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August 6, 2008

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation  
Resource-Specific System Resource Tariff Amendment  
Docket No. ER08-\_\_\_\_-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Section 35.13 of the regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 35.13, the California Independent System Operator Corporation ("CAISO") respectfully submits for filing an original and five copies<sup>1</sup> of an amendment ("Amendment") to its Market Redesign and Technology Upgrade ("MRTU") version of the CAISO Tariff.<sup>2</sup> This Amendment proposes revisions to the MRTU Tariff to add a new *pro forma* agreement to be executed by owners of Resource-Specific System Resources and to expand on and clarify the tariff provisions establishing the rights and obligations of Resource-Specific System Resources.

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<sup>1</sup> Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

<sup>2</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the MRTU Tariff. Although the Commission has approved the current MRTU Tariff, the CAISO has not yet implemented MRTU and therefore the MRTU Tariff is not yet in effect.

## I. EXECUTIVE SUMMARY

In the MRTU Tariff, the CAISO developed a new mechanism for resources to recover costs, referred to as Bid Cost Recovery. At this point, resources within the CAISO's Balancing Authority Area are under standard Participating Generator Agreements ("PGAs") that allow the CAISO to confirm the basis for compensating these resources for Bid Cost Recovery. However, resources outside the CAISO's Balancing Authority Area are not subject to these standard PGAs, and the MRTU Tariff does not currently have a contractual mechanism to confirm that they are providing the response to CAISO Dispatch Instructions that qualifies them for Bid Cost Recovery. This Amendment would provide for that contractual mechanism in the form of a Commission-approved *pro forma* agreement to be incorporated into the MRTU Tariff and used with all similarly situated resources under MRTU and would provide for associated revisions to other MRTU Tariff provisions to expand on and clarify the requirements applicable to Resource-Specific System Resources.

## II. COMMUNICATIONS

Correspondence and other communications regarding this filing should be directed to the following persons, who should also be designated for service on the Commission's official service list:

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## III. BACKGROUND

A Resource-Specific System Resource is an import into the CAISO Balancing Authority Area for which the resource owner identifies the specific resource that will provide the services it is bidding into the CAISO Markets. During the development of the MRTU Tariff, stakeholders requested the ability for owners of Resource-Specific System Resources to be eligible for Bid Cost

Recovery like owners of resources internal to the CAISO Balancing Authority Area. Resources that are within the CAISO's Balancing Authority Area are eligible for Bid Cost Recovery under their existing *pro forma* PGAs, pursuant to which, for example, the MRTU Tariff requires telemetry to permit the CAISO to confirm that a unit actually started in response to a Dispatch Instruction.

The CAISO supports permitting resources that provide imports to be eligible to receive these same Bid Cost Recovery payments, but needs a mechanism to enforce the requirements associated with eligibility for payment. The mechanism proposed to stakeholders to provide the CAISO with this ability consists of the *pro forma* Resource-Specific System Resource Agreement and three primary policy elements to be included in new tariff language. The three policy requirements are that owners of Resource-Specific System Resources undertake the following: (1) execute the Resource-Specific System Resource Agreement to bind the owner to compliance with MRTU Tariff requirements similar to those applicable to Participating Generators seeking Bid Cost Recovery; (2) identify the resource and associated technical characteristics for each resource for which the owner is seeking Bid Cost Recovery; and (3) provide the CAISO with telemetry data so that the CAISO can verify compliance.

The substance of the proposed *pro forma* Resource-Specific System Resource Agreement and associated tariff revisions is described in Section IV below. The following timeline illustrates the stakeholder process that led to this proposal:

April 18, 2008:	CAISO posts Discussion Paper, draft agreement, and draft tariff language
April 23, 2008:	Stakeholder written comments submitted
April 25, 2008:	Stakeholder conference call
May 2, 2008:	Additional stakeholder comments received
May 27, 2008:	CAISO posts revised draft <i>pro forma</i> agreement and tariff language
May 29, 2008:	Stakeholder conference call Additional stakeholder comments submitted
June 6, 2008:	Additional opportunity for stakeholder written comments; none submitted
July 9, 2008:	Proposal presented to CAISO Governing Board; no stakeholders provided comments

During the course of the foregoing stakeholder process, the CAISO received no opposition to the proposed *pro forma* agreement and tariff language. Stakeholder comments fell into two categories: (1) support for the proposal and (2) comments to clarify the policy. Where appropriate, the CAISO made modifications to the proposed *pro forma* agreement and tariff language to address stakeholder comments. However, with regard to stakeholder comments

proposing that the CAISO provide more detail regarding the applicability of Uninstructed Deviation Penalties to Resource-Specific System Resources, the CAISO stated that, while it agrees that Scheduling Coordinators for Resource-Specific System Resources should be held accountable for penalties incurred due to failure to honor Bids submitted to the CAISO, it plans to address this issue in the future in conjunction with the process to develop and file tariff language at such time as the CAISO proposes to make the MRTU Tariff provisions regarding Uninstructed Deviation Penalties effective. A more detailed summary of stakeholder comments and changes made to address them is set forth in the attachment to the memorandum to the CAISO Governing Board regarding this matter, which is attached hereto as Attachment C.

#### **IV. DESCRIPTION OF THE RESOURCE-SPECIFIC SYSTEM RESOURCE PROPOSAL**

The primary terms and conditions under which Resource-Specific System Resources will provide and receive service are already specified in the existing provisions of the MRTU Tariff. However, the CAISO is proposing that owners of Resource-Specific System Resources enter into a *pro forma* agreement with the CAISO in order to ensure that these Resource-Specific System Resource owners are committed to compliance with the terms of the MRTU Tariff. In conjunction with the creation of this proposed *pro forma* agreement, the CAISO considers it necessary and useful to incorporate a new Section 4.12 into the MRTU Tariff to specify more clearly the rights and obligations of Resource-Specific System Resource owners. The CAISO has also identified a set of provisions (Sections 30.7.8, 30.7.9, and 30.7.10) that need to be clarified to specify how they apply to Resource-Specific System Resources. In addition, the CAISO has determined that the manner in which it will verify compliance by Non-Dynamic Resource-Specific System Resources with the requirements of the MRTU Tariff as currently specified in Section 11.8 of that tariff needs to be modified to provide that the compliance will be demonstrated by the provision of telemetry data, rather than revenue meter data, by the Resource-Specific System Resource owner.

##### **A. Provisions of the *Pro Forma* Resource-Specific System Resource Agreement**

The CAISO proposes to add the *pro forma* Resource-Specific System Resource Agreement to the MRTU Tariff as new Appendix B.13. This new agreement is modeled on the CAISO's *pro forma* PGA, set forth in MRTU Tariff Appendix B.2, with a few provisions modeled on the CAISO's *pro forma* Dynamic Scheduling Agreement for Scheduling Coordinators ("DSA SC") set forth in MRTU Tariff Appendix B.5. All of the provisions of the proposed *pro forma* agreement are essentially identical to those of the CAISO's *pro forma* PGA with the exception of the provisions of Article IV and Schedule 1, which set forth the

primary substantive requirements applicable to owners of Resource-Specific System Resources. Specifically, Section 4.1 and Schedule 1 include the requirements for the specific identification of the individual units comprising the Resource-Specific System Resource. Section 4.3.1 sets forth the requirement that the owner of the Resource-Specific System Resource comply with the provisions of proposed new Section 4.12 of the MRTU Tariff and other provisions of the MRTU Tariff applicable to Resource-Specific System Resources and Bid Cost Recovery for Resource-Specific System Resources. Section 4.3.2 and Schedule 1 set forth the requirements for direct telemetry from Resource-Specific System Resources in order for them to be eligible for Bid Cost Recovery. These provisions of the *pro forma* agreement set forth requirements applicable to Resource-Specific System Resources that are very comparable to those applicable to Participating Generators under the PGA and to Dynamic System Resources under the DSA SC. These are reasonable requirements to apply to owners of Resource-Specific System Resources, particularly in order for them to be eligible for Bid Cost Recovery.

In developing this proposal, the CAISO considered whether additional MRTU Tariff provisions could simply be drafted to make compliance with all of the CAISO's requirements a prerequisite to eligibility for Bid Cost Recovery for Resource-Specific System Resources. However, the CAISO would confront significant risks in relying solely on this approach without specific authority to seek remedies in the event the owner should fail to comply with MRTU Tariff requirements. A contract with the owner of a Resource-Specific System Resource is the best approach to provide the CAISO an explicit avenue for enforcement of applicable MRTU Tariff requirements and remedies for non-compliance.

#### **B. MRTU Tariff Provisions for Resource-Specific System Resources**

In addition to the proposed terms and conditions of the *pro forma* agreement applicable to Resource-Specific System Resources, the CAISO proposes to specify a large portion of the substance of the applicable requirements in tariff language. The primary tariff provisions the CAISO is proposing in this Amendment are the terms of new MRTU Tariff Section 4.12. The primary requirements of new Section 4.12 are that owners of Resource-Specific System Resources must undertake the following:

- Execute a Resource-Specific System Resource Agreement (4.12);
- Obtain the services of a Scheduling Coordinator (4.12);

- Submit Bids for either the full or partial output of the Resource-Specific System Resource, provided that a Bid must be for at least the Minimum Load of the resource in order to be eligible for Bid Cost Recovery (4.12);
- Comply with each Start-Up Instruction or Dispatch Instruction from the CAISO, in order to be eligible for Bid Cost Recovery (4.12.1.1(i));
- Ensure that its Scheduling Coordinator makes an election for Start-Up Costs and Minimum Load Costs in accordance with the MRTU Tariff, in order to be eligible for Bid Cost Recovery (4.12.1.1(ii));
- Ensure that any Ancillary Services Bids are submitted in accordance with the MRTU Tariff (4.12.1.1(iii));
- Comply with applicable availability requirements, if the resource is a Resource Adequacy Resource (4.12.1.1(iv));
- Ensure that its Scheduling Coordinator provides the CAISO with immediate notice of any change in the status of the resource that might affect its Bids or its ability to meet its Schedules (4.12.1.1(v), -(vi));
- Comply with CAISO Operating Procedures and Business Practice Manuals (4.12.1.2);
- Identify the units and associated technical characteristics for each unit for which the Resource-Specific System Resource owner is seeking Bid Cost Recovery, including compliance with MRTU Tariff provisions for verification and testing of the capacity and operating characteristics of the unit (4.12.2);
- Provide the CAISO with real-time "SCADA" data by telemetry to the CAISO's Energy Management System ("EMS"), at the owner's expense, so that the CAISO can verify compliance (4.12.3);
- Provide information reasonably required by the CAISO (4.12.4); and
- Provide the CAISO with a right of access to its facilities and records to permit the CAISO to test the accuracy of the telemetry equipment of the Resource-Specific System Resource (4.12.5).

While some of the foregoing requirements would not otherwise be applicable to System Resources imported into the CAISO Balancing Authority Area, they are all essentially equivalent to requirements applicable to Participating Generators with Generating Units within the CAISO Balancing

Authority Area that seek to be eligible for Bid Cost Recovery. It is reasonable to require owners of Resource-Specific System Resources to comply with similar requirements in order to be eligible for Bid Cost Recovery.

In addition to the proposed new provisions of Section 4.12, the CAISO has determined that Sections 30.7.8, 30.7.9, and 30.7.10 specifying the form of the Bid components for Start-Up Time, Start-Up Cost, and Minimum Load Cost are currently too limited in referring only to Generating Units (which are defined to include only units within the CAISO Balancing Authority Area) and Participating Loads in specifying those requirements. The CAISO considers it important to clarify that Resource-Specific System Resources are subject to the same requirements for the form of their Bid components as are applicable to Generating Units. Thus, the CAISO proposes in this Amendment to revise the provisions of Sections 30.7.8, 30.7.9, and 30.7.10 to insert express references to Resource-Specific System Resources as subject to the same requirements as are applicable to Generating Units. This is consistent with the application of other requirements associated with Bid Cost Recovery to Resource-Specific System Resources in the same manner as they are applicable to the Generating Units of Participating Generators within the CAISO Balancing Authority Area.

While all of the foregoing requirements applicable to Resource-Specific System Resources are essentially equivalent to requirements applicable to Participating Generators seeking Bid Cost Recovery, the CAISO wants to make clear that the requirements of proposed Section 4.12.3 differ from the current requirements of Section 11.8 regarding the manner in which the CAISO will verify compliance with the Start-Up and related requirements applicable to Non-Dynamic Resource-Specific System Resources seeking Bid Cost Recovery. Section 11.8 currently specifies that performance by Non-Dynamic Resource-Specific System Resources sufficient to be eligible for Bid Cost Recovery will be demonstrated through the provision of Revenue Quality Meter Data. On further consideration of the most effective manner by which the CAISO can verify performance, the CAISO has concluded that the provision of Real-Time telemetry data to the CAISO's EMS is a more effective and appropriate mechanism. Telemetry data provides a record of resource output over a much shorter time period (*i.e.*, a matter of seconds) than revenue meter data, which is recorded in five-minute intervals. The CAISO considers Bid Cost Recovery to be compensation tied directly to responsiveness to CAISO Start-Up Instructions and other Dispatch Instructions that should be measured on the more immediate level provided by telemetry data. Consequently, the CAISO proposes in this Amendment to revise Section 11.8 to remove the requirement to provide Revenue Quality Meter Data and to substitute a requirement to provide telemetry data.

In Section 4.12.3, the CAISO also proposes to include more specifics regarding the manner in which the owner of a Resource-Specific System

Resource must provide the required telemetry data, including the option of providing that telemetry data (1) pursuant to the CAISO's established standards for direct telemetry or (2) through the EMS of the Host Balancing Authority by use of the inter-control center communications protocol (referred to as "ICCP"). The CAISO proposes to offer this latter option as potentially offering the owner of the Resource-Specific System Resource a lower-cost approach to providing the required telemetry data than the installation of direct telemetry equipment meeting the CAISO's established standards. While the CAISO has determined the use of ICCP to be insufficient for the provision of direct telemetry data for resources in the CAISO Balancing Authority Area over which the CAISO has greater operating authority, it is acceptable in this context for resources outside the CAISO Balancing Authority Area for which this data is used only for verifying compliance rather than for the CAISO's operating purposes. As the Resource-Specific System Resource will likely already have equipment in place to provide direct telemetry data to its Host Balancing Authority, the owner of the resource may be able to meet the CAISO's minimum needs for telemetry data by arranging for its Host Balancing Authority to route that data to the CAISO at less cost than installing new telemetry equipment to send that telemetry signal directly to the CAISO's EMS.

## V. EFFECTIVE DATE

With respect to the changes to the MRTU Tariff, including the addition of the proposed *pro forma* Resource-Specific System Resource Agreement, the CAISO requests that the Commission approve the changes in this Amendment to be effective upon implementation of MRTU. As discussed in the monthly status reports the CAISO has submitted in Docket No. ER06-615, the CAISO will not be able to announce a new proposed implementation date for MRTU until the CAISO is confident that the MRTU software is operating successfully. Accordingly, the CAISO is filing clean MRTU Tariff sheets without indicating a proposed effective date and therefore requests waiver of the Commission's Order No. 614 and applicable provisions of Section 35.9 of the Commission's regulations.<sup>3</sup>

The CAISO understands that in the absence of a proposed effective date the Commission is not compelled to take any action on the changes to the MRTU Tariff within the 60-day timeframe prescribed by the FPA. Although the Commission is not compelled to take action within any prescribed timeframe, the CAISO requests that the Commission issue an order regarding the changes to the MRTU Tariff contained in this Amendment within 60 days or as soon thereafter as possible. A timely order will allow a more orderly transition to MRTU for the CAISO and its Market Participants.

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<sup>3</sup> *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs., Regs. Preambles ¶ 31,096 (2000) ("Order No. 614"); 18 C.F.R. § 35.9.



Because the exact date of MRTU implementation is unknown at this time, the CAISO, pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), also requests waiver, if necessary, of Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3), in order to permit the clean MRTU Tariff sheets contained in this Amendment to become effective more than 120 days after the date this Amendment was filed. Making the filing at this time hopefully will permit the CAISO, Market Participants, state authorities, and the Commission to make preparations to establish eligibility as Resource-Specific System Resources as discussed herein prior to the implementation of MRTU and provide greater certainty to the CAISO Markets. Granting a waiver in this instance would be consistent with the similar waivers of Section 35.3 that the Commission has granted for other MRTU Tariff filings.

## **VI. CONTENTS OF FILING**

The following documents, in addition to this letter, support this filing:

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|--------------|--|
| Attachment A | Proposed clean replacement sheets for inclusion in the MRTU Tariff |
| Attachment B | Black-lined sheets showing the proposed changes to the MRTU Tariff |
| Attachment C | Memorandum to the CAISO Governing Board                            |


## **VII. SERVICE**

The CAISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, and all parties with effective Scheduling Coordinator Service Agreements under the MRTU Tariff. In addition, the CAISO is posting this transmittal letter and all attachments on the CAISO Website.

**VIII. CONCLUSION**

For the reasons set forth above, the CAISO respectfully requests that the Commission accept the amendments to the MRTU Tariff described herein.

Respectfully submitted,



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Attorneys for the California Independent System Operator Corporation

**Attachment A – Clean Sheets**  
**Resource-Specific System Resource Amendment Filing**  
**4<sup>th</sup> Replacement MRTU Tariff**

**August 6, 2008**

**4.12 Relationship between CAISO and Resource-Specific System Resources.**

The CAISO shall not accept Bids for any Resource-Specific System Resource otherwise than through a Scheduling Coordinator. The CAISO shall further not be obligated to provide Bid Cost Recovery to any Resource-Specific System Resource unless the relevant Resource-Specific System Resource owner undertakes in writing, by entering into a Resource-Specific System Resource Agreement, to comply with all applicable provisions of this CAISO Tariff as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 4.12. Except as otherwise provided in this Section 4.12, Resource-Specific System Resources shall have the same rights and obligations as other System Resources, including the ability to have Bids submitted for either full or partial output from the RSSR, provided that a Bid must be for at least the Minimum Load of the resource in order to be eligible for Bid Cost Recovery.

**4.12.1 General Responsibilities.**

**4.12.1.1 Operate Pursuant to Relevant Provisions of CAISO Tariff.**

Resource-Specific System Resource owners shall operate, or cause their facilities to be operated, in accordance with the relevant provisions of this CAISO Tariff, including but not limited to the following.

- (i) A Resource-Specific System Resource shall only be eligible for Bid Cost Recovery if the Resource-Specific System Resource has complied with a Start-Up Instruction or Dispatch Instruction issued by the CAISO as specified in Section 11.8.
- (ii) In order to be eligible for Bid Cost Recovery pursuant to Sections 30.4 and 30.5.2.4, a Resource-Specific System Resource owner shall ensure that its Scheduling Coordinator makes an election for Start-Up Costs and Minimum Load Costs.

- (iii) A Resource-Specific System Resource owner shall ensure that any Ancillary Services Bids submitted by its Scheduling Coordinator are submitted in accordance with Section 30.5.2.6.
- (iv) Owners of Dynamic Resource-Specific System Resources that are Resource Adequacy Resources shall comply with additional availability requirements to the extent required by Section 40.6.5.1.
- (v) Each Resource-Specific System Resource owner shall immediately inform the CAISO, through its respective Scheduling Coordinator, of any change or potential change in the current status of any Resource-Specific System Resource that may affect a submitted Bid. This will include, but not be limited to, any change in status of equipment that could affect the maximum output of a Resource-Specific System Resource, the Minimum Load of a Resource-Specific System Resource, or the ability of a Resource-Specific System Resource to provide Ancillary Services in accordance with its Bid.
- (vi) In the event that a Resource-Specific System Resource owner cannot meet its Generation schedule as specified in the Day-Ahead Schedule, or comply with a Dispatch Instruction, whether due to a Resource-Specific System Resource trip or the loss of a piece of equipment causing a reduction in capacity or output, the Resource-Specific System Resource owner shall notify the CAISO, through its Scheduling Coordinator, at once. If a Resource-Specific System Resource owner will not be able to meet a time commitment or requires the cancellation of a Resource-Specific System Resource Start-Up, it shall notify the CAISO, through its Scheduling Coordinator, at once.

**4.12.1.2 Operate Pursuant to Relevant Operating Procedures.**

Resource-Specific System Resource owners shall operate, or cause their Resource-Specific System Resources and associated facilities to be operated, in accordance with the relevant Operating Procedures and Business Practice Manuals established by the CAISO.

**4.12.2 Identification of Resource-Specific System Resources.**

Each Resource-Specific System Resource owner shall provide data identifying each of its Resource-Specific System Resources and such information regarding the capacity and the operating characteristics of the Resource-Specific System Resource as may be reasonably requested from time to time by the CAISO. All information provided to the CAISO regarding the operation and technical constraints in the Master File shall be accurate and actually based on physical characteristics of the resource. Pursuant to Sections 8.9 and 8.10, the CAISO may verify, inspect and test the capacity and operating characteristics of the resource provided to the CAISO.

**4.12.3 Telemetry Data to Demonstrate Compliance.**

The Resource-Specific System Resource owner shall provide SCADA data by telemetry to the CAISO EMS at the Resource-Specific System Resource owner's expense in order to demonstrate compliance with CAISO Start-Up Instructions in order to be eligible for BCR. Telemetry data from Dynamic Resource-Specific System Resources shall be provided in accordance with the requirements of the CAISO's Dynamic Scheduling Protocol in Appendix X. For Non-Dynamic Resource-Specific System Resources, the Resource-Specific System Resource owner shall have the option of providing the required telemetry data by transmittal directly to the CAISO EMS in accordance with the CAISO's standards for direct telemetry or by means of transmittal to the CAISO EMS through the EMS of its Host Balancing Authority Area by use of the inter-control center communications protocol (ICCP).

**4.12.4 Recordkeeping.**

Resource-Specific System Resource owners shall provide to the CAISO such information and maintain such records as are reasonably required by the CAISO to implement the provisions of the CAISO Tariff applicable to Resource-Specific System Resources.

**4.12.5 Access Right.**

A Resource-Specific System Resource owner shall, at the request of the CAISO and upon reasonable notice, provide access to its facilities and records (including those relating to communications and telemetry) as necessary to permit the CAISO to perform such testing as is necessary to test the accuracy of any telemetry equipment upon which the Resource-Specific System Resource owner's performance is measured.

**11.8 Bid Cost Recovery.**

For purposes of determining the Unrecovered Bid Cost Uplift Payments for each Bid Cost Recovery Eligible Resource as determined in Section 11.8.5 and the allocation of Unrecovered Bid Cost Uplift Payments for each Settlement Interval, the CAISO shall sequentially calculate the Bid Costs, which can be positive (IFM, RUC or RTM Bid Cost Shortfall) or negative (IFM, RUC or RTM Bid Cost Surplus) in the IFM, RUC and the Real-Time Market, as the algebraic difference between the respective IFM, RUC or RTM Bid Cost and the IFM, RUC or RTM Market Revenues, which is netted across the CAISO Markets. In any Settlement Interval a resource is eligible for Bid Cost Recovery payments only if it is On, or in the case of a Participating Load, only if the resource has actually stopped or started consuming pursuant to the Dispatch Instruction. BCR Eligible Resources for different MSS Operators are supply resources listed in the applicable MSS Agreement. All Bid Costs shall be based on mitigated Bids as specified in Section 39.7. In order to be eligible for Bid Cost Recovery, Non-Dynamic Resource-Specific System Resources must provide to the CAISO SCADA data by telemetry to the CAISO's EMS in accordance with Section 4.12.3 demonstrating that they have performed in accordance with their CAISO commitments.

**11.8.1 CAISO Determination of Self-Commitment Periods.**

For the purposes of identifying the periods during which a Bid Cost Recovery Eligible Resource is deemed self-committed and thus ineligible for Start-Up Costs, Minimum Load Costs, IFM Pump Shut-Down Costs and IFM Pumping Costs, the CAISO derives the Self-Commitment Periods as described below. MSS resources designated for Load following are considered to be self-committed if they have been scheduled with non-zero Load following capacity, or are otherwise used to follow Load in the Real-Time. The IFM and RUC Self-Commitment Periods will be available as part of the Day-Ahead Market results provided to the applicable Scheduling Coordinator. The interim RTM Self-Commitment Periods as reflected in the HASP will be available as part of the HASP results for the relevant Trading Hour as provided to the applicable Scheduling Coordinator. The final RTM Self-Commitment Period is determined ex-post for Settlements purposes. ELS Resources committed through the ELC Process described in



**30.7.8 Format and Validation of Start-Up and Shut-Down Times.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Start-Up Time expressed in minutes (min) as a function of down time expressed in minutes (min) must be a staircase function with up to three (3) segments defined by a set of 1 to 4 down time and Start-Up Time pairs. The Start-Up Time is the time required to start the resource if it is offline longer than the corresponding down time. The last segment will represent the time to start the unit from a cold start and will extend to infinity. The submitted Start-Up Time function shall be validated as follows:

- (a) The first down time must be zero (0) min.
- (b) The down time entries must match exactly (in number, sequence, and value) the corresponding down time breakpoints of the maximum Start-Up Time function, as registered in the Master File for the relevant resource.
- (c) The Start-Up Time for each segment must not exceed the Start-Up Time of the corresponding segment of the maximum Start-Up Time function, as registered in the Master File for the relevant resource.
- (d) The Start-Up Time function must be strictly monotonically increasing, i.e., the Start-Up Time must increase as down time increases.

For Participating Load, a single Shut-Down time in minutes is the time required for the resource to Shut-Down after receiving a Dispatch Instruction.

**30.7.9 Format and Validation of Start-Up Costs and Shut-Down Costs.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Start-Up Cost expressed in dollars (\$) as a function of down time expressed in minutes must be a staircase function with up to three (3) segments defined by a set of 1 to 4 down time and Start-Up Cost pairs. The Start-Up Cost is the cost incurred to start the resource if it is offline longer than the corresponding down time. The last segment will represent the cost to start the resource from cold Start-Up and will extend to infinity. The submitted Start-Up Cost function shall be validated as follows:

- (a) The first down time must be zero (0) min.
- (b) The down time entries must match exactly (in number, sequence, and value) the corresponding down time breakpoints of the Start-Up Cost function, as registered in the Master File for the relevant resource as either the Proxy Cost or Registered Cost.
- (c) The Start-Up Cost for each segment must not be negative and must be equal to the Start-Up Cost of the corresponding segment of the Start-Up Cost function, as registered in the Master File for the relevant resource. If a value is submitted in a Bid for the Start-Up Cost, it will be overwritten by the Master File value as either the Proxy Cost or Registered Cost based on the option elected pursuant to Section 30.4. If no value for Start-Up Cost is submitted in a Bid, the CAISO will insert the Master File value, as either the Proxy Cost or Registered Cost based on the option elected pursuant to Section 30.4.
- (d) The Start-Up Cost function must be strictly monotonically increasing, i.e., the Start-Up Cost must increase as down time increases.

For Participating Loads, a single Shut-Down Cost in dollars (\$) is the cost incurred to Shut-Down the resource after receiving a Dispatch Instruction. The submitted Shut-Down Cost must not be negative.

**30.7.10 Format and Validation of Minimum Load Costs.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Minimum Load Cost expressed in dollars per hour (\$/hr) is the cost incurred for operating the unit at Minimum Load. The submitted Minimum Load Cost must not be negative and must be equal to the Minimum Load Cost under the Proxy Cost option or Registered Cost option, as registered in the Master File for the relevant resource.

For Participating Loads, the submitted Minimum Load Cost (\$/hr) is the cost incurred while operating the resource at reduced consumption after receiving a Dispatch Instruction. The submitted Minimum Load Cost must not be negative.

**CAISO TARIFF APPENDIX B.13**  
**Resource-Specific System Resource Agreement**

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

**AND**

**[SYSTEM RESOURCE OWNER]**

**RESOURCE-SPECIFIC SYSTEM RESOURCE AGREEMENT**

**RESOURCE-SPECIFIC SYSTEM RESOURCE AGREEMENT**

**THIS AGREEMENT** is dated this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ and is entered into, by and between:

(1) **[Full Legal Name]** having its registered and principal place of business located at **[Address]** (the "System Resource Owner");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "CAISO").

The System Resource Owner and the CAISO are hereinafter referred to as the "Parties".

**Whereas:**

- A.** The CAISO Tariff provides that the CAISO shall not accept Bids for Energy or Ancillary Services otherwise than through a Scheduling Coordinator.
- B.** The CAISO Tariff further provides that the CAISO shall not be obliged to provide Bid Cost Recovery to any Resource-Specific System Resource unless the relevant Resource-Specific System Resource Owner undertakes in writing to the CAISO to comply with all applicable provisions of the CAISO Tariff.
- C.** The Parties are entering into this Agreement in order to establish the terms and conditions on which the CAISO and the System Resource Owner will discharge their respective duties and responsibilities under the CAISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

**ARTICLE I**

**DEFINITIONS AND INTERPRETATION**

- 1.1 Master Definitions Supplement.** All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
  - (b) the singular shall include the plural and vice versa;
  - (c) the masculine shall include the feminine and neutral and vice versa;
  - (d) "includes" or "including" shall mean "including without limitation";
  - (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
  - (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
  - (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
  - (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
  - (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
  - (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
  - (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

## ARTICLE II

### ACKNOWLEDGEMENTS OF SYSTEM RESOURCE OWNER AND CAISO

- 2.1 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Corporation and further acknowledge that the CAISO may not be able to satisfy fully these responsibilities if the System Resource Owner fails to fully comply with all of its obligations under this Agreement and the CAISO Tariff.
- 2.2 Scope of Application to Parties.** The System Resource Owner and CAISO acknowledge that all owners of Resource-Specific System Resources wishing to be eligible for Bid Cost Recovery must sign this Agreement in accordance with Section 4.12 of the CAISO Tariff.

## ARTICLE III

### TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall be effective as of the date set forth above, unless accepted for filing and made effective by FERC on some other date, if FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.
- 3.2 Termination**
- 3.2.1 Termination by CAISO.** Subject to Section 3.2.2, the CAISO may terminate this Agreement by giving written notice of termination in the event that the System Resource Owner commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the System Resource Owner, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

**3.2.2 Termination by System Resource Owner.** In the event that the System Resource Owner no longer wishes to be eligible for Bid Cost Recovery, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days written notice. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within thirty (30) days of receipt of such request; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the System Resource Owner's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

## ARTICLE IV

### GENERAL TERMS AND CONDITIONS

#### 4.1 Resource-Specific System Resource Information.

**4.1.1 Identification of Resource-Specific System Resources.** The System Resource Owner has identified the generating units comprising its Resource-Specific System Resources that it owns, operates or has a contractual entitlement to in Schedule 1, as required by Section 4.12 of the CAISO Tariff.

**4.1.2 Technical Characteristics.** The System Resource Owner has provided to the CAISO in Schedule 1 the required information regarding the capacity and operating characteristics of each of the Resource-Specific System Resources listed in that schedule. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in Schedule 1.

**4.1.3 Notification of Changes.** Sixty (60) days prior to changing any technical information in Schedule 1, the System Resource Owner shall notify the CAISO of the proposed changes. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in the revised Schedule 1.

**4.2 Agreement Subject to CAISO Tariff.** The Parties will comply with all applicable provisions of the CAISO Tariff. This Agreement shall be subject to the CAISO Tariff which shall be deemed to be incorporated herein.



**4.3 Obligations Relating to Resource-Specific System Resources.**

**4.3.1 Bid Cost Recovery.** In order to be eligible for Bid Cost Recovery, the System Resource Owner must comply with all applicable requirements of the CAISO Tariff, including but not limited to compliance with Start-Up Instructions issued by the CAISO and submittal of its Bid Costs to the CAISO in accordance with CAISO Tariff Sections 4.12, 11.8, 30.4, and 30.5.2.4.

**4.3.2 Telemetry Data for Resource-Specific System Resources.** For purposes of determining compliance with the CAISO's Start-Up Instructions and minimum operation obligations, the System Resource Owner must provide SCADA data by telemetry to the CAISO's EMS for each of its Resource-Specific System Resources in accordance with CAISO Tariff Section 4.12.3. For each of its Non-Dynamic Resource-Specific System Resources, the System Resource Owner has specified in Schedule 1 the manner in which it will provide this telemetry data, as permitted by CAISO Tariff Section 4.12.3.

**ARTICLE V**

**PENALTIES AND SANCTIONS**

**5.1 Penalties.** If the System Resource Owner fails to comply with any provisions of this Agreement, the CAISO shall be entitled to impose penalties and sanctions on the System Resource Owner. No penalties or sanctions may be imposed under this Agreement unless a Schedule or CAISO Tariff provision providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in this Agreement, with the exception of the provisions relating to the CAISO ADR Procedures, shall be construed as waiving the rights of the System Resource Owner to oppose or protest any penalty proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty on the System Resource Owner.

**5.2 Corrective Measures.** If the System Resource Owner fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff, the CAISO shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the CAISO deems to be necessary to correct the situation.

**ARTICLE VI**

**COSTS**

**6.1 Operating and Maintenance Costs.** The System Resource Owner shall be responsible for all its costs incurred in connection with dynamic scheduling and compliance by the Resource-Specific System Resources identified in Schedule 1 for the purpose of meeting its obligations under this Agreement.

**ARTICLE VII**

**DISPUTE RESOLUTION**

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE VIII**

**REPRESENTATIONS AND WARRANTIES**

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

**ARTICLE IX**

**LIABILITY**

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE X**

**UNCONTROLLABLE FORCES**

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XI**

**MISCELLANEOUS**

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 11.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder.
- 11.9 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

**California Independent System Operator Corporation**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[NAME OF SYSTEM RESOURCE OWNER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 1**

**RESOURCE-SPECIFIC SYSTEM RESOURCES AND BALANCING AUTHORITY AREA  
INFORMATION**

**[Sections 4.1 and 4.3.2]**

**Description of the capacity and operating characteristics for each Resource-Specific System Resource for which Bid Cost Recovery is being sought:**

**Description of how the System Resource Owner will demonstrate to the CAISO through telemetry data that its Non-Dynamic Resource-Specific System Resources responded to the CAISO's Start-Up Instructions and maintained minimum operation for the length of time specified:**

**Host Balancing Authority Area:**

**SCHEDULE 2**

**NOTICES**

**[Section 11.2]**

**[System Resource Owner]**

Name of Primary

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

Name of Alternative

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

**CAISO**

Name of Primary

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

Name of Alternative

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_



**Attachment B – Blacklines**  
**Resource-Specific System Resource Amendment Filing**  
**4<sup>th</sup> Replacement MRTU Tariff**  
**August 6, 2008**

**4.12 Relationship between CAISO and Resource-Specific System Resources.**

The CAISO shall not accept Bids for any Resource-Specific System Resource otherwise than through a Scheduling Coordinator. The CAISO shall further not be obligated to provide Bid Cost Recovery to any Resource-Specific System Resource unless the relevant Resource-Specific System Resource owner undertakes in writing, by entering into a Resource-Specific System Resource Agreement, to comply with all applicable provisions of this CAISO Tariff as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 4.12. Except as otherwise provided in this Section 4.12, Resource-Specific System Resources shall have the same rights and obligations as other System Resources, including the ability to have Bids submitted for either full or partial output from the RSSR, provided that a Bid must be for at least the Minimum Load of the resource in order to be eligible for Bid Cost Recovery.

**4.12.1 General Responsibilities.**

**4.12.1.1 Operate Pursuant to Relevant Provisions of CAISO Tariff.**

Resource-Specific System Resource owners shall operate, or cause their facilities to be operated, in accordance with the relevant provisions of this CAISO Tariff, including but not limited to the following.

- (i) A Resource-Specific System Resource shall only be eligible for Bid Cost Recovery if the Resource-Specific System Resource has complied with a Start-Up Instruction or Dispatch Instruction issued by the CAISO as specified in Section 11.8.
- (ii) In order to be eligible for Bid Cost Recovery pursuant to Sections 30.4 and 30.5.2.4, a Resource-Specific System Resource owner shall ensure that its Scheduling Coordinator makes an election for Start-Up Costs and Minimum Load Costs.
- (iii) A Resource-Specific System Resource owner shall ensure that any Ancillary Services Bids submitted by its Scheduling Coordinator are submitted in accordance with Section 30.5.2.6.

- (iv) Owners of Dynamic Resource-Specific System Resources that are Resource Adequacy Resources shall comply with additional availability requirements to the extent required by Section 40.6.5.1.
- (v) Each Resource-Specific System Resource owner shall immediately inform the CAISO, through its respective Scheduling Coordinator, of any change or potential change in the current status of any Resource-Specific System Resource that may affect a submitted Bid. This will include, but not be limited to, any change in status of equipment that could affect the maximum output of a Resource-Specific System Resource, the Minimum Load of a Resource-Specific System Resource, or the ability of a Resource-Specific System Resource to provide Ancillary Services in accordance with its Bid.
- (vi) In the event that a Resource-Specific System Resource owner cannot meet its Generation schedule as specified in the Day-Ahead Schedule, or comply with a Dispatch Instruction, whether due to a Resource-Specific System Resource trip or the loss of a piece of equipment causing a reduction in capacity or output, the Resource-Specific System Resource owner shall notify the CAISO, through its Scheduling Coordinator, at once. If a Resource-Specific System Resource owner will not be able to meet a time commitment or requires the cancellation of a Resource-Specific System Resource Start-Up, it shall notify the CAISO, through its Scheduling Coordinator, at once.

#### **4.12.1.2 Operate Pursuant to Relevant Operating Procedures.**

Resource-Specific System Resource owners shall operate, or cause their Resource-Specific System Resources and associated facilities to be operated, in accordance with the relevant Operating Procedures and Business Practice Manuals established by the CAISO.

#### **4.12.2 Identification of Resource-Specific System Resources.**

Each Resource-Specific System Resource owner shall provide data identifying each of its Resource-Specific System Resources and such information regarding the capacity and the operating characteristics

of the Resource-Specific System Resource as may be reasonably requested from time to time by the CAISO. All information provided to the CAISO regarding the operation and technical constraints in the Master File shall be accurate and actually based on physical characteristics of the resource. Pursuant to Sections 8.9 and 8.10, the CAISO may verify, inspect and test the capacity and operating characteristics of the resource provided to the CAISO.

**4.12.3 Telemetry Data to Demonstrate Compliance.**

The Resource-Specific System Resource owner shall provide SCADA data by telemetry to the CAISO EMS at the Resource-Specific System Resource owner's expense in order to demonstrate compliance with CAISO Start-Up Instructions in order to be eligible for BCR. Telemetry data from Dynamic Resource-Specific System Resources shall be provided in accordance with the requirements of the CAISO's Dynamic Scheduling Protocol in Appendix X. For Non-Dynamic Resource-Specific System Resources, the Resource-Specific System Resource owner shall have the option of providing the required telemetry data by transmittal directly to the CAISO EMS in accordance with the CAISO's standards for direct telemetry or by means of transmittal to the CAISO EMS through the EMS of its Host Balancing Authority Area by use of the inter-control center communications protocol (ICCP).

**4.12.4 Recordkeeping.**

Resource-Specific System Resource owners shall provide to the CAISO such information and maintain such records as are reasonably required by the CAISO to implement the provisions of the CAISO Tariff applicable to Resource-Specific System Resources.

**4.12.5 Access Right.**

A Resource-Specific System Resource owner shall, at the request of the CAISO and upon reasonable notice, provide access to its facilities and records (including those relating to communications and telemetry) as necessary to permit the CAISO to perform such testing as is necessary to test the accuracy of any telemetry equipment upon which the Resource-Specific System Resource owner's performance is measured.

\* \* \*

**11.8 Bid Cost Recovery.**

For purposes of determining the Unrecovered Bid Cost Uplift Payments for each Bid Cost Recovery Eligible Resource as determined in Section 11.8.5 and the allocation of Unrecovered Bid Cost Uplift Payments for each Settlement Interval, the CAISO shall sequentially calculate the Bid Costs, which can be positive (IFM, RUC or RTM Bid Cost Shortfall) or negative (IFM, RUC or RTM Bid Cost Surplus) in the IFM, RUC and the Real-Time Market, as the algebraic difference between the respective IFM, RUC or RTM Bid Cost and the IFM, RUC or RTM Market Revenues, which is netted across the CAISO Markets. In any Settlement Interval a resource is eligible for Bid Cost Recovery payments only if it is On, or in the case of a Participating Load, only if the resource has actually stopped or started consuming pursuant to the Dispatch Instruction. BCR Eligible Resources for different MSS Operators are supply resources listed in the applicable MSS Agreement. All Bid Costs shall be based on mitigated Bids as specified in Section 39.7. In order to be eligible for Bid Cost Recovery, Non-Dynamic Resource-Specific System Resources must provide to the CAISO ~~Revenue Quality Meter SCADA Data~~ by telemetry to the CAISO's EMS in accordance with Section 4.12.3 demonstrating that they have performed in accordance with their CAISO commitments.

\* \* \*

### **30.7.8 Format and Validation of Start-Up and Shut-Down Times.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Start-Up Time expressed in minutes (min) as a function of down time expressed in minutes (min) must be a staircase function with up to three (3) segments defined by a set of 1 to 4 down time and Start-Up Time pairs. The Start-Up Time is the time required to start the resource if it is offline longer than the corresponding down time. The last segment will represent the time to start the unit from a cold start and will extend to infinity. The submitted Start-Up Time function shall be validated as follows:

- (a) The first down time must be zero (0) min.
- (b) The down time entries must match exactly (in number, sequence, and value) the corresponding down time breakpoints of the maximum Start-Up Time function, as registered in the Master File for the relevant resource.

- (c) The Start-Up Time for each segment must not exceed the Start-Up Time of the corresponding segment of the maximum Start-Up Time function, as registered in the Master File for the relevant resource.
- (d) The Start-Up Time function must be strictly monotonically increasing, i.e., the Start-Up Time must increase as down time increases.

For Participating Load, a single Shut-Down time in minutes is the time required for the resource to Shut-Down after receiving a Dispatch Instruction.

### **30.7.9 Format and Validation of Start-Up Costs and Shut-Down Costs.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Start-Up Cost expressed in dollars (\$) as a function of down time expressed in minutes must be a staircase function with up to three (3) segments defined by a set of 1 to 4 down time and Start-Up Cost pairs. The Start-Up Cost is the cost incurred to start the resource if it is offline longer than the corresponding down time. The last segment will represent the cost to start the resource from cold Start-Up and will extend to infinity. The submitted Start-Up Cost function shall be validated as follows:

- (a) The first down time must be zero (0) min.
- (b) The down time entries must match exactly (in number, sequence, and value) the corresponding down time breakpoints of the Start-Up Cost function, as registered in the Master File for the relevant resource as either the Proxy Cost or Registered Cost.
- (c) The Start-Up Cost for each segment must not be negative and must be equal to the Start-Up Cost of the corresponding segment of the Start-Up Cost function, as registered in the Master File for the relevant resource. If a value is submitted in a Bid for the Start-Up Cost, it will be overwritten by the Master File value as either the Proxy Cost or Registered Cost based on the option elected pursuant to Section 30.4. If no value for Start-Up Cost is submitted in a Bid, the CAISO will insert the Master File value, as either the Proxy Cost or Registered Cost based on the option elected pursuant to Section 30.4.

- (d) The Start-Up Cost function must be strictly monotonically increasing, i.e., the Start-Up Cost must increase as down time increases.

For Participating Loads, a single Shut-Down Cost in dollars (\$) is the cost incurred to Shut-Down ~~Cost~~ the resource after receiving a Dispatch Instruction. The submitted Shut-Down Cost must not be negative.

**30.7.10 Format and Validation of Minimum Load Costs.**

For a Generating Unit or a Resource-Specific System Resource, the submitted Minimum Load Cost expressed in dollars per hour (\$/hr) is the cost incurred for operating the unit at Minimum Load. The submitted Minimum Load Cost must not be negative and must be equal to the Minimum Load Cost under the Proxy Cost option or Registered Cost option, as registered in the Master File for the relevant resource.

For Participating Loads, the submitted Minimum Load Cost (\$/hr) is the cost incurred while operating the resource at reduced consumption after receiving a Dispatch Instruction. The submitted Minimum Load Cost must not be negative.

\* \* \*

**CAISO TARIFF APPENDIX B  
Pro Forma Agreements**

\* \* \*

**CAISO TARIFF APPENDIX B.13**  
**Resource-Specific System Resource Agreement**

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

**AND**

**[SYSTEM RESOURCE OWNER]**

**RESOURCE-SPECIFIC SYSTEM RESOURCE AGREEMENT**



## **RESOURCE-SPECIFIC SYSTEM RESOURCE AGREEMENT**

**THIS AGREEMENT** is dated this \_\_\_\_\_ day of \_\_\_\_\_, and is entered into, by and between:

(1) [Full Legal Name] having its registered and principal place of business located at [Address] (the "System Resource Owner");

and

(2) California Independent System Operator Corporation, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "CAISO").

The System Resource Owner and the CAISO are hereinafter referred to as the "Parties".

### **Whereas:**

- A.** The CAISO Tariff provides that the CAISO shall not accept Bids for Energy or Ancillary Services otherwise than through a Scheduling Coordinator.
- B.** The CAISO Tariff further provides that the CAISO shall not be obliged to provide Bid Cost Recovery to any Resource-Specific System Resource unless the relevant Resource-Specific System Resource Owner undertakes in writing to the CAISO to comply with all applicable provisions of the CAISO Tariff.
- C.** The Parties are entering into this Agreement in order to establish the terms and conditions on which the CAISO and the System Resource Owner will discharge their respective duties and responsibilities under the CAISO Tariff.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

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  - (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency;
  - (b) the singular shall include the plural and vice versa;
  - (c) the masculine shall include the feminine and neutral and vice versa;
  - (d) "includes" or "including" shall mean "including without limitation";

- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

## **ARTICLE II**

### **ACKNOWLEDGEMENTS OF SYSTEM RESOURCE OWNER AND CAISO**

**2.1 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Corporation and further acknowledge that the CAISO may not be able to satisfy fully these responsibilities if the System Resource Owner fails to fully comply with all of its obligations under this Agreement and the CAISO Tariff.

**2.2 Scope of Application to Parties.** The System Resource Owner and CAISO acknowledge that all owners of Resource-Specific System Resources wishing to be eligible for Bid Cost Recovery must sign this Agreement in accordance with Section 4.12 of the CAISO Tariff.

## **ARTICLE III**

### **TERM AND TERMINATION**

**3.1 Effective Date.** This Agreement shall be effective as of the date set forth above, unless accepted for filing and made effective by FERC on some other date, if FERC filing is required, and shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement.

**3.2 Termination**

**3.2.1 Termination by CAISO.** Subject to Section 3.2.2, the CAISO may terminate this Agreement by giving written notice of termination in the event that the System Resource Owner commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the System Resource Owner, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

**3.2.2 Termination by System Resource Owner.** In the event that the System Resource Owner no longer wishes to be eligible for Bid Cost Recovery, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days written notice. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within thirty (30) days of receipt of such request; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the System Resource Owner's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

## **ARTICLE IV**

### **GENERAL TERMS AND CONDITIONS**

#### **4.1 Resource-Specific System Resource Information.**

**4.1.1 Identification of Resource-Specific System Resources.** The System Resource Owner has identified the generating units comprising its Resource-Specific System Resources that it owns, operates or has a contractual entitlement to in Schedule 1, as required by Section 4.12 of the CAISO Tariff.

**4.1.2 Technical Characteristics.** The System Resource Owner has provided to the CAISO in Schedule 1 the required information regarding the capacity and operating characteristics of each of the Resource-Specific System Resources listed in that schedule. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in Schedule 1.

**4.1.3 Notification of Changes.** Sixty (60) days prior to changing any technical information in Schedule 1, the System Resource Owner shall notify the CAISO of the proposed changes. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in the revised Schedule 1.

**4.2 Agreement Subject to CAISO Tariff.** The Parties will comply with all applicable provisions of the CAISO Tariff. This Agreement shall be subject to the CAISO Tariff which shall be deemed to be incorporated herein.

**4.3 Obligations Relating to Resource-Specific System Resources.**

**4.3.1 Bid Cost Recovery.** In order to be eligible for Bid Cost Recovery, the System Resource Owner must comply with all applicable requirements of the CAISO Tariff, including but not limited to compliance with Start-Up Instructions issued by the CAISO and submittal of its Bid Costs to the CAISO in accordance with CAISO Tariff Sections 4.12, 11.8, 30.4, and 30.5.2.4.

**4.3.2 Telemetry Data for Resource-Specific System Resources.** For purposes of determining compliance with the CAISO's Start-Up Instructions and minimum operation obligations, the System Resource Owner must provide SCADA data by telemetry to the CAISO's EMS for each of its Resource-Specific System Resources in accordance with CAISO Tariff Section 4.12.3. For each of its Non-Dynamic Resource-Specific System Resources, the System Resource Owner has specified in Schedule 1 the manner in which it will provide this telemetry data, as permitted by CAISO Tariff Section 4.12.3.

**ARTICLE V**

**PENALTIES AND SANCTIONS**

**5.1 Penalties.** If the System Resource Owner fails to comply with any provisions of this Agreement, the CAISO shall be entitled to impose penalties and sanctions on the System Resource Owner. No penalties or sanctions may be imposed under this Agreement unless a Schedule or CAISO Tariff provision providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in this Agreement, with the exception of the provisions relating to the CAISO ADR Procedures, shall be construed as waiving the rights of the System Resource Owner to oppose or protest any penalty proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty on the System Resource Owner.

**5.2 Corrective Measures.** If the System Resource Owner fails to meet or maintain the requirements set forth in this Agreement and/or the CAISO Tariff, the CAISO shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the CAISO deems to be necessary to correct the situation.

**ARTICLE VI**

**COSTS**

**6.1 Operating and Maintenance Costs.** The System Resource Owner shall be responsible for all its costs incurred in connection with dynamic scheduling and compliance by the Resource-Specific System Resources identified in Schedule 1 for the purpose of meeting its obligations under this Agreement.

## **ARTICLE VII**

### **DISPUTE RESOLUTION**

**7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

## **ARTICLE VIII**

### **REPRESENTATIONS AND WARRANTIES**

**8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

## **ARTICLE IX**

### **LIABILITY**

**9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

## **ARTICLE X**

### **UNCONTROLLABLE FORCES**

**10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement.

## **ARTICLE XI**

### **MISCELLANEOUS**

**11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to the System Resource Owner and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 11.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder.
- 11.9 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

**California Independent System Operator Corporation**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[NAME OF SYSTEM RESOURCE OWNER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 1**

**RESOURCE-SPECIFIC SYSTEM RESOURCES AND BALANCING AUTHORITY AREA  
INFORMATION**

**[Sections 4.1 and 4.3.2]**

**Description of the capacity and operating characteristics for each Resource-Specific System Resource for which Bid Cost Recovery is being sought:**

**Description of how the System Resource Owner will demonstrate to the CAISO through telemetry data that its Non-Dynamic Resource-Specific System Resources responded to the CAISO's Start-Up Instructions and maintained minimum operation for the length of time specified:**

**Host Balancing Authority Area:**



**SCHEDULE 2**

**NOTICES**

**[Section 11.2]**

**[System Resource Owner]**

Name of Primary

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

Name of Alternative

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

**CAISO**

Name of Primary

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

Name of Alternative

Representative: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code \_\_\_\_\_

Email Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax No: \_\_\_\_\_

\*\*\*

## **Attachment C**

# Memorandum

**To:** ISO Board of Governors  
**From:** Daune Kirrene, Sr. Contracts Negotiator  
Anjali Sheffrin, Director of Market and Product Development  
**Date:** July 1, 2008  
**Re:** *Decision on Policy to Implement Resource-Specific System Resources*

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*This memorandum requires Board action.*

## EXECUTIVE SUMMARY

The California ISO developed a new mechanism for resources to recover costs under MRTU, referred to as "bid cost recovery." Under this new mechanism, resources which identify a specific source of power can recover for three primary cost elements: start-up costs, minimum load costs, and energy bid costs. At this point, resources within the CAISO's balancing authority area are under standard agreements which will allow the CAISO to confirm the basis for compensating these resources for the three components of their bids. However, resources outside the CAISO's balancing authority area are not subject to these standard agreements, and the CAISO does not yet have a contractual mechanism to confirm that they are providing the response to CAISO dispatch instructions that qualifies them for bid cost recovery. This proposal would provide for that contractual mechanism in the form of a FERC-approved "pro forma" agreement to be used with all similarly-situated resources under MRTU and would provide for the requisite tariff changes as well.

## MOTION

*Moved, that the ISO Board of Governors approves the proposal to implement Bid Cost Recovery for Resource-Specific System Resources, as detailed in the memorandum dated July 1, 2008; and*

*Moved, that the ISO Board of Governors authorizes Management to make all of the necessary and appropriate filings with the Federal Energy Regulatory Commission to implement Bid Cost Recovery for Resource-Specific System Resources.*

## BACKGROUND

A resource-specific system resource, or "RSSR," is an import for which the resource owner identifies the specific resource that will provide the services it is bidding into the CAISO markets. During the development of the MRTU tariff, stakeholders requested the ability for RSSR owners to submit three-part bids that cover the associated costs with providing energy from these resources, namely start-up costs, minimum load costs, and energy. The term the CAISO

uses to refer to this three-part recovery is "bid cost recovery." Resources that are within the CAISO's balancing authority area will be eligible for bid cost recovery under the existing *pro forma* agreements they are party to, such as participating generator agreements, which require telemetry to permit the CAISO to confirm that a unit actually started in response to a dispatch instruction, for example.

The CAISO supports permitting resources that provide imports to be eligible to receive these same bid cost recovery payments, but needs a mechanism to enforce the requirements associated with eligibility for payment. This mechanism is the *pro forma* agreement for which Management is seeking Board approval, and three policy elements to be included in new tariff language. The three new policy elements are a requirement that RSSR owners 1) execute a Resource-Specific System Resource Agreement, 2) identify the resource and associated technical characteristics for each resource for which the RSSR owner is seeking bid cost recovery, and 3) provide the CAISO with telemetry data so that the CAISO can verify compliance.

In developing this proposal, Management considered whether additional MRTU tariff provisions could simply be drafted to make compliance with all of the CAISO's requirements a prerequisite to eligibility for bid cost recovery. However, the CAISO would confront significant risks in relying solely on this approach without specific authority to seek remedies in the event the owner should fail to comply with the CAISO tariff requirements. A contract with the owner of an RSSR would provide the CAISO an explicit avenue for enforcement of applicable CAISO tariff requirements and remedies for non-compliance.

## **POSITIONS OF THE PARTIES**

Management solicited and received comments from stakeholders on the proposed new *pro forma* agreement and associated tariff language to implement bid cost recovery for RSSR resources. The summary of comments and the CAISO's response is included as **Attachment A**. The CAISO has received no opposition to the proposed *pro forma* agreement and tariff language. Stakeholder comments fell into two categories: 1) support for the proposal and 2) comments to clarify the policy. Management appreciates the support of stakeholders to add these proposed provisions to the MRTU tariff. Where appropriate, Management made modifications to the proposed *pro forma* agreement and tariff language to address stakeholder comments. Pacific Gas and Electric Company ("PG&E") has one outstanding comment regarding the applicability of uninstructed deviation penalties. Management agrees with PG&E that the scheduling coordinators for RSSRs should be held accountable for penalties incurred due to failure to honor bids submitted to the CAISO, and will address this issue in the process to develop and file tariff language addressing uninstructed deviation penalties.

## **MANAGEMENT RECOMMENDATION**

Management recommends that the Board authorize Management to make a filing to FERC to implement bid cost recovery for RSSRs.

**Stakeholder Process: New Pro Forma Agreement for  
Resource Specific System Resources**

**Summary of Submitted Comments**

Stakeholders submitted two rounds of written comments to the CAISO on the following dates:

- Round One, 04/22/08
- Round Two, 06/06/08

Stakeholder comments are posted at: <http://www.caiso.com/1fac/1facad3d35ee0.html>

Other stakeholder efforts include:

- Conference Call: 04/24/08
- Conference Call: 05/29/08
- Project Manager and Stakeholder Affairs outreach

Management Proposal	Calpine Corporation	Pacific Gas and Electric Company	Southern California Edison	Reliant	Management Response
<p>Require Resource-Specific System Resource ("RSSR") owners to sign an agreement obligating them to comply with the CAISO Tariff in order to receive Bid Cost Recovery from the CAISO</p> <p>Require RSSR owners to provide SCADA data by telemetry to the CAISO's EMS instead of Revenue Quality Meter Data</p>	<p>Support</p> <p>Calpine supports the RSSR proposal and believes that the proposed tariff language is an important addition to the CAISO Tariff.</p>	<p>No Comment</p>	<p>Support</p> <p>SCE supports the CAISO's proposal to require owners of RSSRs to enter into a pro forma contract with the CAISO.</p>	<p>Support</p> <p>Reliant would like to see the CAISO continue to move forward with this effort, since Reliant believes that it generally adds value to the overall market in the West.</p>	<p>Management appreciates the support of stakeholders for this proposal.</p>
			<p>Support</p> <p>SCE supports the CAISO's proposal to require owners of RSSRs to require the SC to provide telemetry data, rather than revenue meter data.</p>		<p>Management appreciates the support of SCE for this proposal.</p>
	<p>Calpine requests the CAISO provide clarification in the RSSR proposal to explicitly state that generators may offer both full and partial output from their generating units.</p>				<p>Management has added clarifying language to the proposed tariff language.</p>
		<p>RSSR owners should be subject to Uninstructed Deviation Penalties (UDP) if and when UDP is activated.</p>			<p>Management agrees in concept that penalties should apply when RSSR owners decline to honor submitted HASP bids to the CAISO. However, rather than address the theoretical application of UDP to RSSRs at this time, when the CAISO has not yet proposed to make UDP effective, the CAISO proposes to determine the extent to which UDP will apply to RSSRs during the stakeholder process for the development of any subsequent FERC filing to make UDP effective.</p>
		<p>Include language in the tariff to clearly indicate that RSSR owners must conform to all MRTU tariff</p>			<p>Management has added proposed tariff language to clarify those sections of the CAISO Tariff requiring such requirements apply to RSSR owners.</p>

Management Proposal	Calpine Corporation	Pacific Gas and Electric Company requirements that allow the CAISO to verify, inspect and test the capacity and operating characteristics of the resources.	Southern California Edison	Reliant	Management Response
			<p>SCE believes that RSSR owners should conform to the same CAISO Tariff requirements regarding Start-Up and Minimum Load, including Market Power Mitigation (MPM) that is currently proposed for these costs, as existing internal resources that participate in the CAISO market. SCE also believes that an RSSR owner's description of physical operating constraints of the RSSR must be consistent with the CAISO Tariff and indicative of the resources true operating constraints.</p>		<p>RSSR owners will be treated similarly to other resource owners participating in CAISO markets. CAISO Tariff provisions authorizing Market Power Mitigation and requiring that reported operating constraints reflect the true physical operating constraints of the resource are applicable to RSSR owners.</p>



## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the entities listed in the document as receiving service, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 6<sup>th</sup> day of August, 2008.

*Michael D. Dozier*, BLM  
Michael D. Dozier