which ~~Generating Units resources~~ it no longer requires to be Reliability Must-Run Units and which ~~Generating Units resources~~ it requires to become the subject of a Reliability Must-Run Contract which had not previously been so contracted to the CAISO. ~~None of the Generating Units owned by Local Publicly Owned Electric Utilities are planned to be designated as Reliability Must-Run Units by the CAISO as of the CAISO Operations Date but are expected to be operated in such a way as to maintain the safe and reliable operation of the interconnected transmission system comprising the CAISO Balancing Authority Area. However, in the future, Local Publicly Owned Electric Utilities may contract with the CAISO to provide Reliability Must-Run Generation.~~

41.4 ~~[Not Used] Reliability Must-Run Contracts~~

~~A pro forma of the Reliability Must-Run Contract is attached as Appendix G. From the CAISO Operations Date all Reliability Must-Run Units will be placed under the "As Called" conditions, but the parties may, pursuant only to the terms of the Reliability Must-Run Contract, transfer any such unit to one of the alternative forms of conditions under specific circumstances. The CAISO will review the terms of the~~



applicable forms of agreement applying to each Reliability Must-Run Unit to ensure that the CAISO will procure Reliability Must-Run Generation from the cheapest available sources and to maintain System Reliability. The CAISO shall give notice to terminate Reliability Must-Run Contracts that are no longer necessary or can be replaced by less expensive and/or more competitive sources for maintaining the reliability of the CAISO Controlled Grid.

41.5 RMR Dispatch

41.5.1 Day-Ahead and RTM RMR Dispatch

Reliability Must Run units will be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed under Section 40.6 or Section 40.10.6, as applicable to Resource Adequacy Resources identified in Resource Adequacy Plans and Flexible RA Capacity resources identified in Resource Flexible RA Capacity Plans. Reliability Must-Run units will meet the Day-Ahead availability requirements specified in in Section 40.6, the Real-Time availability requirements specified in Section 40.6.2, and the Day-Ahead and Real-Time availability requirements specified under Section 40.10.6.1 for the highest Flexible Capacity Category for which the unit qualifies under Section 40.10.3. Also in accordance with those requirements, Reliability Must-Run Units that meet the definition of Short Start Units: will be obligated to meet the availability requirements of Section 40.6.2. Reliability Must-Run Units that meet the definition of Long Start Units will have the rights and obligations specified in Section 40.6.2. If the CAISO has not received an Economic Bid or Self-Schedule for capacity from a Reliability Must-Run Unit, the CAISO will utilize a Generated Bid in accordance with the procedures specified in Section 40.6.8. In addition to Energy Bids, Reliability Must-Run Units will submit Ancillary Service Bids for their capacity to the extent the unit is certified to provide Ancillary Service. RMR Dispatches will be determined in accordance with the RMR Contract, the MPM process addressed in Sections 31 and 33 and through manual RMR Dispatch Notices to meet Applicable Reliability Criteria. The CAISO will notify Scheduling Coordinators for RMR Units of the amount and time of Energy requirements from specific RMR Units in the Trading Day prior to or at the same time as the Day-Ahead Schedules and AS and RUC Awards are published, to the extent that the CAISO is aware of such requirements, through an RMR Dispatch Notice or flagged RMR Dispatch in the IFM Day-Ahead

Schedule. The CAISO may also issue RMR Dispatch Notices after Market Close of the DAM and through Dispatch Instructions flagged as RMR Dispatches in the Real-Time Market.

The Energy to be delivered for each Trading Hour pursuant to the RMR Dispatch Notice an RMR Dispatch in the IFM or Real-Time shall be referred to as the RMR Energy. Scheduling Coordinators may submit Bids in the DAM or the RTM for RMR Units operating under Condition 1 of the RMR Contract in accordance with the bidding rules applicable to non-RMR Units. A Bid submitted in the DAM or the RTM for a Condition 1 RMR Unit shall be deemed to be a notice of intent to substitute a market transaction for the amount of MWh specified in each Bid for each Trading Hour pursuant to Section 5.2 of the RMR Contract. In the event the CAISO issues an RMR Dispatch Notice or an RMR Dispatch in the IFM or Real-Time Market for any Trading Hour, any MWh quantities cleared through the MPM shall be considered as a market transaction in accordance with the RMR Contract. RMR Units operating as Condition 2 RMR Units may not submit Bids until and unless the CAISO issues an RMR Dispatch Notice or issues an RMR Dispatch in the IFM, in which case a Condition 2 RMR Unit shall submit Bids in accordance with the RMR Contract in the next available market for the Trading Hours specified in the RMR Dispatch Notice or Day-Ahead Schedule.

41.5.2 RMR Payments

RMR Units operating as Condition 1 RMR Units or Condition 2 RMR Units that receive an RMR Dispatch Notice will be paid in accordance with the RMR Contract and Section 11.13.

41.5.3 RMR Units and Provisions of Ancillary Services Requirements and other Reliability Services

The CAISO may call upon RMR Units resources for Ancillary Services or any other reliability service that the RMR resource is contracted to provide in any amounts and at any time that the CAISO has determined is necessary at any time after the issuance of Day-Ahead Schedules for the Trading Day if: (i) the CAISO determines that it requires more of an Ancillary Service than it has been able to procure, except that the CAISO shall not be required to accept Ancillary Services Bids that exceed the price caps specified in Section 39 or any other FERC-imposed price caps; and (ii) the CAISO has notified Scheduling Coordinators of the circumstances existing in this Section 41.5.3, and after such notice, the

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Commented [A5]: While RA units are required to provide \$0/MW RUC Availability Bids, RA resources are not required to submit \$0/MW AS bids. By "call upon RMR resources for Ancillary Services", does the CAISO mean "select RMR units to provide AS in accordance with the resource's submitted AS bid"?



CAISO determines that a bid insufficiency condition in accordance with the RMR Contract exists in the RTM and the CAISO requires more of an Ancillary Service. The CAISO must provide the notice specified in sub-paragraph (ii) of this Section 41.5.3 as soon as possible after the CAISO determines that additional Ancillary Services are needed for which Bids are not available. The CAISO may only determine that a Bid insufficiency exists after the Market Close of the RTM, unless an earlier determination is required in order to accommodate the RMR Unit's operating constraints. For the purposes of this Section 41.5.3, a Bid insufficiency exists in RTM if, and only if: (i) Bids in the RTM for the particular Ancillary Service that can be used to satisfy that particular Ancillary Services requirement that remain after first procuring the megawatts of the Ancillary Service that the CAISO had notified Scheduling Coordinators it would procure in the HASP ("remaining Ancillary Services requirement") represent, in the aggregate, less than two times such remaining Ancillary Services requirement; or (ii) there are less than two unaffiliated bidders to provide such remaining Ancillary Services requirement. If the CAISO determines that a Bid insufficiency condition exists as described in this Section 41.5.3, the CAISO may nonetheless accept available Bids if it determines in its sole discretion that the prices specified in the Bids and the Energy Bid Curves created by the Bids indicate that the Scheduling Coordinators were not attempting to exercise market power.

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41.7 Individualized Non-Availability Charges and Availability Incentive Payments Responsibility for Reliability Must-Run Charge

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Except as otherwise provided in Section 41.8, the costs incurred by the CAISO under each Reliability Must-Run Contract shall be payable to the CAISO by the Responsible Utility in whose PTO Service Territory the Reliability Must-Run Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Unit is located outside the PTO Service Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the CAISO. Where costs incurred by the CAISO under a



~~Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the CAISO will file the allocation under Section 205 of the Federal Power Act.~~

~~The provisions of Section 40.9 applicable to resources providing local and/or system Resource Adequacy Capacity and Flexible RA Capacity apply to Reliability Must-Run Units. Reliability Must-Run Units 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 is being paid by the CAISO (\$/kW-month) under the Reliability Must-Run Contract; and (b) the Resource Adequacy Availability Incentive Mechanism rate. Availability Incentive Mechanism payments to Reliability Must-Run Units will be capped at the general Availability Incentive Mechanism rate. Reliability Must-Run Units can provide RA Substitute Capacity based on the same rules applicable to Resource Adequacy Resources under Section 40.9.~~

**41.8 Allocating Resource Adequacy Credits for RMR Designations ~~Responsibility for RMR~~
~~Charges Associated with SONGS~~**

~~The CAISO will allocate year-ahead Reliability Must-Run credits (local, system, and flex – if applicable) to the Scheduling Coordinators of LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of year ahead CEC forecasted load of each LSE in the TAC Area(s) to total forecasted load in the TAC Areas(s), at the CAISO coincident forecasted peak, for the period for which the RMR Contract is projected to be in effect.~~

~~The CAISO will allocate month-ahead Reliability Must-Run credits (local, system and flex – if applicable) to the Scheduling Coordinators for LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of month ahead CEC forecasted load of each LSE in the TAC Area(s) to total forecasted load in the TAC Areas(s), at the CAISO coincident forecasted peak, for each RMR Contract the months for which the Reliability Must-Run Contract is projected to be in effect.~~

~~If the CAISO procures Reliability Must-Run Generation from the San Onofre Nuclear Generation Station Units 2 or 3, it shall determine prior to the operation of such facilities as Reliability Must-Run Generation the appropriate allocation of associated charges, if any, among Responsible Utilities. The allocation of~~

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such charges shall be based on the reliability benefits that the CAISO reasonably identifies through studies and analysis as accruing to the respective Service Areas of the Responsible Utilities.

41.9 Allocation of Reliability Must-Run Contract Costs ~~Exceptional Dispatch of Condition 2 RMR Units~~

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The CAISO will allocate Reliability Must-Run costs not recovered through market revenues to the Scheduling Coordinators for LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of actual load of each LSE in the TAC Area(s) to the total load in the TAC Area(s) as recorded in the CAISO settlement system for the actual days of any settlement month period for which the Reliability Must-Run Contract was in effect.

Commented [A6]: The CAISO is proposing to allocate RMR credits based on forecasted load but allocate RMR costs based on actual load. In the cases where the forecast is wrong or there is significant migration, an LSE could receive a credit that is disproportionately more or less than what they are paying for.

The CAISO may Dispatch an RMR Unit that has currently selected Condition 2 of its RMR Contract to provide Energy through an Exceptional Dispatch under this CAISO Tariff for reasons other than as prescribed in the RMR Contract under the following conditions:

- (1) — The CAISO projects that it will require Energy from the Condition 2 RMR Unit to (a) meet forecast Demand and operating reserve requirements or (b) manage Congestion and no other Generating Unit that is available is capable of meeting the identified requirement;

41.9.1 [Not Used] Notification Required Before Condition 2 RMR Unit Dispatch

Before dispatching a Condition 2 RMR Unit in accordance with this Section, the CAISO must notify Market Participants of (a) the situation for which the CAISO is contemplating dispatching a Condition 2 RMR Unit in accordance with this Section, and (b) the date and time the CAISO requires the Condition 2 RMR Unit so dispatched to be operating. The CAISO shall provide such notice as far in advance as practical and prior to directing the Condition 2 RMR Unit to Start-Up. Notwithstanding anything to the contrary in the applicable RMR Contract, all MWh, Start-Ups and service hours provided by a Generating Unit that has currently selected Condition 2 of its RMR Contract pursuant to this Section 41.9.1 through an Exceptional Dispatch outside of the RMR Contract shall not be used to determine future "Annual Service Limits" as defined in the RMR Contract. Payment for Dispatches pursuant to this Section 41.9.1 is governed by Section 11.

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43A.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 43A:

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; and
- ~~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~~
- ~~67.~~ 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.

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43A.2.6 [Not Used] 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 CAISO to be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;~~
- (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 43A.2.6 including an offer price consistent with Section 43A.4.1.1 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; and~~
- (6) ~~the Scheduling Coordinator for the resource has offered all Eligible Capacity from the resource into all CSPs for the current RA year.~~

~~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 CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.~~

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43A.3.7 [Not Used] Term – Capacity at Risk of Retirement Needed for Reliability

~~A CPM designation for Capacity at risk of retirement under Section 43A.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.~~

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43A.4 Selection of Eligible Capacity Under the CPM through Competitive Solicitation Processes (CSP) and General Eligibility Rules

In accordance with Good Utility Practice, the CAISO shall designate and compensate Eligible Capacity as CPM Capacity based on the results of either the Annual CSP, the Monthly CSP, or the Intra-monthly CSP.

The CAISO shall designate CPM Capacity through the Annual CSP to meet designations triggered under sections 43A.2.1.1, 43A.2.2, or 43A.2.3 (if the failure is to demonstrate sufficient Resource Adequacy capacity in an annual Resource Adequacy Plan), and 43A.2.7(a) (if the failure is to demonstrate sufficient Flexible Resource Adequacy capacity in an annual Flexible Resource Adequacy Plan).

The CAISO shall designate CPM Capacity through the Monthly CSP to meet designations triggered under sections 43A.2.1.2, 43A.2.3 (if the failure is to demonstrate sufficient Resource Adequacy capacity in a



monthly Resource Adequacy Plan), or 43A.2.7(b) (if the failure is to demonstrate sufficient Flexible Resource Adequacy capacity in a monthly Flexible Resource Adequacy Plan).

The CAISO shall designate CPM Capacity through the Intra-monthly CSP to meet designations triggered under sections 43A.2.4 or 43A.2.5.

~~The selection criteria in this Section 43A.4 shall not, however, apply to making a risk-of-retirement CPM designation under Section 43A.2.6.~~

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 administrative & general costs, plus 20 percent (20%) of the foregoing amount), provided such costs will be converted to a fixed \$kW-year amount, for determining the Annual Fixed Revenue Requirement of an RMR unit as set forth in Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff. 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, per Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff. 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 & maintenance costs, plus ad valorem taxes, plus administrative & general costs, plus 20



percent (20%) of the foregoing amount), provided such costs will be converted to a fixed \$/kW-year amount, per Schedule F to the pro-forma RMR Agreement in Appendix G of the CAISO Tariff. 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.

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.

43A.6 Reports

The CAISO shall publish the following reports and notices.

43A.6.1 CPM Designation Market Notice

The CAISO shall issue a Market Notice within two (2) Business Days of a CPM designation under Sections 43A.2.1 through 43A.2.76. 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 43A.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.

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.2.7~~6~~ or ten (10) days after the end of the month; provided that where the CAISO makes a designation under Sections 43A.2.1.1, 43A.2.1.2, 43A.2.2.2, 43A.2.3, 43A.2.4, or 43A.2.7 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.8.7 [Not Used] Allocation of CPM Costs for Resources at Risk of Retirement

~~If the CAISO makes any CPM designations under Section 43A.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.~~

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43A.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 43A.2.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.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 43A.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 43A.2.1.1.

- (b) To the extent the cost of CAISO designation under Section 43A.2.2 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.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 43A.2.2.
- (c) To the extent the cost of CPM designation under Section 43A.2.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.4, and the designation is for greater than one month under Section 43A.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 43A.2.3.
- (d) ~~To the extent the cost of CPM designation under Section 43A.2.6 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.7, and the designation is for greater than one month under Section 43A.3.7, 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 43A.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 43A.2 and for allocation of CPM costs under Section 43A.8.
- (ef) 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.

- (f9) To the extent the cost of Flexible Capacity CPM designation under Section 43A.2.7 is allocated to a Scheduling Coordinator for an LSE under Section 43A.8.8, and the designation is for greater than one month under Section 43A.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 Flexible Capacity CPM designated under Section 43A.2.7.