Capacity Procurement Mechanism Risk-of-Retirement Process Enhancements

<u>Issue Paper</u>

May 10, 2017

Market & Infrastructure Policy

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1. Executive Summary

In the *2017 Stakeholder Initiatives Catalog* process, there was considerable interest from stakeholders in enhancing the California Independent System Operator's ("CAISO") process for backstop procurement of resources that are needed for reliability but are at risk of early, unplanned retirement. These early retirements are often driven by the failure of a resource to earn sufficient revenues when not procured by a load-serving entity ("LSE") for resource adequacy ("RA") capacity. The process for procuring such risk-of-retirement resources by the CAISO through its backstop procurement authority is contained in the CAISO's Capacity Procurement Mechanism ("CPM") in section 43A.2.6 of the CAISO tariff.[1]

As part of the *2017 Stakeholder Initiatives Catalog* process, the CAISO committed to start a stakeholder initiative in 2017 to explore potential enhancements to its existing risk-of-retirement backstop procurement process. Under that process, the CAISO may designate a resource that is at risk of retiring during the current RA Compliance Year if that resource will be needed for reliability by the end of the next RA Compliance Year. The CAISO is interested in exploring modifications that will enhance this process and promote orderly and timely designation decisions. The CAISO's goal is to implement any process improvements as soon as possible. The schedule discussed in this issue paper could result in implementing an enhanced risk-of-retirement backstop procurement process by the end of Q1 2018.

This issue paper initiates the stakeholder process. It describes the plan for stakeholder engagement, the scope of the initiative, the CAISO's existing risk-of-retirement backstop procurement authority, and issues identified thus far.

2. Plan for Stakeholder Engagement

The schedule for this stakeholder initiative is presented in Table 1 below.

Table 1 – Schedule for this Stakeholder Initiative

Date	Milestone
April 26, 2017	Issue market notice announcing this new initiative
May 10	Post issue paper
May 18	Hold stakeholder working group meeting
May 25	Hold stakeholder working group meeting
Jun 1	Stakeholder written comments due
Jun 20	Post straw proposal
Jun 27	Hold stakeholder call
Jul 12	Stakeholder comments due
Aug 8	Post revised straw proposal
Aug 15	Hold stakeholder call

[1] Refer to section 43A applicable after November 1, 2016, available at http://www.caiso.com/Documents/Section43A_CapacityProcurementMechanism_asof_Sep25_2016.pdf

Date	Milestone
Aug 28	Stakeholder comments due
Sep 12	Post draft final proposal
Sep 19	Hold stakeholder call
Oct 3	Stakeholder comments due
Nov 1-2	Present proposal to CAISO Board

To facilitate development of a straw proposal, the CAISO will hold two working group meetings for stakeholders to exchange ideas. The first working group meeting will focus on needs and issues. The second working group meeting will focus on potential solutions. The CAISO encourages stakeholders to actively participate in the working group meetings and present their ideas, concerns, and potential solutions, including making presentations at the meetings.

The CAISO plans to present its proposal to the CAISO Board of Governors for their approval at their meeting on November 1-2, 2017.

3. Scope of Initiative

The *2017 Stakeholder Initiatives Catalog* described this initiative as follows:

> *Risk-of-Retirement Process Enhancements - The CAISO's current risk-of-retirement CPM provisions are limited to resources that did not receive an RA contract for the upcoming RA year. Concerns have been raised that this process is problematic because resources do not know whether they will have an RA contract until October 31 of the current year. The initiative will look at process enhancements that would provide for the risk-of-retirement analysis to take place prior to the end of the RA contracting period. In addition, there may be a need for new provisions to address issues related to multiple resources requesting a risk-of-retirement backstop designation for the same RA period.*[2]

The scope of this initiative will include the process issues discussed in the *2017 Stakeholder Initiatives Catalog* and reproduced above.

The limitations of the current CPM risk-of-retirement process were recently highlighted in March 2017 when there were two peaking plants owned by the Calpine Corporation that were at risk of unplanned, early retirement and were needed for reliability. The CAISO Board of Governors authorized the CAISO to procure the two plants using the CAISO's Reliability Must-Run ("RMR") tariff provisions, rather than the CAISO's CPM backstop risk-of-retirement tariff provisions, because of specific process conditions in the CPM risk-of-retirement tariff. The only viable option was to use an RMR designation, rather than procure the two plants using the CPM risk-of-retirement backstop procurement provisions.[3].

[2] See page 18 of catalog at 2017 Stakeholder Initiatives Catalog.

[3] The CAISO prefers to use a CPM designation rather than an RMR designation in risk-of-retirement situations such as the March 2017 Calpine case as the CAISO has been moving away from using RMR since the creation of the RA

4. Existing CPM Backstop Procurement Authority

This section of the issue paper provides a high-level overview of the current CPM tariff authority, as well as the current CPM risk-of-retirement tariff authority. Appendix 1 of this issue paper provides excerpts of tariff language from section 43A.2.6 of the CAISO tariff that deal specifically with CPM risk-of-retirement.

<u>CPM Authority in General</u>

The CAISO uses CPM as a last resort to ensure reliable operation of the grid. The CAISO has authority to procure backstop capacity under the CPM tariff provisions under the following situations:

- There is insufficient local, system or flexible RA capacity in year-ahead or month-ahead RA showings;
- A “Significant Event” occurs on the grid;
- There is a reliability or operational need for an Exceptional Dispatch; and
- There is capacity that is at risk-of-retirement that is needed for a future year.

The CAISO pays CPM capacity a price based on a resource’s bid price submitted into the CPM competitive solicitation process. Resource capacity that is procured under the CPM backstop tariff has a must-offer obligation to offer its capacity into the CAISO’s markets.

<u>CPM Authority for Risk-of-Retirement Situations</u>

CPM risk-of-retirement procurement is only for resources that are not under an RA contract. If a resource is not under an RA contract, the resource can apply at any time during the year for a CPM risk-of-retirement designation from the CAISO.

If a resource is currently under an RA contract, the resource will have to wait until it is not under an RA contract to apply for a CPM risk-of-retirement designation. For example, if a resource is under an RA contract until December 31 of an RA year, the soonest that the resource can apply for a CPM risk-of-retirement designation is October 31, which is the date on which the final RA capacity showings are submitted by the LSEs for the next RA compliance year and the resource can then prove that it has not been picked up for the next RA year by any LSE. To be able to successfully apply for a CPM risk-of-retirement designation, the CAISO would also need to find that the resource is not needed by the end of the subsequent RA year.[4]

The CPM risk-of-retirement process conditions that are of particular interest in this stakeholder initiative are:

program in 2005; uses RMR in only very specific, limited local circumstances; and instead prefers to rely on its backstop procurement authority under the CPM tariff with its defined authority to handle risk-of-retirement situations and its defined compensation for those situations.

[4] The tariff requires that the CAISO show that the resource is needed by the end of the calendar year following the current calendar year and that all other CPM remedies have been applied. For example, if a resource applied on November 1, 2017, to successfully apply the CAISO would need to determine that the resource is not needed during 2018 but is needed during 2019.

- The resource must not be under an RA contract nor appear in any LSE's RA showing under the current Compliance Year;
- The CAISO must do a study to determine that the resource is needed in the subsequent RA year;
- The CAISO must post a report and allow no less than 7 days for stakeholders to review and submit comments and no less than 30 days for LSE to procure capacity from the resource; and
- If an LSE does not procure that resource to keep that resource in operation during the current RA year, the CAISO may issue a CPM risk-of-retirement designation.

The CAISO expects the existing process will take three to four months to complete from the date the resource first submits a request to the CAISO for a CPM risk-of-retirement designation until the time the CAISO procures the resource.

The excerpt below of a portion of the current CPM risk-of-retirement tariff highlights the application process steps. Note that the existing tariff language also requires that the offer submitted by the resource be in accordance with the Competitive Solicitation Process offer rules (43A.4.1) that hold for any other CPM. The conditions also require that the resource has submitted offers for yearly, monthly and intra-monthly CPMs in the current year.

> ***43A.2.6 Capacity at Risk of Retirement Needed for Reliability***
>
> *The CAISO shall have the authority to designate CPM Capacity to keep a resource in operation that is at risk of retirement during the current RA Compliance Year and that will be needed for reliability by the end of the calendar year following the current RA Compliance Year. The CAISO may issue this risk of retirement CPM designation in the event that all of the following requirements apply:*
>
> > *(1) The resource was not contracted as RA Capacity nor listed as RA Capacity in any LSE's annual Resource Adequacy Plan during the current RA Compliance Year;*
> >
> > *(2) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year;*
> >
> > *(3) CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year;*
> >
> > *(4) No new generation is projected by the CAISO to be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;*
> >
> > *(5) The resource owner submits to the CAISO and DMM, at least 180 days prior to terminating the resource's PGA or removing the resource*

> *from PGA Schedule 1, a request for a CPM designation under this Section 43A.2.6 including an offer price consistent with Section 43A.4.1.1 and the affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to remain in service in the current RA Compliance Year and that the decision to retire is definite unless CPM procurement occurs; and*
>
> *(6) The Scheduling Coordinator for the resource has offered all Eligible Capacity from the resource into all CSPs for the current RA year.*

If the CAISO determines that all of the requirements have been met, prior to issuing the CPM designation, the CAISO shall prepare a report that explains the basis and need for the CPM designation. The CAISO shall post the report on the CAISO's Website and allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on the report and no less than thirty (30) days for an LSE to procure Capacity from the resource. If an LSE does not, within that period, procure sufficient RA Capacity to keep the resource in operation during the current RA Compliance Year, the CAISO may issue the risk of retirement CPM designation; provided that the CAISO determines that the designation is necessary and that all other available procurement measures have failed to procure the resources needed for reliable operation. The CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.

5. Identified Issues

The issues and concerns that the CAISO has identified thus far are described in the paragraphs below, as well as some preliminary thoughts on a potential enhancement to the current CPM risk-of-retirement process.

<u>Who/When Can Apply</u> – The current CPM risk-of-retirement tariff allows only resources that are not under an RA contract to request CPM risk-of-retirement procurement. This requirement limits the scope of resources that can apply. For example, in the case of the two Calpine plants that were authorized in March 2017 to receive RMR designations, both plants are under an RA contract until the end of 2017. Thus, the earliest that Calpine could request a risk-of-retirement CPM designation would be October 31, 2017, after the annual RA showings for 2018 were made.[5] Calpine stated in its November 28, 2016 letter to the CAISO that it needed an answer no later than March 31, 2017 on whether the CAISO could procure the two plants and could not

[5] The current tariff requires that if a resource is currently RA it has to prove that a LSE has not picked it up for RA for the next RA compliance year, and LSEs submit final year-ahead RA showings on October 31.

defer its decision whether to retire the units until late 2017 when the existing CPM process could start.[6]

Timing – The current CPM risk-of-retirement process conditions may not provide sufficient time for a resource owner to make retirement decisions. Resource owners have stated that they cannot wait to start the risk-of-retirement CPM process until RA showings are submitted on October 31 and any identified procurement deficiencies are cured in mid-December. The current CPM process restrictions on timing give only a month or so of notice to manage the following items.

- For needed units – Maintenance, procurement, personnel, and budget planning, Schedule F price negotiation and FERC approval (if above soft cap); none of this will be done absent a stated need for the project and a reasonable business would not continue to operate without approval of pricing.
- If the unit is not needed – Decommissioning requests and approvals take months and alternative disposition of assets (relocation, mothballing, removal and remediation) takes even longer.

Deadline - Currently, there is no deadline by which a resource must seek a risk-of-retirement designation. This could result in serial designation requests whereby no reliability need may exist for the first resource(s) that seek(s) a CPM designation. However, a need may arise only after the prior resources that sought designations retire, potentially creating a situation where the most beneficial or cost-effective resource might not be the one that receives a risk-of-retirement designation. Is there a more orderly and efficient way to handle this situation to better ensure that the CAISO selects the best resource? Should the CAISO establish deadlines for submitting risk-of-retirement CPM designation requests whereby the CAISO would "bundle" all resources that submitted a request by a certain date - sort of like how the CAISO "clusters" interconnection requests? If so, should there be more than one deadline/cluster per year?

Selecting from Competing Resources- There may be instances where multiple resources seeking a risk-of-retirement CPM designation meet an CAISO identified need, but the CAISO does not need all of the capacity that is seeking a designation. For other CPM designation categories, the tariff sets forth provisions regarding how the CAISO will select a resource from a pool of competing resources that meet a specified need (see Tariff sections 43A.2.2 and 43A.2.3). However, there are no similar provisions for making a risk-of-retirement designation when there is a pool of resources competing for such a designation and the CAISO does not need all of the capacity. Under these circumstances, how should the CASIO determine which resource(s) it should grant a risk-of-retirement designation?

Decision to Accept - The CPM risk-of-retirement tariff provides that the resource can accept or decline the offer of a CPM risk-of-retirement designation from the CAISO. Resource owners have told the CAISO that the decision to accept a designation as CPM capacity should be voluntary.

[6] See Calpine letter at http://www.caiso.com/Documents/DecisiononRequestforReliabilityMust-RunDesignations-Attachment-Mar2017.pdf.

Forward Need Determination - One potential option to consider is to allow resources at risk of early, unplanned retirement, upon request, a forward need determination that could be made early in each year for the following year or contract cycle regarding which resources are needed for reliability the following year.

Other Issues- Stakeholders should identify any other enhancements to the existing risk-of-retirement CPM designation process that they believe should be considered in this initiative. Any suggestions should focus on improving the existing process; not expanding it.

6. Next Steps

The CAISO will discuss the issue paper with stakeholders during working group meetings on May 18 and 25, 2017. Stakeholders are encouraged to submit written comments by June 1, 2017 to initiativecomments@caiso.com.

Appendix 1

Excerpts from Section 43A of CAISO Tariff Regarding CPM Risk-of-Retirement

43A.2 Capacity Procurement Mechanism Designation

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

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

43A.2.6 Capacity at Risk of Retirement Needed For Reliability

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

(1) The resource was not contracted as RA Capacity nor listed as RA Capacity in any LSE's annual Resource Adequacy Plan during the current RA Compliance Year;
(2) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year;
(3) CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year;
(4) No new generation is projected by the CAISO to be in operation by the start of the subsequent RA Compliance Year that will meet the identified reliability need;
(5) The resource owner submits to the CAISO and DMM, at least 180 days prior to terminating the resource's PGA or removing the resource from PGA Schedule 1, a request for a CPM designation under this Section 43A.2.6 including an offer price consistent with Section 43A.4.1.1 and the affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it

will be uneconomic for the resource to remain in service in the current RA Compliance Year and that the decision to retire is definite unless CPM procurement occurs; and

(6) The Scheduling Coordinator for the resource has offered all Eligible Capacity from the resource into all CSPs for the current RA year.

If the CAISO determines that all of the requirements have been met, prior to issuing the CPM designation, the CAISO shall prepare a report that explains the basis and need for the CPM designation. The CAISO shall post the report on the CAISO's Website and allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on the report and no less than thirty (30) days for an LSE to procure Capacity from the resource. If an LSE does not, within that period, procure sufficient RA Capacity to keep the resource in operation during the current RA Compliance Year, the CAISO may issue the risk of retirement CPM designation; provided that the CAISO determines that the designation is necessary and that all other available procurement measures have failed to procure the resources needed for reliable operation. The CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.

43A.3 Terms Of CPM Designation

43A.3.7 Term - Capacity at Risk of Retirement Needed For Reliability

A CPM designation for Capacity at risk of retirement under Section 43A.2.6 shall have a minimum commitment term of one (1) month and a maximum commitment term of one (1) year, based on the number of months for which the capacity is to be procured within the current RA Compliance Year. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year. The CAISO shall rescind the CPM designation for any month during which the resource is under contract with an LSE to provide RA Capacity.

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

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

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

The CAISO shall designate CPM Capacity through the Monthly CSP to meet designations triggered under sections 43A.2.1.2, 43A.2.3 (if the failure is to demonstrate sufficient Resource Adequacy capacity in a monthly Resource Adequacy Plan), or 43A.2.7(b) (if the failure is to demonstrate sufficient Flexible Resource Adequacy capacity in a monthly Flexible Resource Adequacy Plan).

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

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

43A.4.1 Offer Rules to the CSPs

43A.4.1.1 Price Component of a CSP Offer

Offers of capacity to a CSP shall contain a single price denoted in units of $/kW-month. The price offered into a CSP shall not be less than zero. Offer prices are subject to the CPM Soft Offer Cap of $6.31/kW-month ($75.68/kW-year). CPM Capacity shall not be compensated by the CAISO at a rate higher than the CPM Soft Offer Cap unless a Resource Owner of Eligible Capacity makes the required resource-specific cost filing with FERC pursuant to Section 43A.4.1.1.1.

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

A Scheduling Coordinator for a resource may offer a price in excess of the CPM Soft Offer Cap. The resource owner whose capacity is offered in excess of the CPM Soft Offer Cap must justify in a filing to FERC a price above the CPM Soft Offer Cap, which shall be determined in accordance with the methodology for determining the Annual Fixed Revenue Requirement of an RMR unit as set forth in Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff. For a resource whose sales are under FERC jurisdiction that is providing CPM Capacity to be compensated at a rate higher than the CPM Soft Offer Cap, the resource owner must make a limited resource-specific filing before FERC to determine the just and reasonable capacity price for the resource as calculated per Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

If the sales from the resource are not under the jurisdiction of FERC, the resource owner shall make a non-jurisdictional filing with FERC to determine the just and reasonable capacity price for the going forward costs for the resource as calculated per Schedule F to the pro forma RMR Agreement in Appendix G of the CAISO Tariff. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

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

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

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

43A.4.1.2 Quantity Component of a CSP Offer

Offers to a CSP shall contain a single quantity denoted in units of kW-month representing the quantity of capacity being offered as RA Capacity and a single quantity denoted in units of kW-month representing the quantity of capacity being offered as Flexible RA Capacity. The entire quantity of capacity included in a Scheduling Coordinator's offer must be capacity over which the Scheduling Coordinator either: (1) holds ownership or contractual rights to offer into a CSP; or (2) has been authorized to offer into a CSP by the entity that holds ownership or contractual rights to that capacity.

The quantity of capacity offered into a CSP from a generating resource located outside the CAISO Balancing Authority Area shall not exceed the lesser of: (1) the Pmax of the resource providing the capacity; and (2) the allocated import capability held by the Scheduling Coordinator of the resource less any capacity of the resource that is Committed RA Capacity for the term covered by the CSP to which the capacity has been offered. If an offer is for both Flexible Capacity and RA Capacity and the resource receives an annual or monthly CPM designation for one type of capacity, then in any following CSPs that overlap in time with the CPM designation, the CAISO, on behalf of the resource, automatically will offer the non-designated type of RA capacity into the overlapping CSP(s) at $0/kW-month up to the minimum of the amount available as non-RA capacity and the amount of capacity originally designated.

43A.4.1.3 Exception to Offer Rules for Annual CSP – Different Prices for Different Months

A Scheduling Coordinator for Eligible Capacity may offer into the Annual CSP varying prices in the form of $/kW-month for different months of the Annual CSP if the Scheduling Coordinator wishes the CAISO to consider varying offer prices for individual months in the Annual CSP.

43A.5.2 Obligation to Provide Capacity and Termination

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

43A.6.1 CPM Designation Market Notice

The CAISO shall issue a Market Notice within two (2) Business Days of a CPM designation under Sections 43A.2.1 through 43A.2.6. CPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.9.4. The Market Notice shall include a preliminary description of what caused the CPM designation, the name of the resource(s) procured, the preliminary expected duration of the CPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43A.6.2. For Exceptional Dispatch CPM designations, the market notice shall additionally indicate whether the designation was made to address an Exceptional Dispatch CPM System Reliability Need or an Exceptional Dispatch CPM Non-System Reliability Need, specify the quantity of the Exceptional Dispatch CPM capacity that was procured and the Exceptional Dispatch CPM Term, and identify the engineering assessment the CAISO used to determine the quantity of capacity needed from the resource to address the reliability issue.

43A.8 Allocation of CPM Capacity Payment Costs

For each month, the CAISO shall allocate the costs of CPM Capacity Payments made pursuant to Section 43A.7 as follows:

43A.8.7 Allocation of CPM Costs For Resources at Risk of Retirement

If the CAISO makes any CPM designations under Section 43A.2.6 for resources at risk of retirement needed for reliability, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the CPM designation arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.