California ISO
Your Link to Power

California Independent
System Operator Corporation

June 30, 2008

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

Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER08-760-___

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO") hereby submits for filing an original and five copies of the instant filing in compliance with the Commission's "Order Accepting Tariff Filing Subject to Modification," 123 FERC ¶ 61,229 (2008), issued in the above-referenced proceeding on May 30, 2008 (the "May 30 Order"). The May 30 Order addressed proposed amendments to the ISO Tariff to implement the Transitional Capacity Procurement Mechanism ("TCPM").[1]

I. Revisions to the ISO Tariff to Comply with the March 30 Order

A. Revisions to Include Designation of a TCPM Capacity Resource for a Minimum 30-Day Period Upon the First Commitment

In the May 30 Order, the Commission conditionally accepted CAISO's proposed designation of capacity under the TCPM, subject to modification.[2] Specifically, the Commission required modification to the ISO Tariff to provide a FERC Must Offer Generators with a minimum 30-day designation under the TCPM upon the first denial of a waiver of their must-offer obligation.[3] The Commission indicated that such a

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1 Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definition Supplement, Appendix A to the ISO Tariff.

2 May 30 Order at P 31.

3 *Id.* at P 32.

modification would ensure non-discriminatory treatment between both Resource Adequacy Resources and units under RMR contracts, on the one hand, and non-resource adequacy resources on the other hand.[4] Accordingly, the Commission stated that the CAISO should submit "revised tariff sheets that require the designation of a TCPM capacity resource for a (minimum) 30-day period upon the first commitment, i.e. must-offer waiver denial, of a resource under the must-offer obligation."[5]

The CAISO has proposed a new Tariff Section 43.4.2 (and modified headings and section numbers in Section 43.4) to comply with this directive. Specifically, the proposed section states that if a TCPM designation results from a Must Offer Wavier Denial ("MOWD") to a FERC Must-Offer Generator, then the FERC Must-Offer Generator shall receive a TCPM designation for a term of thirty days, unless the FERC Must-Offer Generator is identified as a Resource Adequacy Resource before the end of the thirty day period, in which case the TCPM designation will terminate effective on the date the resource becomes a Resource Adequacy Resource. Accordingly, the CAISO has modified Section 43.7.1 to clarify that designations may only be for partial months and that a resource's monthly capacity payment will be prorated accordingly under such circumstances.[6]

The CAISO has also added language to Section 43.7.1 to address the situation where less than the full Net Qualifying Capacity of a resource has been procured and identified as a Resource Adequacy Resource in the Resource Adequacy Plans and Supply Plans provided to the CAISO under Section 40. In recognition that the CAISO may need to issue a MOWD for this additional non-resource adequacy capacity, the CAISO has included the clarification that the capacity eligible for designation under the TCPM would be the difference between the total Net Qualifying Capacity of the resource and the amount that is already under contract as a Resource Adequacy

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4 *Id.* at P 32.

5 *Id.* at P 37.

6 The CAISO has also corrected a typo in Section 43.7.1. The correction is to add a minus sign before "(Monthly Peak Energy Rent x 95)." The TCPM, as approved by the Commission, continues the practice under the RCST of reducing the monthly payment by the monthly PER value. The correction is as follows:

> Scheduling Coordinators representing resources designated under this Section 43 will receive a TCPM Capacity Payment equal to the product of the Net Qualifying Capacity, the relevant Availability Factor as determined in accordance with Appendix F, Schedule 6, and the difference between the monthly TCPM charge, which for partial month designations shall be prorated based on the number of days during the month that the resource was designated as a TCPM resource divided by 30, and 95% of the Peak Energy Rent, i.e., Net Qualifying Capacity x Availability Factor x (Monthly TCPM Charge - (Monthly Peak Energy Rent x .95)). The ISO shall determine the Availability Factor, Monthly TCPM Charge and Monthly Peak Energy Rent in accordance with Appendix F, Schedule 6 of the Tariff. For purposes of this section 43.7.1, the term Net Qualifying Capacity shall mean the Megawatt

Resource. This is necessary to ensure that the same capacity is not double counted under both the resource adequacy and the TCPM programs.[7]

The CAISO notes that the May 30 Order did not address the situation where a FERC Must Offer Generator that receives a MOWD in one month could become a Resource Adequacy Resource the next month. In other words, there would be some overlap in the term of the TCPM designation and the term of the Resource Adequacy obligation. Accordingly, simultaneously herewith, the CAISO is filing a Motion For Clarification, Or In The Alternative, Rehearing ("Motion") requesting that the Commission clarify that the treatment for these types of resources that the CAISO is proposing herein is appropriate. As the CAISO indicates in its Motion, under the definition of Eligible Capacity that the Commission approved in the May 30 Order -- and which the Commission approved for use under the Reliability Capacity Services Tariff ("RCST") -- the capacity of Resource Adequacy Resources is not eligible to be designated as TCPM (or RCST) capacity during the time that the resource's capacity is identified on a Resource Adequacy Plan.[8] This approach ensures that resources are not receiving double capacity payments for the same capacity and is consistent with the Commission's statements in the May 30 Order that resources receiving MOWDs should be treated similar to Resource Adequacy Resources to ensure non-discriminatory treatment. Paying a FERC Must Offer Generator that becomes a Resource Adequacy Resource a double capacity payment would result in discriminatory treatment because Resource Adequacy Resources are only eligible to receive one capacity payment.

Further, in accordance with the May 30 Order,[9] the CAISO has the ability to extend the period of designation in accordance with Section 43.4.1 of the Tariff as a TCPM Significant Event.

The CAISO submits that these tariff revisions should comply with the Commission's directive in the May 30 Order.

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[7] The CAISO is filing a Motion For Clarification, Or In The Alternative, Rehearing requesting that the Commission clarify that the CAISO should not designate as TCPM capacity the non-resource adequacy capacity of a partial resource adequacy unit that is dispatched through the CAISO's Real-time Market Application ("RTMA") / Real Time Dispatch ("RTD") process based solely on economic reasons, even though RA capacity was available for dispatch. In other words, the TCPM designation for the remaining portion of a resource that has part of its capacity reserved under a Resource Adequacy Plan would be based on a shortage of otherwise available non-resource adequacy of RMR capacity.

[8] As explained in the Motion, under the RCST, the capacity of Resource Adequacy Resources was not eligible to be designated as RCST capacity during the period that the unit is a Resource Adequacy Resource. This is reflected in the definition of "Eligible Capacity" which was unmodified by the TCPM filing or the May 30 Order.

[9] May 30 Order at n. 56.

B. Conforming Changes Resulting From Elimination of the Daily Capacity Payment and the Automatic 30-Day TCPM Designation for MOWDs

1. Elimination of the Daily Must Offer Capacity Payment

In the TCPM filing, the CAISO proposed to increase the daily must-offer capacity payment from 1/17 of the monthly target capacity price under the RCST to 1/8 of the monthly target capacity price under the TCPM. As noted above, in the May 30 Order, the Commission directed CAISO to modify the TCPM proposal to designate all generators that are committed under the must-offer obligation due to MOWDs as TCPM capacity resources for a minimum term of 30 days. Such TCPM-designated resources are to receive a monthly capacity payment for their services. The Commission stated, "because this modification negates the need for a Daily Must-Offer Capacity Payment, the CAISO's proposed increase of the monthly capacity payment from a factor of 1/17 to 1/8 is moot."[10]

Accordingly, in compliance with the May 30 Order, the CAISO has: (1) deleted reference to the 1/8th daily Must Offer Capacity Payment from Section 34.3 of the ISO Tariff, (2) deleted references to the daily Must Offer Capacity payment in Section 34.1.2.1.1, and (3) deleted entirely Section 40.14 of the ISO Tariff which pertained to the daily Must Offer Capacity payment.

2. Conforming Changes Due to Elimination of the Daily Capacity Payment and Implementation of an Automatic TCPM Designation as the Result of A MOWD

Elimination of the daily Must-Offer Capacity Payment and approval of an automatic 30-day TCPM designation as a result of a MOWD requires conforming changes to several ISO Tariff provisions. These changes are summarized in Table 1.

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10 May 30 Order at P 86.

TABLE 1

Section	Reason for Change
34.1.2.1.1	Elimination of reference to daily Must Offer Capacity Payment. Frequently Mitigated Unit Adder is capped at an amount equal to a daily pro-ration of the monthly TCPM capacity payment. This is consistent with the intent of the Commission-approved RCST and the intent of the TCPM filing, but reflects the fact that there no longer is a daily Must Offer Capacity Payment and resources will now be paid a Monthly TCPM Capacity payment after a MOWD.
34.3	Eliminated reference to 1/8 daily payment and replaced with a reference to the applicable Monthly TCPM Charge because resources will now be paid a monthly TCPM capacity payment rather than the daily 1/8 payment. The CAISO's real-time dispatch optimization -- which commits units based on economics considerations -- must take into account the newly applicable TCPM charge -- which is an incremental charge that the CAISO will incur to commit the capacity of a non-RA unit before the capacity of an RA unit -- to ensure that Resource Adequacy Resources and previously-designated TCPM resources are utilized before issuing a MOWD and triggering a new TCPM designation that results in a monthly capacity payment. The Commission did not modify this aspect of the TCPM filing. This compliance filing also deletes the reference to "the Generating Unit's first bid price segment to represent its minimum load Energy payment" because once a unit receives a MOWD it becomes a TCPM resource, and TCPM resources are paid for Minimum Load Costs in the same manner as Resource Adequacy Resources (Section 43.7.2.1), and Resource Adequacy Resources do not receive an Imbalance Energy payment for their Minimum Load (*i.e.,* the so-called double payment). Thus, this payment is no longer an incremental cost that the CAISO will incur if it dispatches a FERC Must Offer Generator.
40.8 *et seq.*	Eliminated. In accordance with the May 30 order, there will no longer be FERC Must Offer Generators operating on a daily basis after they receive an initial MOWD. Upon issuance of the MOWD, they become TCPM resources for the next 30 days. FERC Must Offer Generators that receive a TCPM designation as the result of a MOWD will recover their Minimum Load Cost under the unmodified Section 43.7.2.1, which provides that Scheduling

Section	Reason for Change
	Coordinators representing resources designated under Section 43 "shall be eligible for recovery of Minimum Load Costs in the same manner that Scheduling Coordinators representing Resource Adequacy Resources included in Resource Adequacy Plans are eligible for the recovery of such costs under Sections 40.6B of the Tariff." Thus, Section 40.8, *et seq.* no longer applies.
40.14	Eliminated. As explained in the May 30 Order, the Commission has determined daily Must Offer Capacity Payment is no longer needed because CAISO must designate all generators that are committed under the must-offer obligation as TCPM resources for a minimum term of 30 days.[11] Thus, as the Commission recognized, there is no need to establish separate daily Must Offer Capacity Payment.
Definition of Must-Offer Capacity Payment Appendix A Master Definition Supplement	Eliminated. The definition of Must Offer Capacity Payment is moot because there no longer is a daily Must Offer Capacity payment, and Section 40.14 is being eliminated from the Tariff for the reasons stated above.

The primary reason for these changes is to eliminate references to a program (*i.e.,* the daily Must Offer Capacity Payment) that no longer exists and to clarify that TCPM resources (including TCPM resources designated as a result of a MOWD) become TCPM resources and, as such, under the ISO Tariff they are treated as Resource Adequacy Resources for purposes of determination or waiver requests, recovery of minimum load costs, and payments for Imbalance Energy.

3. Changes to Reporting Obligations for Must-Offer Waiver Denials

Because a single MOWD issued to a FERC Must Offer Generator results in a 30-day TCPM designation, the CAISO has eliminated the reporting obligations pertaining to issuance of multiple or "repeat" MOWDs. Information regarding issuance of a MOWD to a FERC Must Offer Generator will be reported using the procedures applicable to TCPM designations. This is reasonable because a single MOWD now results in a TCPM designation.

In order to effectuate this change, CAISO has modified ISO Tariff Section 40.15.1 - Must Offer Waiver Denial Report - to eliminate the requirement to publish a Must Offer Wavier Denial Report. Further, the CAISO is eliminating Section 40.15.3 - Multiple Denial of FERC Must Offer Waivers. In addition, the CAISO has deleted

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[11] May 30 Order at P 86.

Section 40.15.4 - TCPM Significant Event/Repeat Waiver Denial Report, because "repeat" waivers will not occur due to the fact that a single MOWD now results in an automatic 30-day TCPM designation. The CAISO has moved the obligation to report information regarding the reasons for issuance of the initial MOWD into the TCPM designation report under Section 43.6.2 in a new subparagraph (4).

C. Revised Target Capacity Price

CAISO proposed in the TCPM to increase the updated target capacity price from the RCST to $86/kW-year, less peak energy rents ("PER"). This figure was based upon an escalation of the RCST capacity price for two years using the Consumer Price Index ("CPI") and then adding 10 percent to that amount in recognition of the fact that the CPI is only a general inflation factor that may not capture all of the appropriate costs and considerations that should be taken into account in determining the appropriate TCPM capacity payment.

In the May 30 Order, the Commission found it was reasonable to adjust the capacity price under the TCPM to account for price increases since the RCST target capacity price was first established.[12] Further, the Commission stated that the CPI-U inflation factor was a reasonable means to account for such increases in prices.[13] However, the Commission found that the CAISO failed to support the proposed 10 percent adder.[14] Accordingly, the Commission directed that the CAISO remove provisions relating to the 10 percent adder within 30 days of the date of the order.[15]

CAISO has revised Appendix F, Schedule 6 of the CAISO Tariff to reduce the target annual capacity price from $86/kW-yr to $77.89/kW-yr in compliance with the Commission's May 30 Order.

D. Cost Allocation for the Costs of TCPM Designations Resulting From A Single MOWD

The May 30 Order does not appear to specify the manner in which the CAISO should allocate the costs associated with TCPM designations that result from MOWDs. The CAISO believes there are two primary ways in which the CAISO could allocate such costs: (1) in accordance with the approved methodology for allocating the costs of TCPM Significant Events,[16] or (2) in accordance with the methodology for allocating

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12 May 30 Order at P 75.

13 *Id.*

14 *Id.*

15 *Id.* at P 78.

16 According to Section 43.8 (5) of the ISO Tariff, if any TCPM Significant Event designations are made under Section 43.4 of the Tariff,[16] then CAISO would allocate the costs of such designations to all

must-offer minimum load compensation costs as approved in the Amendment No. 60 proceeding, and consistent with the approach that the Commission approved for allocating the costs of daily Must Offer Capacity payments under the RCST. As discussed below and in its Motion which is being filed simultaneously herewith, the CAISO believes that the latter is the more reasonable approach.[17]

In the CAISO's "Amendment No. 60" filing in Docket No. ER04-835-000 the CAISO proposed and the Commission approved a methodology to allocate costs based on the reason the unit was committed for dispatch - on a system-wide, zonal, or local basis.[18] Because the May 30 Order did not specify a particular method for allocating the costs of MOWD TCPM designations, CAISO proposes in this compliance filing to utilize the Amendment No. 60 approach for allocating the costs of TCPM designations resulting from MOWDs. In its order on the RCST Settlement, the Commission found that it was just and reasonable to allocate Must Offer Capacity payment costs in the same manner as Minimum Load Costs because must offer capacity costs are incurred for the same reasons as minimum load costs.[19]

With regard to a TCPM designation resulting from a MOWD, the initial reason for the MOWD may have been the result of a local factor. However, this local issue may have been resolved quickly – potentially in less than a day. However, during the remaining term of the designation, the resource may be committed to resolve local, zonal or even CAISO system-wide needs. Thus, a designation that results from a MOWD is distinguishable from the situation that would result in a TCPM Significant Event designation whereby the underlying cause of the designation is expected to be more long lasting and thus the allocation to the TAC area in which the event occurred is more appropriate. However, that is not the case with a TCPM designation resulting from a MOWD where the unit potentially could be used for any number of reliability reasons during the 30-day designation period. During this 30-day period, the CAISO will have to track the reasons why the unit is committed (*i.e.,* denied a waiver) each day during this period in order to allocate the Minimum Load Costs resulting from such commitments. It logically follows that the CAISO should allocate the resulting TCPM capacity costs in a manner similar to how it will allocate these Minimum Load Costs, namely, a *pro rata* allocation of capacity cost based on the number of hours that the

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Scheduling Coordinators for LSEs in the Transmission Access Charge ("TAC") Area(s) in which the TCPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria. California Independent System Operator Corporation, FERC Electric Tariff, Third Replacement Volume No. 1, Section 43.8 (5). This proposal was not modified by the Commission in its TCPM Order.

[17] The CAISO has also sought clarification of this issue in its separate motion filed today in this docket.

[18] *Cal. Indep. System Operator, Inc.*, Opinion No. 492, 117 FERC ¶ 61,348, *order on reh'g,* 121 FERC ¶ 61,193 (2007).

[19] *Indep. Energy Producers Association v. California Indep. System Operator Corp.*, 118 FERC ¶ 61,096 at P 125 (2007).

resource was on a must offer waiver denial for local, zonal and system reasons during the designation period.

Accordingly, CAISO respectfully requests that the Commission find that the cost allocation methodology approved in the Amendment No. 60 proceeding is similarly appropriate for the 30-day automatic TCPM designations required by the Commission. This methodology meets the Commission's longstanding cost causation principles[20] and ensures that those customers who received a benefit from the designation during the term of the designation absorb the costs of such designation. The Commission has stated, "CAISO's three bucket approach will result in a more appropriate matching of costs incurred to the customers who are responsible for imposing the costs or received benefits from the expenditure of those costs."[21]

CAISO has modified Section 43.8 (6) to provide for the cost allocation for a 30-day TCPM designation that results from a MOWD and respectfully requests that the Commission approve this provision.

II. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes Attachments A and B. Attachment A contains clean CAISO Tariff sheets reflecting the modifications to the CAISO Tariff described in Section I, above. Attachment B shows these modifications in red-line format.

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[20] The Commission has followed a longstanding principle of cost causation:

> Despite the profusion of allocation methods we employ, there is a common thread that ties them together. That thread is the concept of cost responsibility or cost incurrence. Each of the methods attempts to allocate costs to the group of ratepayers in question on the basis of the causal link between the service the company provides them and the expenses the company reports.

Pennsylvania Power and Light Co., Opinion No. 176, 23 FERC ¶ 61,395 at 61,850 (1983). "As a general matter, the Commission believes that the entities that cause costs should pay for such costs." *California Indep. Sys. Operator Corp.*, 108 FERC ¶ 61,022 at P 62 (2004) (footnote omitted). An entity may be deemed to have caused costs either if it is directly responsible for imposing the cost burden at issue or if the entity benefits from the cost incurrence. For example, in *California Power Exchange Corp.,* 106 FERC ¶ 61,196 at P 17 (2004), the Commission stated: "The well-established principle of cost causation requires that costs should be allocated, where possible, to customers based on customer benefits and cost incurrence. *See also Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1368 (D.C. Cir. 2004) (*citing KN Energy, Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992), and holding that court evaluates compliance with cost causation principle "by comparing the costs assessed against a party to the burdens imposed or benefits drawn by that party."). *See also, Midwest Independent Transmission System Operator, Inc.,* 108 FERC ¶ 61,163 at P 587 (2004); *California Independent System Operator Corp.*, 103 FERC ¶ 61,114 at P 20-26 (2003); *Pacific Gas & Electric Co.*, 100 FERC ¶ 61,160 at P 15 (2002); *California Independent System Operator Corp.*, 99 FERC ¶ 63,020 at 65,109-11 (2002); *Midwest Independent Transmission System Operator Inc.*, 98 FERC ¶ 61,141 (2002).

[21] Opinion No. 492 at 19.

III. Conclusion

For the foregoing reasons, the CAISO respectfully requests that the Commission accept the instant filing as complying with the applicable provisions of the May 30 Order. Please feel free to contact the undersigned with any questions concerning this filing.

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, 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 Washington, D.C. this 30th day of June, 2008.

Rebecca R. Blitstein

Rebecca R. Blitstein

Attachment A – Clean Sheets

Transitional Capacity Procurement Mechanism (TCPM) Compliance Filing

Currently Effective CAISO Tariff

June 30, 2008

1) all of their Available Generation and 2) any Ancillary Services capacity awarded or self-provided in the Day-Ahead or Hour-Ahead Ancillary Services markets. In the absence of submitted bids, default bids will be used for resources required to offer their Available Generation in accordance with Section 40.7.4. Resources not required to offer their Available Generation in accordance with Section 40.7.4 that were awarded or self-provided Ancillary Services capacity must submit an Energy Bid for no less than the amount of awarded or self-provided Ancillary Services capacity. Resources not required to offer their Available Generation in accordance with Section 40.7.4 may voluntarily submit Energy Bids. Submitted Energy Bids shall be subject to the Damage Control Bid Cap as set forth in Section 39.1 and to the Mitigation Measures set forth in Attachment A to Appendix P.

34.1.2.1.1 Frequently Mitigated Adders

Generating Units of Participating Generators for which only a portion of their capacity is Eligible Capacity, as well as self-scheduled Generating Units of Participating Generators that have Eligible Capacity, that submit Supplemental Energy bids that are mitigated under Section 3.2.2.2 of Appendix P five times in a single Trading Day, based on five-minute dispatch periods, shall receive a supplemental payment adder ("Frequently Mitigated Adder") for the Dispatched Energy that is mitigated for each mitigated interval in that Trading Day beginning with the 10-minute Settlement Interval of the fifth mitigation and continuing for each following 10-minute Settlement Interval through the remainder of the Trading Day, provided that the Frequently Mitigated Adder plus the Mitigated Price does not exceed the resources' original Supplemental Energy bid. The Frequently Mitigated Adder shall be $40 per megawatt hour multiplied by the ratio of the Eligible Capacity (excluding any portion of minimum load capacity that is not also Resource Adequacy Capacity, RMR or designated under TCPM) to the total Qualifying Capacity (excluding minimum load level) of the Generating Unit. Generating Units shall not receive Frequently Mitigated Adders in connection with decremental dispatches.

The total amount of Frequently Mitigated Adders that any Generating Unit can receive in a Trading Day shall not exceed the TCPM Capacity Payment that the Generating Unit would have received pursuant to Section 43.7, pro-rated to a daily payment, if the ISO had denied a must-offer waiver request. Further, Frequently Mitigated

Adders will stop accruing in any calendar month once the combined value for that month of all Frequently Mitigated Adders payments reaches the level of the Monthly TCPM Charge (established in Schedule 6 of Appendix F) reduced by the Monthly PER (established in Schedule 6 of Appendix F) for that month multiplied by the megawatts of Eligible Capacity of that Generating Unit. This Section 34.1.2.1.1 shall expire at midnight on the day before the MRTU Tariff goes into effect.

34.1.2.1.2 Allocation of Frequently Mitigated Adder Costs

Costs incurred under Section 34.1.2.1.1 will be allocated in accordance with Section 27.1.3.

34.1.2.2 Real-Time Energy Bid Partition.

The portion of the single Energy Bid that corresponds to the high end of the resource's operating range, shall be allocated to any awarded or self-provided Ancillary Services in the following order from higher to lower capacity: (a) Regulation Up; (b) Spinning Reserve; (c) Non-Spinning Reserve; and (d) Replacement Reserve. For resources providing Regulation Up, the upper regulating limit shall be used if it is lower than the highest operating limit. The remaining portion of the Energy Bid (i.e. that portion not associated with capacity committed to provide Ancillary Services) shall constitute a Bid to provide Supplemental Energy.

34.1.2.3 Creation of the Real-Time Merit Order Stack.

34.1.2.3.1 Sources of Imbalance Energy.

The following Energy Bids will be considered in the creation of the real-time merit order stack for Imbalance Energy:

(a) Supplemental Energy Bids;

(b) Ancillary Services Energy Bids (except for Regulation) submitted for specific Ancillary Services for those resources which have been selected in the ISO's Ancillary Services auction to supply such specific Ancillary Services; and

(c) Ancillary Services Energy Bids (except for Regulation) submitted for specific Ancillary Services

necessary, to ensure System Reliability and to maintain Reliability Criteria. The ISO shall determine that additional output is needed if the current output levels of the Regulation Generating Units, System Units, and System Resources deviate from their preferred operating points by more than a specified threshold (to be determined by the ISO), or to meet the projected Imbalance Energy requirements for the next Dispatch Interval. The ISO shall employ a multi-interval constrained optimization methodology (RTD Software) to calculate an optimal dispatch for each Dispatch Interval within a time horizon that shall extend to the end of the next hour. The ISO shall Dispatch resources that have submitted Energy bids over the time horizon to meet forecasted Imbalance Energy requirements minimizing the Imbalance Energy procurement cost over the entire time horizon, subject to resource and transmission system constraints. However, Dispatch Instructions shall be issued for the next Dispatch Interval only. The ISO also shall instruct resources to start up or shut down over the time horizon based on their submitted and validated Start-Up Costs, Minimum Load Costs and Energy bids and, in addition to these costs, the optimization shall also include for FERC Must-Offer Generators' Eligible Capacity, the applicable Monthly TCPM Charge. These resources shall receive binding start-up or shut-down pre-dispatch instructions as required by their startup time. The ISO shall only start resources that can start within the time horizon. The ISO may shut down resources that do not need to be on-line if constraints within the time horizon permit. However, resources providing Regulation or Spinning Reserve shall not be shut down. On-line resources providing Non-Spinning or Replacement Reserve shall also not be eligible for shut down, unless their minimum down time does not exceed ten (10) minutes.

discretion, grant waivers and allow a FERC Must-Offer Generator to remove one or more Generating Units or System Units from service. In doing so, the ISO will first grant waivers to FERC Must-Offer Generators, on a non-discriminatory basis, that are not also Resource Adequacy Resources or resources designated under the TCPM and then, if permissible, the ISO may grant waivers to Resource Adequacy Resources or resources designated as TCPM on a non-discriminatory basis.

The hours for which waivers are not granted shall constitute Waiver Denial Periods. A Waiver Denial Period shall be extended as necessary to accommodate Generating Unit minimum up and down times. Generating Units shall be on-line in real time during Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). To the extent conditions permit, the ISO will revoke the waivers of Resource Adequacy Resources and TCPM resources prior to revoking the waivers of other FERC Must-Offer Generators. The ISO shall inform a FERC Must-Offer Generator that its Waiver request has been approved, disapproved or revoked, and shall provide the FERC Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify FERC Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 10:00 a.m. (beginning of Hour Ending 11) no later than 11:30 a.m. (middle of Hour Ending 12) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 11:30 a.m. on the following day, notify FERC Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 10:00 a.m. (beginning of Hour Ending 11) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to the time a unit would be required to be on-line generating at its Pmin.

40.8 [NOT USED]

40.8.1 [NOT USED]

[NOT USED]

40.8.2 [NOT USED]

40.8.3 [NOT USED]

40.8.4 [NOT USED]

40.8.5 [Not Used]

40.8.6 [NOT USED]

[NOT USED]

[NOT USED]

40.8.7 [NOT USED]

constraints may be imposed beyond those explicitly stated in the plan.

40.14 [NOT USED]

40.14.1 [NOT USED]

40.15 Un-Recovered Minimum Load Costs Reporting Requirements

Sections 40.15 through 40.15.2 shall expire at midnight on the day before the MRTU Tariff goes into effect.

40.15.1 Daily Un-Recovered Minimum Load Costs Report

On a daily basis, thirty (30) days after the Trading Day, the ISO will publish on OASIS the allocation of Un-Recovered Minimum Load Costs for TCPM and Resource Adequacy Resources.

40.15.2 Monthly Un-Recovered Minimum Load Costs Report

On a monthly basis, thirty (30) days after the Trading Day, the ISO will publish on the CAISO Website, the monthly allocation of Un-Recovered Minimum Load Costs for TCPM and Resource Adequacy Resources.

40.15.3 [NOT USED]

40.15.4 [NOT USED]

41 Procurement of RMR.

42 Assurance of Adequate Generation and Transmission to meet Applicable Operating and Planning Reserve.

42.1 Generation Planning Reserve Criteria.

Generation planning reserve criteria shall be met as follows:

42.1.1 On an annual basis, the ISO shall prepare a forecast of weekly Generation capacity and weekly peak Demand on the ISO Controlled Grid. This forecast shall cover a period of twelve months and be posted on the WEnet and the ISO may make the forecast available in other forms at the ISO's

43.3.3 Selection of Eligible Capacity Designated for System Reliability

The ISO will make designations of Eligible Capacity or System Resources under this Section 43.3 based on the following factors: the effectiveness of the Eligible Capacity in addressing local and/or zonal constraints in addition to meeting system needs; the quantity of Eligible Capacity of the resource; the Start-Up and Minimum Load Costs associated with the Eligible Capacity; and the effectiveness of the Eligible Capacity at reducing the Minimum Load Costs that might otherwise be incurred as a result of must-offer waiver denials. System Resources shall be subject to the ISO's established import limits as specified in accordance with Section 40.5.2.2. The ISO shall have reasonable allowance to designate under the TCPM an amount of Eligible Capacity from a Generating Unit or System Resource that is slightly more or slightly less than a deficiency due to the quantity of Eligible Capacity from such Generating Unit or System Resource that is available and suitable to meet the deficiency, consistent with the criteria in this section.

43.4 TCPM Designations For Significant Events and Must-Offer Waiver Denials

43.4.1 TCPM Significant Events

The ISO may designate Eligible Capacity or System Resources to provide service on a prospective basis under this Section 43.4.1 following a TCPM Significant Event, to the extent necessary to maintain compliance with Reliability Criteria and taking into account the expected duration of the TCPM Significant Event. Capacity designated under Section 43.4.1 shall have an initial term of thirty (30) days. If the ISO determines that the TCPM Significant Event is likely to extend beyond the thirty (30) day period, the ISO shall extend the designation for another sixty (60) days. During this additional sixty (60) day period, the ISO will provide Market Participants with an opportunity to provide alternative solutions to meet the ISO's operational and reliability needs in response to the TCPM Significant Event, rather than rely on the ISO's designation of capacity under the TCPM. The ISO shall consider and implement, if acceptable to the ISO in accordance with Good Utility Practice, such alternative solutions provided by Market Participants in a timely manner. If Market Participants do not submit any alternatives to the designation of TCPM Capacity

that are fully effective in addressing the deficiencies in Reliability Criteria resulting from TCPM Significant Event, the ISO shall extend the term of the designation under Section 43.4.1 for the expected duration of the TCPM Significant Event. If there is a reasonable alternative solution that fully resolves the ISO's operational and reliability needs, the ISO will not extend the designation under Section 43.4.1.
The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year. Moreover, in no event shall the term of such TCPM designation extend beyond midnight on the day before the MRTU Tariff goes into effect. Any TCPM designations under this section shall be in accordance with the criteria set forth in Section 43.4.1.1.

43.4.1.1 Selection of Eligible Capacity for TCPM Significant Events

The ISO will make designations of Eligible Capacity under Section 43.4.1 based on the lowest overall cost for each TCPM Significant Event considering the following factors: the effectiveness of the Eligible Capacity, the quantity of Eligible Capacity of the resource relative to the remaining amount of capacity that is needed; and the Start-Up Costs and Minimum Load Costs associated with the Eligible Capacity. The ISO shall have reasonable allowance to designate under the TCPM an amount of Eligible Capacity from a Generating Unit that is slightly more or slightly less than the capacity necessary to remedy a TCPM Significant Event due to the quantity of Eligible Capacity of such Generating Unit that is available and suitable to meet the TCPM Significant Event, consistent with the criteria in this section.

43.4.2 TCPM Designations as a Result of Must-Offer Waiver Denials

If the ISO denies a must-offer waiver request for a FERC Must-Offer Generator in accordance with Section 40.7.6, then that FERC Must-Offer Generator shall receive a TCPM designation for a term of thirty (30) days, unless the FERC Must-Offer Generator is identified as a Resource Adequacy Resource in a Resource Adequacy Plan for a term starting before the end of the thirty (30) day period, in which case the FERC Must-Offer Generator shall receive a TCPM designation for the period from the effective date of the denial of the must-offer waiver request until the date it becomes a Resource Adequacy Resource. In determining whether any TCPM designation in accordance with this Section 43.4.2 should be extended beyond the initial thirty (30) day period, the ISO shall consider the additional designation period to be a TCPM Significant Event designation in accordance with Section 43.4.1 and shall utilize the process contained in Section 43.4.1 for extending designations beyond an initial thirty (30) day period.

accordance with the TCPM for the term of the TCPM designation. If a Participating Generator's Eligible Capacity is designated under the terms of the TCPM after the Participating Generator has filed a notice to withdraw from its PGA, then the Participating Generator shall be obligated to perform in accordance with the TCPM until the date that its PGA effectively terminates, but the Participating Generator shall be under no obligation to so perform after the effective date of the PGA termination. If a Participating Generator's Eligible Capacity is designated under the TCPM after the Participating Generator has filed notice to withdraw from its PGA, and the Participating Generator agrees to provide service under the TCPM, then the Participating Generator will enter into a PGA for the designated generating unit and invoice the ISO for any actual applicable restoration costs as provided in the RMR Service Agreement.

43.6 TCPM Report

43.6.1 TCPM Designation Market Notice

The ISO shall issue a market notice within two (2) Business Days of a TCPM designation. The market notice shall include a preliminary description of what caused the TCPM procurement, the name of the resource(s) procured, the preliminary expected duration of the procurement, the initial designation period, and an indication that a designation report is being prepared.

43.6.2 Designation of a Resource under the TCPM Tariff

The ISO shall post a designation report to the CAISO Website and provide a market notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under the TCPM or ten (10) days after the end of the month. The designation report shall include the following information:

(1) A description of the reason for the designation (LSE procurement shortfall, Local Capacity Area Resource effectiveness deficiency, TCPM Significant Event, or denial of a must-offer waiver request for a FERC Must-Offer Generator), and an explanation of why it was necessary for the ISO to utilize the TCPM authority);

(2) The following information would be reported for all backstop designations:

(a) the resource name;

(b) the amount of TCPM Capacity designated (MW),

(c) an explanation of why that amount of TCPM Capacity was designated,

(d) the date TCPM Capacity was designated,

(e) the duration of the designation; and

(f) the price for the TCPM procurement; and

(3) If the reason for the designation is a TCPM Significant Event, the ISO will also include:

(a) a discussion of the event or events that have occurred, why the ISO has procured TCPM Capacity, and how much has been procured;

(b) an assessment of the expected duration of the TCPM Significant Event;

(c) the duration of the initial designation (thirty (30) days); and

(d) a statement as to whether the initial designation has been extended (such that the backstop procurement is now for more than thirty (30) days), and, if it has been extended, the length of the extension.

(4) If the reason for the designation is the denial of a must-offer waiver request, an explanation as to why the ISO denied the must-offer waiver request that triggered the TCPM designation and an assessment of whether any Resource Adequacy Resources, RMR Units, or resources designated to provide service under the TCPM were available and called upon by the ISO prior to its denial of the FERC Must-Offer Generator's must-offer waiver request. The ISO shall also explain why Non-Generation Solutions were insufficient to prevent the use of denials of must-offer waiver requests for local reasons.

43.7 Payments to Resources Designated Under the TCPM

43.7.1 TCPM Capacity Payment

Scheduling Coordinators representing resources designated under this Section 43 will receive a TCPM Capacity Payment equal to the product of the Net Qualifying Capacity, the relevant Availability Factor as determined in accordance with Appendix F, Schedule 6, and the difference between the Monthly TCPM Charge as determined in accordance with Appendix F, Schedule 6, which for partial month designations shall be pro-rated based on the number of days during the month that the resource was designated as a TCPM resource divided by 30, and 95% of the Monthly Peak Energy Rent, i.e., Net Qualifying Capacity x Availability Factor x (Monthly TCPM Charge - (Monthly Peak Energy Rent x .95)). The ISO shall determine the Availability Factor, Monthly TCPM Charge and Monthly Peak Energy Rent in accordance with Appendix F, Schedule 6 of the Tariff. Where the ISO designates capacity from a Resource Adequacy Resource in an amount above the resource's Resource Adequacy Capacity, Net Qualifying Capacity as used in this Section 43.7.1 shall be replaced with an amount equal to the difference between the resource's Net Qualifying Capacity and its Resource Adequacy Capacity. For purposes of this section 43.7.1, the term Net Qualifying Capacity shall mean the megawatt

value for a TCPM resource as reflected in the document entitled "Qualifying Capacity Megawatt Values for RA Planning Purposes" (or any successor document) as posted on the CAISO Website, provided that, to the extent a particular resource has a stated monthly value(s), the applicable Net Qualifying Capacity shall be the average of the stated values for the months in which the resource will have a TCPM designation. To the extent a resource does not have a megawatt value reflected in the foregoing document, the ISO shall determine Net Qualifying Capacity of the resource in accordance with the provisions of the ISO Tariff.

For purposes of the TCPM designation, except for TCPM Significant Events and designations under Section 43.4.2 for denials of must-offer waiver requests for FERC Must-Offer Generators, availability shall be calculated as the ratio of: (1) the sum of the Net Qualifying Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the ISO shall be substituted for Net Qualifying Capacity MW for each hour the resource is not on an authorized Outage, to (2) the product of Net Qualifying Capacity MW and the total hours in the month. For purposes of TCPM designations for TCPM Significant Events and designations under Section 43.4.2 for denials of must-offer waiver requests for FERC Must-Offer Generators, the Availability Factor shall be calculated as the ratio of: (1) the sum of the TCPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the ISO, if less than the TCPM Capacity MW, shall be substituted for TCPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of TCPM Capacity MW and the total hours in the month or part of the month for which a unit is designated, whichever is applicable.

For purposes of this Section 43.7.1, an authorized Outage shall be limited to the following: (a) an ISO-approved, planned Outage that exists at the time of TCPM designation and is scheduled to occur during the term of an TCPM designation provided that (i) such Outage is not the result of a prior Outage that was forced or not otherwise scheduled and approved by the ISO, and (ii) such Outage may be rescheduled by the ISO during the term of the TCPM designation period, provided that the term of the ISO-approved Outage and the capacity derate at time of the TCPM designation are not exceeded, or (b) an ISO-Approved Maintenance Outage that is scheduled during the TCPM designation period, provided such Outage is not the result of a prior Outage that was forced or not otherwise scheduled and approved by the ISO.

(5) TCPM Significant Event Designations. If the ISO makes any TCPM Significant Event designations under Section 43.4.1, the ISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the TCPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria based on the percentage of actual MWh Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total MWh Load in the TAC Area(s) as recorded in the ISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

(6) FERC Must-Offer Generator Waiver Denial Designations. If the ISO makes a TCPM designation under Section 43.4.2 as a result of a denial of a must-offer waiver request for a FERC Must-Offer Generator, the ISO shall determine, for each must-offer waiver denial period during the month or partial month that a resource was designated, whether the must-offer waiver denial issued to the TCPM resource was for (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each month, the ISO shall sum the TCPM Capacity costs resulting from a designation in accordance with Section 43.4.2 and then shall separately classify such costs as either local reliability, zonal and/or Control-Area wide costs based on the number of hours that the resource operated under a must-offer waiver denial to meet local reliability requirements, zonal requirements, or Control-Area wide requirements, respectively during the month in which the resource was designated divided by the total number of hours the unit operated under a must-offer waiver denial during the month in which the resource was designated.

(1) TCPM Capacity costs classified as local reliability costs shall be allocated in accordance with Section 40.6B.5(1).

(2) TCPM Capacity costs classified as zonal costs shall be allocated in accordance with Section 40.6B.5(2).

(3) TCPM Capacity costs classified as Control-Area wide costs shall be allocated in accordance with Section 40.6B(3).

43.9 Crediting of TCPM Capacity

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

(a) To the extent the cost of TCPM designation under Section 43.2.1.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8.(3), the ISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards (1) the LSE's Local Capacity Area Resource obligation under Section 43.2.1.3 in an amount equal to the LSE's pro rata share of the TCPM Capacity designated under Section 43.2.1.3 and (2) the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the TCPM Capacity designated under Section 43.2.1.3.

(b) To the extent the cost of ISO designation under Section 43.2.1.4 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.8 (4), the ISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the TCPM Capacity designated under Section 43.2.1.4.

	the Internal Revenue Code of 1986 or the corresponding provisions of prior law without regard to the identity of the holder thereof. Municipal Tax Exempt Debt does not include Local Furnishing Bonds.
Nationally Recognized Statistical Rating Organizations (NRSRO)	National credit rating agencies as designated by the U.S. Securities & Exchange Commission.
Native Load	Load required to be served by a utility within its Service Area pursuant to applicable law, franchise, or statute.
NERC	The North American Electric Reliability Corporation or its successor.
NERC/WECC Charge Assessment Year	A given year for which NERC/WECC Charges will be assessed by the WECC based on data from the calendar year two years prior to the year of the NERC/WECC Charge assessment.
NERC/WECC Charges	The charges approved by FERC, pursuant to Section 215 of the FPA and FERC issuances related thereto, that provide funding for the statutory-related functions performed by NERC, the WECC, and regional advisory bodies that serve the WECC, or their successors or assignees.
NERC/WECC Charge Trust Account	An account to be established by the ISO for the purpose of maintaining funds collected from Scheduling Coordinators and disbursing such funds to the WECC.

ISO TARIFF APPENDIX F
Schedule 6

TCPM SCHEDULES

Monthly TCPM Charge

The Monthly TCPM Charge shall be calculated by multiplying the monthly shaping factors by the target annual capacity price ($77.89/kW-yr).

Monthly Shaping Factors

	SP-15	NP-15/ZP-26
Jan	6.7%	4.9%
Feb	5%	4.9%
Mar	5%	5.6%
Apr	5.8%	4.6%
May	6.3%	4.8%
Jun	8.3%	5.1%
Jul	15.8%	13.7%
Aug	17.5%	15.3%
Sept	11.7%	13.8%
Oct	5.8%	8.7%
Nov	6.3%	8.8%
Dec	5.8%	9.8%
Total	100%	100%

Attachment B - Blacklines

Transitional Capacity Procurement Mechanism (TCPM) Compliance Filing
Docket No. ER08-760

Currently Effective CAISO Tariff

June 30, 2008

* * *

34.1.2.1.1 Frequently Mitigated Adders

Generating Units of Participating Generators ~~for which the ISO denies a must-offer waiver request and~~ for which only a portion of their capacity is Eligible Capacity, as well as self-scheduled Generating Units of Participating Generators that have Eligible Capacity, that submit Supplemental Energy bids that are mitigated under Section 3.2.2.2 of Appendix P five times in a single Trading Day, based on five-minute dispatch periods, shall receive a supplemental payment adder ("Frequently Mitigated Adder") for the Dispatched Energy that is mitigated for each mitigated interval in that Trading Day beginning with the 10-minute ~~s~~Settlement ~~i~~Interval of the fifth mitigation and continuing for each following 10-minute ~~s~~Settlement ~~i~~Interval through the remainder of the Trading Day, provided that the Frequently Mitigated Adder plus the Mitigated Price does not exceed the resources' original Supplemental Energy ~~B~~bid. The Frequently Mitigated Adder shall be $40 per megawatt hour multiplied by the ratio of the Eligible Capacity (excluding any portion of minimum load capacity that is not also Resource Adequacy Capacity, RMR or designated under TCPM) to the total Qualifying Capacity (excluding minimum load level) of the Generating Unit. Generating Units shall not receive Frequently Mitigated Adders in connection with decremental dispatches.

The total amount of Frequently Mitigated Adders that any Generating Unit can receive in a Trading Day shall not exceed the ~~Must-Offer~~TCPM Capacity Payment that the Generating Unit would have received pursuant to Section 43.7~~0.14~~, pro-rated to a daily payment, if the ISO had denied a must-offer waiver ~~denial~~ request. Further, Frequently Mitigated Adders will stop accruing in any calendar month once the combined value for that month of all Frequently Mitigated Adders~~, Must-Offer Capacity Payments and minimum load imbalance energy~~ payments ~~under Section 40.8.3~~ reaches the level of the Monthly TCPM Charge (established in Schedule 6 of Appendix F) reduced by the Monthly PER (established in Schedule 6 of Appendix F) for that month multiplied by the megawatts of Eligible Capacity of that Generating Unit. This Section 34.1.2.1.1 shall expire at midnight on the day before the MRTU Tariff goes into effect.

* * *

34.3 Real-Time Dispatch.

The ISO, using RTD Software, shall economically Dispatch each Generating Unit, Curtailable Demand,

System Unit, Interconnection schedule or System Resource that is effective to: (i) meet Imbalance Energy requirements and eliminate any Price Overlap in real time, subject to the limitation on the Dispatch of Spinning Reserve and Non-Spinning Reserve set forth in Section 34.3.0.3, and (ii) relieve Congestion, if necessary, to ensure System Reliability and to maintain Reliability Criteria. The ISO shall determine that additional output is needed if the current output levels of the Regulation Generating Units, System Units, and System Resources deviate from their preferred operating points by more than a specified threshold (to be determined by the ISO), or to meet the projected Imbalance Energy requirements for the next Dispatch Interval. The ISO shall employ a multi-interval constrained optimization methodology (RTD Software) to calculate an optimal dispatch for each Dispatch Interval within a time horizon that shall extend to the end of the next hour. The ISO shall Dispatch resources that have submitted Energy ~~B~~bids over the time horizon to meet forecasted Imbalance Energy requirements minimizing the Imbalance Energy procurement cost over the entire time horizon, subject to resource and transmission system constraints. However, Dispatch Instructions shall be issued for the next Dispatch Interval only. The ISO also shall instruct resources to start up or shut down over the time horizon based on their submitted and validated Start-Up ~~Fuel~~ Costs, Minimum Load Costs and Energy ~~B~~bids and, in addition to these costs, the optimization shall also include for FERC Must-Offer Generators' Eligible Capacity, ~~1/8~~th ~~of~~ the applicable Monthly TCPM Charge ~~and the Generating Unit's first bid price segment to represent its minimum load Energy payment~~. These resources shall receive binding start-up or shut-down pre-dispatch instructions as required by their startup time. The ISO shall only start resources that can start within the time horizon. The ISO may shut down resources that do not need to be on-line if constraints within the time horizon permit. However, resources providing Regulation or Spinning Reserve shall not be shut down. On-line resources providing Non-Spinning or Replacement Reserve shall also not be eligible for shut down, unless their minimum down time does not exceed ten (10) minutes.

* * *

40.8 [NOT USED]~~Recovery of Minimum Load Costs By FERC Must-Offer Generators.~~

40.8.1 [NOT USED]~~Eligibility.~~

~~Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during~~

~~Waiver Denial Periods. Units from FERC Must-Offer Generators that incur Minimum Load Costs during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a FERC Must-Offer Generator has a Final Hour-Ahead Energy Schedule, the FERC Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on a 10-minute Settlement Interval basis, a FERC Must-Offer Generator generating at minimum operating level in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum operating level by more than the Tolerance Band, the FERC Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such Settlement Intervals during hours within a Waiver Denial Period. When, on a Settlement Interval basis, a FERC Must-Offer Generator's resource produces a quantity of Energy above minimum load due to an ISO Dispatch Instruction, the FERC Must-Offer Generator shall recover its Minimum Load Costs as set forth in this Section and its bid costs, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall guarantee recovery of the Minimum Load Costs of an otherwise eligible FERC Must-Offer Generator for each Settlement Interval during hours within a Waiver Denial Period as follows: (1) First, ISO will pre-dispatch for real time the minimum load Energy from FERC Must-Offer Generators that have been denied waivers for each hour within a Waiver Denial Period; (2) This minimum load Energy will be accounted as Instructed Imbalance Energy for each Settlement Interval within the relevant hour and be settled at the Resource-Specific Settlement Interval Ex Post Price; (3) The generator's Minimum Load Cost as defined in Section 40.8.4 of this ISO Tariff, the generator will also receive a payment for its Minimum Load Cost compensation for the relevant eligible Settlement Intervals of hours during the Waiver Denial Period that the Generating Unit runs at minimum load in compliance with the must-offer obligation; and (4) To the extent the Generator is dispatched for real time Imbalance Energy above its minimum load for any Dispatch Interval within an hour during the Waiver Denial Period, the Generator will be eligible for Bid Cost Recovery, as set forth in Section 11.2.4.1.1.1.~~

40.8.2 [NOT USED]~~Payments for Imbalance Energy Above the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.~~

When, on a Settlement Interval basis, a FERC Must-Offer Generator's Generating Unit produces a quantity of Energy above the Generating Unit's minimum operating level due to an ISO Dispatch Instruction, the FERC Must-Offer Generator shall recover Minimum Load Costs and its bid costs, based on the ISO's instruction, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band.

40.8.3 [NOT USED]Payments for Imbalance Energy for the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.

A Generating Unit operating at or near its minimum operating level during a Waiver Denial Period either (1) without a forward Schedule for its minimum operating level Energy or (2) with a Schedule to a special-purpose Demand ID for the sole purpose of Scheduling the minimum operating level Energy shall be paid, in addition to being paid its Minimum Load Costs subject to eligibility as set forth in Section 40.8.1, an amount equal to the Resource Specific Settlement Interval Ex Post Price times the amount of Energy actually delivered.

40.8.4 [NOT USED]Minimum Load Costs.

The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: (1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 40.10) at the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC and the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the FERC Must-Offer Generator is not served from one of those three Service Areas; and (2) the product of the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC; and $6.00/MWh.

40.8.5 [Not Used]

40.8.6 [NOT USED]~~Allocation of Minimum Load Costs.~~

~~For each Settlement Interval, the ISO shall determine whether the Minimum Load Costs for each FERC Must Offer Generator unit operating during a Waiver Denial Period are due to (1) local reliability requirements, (2) zonal reliability requirements, or (3) ISO Control Area-wide reliability requirements pursuant to Section 40.8.6.1. On a monthly basis, the ISO shall sum the Settlement Interval Minimum Load Costs and shall allocate those costs as follows:~~

~~(1) if the Generating Unit was operating to meet local reliability requirements, the cost shall be allocated to the Participating TO in whose PTO Service Territory the Generating Unit is located, or, where the Generating Unit is located outside the PTO Service Territory of any Participating TO, to the Participating TO or Participating TOs whose PTO Service Territory or Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Participating TO receives, as determined by the ISO. Where the costs allocated under this section are allocated to two or more Participating TOs, the ISO shall file the allocation under Section 205 of the Federal Power Act. Costs allocated under this part (1) shall be considered Reliability Services Costs.~~

~~(2) if the Generating Unit was operating to meet zonal reliability requirements, the Minimum Load Costs shall be allocated on a monthly basis to each Scheduling Coordinator in the constrained Zone based on the ratio of that Scheduling Coordinator's monthly Demand to the sum of all Scheduling Coordinators' monthly Demand in that Zone;~~

~~(3) if the Generating Unit was operating to meet ISO Control Area-wide reliability requirements, the ISO shall allocate the Minimum Load Costs in the following way:~~

~~a. first, to the monthly absolute total of all Net Negative Uninstructed Deviation (determined for each Settlement Interval based on Final Hour-Ahead Schedules) at a per-MWh rate that shall not exceed a figure that is determined by dividing the total Minimum Load Cost in that month by the sum of the minimum loads for~~

Generating Units operating under Waiver Denial Periods in that month;

b. finally, all remaining costs not allocated per (a) shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's monthly Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the monthly sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators, except that Demand outside the ISO Control Area that is served by exports that are scheduled as part of a Wheeling Through transaction shall be excluded from the calculation of such allocations.

40.8.6.1 FERC Must Offer Generator Unit Criteria for Allocation of Minimum Load Costs

The ISO shall use the following criteria for determining whether a FERC Must Offer Generator unit falls within the local reliability, zonal reliability or ISO Control Area-wide reliability categories for allocation of Minimum Load Costs.

40.8.6.1.1 Local Reliability Requirements

The ISO shall classify a FERC Must Offer Generator unit as committed or operated for local reliability requirements when it is committed or operating to:

(1) maintain power flows on a transmission component that is not part of a transmission path between Congestion Zones;

(2) maintain acceptable voltage levels at a network location that is not part of a transmission path between Congestion Zones; or

(3) accommodate the forced or scheduled outage of a network component that is not part of a transmission path between Congestion Zones.

40.8.6.1.2 Zonal Reliability Requirements

~~The ISO shall classify a FERC Must Offer Generator unit as committed or operated for zonal reliability requirements when it is committed or operating to:~~

~~(1) maintain operations within the requirements of any nomogram that governs the operations of an Inter-Zonal Interface;~~

~~(2) maintain power flows on a transmission line that is part of a transmission path between Congestion Zones or an Inter-Zonal Interface;~~

~~(3) maintain acceptable voltage levels at a location that is part of a transmission path between Congestion Zones or an Inter-Zonal Interface; or~~

~~(4) accommodate the forced or scheduled outage of a network component that is part of a transmission path between Congestion Zones or an Inter-Zonal Interface.~~

~~(5) ensure there is sufficient capacity available to meet Operating Reserve requirements within a particular Zone, if the ISO is procuring Operating Reserve on a zonal basis.~~

~~40.8.6.1.3 ISO Control Area-wide Reliability Requirements~~

~~The ISO shall classify a FERC Must Offer Generator unit as committed or operated for ISO Control Area-wide reliability requirements when it is committed or operating to meet forecast Control Area Demand or committed to ensure sufficient capacity is available to meet Operating Reserve requirements, when the ISO is not procuring Operating Reserve on a zonal basis.~~

~~40.8.6.1.4 Incremental Cost of Local~~

~~Beginning October 1, 2004, when a FERC Must Offer Generator unit is committed for local reliability requirements, and that unit also meets an overall ISO Control Area-wide need, the ISO shall allocate only the incremental cost of committing that unit above the cost of committing the least-cost unit that would have been committed to resolve the ISO Control Area-wide reliability need absent the local reliability need, to the Participating TO.~~

40.8.7 [NOT USED]~~Payment Of Available Generation Under The FERC Must-Offer Obligation.~~

~~Available Generation that is required to be offered to the Real-Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Minimum Load Cost compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as defined in Section 40.8.1, that the unit generated Energy above minimum operating level in compliance with ISO Dispatch Instructions.~~

* * *

40.14 [NOT USED]~~Capacity Payments Under the FERC Must-Offer Obligation.~~

~~As set forth in this Section, Generating Units of FERC Must-Offer Generators that are eligible to recover Minimum Load Costs pursuant to Section 40.8 shall also be eligible to recover a Must-Offer Capacity Payment during Waiver Denial Periods, in addition to such Minimum Load Costs, provided the Generating Unit does not have an RMR contract, is not a Resource Adequacy Resource and is not designated as TCPM. The Must-Offer Capacity Payment shall equal 1/8th of the Monthly TCPM Charge as specified in Schedule 6 of Appendix F per megawatt for each day of the Waiver Denial Period, adjusted pro rata for any hours of that day in which the Generating Unit was ineligible for the recovery of Minimum Load Costs. For any Trading Day of a calendar month, if the sum of (i) total Must-Offer Capacity Payments that a FERC Must-Offer Generator has received for a Generating Unit under this Section 43.14 during that month, (ii) the total Imbalance Energy payments received when that Generating Unit is running at minimum load, and (iii) the Frequently Mitigated Adder under Section 34.1.2.1.1 during the calendar month, exceeds the Qualifying Capacity times the maximum Monthly TCPM Charge (established in Schedule 6 of Appendix F) reduced by the Monthly PER (established in Schedule 6 of Appendix F), the FERC Must-Offer Generator shall not be eligible to receive Must-Offer Capacity Payments or the Frequently Mitigated Adder under Section 34.1.2.1.1 for that Generating Unit for that Trading Day, nor for any other Trading Day in the remainder of the calendar month (but shall continue to recover Minimum Load Costs and imbalance Energy payments). If a FERC Must-Offer Generator (i) has been denied one or more must-offer waiver(s) for any Trading Day(s) of a calendar month for a Generating Unit, (ii) is~~

~~eligible for a Must-Offer Capacity Payment for such Trading Day(s), and (iii) the Generating Unit is either subsequently or previously designated as TCPM Capacity within that calendar month pursuant to Section 43.4, the total compensation that the FERC Must-Offer Generator shall receive for that calendar month from the combination of Must-Offer Capacity Payments, a TCPM Capacity Payment, the Frequently Mitigated Adder pursuant to Section 34.1.2.1.1, and the total Imbalance Energy payments received when that Generating Unit is operating at minimum load, shall be limited to the Qualifying Capacity of the FERC Must-Offer Generator's Generating Unit times the maximum Monthly TCPM Charge (established in Schedule 6 of Appendix F) reduced by the Monthly PER (established in Schedule 6 of Appendix F). This Section 40.14 shall expire at midnight on the day before the MRTU Tariff goes into effect.~~

40.14.1 [NOT USED]~~Allocation of Must-Offer Capacity Payments~~

~~The ISO shall determine whether the Must-Offer Capacity Payment costs for each FERC Must-Offer Generator Generating Unit operating during a waiver denial period are due to (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each month, the ISO shall sum the Must-Offer Capacity Payments costs and shall allocate those costs as follows:~~

~~(1) if the Generating Unit was operating to meet local reliability requirements, the Must-Offer Capacity Payment costs shall be considered incremental locational costs and shall be allocated in accordance with Section 40.8.6 (1).~~

~~(2) if the Generating Unit was operating due to Zonal requirements, the Must-Offer Capacity Payment costs shall be allocated in accordance with Section 40.8.6 (2)~~

~~(3) if the Generating Unit was operating to satisfy an ISO Control Area-wide need, the Must-Offer Capacity Payment costs shall be allocated in accordance with Section 40.8.6 (3).~~

40.15 Un-Recovered Minimum Load Costs~~Must-Offer~~ Reporting Requirements

Sections 40.15 through 40.15.24 shall expire at midnight on the day before the MRTU Tariff goes into effect.

40.15.1 Daily Un-Recovered Minimum Load Costs~~Must-Offer Waiver Denial~~ Report

~~The ISO shall publish a Must-Offer Waiver Denial Report ("MOWD Report") on the ISO Website on a weekly basis and shall provide a market notice of its availability. The MOWD Report shall indicate the category of the must-offer waiver denial, i.e., local, zonal or system, and the amount of megawatts involved in each category.~~ On a daily basis, thirty (30) days after the Tradinge Day, the ISO will publish on OASIS the allocation of Un-Recovered Minimum Load Costs for TCPM and Resource Adequacy Resources ~~and Minimum Load Costs for FERC Must-Offer Generators~~.

40.15.2 Monthly Un-Recovered Minimum Load Costs Report

On a monthly basis, thirty (30) days after the Tradinge Day, the ISO will publish on the CAISO Website, the monthly allocation of Un-Recovered Minimum Load Costs for TCPM and Resource Adequacy Resources~~, Minimum Load Costs for FERC Must-Offer Generators~~.

40.15.3 [NOT USED]~~Multiple Denial of FERC Must-Offer Waivers~~

~~If the ISO issues a denial of must-offer waivers to a FERC Must-Offer Generator on four separate days in any calendar year, the ISO shall evaluate whether a TCPM Significant Event has occurred that warrants designation of the FERC Must-Offer Generator to provide service under the TCPM ("MOWD Evaluation"). The ISO shall conduct a MOWD Evaluation after every four separate days on which the ISO denies a must-offer waiver request for such a FERC Must-Offer Generator.~~

40.15.4 [NOT USED]~~TCPM Significant Event/Repeat Waiver Denial Report~~

~~The ISO shall publish the results of its assessment of the MOWD Evaluation ("TCPM Significant Event/Repeat MOWD Report"), including an explanation of its decision whether to designate FERC Must-Offer Generator capacity as TCPM, on the ISO Website on a weekly basis unless no TCPM Significant Events or MOWD Evaluations occurred during the week. The ISO will provide a market notice of the availability of each TCPM Significant Event/Repeat MOWD Report. The TCPM Significant Event/Repeat MOWD Report shall explain why the ISO denied the must-offer waiver request that triggered the assessment of whether a TCPM Significant Event occurred, and whether any Resource Adequacy Resources, RMR units, or resources designated to provide service under the TCPM were available and called upon by the ISO prior to its denial of the FERC Must-Offer Generator's must-offer waiver request. The ISO shall also explain why Non-Generation Solutions were insufficient to prevent the use of denials~~

~~of must-offer waivers for local reasons. In the event that the ISO denies a must-offer waiver request for local or system reasons that do not constitute a TCPM Significant Event or is not due to a Resource Adequacy Resource non-performance, the report shall include an explanation for such issuance and shall be signed by the ISO's Vice President of Operations.~~

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43.4 TCPM Designations For ~~TCPM~~ Significant Events and Must-Offer Waiver Denials

43.4.1 TCPM Significant Events

The ISO may designate Eligible Capacity or System Resources to provide service on a prospective basis under this Section 43.4.1 following a TCPM Significant Event, to the extent necessary to maintain compliance with Reliability Criteria and taking into account the expected duration of the TCPM Significant Event. Capacity designated under Section 43.4.1 shall have an initial term of thirty (30) days. If the ISO determines that the TCPM Significant Event is likely to extend beyond the thirty (30) day period, the ISO shall extend the designation for another sixty (60) days. During this additional sixty (60) day period, the ISO will provide Market Participants with an opportunity to provide alternative solutions to meet the ISO's operational and reliability needs in response to the TCPM Significant Event, rather than rely on the ISO's designation of capacity under the TCPM. The ISO shall consider and implement, if acceptable to the ISO in accordance with Good Utility Practice, such alternative solutions provided by Market Participants in a timely manner. If Market Participants do not submit any alternatives to the designation of TCPM ~~c~~Capacity that are fully effective in addressing the deficiencies in Reliability Criteria resulting from TCPM Significant Event, the ISO shall extend the term of the designation under Section 43.4.1 for the expected duration of the TCPM Significant Event. If there is a reasonable alternative solution that fully resolves the ISO's operational and reliability needs, the ISO will not extend the designation under Section 43.4.1.

The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year. Moreover, in no event shall the term of such TCPM designation extend beyond midnight on the day before the MRTU Tariff goes into effect. Any TCPM designations under this section shall be in accordance with the criteria set forth in Section 43.4.1.1.

43.4.1.1 Selection of Eligible Capacity for TCPM Significant Events

The ISO will make designations of Eligible Capacity under Section 43.4.1 based on the lowest overall cost for each TCPM Significant Event considering the following factors: the effectiveness of the Eligible Capacity, the quantity of Eligible Capacity of the resource relative to the remaining amount of capacity that is needed; and the Start-Up Costs and Minimum Load Costs associated with the Eligible Capacity. The ISO shall have reasonable allowance to designate under the TCPM an amount of Eligible Capacity from a Generating Unit that is slightly more or slightly less than the capacity necessary to remedy a TCPM Significant Event due to the quantity of Eligible Capacity of such Generating Unit that is available and suitable to meet the TCPM Significant Event, consistent with the criteria in this section.

43.4.2 TCPM Designations as a Result of Must-Offer Waiver Denials

If the ISO denies a must-offer waiver request for a FERC Must-Offer Generator in accordance with Section 40.7.6, then that FERC Must-Offer Generator shall receive a TCPM designation for a term of thirty (30) days, unless the FERC Must-Offer Generator is identified as a Resource Adequacy Resource in a Resource Adequacy Plan for a term starting before the end of the thirty (30) day period, in which case the FERC Must-Offer Generator shall receive a TCPM designation for the period from the effective date of the denial of the must-offer waiver request until the date it becomes a Resource Adequacy Resource. In determining whether any TCPM designation in accordance with this Section 43.4.2 should be extended beyond the initial thirty (30) day period, the ISO shall consider the additional designation period to be a TCPM Significant Event designation in accordance with Section 43.4.1 and shall utilize the process contained in Section 43.4.1 for extending designations beyond an initial thirty (30) day period.

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43.6 TCPM Report

43.6.1 TCPM Designation Market Notice

The ISO shall issue a market notice within two (2) Business Days of a TCPM designation. The market notice shall include a preliminary description of what caused the TCPM ~~Significant Event~~procurement, the name of the resource(s) procured, the preliminary expected duration of the ~~TCPM Significant Event~~procurement, the initial designation period, and an indication that a designation report is being prepared.

43.6.2 Designation of a Resource under the TCPM Tariff

The ISO shall post a designation report to the CAISO Website and provide a market notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under the TCPM or ten (10) days after the end of the month. The designation report shall include the following information:

(1) A description of the reason for the designation (LSE procurement shortfall, Local Capacity Area Resource effectiveness deficiency, ~~or~~ TCPM Significant Event, or denial of a must-offer waiver request for a FERC Must-Offer Generator), and an explanation of why it was necessary for the ISO to utilize the TCPM authority);

(2) The following information would be reported for all backstop designations:

(a) the resource name;

(b) the amount of TCPM Capacity designated (MW),

(c) an explanation of why that amount of TCPM Capacity was designated,

(d) the date TCPM Capacity was designated,

(e) the duration of the designation; and

(f) the price for the TCPM procurement; and

(3) If the reason for the designation is a TCPM Significant Event, the ISO will also include:

(a) a discussion of the event or events that have occurred, why the ISO has procured TCPM Capacity, and how much has been procured;

(b) an assessment of the expected duration of the TCPM Significant Event;

(c) the duration of the initial designation (thirty (30) days); and

(d) a statement as to whether the initial designation has been extended (such that the backstop procurement is now for more than thirty (30) days), and, if it has been extended, the length of the extension.

(4) If the reason for the designation is the denial of a must-offer waiver request, an explanation as to why the ISO denied the must-offer waiver request that triggered the TCPM designation and an assessment of whether any Resource Adequacy Resources, RMR Units, or resources designated to provide service under the TCPM were available and called upon by the ISO prior to its denial

of the FERC Must-Offer Generator's must-offer waiver request. The ISO shall also explain why Non-Generation Solutions were insufficient to prevent the use of denials of must-offer waiver requests for local reasons.

43.7 Payments to Resources Designated Under the TCPM

43.7.1 TCPM Capacity Payment

Scheduling Coordinators representing resources designated under this Section 43 will receive a TCPM Capacity Payment equal to the product of the Net Qualifying Capacity, the relevant Availability Factor as determined in accordance with Appendix F, Schedule 6, and the difference between the ~~m~~Monthly TCPM ~~c~~Charge as determined in accordance with Appendix F, Schedule 6, which for partial month designations shall be pro-rated based on the number of days during the month that the resource was designated as a TCPM resource divided by 30, and 95% of the Monthly Peak Energy Rent, i.e., Net Qualifying Capacity x Availability Factor x (Monthly TCPM Charge - (Monthly Peak Energy Rent x .95)). The ISO shall determine the Availability Factor, Monthly TCPM Charge and Monthly Peak Energy Rent in accordance with Appendix F, Schedule 6 of the Tariff. Where the ISO designates capacity from a Resource Adequacy Resource in an amount above the resource's Resource Adequacy Capacity, Net Qualifying Capacity as used in this Section 43.7.1 shall be replaced with an amount equal to the difference between the resource's Net Qualifying Capacity and its Resource Adequacy Capacity. For purposes of this section 43.7.1, the term Net Qualifying Capacity shall mean the ~~M~~megawatt value for a TCPM resource as reflected in the document entitled "Qualifying Capacity Megawatt Values for RA Planning Purposes" (or any successor document) as posted on the CAISO ~~w~~Website, provided that, to the extent a particular resource has a stated monthly value(s), the applicable Net Qualifying Capacity shall be the average of the stated values for the months in which the resource will have a~~n~~ TCPM designation. To the extent a resource does not have a megawatt value reflected in the foregoing document, the ISO shall determine Net Qualifying Capacity of the resource in accordance with the provisions of the ISO Tariff.

For purposes of the TCPM designation, except for TCPM Significant Events and designations under Section 43.4.2 for denials of must-offer waiver requests for FERC Must-Offer Generators, availability shall be calculated as the ratio of: (1) the sum of the Net Qualifying Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the ISO shall be substituted for

Net Qualifying Capacity MW for each hour the resource is not on an ~~A~~authorized Outage, to (2) the product of Net Qualifying Capacity MW and the total hours in the month. For purposes of TCPM designations for TCPM Significant Events and designations under Section 43.4.2 for denials of must-offer waiver requests for FERC Must-Offer Generators, the Availability Factor shall be calculated as the ratio of: (1) the sum of the TCPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the ISO, if less than the TCPM Capacity MW, shall be substituted for TCPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of TCPM Capacity MW and the total hours ~~in the~~ in the month or part of the month for which a unit is designated, whichever is applicable.

For purposes of this ~~s~~Section 43.7.1, an ~~A~~authorized Outage shall be limited to the following: (a) an ISO-approved, planned ~~o~~Outage that exists at the time of TCPM designation and is scheduled to occur during the term of an TCPM designation provided that (i) such ~~o~~Outage is not the result of a prior ~~o~~Outage that was forced or not otherwise scheduled and approved by the ISO, and (ii) such ~~o~~Outage may be rescheduled by the ISO during the term of the TCPM designation period, provided that the term of the ISO-approved ~~o~~Outage and the capacity derate at time of the TCPM designation are not exceeded, or (b) an ISO-~~a~~Approved ~~m~~Maintenance ~~o~~Outage that is scheduled during the TCPM designation period, provided such ~~o~~Outage is not the result of a prior ~~o~~Outage that was forced or not otherwise scheduled and approved by the ISO.

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43.8 Allocation of TCPM Capacity Payment Costs

For each month, the ISO shall allocate the costs of TCPM Capacity Payments made pursuant to Section 43.7.1 as follows:

(1) Annual System TCPM Designations: If the ISO makes TCPM designations under Section 43.3.1, then the ISO will allocate the total costs of TCPM Capacity Payments for such TCPM designations (for the full term of those TCPM designations) pro rata to each deficient SC-RA Entity based on its portion of the aggregate Year-Ahead System Resource Deficiency.

(2) Monthly System TCPM Designations: If the ISO makes TCPM designations under Section 43.3.2, then the ISO will allocate the total costs of TCPM Capacity Payments for such TCPM designations (for the full term of those TCPM designations) pro rata to each deficient SC-RA Entity based on its portion of the aggregate Month-Ahead System Resource Deficiency.

(3) Local TCPM Designations. If the ISO makes local TCPM designations, then the ISO will allocate the total costs of TCPM Capacity Payments for such TCPM designations (for the full term of those TCPM designations) pro rata to each Scheduling Coordinator for a deficient RA Entity based on the ratio of its Local Resource Adequacy Requirement Deficiency to the sum of the Local Resource Adequacy Requirement Deficiencies within a TAC Area. To the extent there is a Local Resource Adequacy Requirement Deficiency in two or more Local Capacity Areas that can be satisfied by designating a single unit under the TCPM, the ISO shall allocate the total costs of TCPM Capacity Payments for such TCPM designation (for the full term of the designation) pro rata to each Scheduling Coordinator for an RA Entity that has a Local Resource Adequacy Requirement Deficiency in such Local Capacity Areas based on the ratio of its Local Resource Adequacy Requirement Deficiency to the aggregate Local Resource Adequacy Requirement Deficiency in those Local Capacity Areas.

(4) Collective Local Capacity Shortfalls. If the ISO makes designations under Section 43.2.1.4 the ISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs in the TAC Area(s) in which the deficient Local Capacity Area was located. The allocation will be based on such Scheduling Coordinators' proportionate share of Load in such TAC Area(s) as determined in accordance with Section 40.3.2 of Appendix CC, excluding Scheduling Coordinators for LSEs that procured additional capacity in accordance with Section 43.2.1.4.1 on a proportionate basis, to the extent of their additional procurement.

(5) TCPM Significant Event Designations. If the ISO makes any TCPM Significant Event designations under Section 43.4.1, the ISO shall allocate the costs of such designations

to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the TCPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria based on the percentage of actual MWh Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total MWh Load in the TAC Area(s) as recorded in the ISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

(6) FERC Must-Offer Generator Waiver Denial Designations. If the ISO makes a TCPM designation under Section 43.4.2 as a result of a denial of a must-offer waiver request for a FERC Must-Offer Generator, the ISO shall determine, for each must-offer waiver denial period during the month or partial month that a resource was designated, whether the must-offer waiver denial issued to the TCPM resource was for (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each month, the ISO shall sum the TCPM Capacity costs resulting from a designation in accordance with Section 43.4.2 and then shall separately classify such costs as either local reliability, zonal and/or Control-Area wide costs based on the number of hours that the resource operated under a must-offer waiver denial to meet local reliability requirements, zonal requirements, or Control-Area wide requirements, respectively during the month in which the resource was designated divided by the total number of hours the unit operated under a must-offer waiver denial during the month in which the resource was designated.

(1) TCPM Capacity costs classified as local reliability costs shall be allocated in accordance with Section 40.6B.5(1).

(2) TCPM Capacity costs classified as zonal costs shall be allocated in accordance with Section 40.6B.5(2).

(3) TCPM Capacity costs classified as Control-Area wide costs shall be allocated in accordance with Section 40.6B(3).

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ISO TARIFF APPENDIX A

Master Definitions Supplement

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~~**Must-Offer Capacity Payment**~~	~~The payment made in accordance with Section 40.14 of this ISO Tariff.~~

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ISO TARIFF APPENDIX F
Schedule 6

TCPM SCHEDULES

Monthly TCPM Charge

The Monthly TCPM Charge shall be calculated by multiplying the monthly shaping factors by the target annual capacity price ($77.89~~86~~/kW-yr).

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