



## Capacity Procurement Mechanism Risk of Retirement – Draft Tariff Language

### 43A.2.6 Capacity At Risk Of Retirement Needed For Reliability

The CAISO will have the authority to designate CPM Capacity to keep a resource in operation that is at risk of retirement during the current RA Compliance Year or the calendar year following the current RA Compliance Year and is needed to maintain reliability as discussed below.

(a) Any resource owner can apply for a risk of retirement CPM designation under this Section consistent with the requirements below, but Capacity cannot be both CPM Capacity and Resource Adequacy Capacity at the same time.

(b) The CAISO will provide two windows annually for resource owners to request a risk of retirement CPM designation. To be considered for a CPM risk of retirement designation in a given window, a resource owner must submit a request by the deadline specified in the BPM for Reliability Requirements for that window. The deadline for the first window will be no earlier than April 15 and no later than June 30 of each calendar year, and the deadline for the second window will be after the deadline for LSEs to submit their annual Resource Adequacy Plans to the CAISO. The CAISO will post the names of the resources requesting risk of retirement CPM designations after the close of each window.

(1) In the first window, the CAISO will consider two types of risk of retirement CPM designation requests: first, a request by a resource for a CPM risk of retirement designation during the current RA Compliance Year (referred to as a Type 1 Risk of Retirement CPM Designation); and second, a request by a resource for a risk of retirement CPM designation during the calendar year following the current RA Compliance Year (referred to as a Type 2 Risk of Retirement CPM Designation). A resource owner can seek both a Type 1 and a Type 2 designation in the same request, if applicable.

(2) In the second window, the CAISO will consider requests for a CPM risk-of-retirement designation for the upcoming RA Compliance Year, i.e., the RA Compliance Year for which the recently submitted annual Resource Adequacy Plans apply (referred to as a Type 3 Risk of Retirement CPM Designation).

**Commented [A1]:** Where is the language that requires resources that seek but do not receive a CPM RoR designation to submit a plan to retire within 60 days?

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**Commented [A2]:** In other locations this term is capitalized, should it be capitalized here?

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**Commented [A3]:** Suggest using consistent language instead of Compliance Year and Calendar Year interchangeably.



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- (c) Prior to issuing a risk of retirement CPM designation, the CAISO will prepare a report that explains the basis and need for the risk of retirement CPM designation and its intent to make such designation. The report will not identify the need for specific resources that the CAISO is not proposing to grant a risk of retirement CPM designation and will not specify the offer price of any resource for which the CAISO proposes to grant a risk of retirement CPM designation. The CAISO will post the report on the CAISO's Website and allow an opportunity of no less than seven (7) days for stakeholders to review and submit comments on proposed Type 1 and Type 3 designations in a report and no less than 14 days for stakeholders to review and submit comments on a proposed Type 2 designation in a report. For Type 2 Risk of Retirement CPM Designations, the CAISO will issue a report no sooner than 30 days after the close of the applicable window. For Type 1 Risk of Retirement CPM Designations, the CAISO will allow an LSE no less than thirty (30) days from the applicable comment date to procure Capacity from the resource. For Type 2 and Type 3 Risk of Retirement CPM Designations, the CAISO will allow the LSE until the latter of 14 days after the CAISO issues the report contemplated in this section or 14 days after the CAISO issues any notice of a deficiency in an Annual Resource Adequacy Plan under Section 40.7 to procure Capacity from the resource. If an LSE does not, within the specified period, procure sufficient RA Capacity to keep the resource in operation during the term of the risk of retirement CPM designation, the CAISO may issue the risk of retirement CPM designation reflected in the report provided that all applicable requirements set forth herein have been satisfied and all other available procurement measures have failed to procure the resources needed for reliable operation. The CAISO will not issue CPM designations in order to circumvent existing procurement mechanisms that could adequately resolve reliability needs.
- (e) The CAISO may issue a Type 1 Risk of Retirement CPM Designation if all of the following requirements are met:
- (1) The resource is not contracted as RA Capacity or listed as RA Capacity in any LSE's annual Resource Adequacy Plan during the current RA Compliance Year, and CAISO technical assessments project that the resource will be needed for reliability purposes.

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either for its locational or operational characteristics, by the end of the calendar year following the current RA Compliance Year:

(2) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the current RA Compliance Year that resulted in a CPM designation for the resource in the current RA Compliance Year;

**Commented [A4]:** Suggest removing "an". Not sure what collective in a single LSE's plan.

(3) The CAISO does not project any new alternative solutions to be in operation by the start of the next RA Compliance Year that will meet the identified reliability need;

(4) The resource owner submitted the following information to the CAISO and DMM in its request for a risk of retirement CPM designation: an offer price consistent with Section 43A.2.6(g) and an affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to remain in service in the current RA Compliance Year, and that the decision to retire is definite unless CPM or some other type of CAISO procurement of the resource occurs, the resource is sold to a non-affiliated entity, or the resource enters into an RA contract for the remainder of the current RA Compliance Year. Failure to provide this information will result in the CAISO rejecting the request and not issuing the report contemplated in Section 43A.2.6(c). If a resource owner fails to make these showings in a request for a Type 1 Risk of Retirement CPM Designation, the CAISO will not study the need for the resource in the window.

(f) The CAISO may issue a Type 2 or Type 3 Risk of Retirement CPM Designation if all of the requirements specified below are met. In addition, Type 2 Risk of Retirement CPM Designations require satisfaction of the requirements in Section 43A.2.6 (f).

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(1) The resource is not contracted as RA Capacity or listed as RA Capacity in any LSE's annual Resource Adequacy Plan for the RA Compliance Year in which the resource will be CPM, and CAISO technical assessments project that the resource will be needed for reliability purposes, either for its locational or operational characteristics, by the end of

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the calendar year following the RA Compliance Year in which the resource would be CPM;

(2) The resource owner submitted the following information to the CAISO and DMM in its request for a risk of retirement CPM designation: an offer price consistent with Section 43A.2.6(g) and an affidavit of an executive officer of the company who has the legal authority to bind such entity, with the supporting financial information and documentation discussed in the BPM for Reliability Requirements, that attests that it will be uneconomic for the resource to remain in service in the next RA Compliance Year, and that the decision to retire is definite unless an annual CPM or some other type of annual CAISO procurement occurs, the resource is sold to a non-affiliated entity, or the resource enters into an annual RA contract for the next RA Compliance Year; provided that if the CAISO denies a request for a Type 2 designation on the grounds that the resource was not the sole resource that applied for a Type 2 designation that could meet the CAISO-identified reliability need, the resource may request a Type 3 designation in the next request window. Failure to provide this information will result in the CAISO rejecting the request and not issuing the report contemplated in Section 43A.2.6(c). If a resource owner fails to make these showings in its request for a Type 2 or 3 Risk of Retirement CPM designation, the CAISO will not study the need for the resource in the window.

(3) The CAISO does not project any new alternative solution to be in operation by the start of the RA Compliance Year following the RA Compliance Year in which the resource will be CPM that will meet the identified reliability need; and

(4) The CAISO did not identify any deficiency, individual or collective, in an LSE's annual Resource Adequacy Plan for the upcoming RA Compliance Year that resulted in an annual CPM designation for the resource.

(g) In addition to the requirements of Section 43A.2.6 the requirements below must be satisfied for the CAISO to issue a Type 2 Risk of Retirement CPM designation to a resource:

**Commented [A5]:** Denying a resource designation in the April window could result in cheaper resources retiring. April and November window applicants should be considered together.

**Commented [A6]:** What are the implications if the denied Type 2 resources decide not to apply within the Type 3 resource window?

**Commented [A7]:** How can the CAISO comply with this for Type 2 resources if the upcoming RA compliance isn't completed unto October 31?

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(1) By the deadline specified in the business practice manual and after the date for the submission of Annual Resource Adequacy Plans to the CAISO, the resource owner submitted an affidavit of an executive officer of the company who has the legal authority to bind such entity that ~~an~~ contains an attestation that the resource owner made a reasonable effort to participate in all applicable resource adequacy competitive solicitations, requests for offers, or similar procurement mechanisms conducted by load serving entities for the upcoming RA Compliance Year; and

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(2) The resource is uniquely situated in that it is the only resource that can meet the identified reliability need.

(h) The price paid to a resource receiving a CPM risk of retirement designation will be a resource-specific –cost-based price, based on net plant investment at the time the CPM designation commences, calculated based on the formula set forth in Section 43A.4.1.1.1, and as determined by FERC as prudent, just, and reasonable. The resource owner must follow the process set forth in Section 43A.4.1.1.1 and obtain from FERC a resource-specific, cost-based price. A resource owner may not propose to FERC – and will not be compensated for any risk-of-retirement CPM designation based upon – a price higher than the offer price it submitted to the CAISO with its request for a risk of retirement CPM designation. Prior to the determination by FERC of the resource-specific price for CPM capacity designated under this Section, and paid pursuant to Sections 43A.4.1.1.1 and 43A.7.1 the CAISO will proceed as follows: For the period between the CAISO's designation and FERC's determination of the resource-specific, cost-based price, the CAISO will utilize the offer price the resource submitted with its request for a risk-of-retirement CPM designation for purposes of calculating monthly CPM payment for financial Settlement. This amount shall be subject to refund based on the outcome of the FERC proceeding for months in which the CAISO paid the offer price to the resource. Once approved by FERC, the CAISO will apply the resource-specific price determined by FERC.

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(i) If there are multiple resources that can meet the reliability need identified by the CAISO, but the CAISO does not need all of the resources, the CAISO will determine which resource receives a

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risk of retirement CPM designation by using the offer price the resource owner submitted with its request for a risk of retirement CM designation and applying the criteria in Sections 43A.4.2.2 and

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

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



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

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### 43A.3.7 Term - Capacity At Risk Of Retirement Needed For Reliability

~~A Type 1 Risk-of-Retirement CPM designation will have a term for the balance of the Resource Adequacy Compliance Year in which it occurs commencing after the last month for which the resource is a Resource Adequacy Resource. Type 2 and Type 3 Risk-of-Retirement CPM designations will have a term of 12 months unless the resource is a Resource Adequacy Resource for part of the year, in which case the term will be for the balance of the year in which it occurs commencing after the last month for which the resource is a Resource Adequacy Resource. A CPM designation for Capacity at risk of retirement under Section 43A.2.6 shall have a minimum commitment term of one (1) month and a maximum commitment term of one (1) year, based on the number of months for which the capacity is to be procured within the current RA Compliance Year. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year. The CAISO shall rescind the CPM designation for any month during which the resource is under contract with an LSE to provide RA Capacity.~~

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**Commented [A10]:** Should this be changed to reflect the first day of the month for which the designation begins? If not, the resource that goes without an RA contract for a period of time before seeking a CPM designation might consider the designation to be retroactive.



**43A.4.2.2 Minimizing the Overall Cost of Meeting the Reliability Need**

Once the CAISO has identified the pool of resources that can meet the designation criteria, the CAISO shall then designate Eligible Capacity from that pool of resources in order to minimize the overall cost of meeting the designation criteria. Aside from considering the respective offer prices from the Eligible Capacity, as part of this cost minimization the CAISO also may consider: the quantity of a resource's available Eligible Capacity, based on a resource's PMin, relative to the remaining amount of capacity needed; and the quantity of a resource's available Eligible Capacity, based on outages and substitute daily RA Capacity.

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For a potential Exceptional Dispatch CPM, the CAISO also shall consider the overall costs to the CAISO of issuing the Exceptional Dispatch to RA Capacity rather than to Eligible Capacity. If the CAISO determines it would minimize overall costs to issue the Exceptional Dispatch to RA Capacity, then the CAISO shall issue the Exceptional Dispatch to RA Capacity and not designate Eligible Capacity as CPM Capacity to meet the designation criteria.

If capacity would receive a CPM designation based on the cost minimization criteria but the resource from which the capacity would be provided faces use limitations such that the capacity, in the CAISO's reasonable discretion, poses the risk of being unavailable to fully meet the reliability need creating the CPM event, then the CAISO may, at its reasonable discretion and giving due regard for meeting cost minimization considerations, not grant that capacity a CPM designation and instead grant the designation to the next-best capacity at meeting the CAISO cost minimization process defined in this Section 43A.4.2.2. In exercising this discretion, the CAISO shall not unduly discriminate against resources with use limitations.

Additionally, if capacity would receive a CPM designation based on the cost minimization criteria but the resource from which the capacity would be provided is already going to be RA Capacity at some point during the CPM designation period and, in the CAISO's reasonable discretion, poses the risk of the capacity being unavailable fully to meet the reliability need creating the need for a CPM designation, then the CAISO may, at its reasonable discretion and giving due regard for meeting cost minimization





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considerations, not grant that capacity a CPM designation and instead grant the designation to the next-best capacity at meeting the CAISO cost minimization process defined in this Section 43A.4.2.2.

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### 43A.4.2.3 Additional Permissible Considerations

In ~~either~~ the Annual CSP, ~~or~~ Monthly CSP, or for a Type 1, Type 2, or Type 3 Risk-of-Retirement CMP designation, if two or more offers would meet the cost minimization criteria identified in Section 43A.4.2.2 equally, then the CAISO shall grant the designation in its discretion based on criteria A and B, below. In the Intra-monthly CSP, if two or more offers are within 10% of each other in terms of total cost to designate the capacity, then the CAISO shall grant the designation in its discretion based on criteria A and B, below.

Criterion A - Relative effectiveness of the resources in meeting local and/or zonal constraints or other ISO system needs.

Criterion B - Relative operating characteristics of the resources, including dispatchability, ramp rate, and load-following capability.

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### 43A.5.1 Availability Obligations.

CPM Capacity shall be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed under Section 40.6 or Section 40.10.6 as applicable to Resource Adequacy Resources identified in Resource Adequacy Plans and Flexible RA Capacity resources identified in Resource Flexible RA Capacity Plans. In accordance with those requirements, Risk-of-Retirement CPM Capacity designated under Section 43A.2.6 shall meet the Day-Ahead Availability requirements specified in Section 40.6.1, the Real-Time Availability requirements of Section 40.6.2, and the Day-Ahead and Real-Time Availability requirements specified under Section 40.10.6.1 for the highest



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[Flexible Capacity Category for which the Capacity qualifies under Section 40.10.3.](#) CPM Capacity designated under the CPM shall meet the Day-Ahead availability requirements specified in Section 40.6.1 and the Real-Time availability requirements of Section 40.6.2, and Flexible Capacity CPM shall meet the Day-Ahead and Real-Time availability requirements specified in Section 40.10.6.1. Also in accordance with those requirements, Generating Units designated under the CPM that meet the definition of Short Start Units shall have the obligation to meet the additional availability requirements of Section 40.6.3, and Generating Units designated under the CPM that meet the definition of Long Start Units will have the rights and obligations specified in Section 40.6.7.1.

If the CAISO has not received an Economic Bid or a Self-Schedule for CPM Capacity, the CAISO shall utilize a Generated Bid in accordance with the procedures specified in Section 40.6.8. In addition to Energy Bids, resources designated under the CPM shall submit Ancillary Service Bids for their CPM Capacity to the extent that the resource is certified to provide the Ancillary Service.

### **43A.5.2 Obligation To Provide Capacity And Termination**

The decision to accept a designation as CPM Capacity shall be voluntary for the Scheduling Coordinator for any resource: [provided, however, that if the CAISO grants a resource's request for a Risk-of-Retirement CPM designation under Section 43A.2.6, the resource must accept the designation unless it becomes a Resource Adequacy Resource for the same term as the CPM designation or a longer period.](#)

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



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Participating Generator Agreement, or Participating Load Agreement, and the Scheduling Coordinator for the resource agrees to provide service under the CPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, as applicable, with the CAISO.

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### **43A.8.7 Allocation of CPM Costs For Resources At Risk of Retirement**

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

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### **43A.9 Crediting Of CPM Capacity**

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

- (a) To the extent the cost of CPM designation under Section 43A.2.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.1, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards (1) the LSE's Local Capacity Area Resource obligation under Section 40.3.2 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.1.1 and (2) the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM



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Capacity designated under Section 43A.2.1.1.

- (b) To the extent the cost of CAISO designation under Section 43A.2.2 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.3, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.2.
- (c) To the extent the cost of CPM designation under Section 43A.2.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.4, and the designation is for greater than one month under Section 43A.3.4, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.3.
- (d) To the extent the cost of a CPM designation under Section 43A.2.6 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.7, and the designation is for greater than one month under Section 43A.3.7, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Demand and Reserve Margin requirements, Local Capacity Resource Requirements if the resource is located in a Local Capacity Area, and Flexible RA Capacity requirements, all as determined under Section 40, in an amount equal to the LSE's pro rata share of the CPM Capacity designated under Section 43A.2.6. Credit will be rescinded for any month during the CPM designation in which the resource is a Resource Adequacy Resource.
- (e) The credit provided in this Section shall be used for determining the need for the additional designation of CPM Capacity under Section 43A.2 and for allocation of CPM costs under Section 43A.8.

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- (f) For each Scheduling Coordinator that is provided credit pursuant to this Section, the CAISO shall provide information, including the quantity of capacity procured in MW, necessary to allow the CPUC, other Local Regulatory Authority, or federal agency with jurisdiction over the LSE on whose behalf the credit was provided to determine whether the LSE should receive credit toward its resource adequacy requirements adopted by such agencies or authorities.
- (g) To the extent the cost of Flexible Capacity CPM designation under Section 43A.2.7 is allocated to a Scheduling Coordinator for an LSE under Section 43A.8.8, and the designation is for greater than one month under Section 43A.3.8, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE's Flexible Capacity requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the Flexible Capacity CPM designated under Section 43A.2.7.