

## ARTICLE V – RESOURCE ADEQUACY

### 40 RESOURCE ADEQUACY DEMONSTRATION FOR ALL SCHEDULING COORDINATORS BIDDING AND SCHEDULING DEMAND IN THE CAISO BALANCING AUTHORITY AREA.

#### 40.1 Applicability.

A Load Serving Entity, and its Scheduling Coordinator, shall be exempt from this Section 40 during the next Resource Adequacy Compliance Year, if the metered peak Demand of the Load Serving Entity did not exceed one (1) MW during the twelve months preceding the last date on which the Load Serving Entity can make the election in Section 40.1.1 for the next Resource Adequacy Compliance Year. This Section 40 shall apply to all other Load Serving Entities and their respective Scheduling Coordinators. For purposes of Section 40, a Load Serving Entity shall not include any entity satisfying the terms of California Public Utilities Code Section 380(j)(3).

#### 40.1.1 Election of Load Serving Entity Status.

On an annual basis, in the manner and schedule set forth in the Business Practice Manual, the Scheduling Coordinator for a Load Serving Entity, not exempt under Section 40.1, shall inform the CAISO whether each such LSE elects to be either: (i) a Reserve Sharing LSE or (ii) a Modified Reserve Sharing LSE. A Scheduling Coordinator for a Load following MSS is not required to make an election under this Section. Scheduling Coordinators for Load following MSSs are subject solely to Sections 40.2.4, 40.3, and with respect to their Local Capacity Area Resources identified in accordance with Section 40.2.4, Section 40.9.

The CAISO may confirm with the CPUC, Local Regulatory Authority, or federal agency, as applicable, the accuracy of the election by the Scheduling Coordinator for any LSE under its respective jurisdiction, or, in the absence of any election by the Scheduling Coordinator, the desired election for any LSE under its jurisdiction. The determination of the CPUC, Local Regulatory Authority, or federal agency will be deemed binding by the CAISO on the Scheduling Coordinator and the LSE. If the Scheduling Coordinator and CPUC, Local Regulatory Authority, or federal agency, as appropriate, fail to make the election on behalf of an LSE in accordance with the Business Practice Manual, the LSE shall be deemed a Reserve Sharing LSE.

**40.2 Information Requirements Regarding Resource Adequacy Programs.**

**40.2.1 Reserve Sharing LSEs.**

**40.2.1.1 Requirements for CPUC Load Serving Entities Electing Reserve Sharing LSE Status.**

- (a) The Scheduling Coordinator for a CPUC Load Serving Entity electing Reserve Sharing LSE status must provide the CAISO with all information or data to be provided to the CAISO as required by the CPUC and pursuant to the schedule adopted by the CPUC.
- (b) Where the information or data provided to the CAISO under Section 40.2.1.1(a) does not include Reserve Margin(s), then the provisions of Section 40.2.2.1(b) shall apply.
- (c) Where the information or data provided to the CAISO under Section 40.2.1.1(a) does not include criteria for determining qualifying resource types and their Qualifying Capacity, then the provisions of Section 40.8 shall apply.
- (d) Where the information or data provided to the CAISO under Section 40.2.1.1(a) does not include annual and monthly Demand Forecast requirements, then the provisions of Section 40.2.2.3 shall apply.
- (e) Where the information or data provided to the CAISO under Section 40.2.1.1(a) does not include annual and monthly Resource Adequacy Plan requirements, then Section 40.2.2.4 shall apply.

**40.2.2 Requirements for Non-CPUC Load Serving Entities Electing Reserve Sharing LSE Status, Including Default Provisions for CPUC Load Serving Entities.**

**40.2.2.1 Reserve Margin.**

- (a) The Scheduling Coordinator for a Non-CPUC Load Serving Entity electing Reserve Sharing LSE status must provide the CAISO with the Reserve Margin(s) adopted by the appropriate Local Regulatory Authority or federal agency for use in the annual Resource Adequacy Plan and monthly Resource Adequacy Plans listed as a percentage of the Demand Forecasts developed in accordance with Section 40.2.2.3.
- (b) For the Scheduling Coordinator for a Non-CPUC Load Serving Entity for which the appropriate Local Regulatory Authority or federal agency has not established a Reserve Margin(s) or a CPUC Load Serving Entity subject to Section 40.2.1.1(b) that has elected Reserve Sharing LSE status, the Reserve Margin for each month shall be no less than fifteen percent (15%) of the LSE's peak hourly Demand for the applicable month, as determined by the Demand Forecasts developed in accordance with Section 40.2.2.3.

**40.2.2.2 Qualifying Capacity Criteria.**

The Scheduling Coordinator for a Non-CPUC Load Serving Entity electing Reserve Sharing LSE status must provide the CAISO with a description of the criteria adopted by the Local Regulatory Authority or federal agency for determining qualifying resource types and the Qualifying Capacity from such resources and any modifications thereto as they are implemented from time to time. The Reserve Sharing LSE may elect to utilize the criteria set forth in Section 40.8.

**40.2.2.3 Demand Forecasts.**

The Scheduling Coordinator for a Non-CPUC Load Serving Entity or CPUC Load Serving Entity subject to Section 40.2.1.1(b) electing Reserve Sharing LSE status must provide annual and monthly Demand Forecasts on the schedule and in the reporting format(s) set forth in the Business Practice Manual. The annual and monthly Demand Forecasts shall utilize the annual and monthly coincident peak Demand determinations provided by the California Energy Commission for such Load Serving Entity, which will be calculated from the Demand Forecast information submitted to the California Energy Commission by each Reserve Sharing LSE; or (ii) if the California Energy Commission does not produce coincident peak Demand Forecasts for the Load Serving Entity, the annual and monthly coincident peak Demand Forecasts produced by the CAISO for such Load Serving Entity in accordance with its Business Practice Manual. Scheduling Coordinators must provide data and information, as may be requested by the CAISO, necessary to develop or support the Demand Forecasts required by this Section.

**40.2.2.4 Annual and Monthly Resource Adequacy Plans.**

The Scheduling Coordinator for a Non-CPUC Load Serving Entity or a CPUC Load Serving Entity subject to Section 40.2.1.1(b) electing Reserve Sharing LSE status must provide annual and monthly Resource Adequacy Plans for such Load Serving Entity, on a schedule and in the reporting format(s) set forth in the Business Practice Manual. The annual Resource Adequacy Plan must, at a minimum, set forth the Local Capacity Area Resources, if any, procured by the Load Serving Entity as described in Section 40.3. The monthly Resource Adequacy Plan should identify all resources, including Local Capacity Area Resources, the Load Serving Entity will rely upon to satisfy the applicable month's peak hour Demand of the Load Serving Entity as determined by the Demand Forecasts developed in accordance with Section 40.2.2.3 and applicable Reserve Margin. Resource Adequacy Plans must utilize the Net Qualifying Capacity requirements of Section 40.4.

**40.2.3 Modified Reserve Sharing LSEs.**

**40.2.3.1 Reserve Margin.**

- (a) The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must provide the CAISO with the Reserve Margin(s) adopted by the CPUC, Local Regulatory Authority, or federal agency, as appropriate, for use in the annual Resource Adequacy Plan and monthly Resource Adequacy Plans listed as a percentage of the Demand Forecasts developed in accordance with Section 40.2.3.3.
- (b) For the Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status for which the CPUC, Local Regulatory Authority, or federal agency, as appropriate, has not established a Reserve Margin, the Reserve Margin shall be no less than fifteen percent (15%) of the applicable month's peak hour Demand of the Load Serving Entity, as determined by the Demand Forecasts developed in accordance with Section 40.2.3.3.

**40.2.3.2 Qualifying Capacity.**

The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must provide the CAISO with a description of the criteria for determining qualifying resource types and the Qualifying Capacity from such resources and any modifications thereto as they are implemented from time to time. The Modified Reserve Sharing LSE may elect to utilize the criteria set forth in Section 40.8.

**40.2.3.3 Demand Forecasts.**

- (a) The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must provide annual and monthly Demand Forecasts on the schedule and in the reporting format(s) set forth in the Business Practice Manual. The annual and monthly Demand Forecasts shall utilize the annual and monthly coincident peak Demand determinations provided by the California Energy Commission for such Load Serving Entity, which will be calculated from Demand

Forecast data submitted to the California Energy Commission by each Modified Reserve Sharing LSE; or (ii) if the California Energy Commission does not produce coincident peak Demand Forecasts for the Load Serving Entity, the annual and monthly coincident peak Demand Forecasts produced by the CAISO for such Load Serving Entity in accordance with its Business Practice Manual. Scheduling Coordinators must provide data and information, as may be requested by the CAISO, to develop or support the Demand Forecast required by this Section 40.2.3.3(b).

- (b) The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must submit, on the schedule and in the reporting format set forth in the Business Practice Manual, hourly Demand Forecasts for each Trading Hour of the next Trading Day for each Modified Reserve Sharing LSE represented. The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must provide data or supporting information, as requested by the CAISO, for the Demand Forecasts required by this Section 40.2.3.3(b) for each Modified Reserve Sharing LSE served by the Scheduling Coordinator and a description of the criteria upon which the Demand Forecast was developed, and any modifications thereto as they are implemented from time to time.

#### **40.2.3.4 Annual and Monthly Resource Adequacy Plans.**

The Scheduling Coordinator for a Load Serving Entity electing Modified Reserve Sharing LSE status must provide annual and monthly Resource Adequacy Plans, on a schedule and in the reporting format(s) set forth in the Business Practice Manual, for each Modified Reserve Sharing LSE served by the Scheduling

Coordinator. The annual Resource Adequacy Plan must, at a minimum, set forth the Local Capacity Area Resources, if any, procured by the Modified Reserve Sharing LSE as described in Section 40.3. The monthly Resource Adequacy Plan must identify the resources the Modified Reserve Sharing LSE will rely upon to satisfy its forecasted monthly Demand and Reserve Margin as set forth in Section 40.2.3.1, for the relevant reporting period and must utilize the Net Qualifying Capacity requirements of Section 40.4.

#### **40.2.4 Load Following MSS.**

A Scheduling Coordinator for a Load following MSS must provide an annual Resource Adequacy Plan that sets forth, at a minimum, the Local Capacity Area Resources, if any, procured by the Load following MSS as described in Section 40.3. The annual Resource Adequacy Plan shall utilize the annual coincident peak Demand determination provided by the California Energy Commission for such Load following MSS using Demand Forecast data submitted to the California Energy Commission by the Load following MSS, or, if the California Energy Commission does not produce coincident peak Demand Forecasts for the Load following MSS, the annual coincident peak Demand Forecast produced by the CAISO for such Load following MSS in accordance with its Business Practice Manual using Demand Forecast data submitted to the CAISO by the Load following MSS. *The Local Capacity Area Resources identified by the annual Resource Adequacy Plan submitted by the Load following MSS shall be subject to the Availability Standards, Non-Availability Charge, and Availability Incentive Payment specified in Section 40.9.*

#### **40.3 Local Capacity Area Resource Requirements Applicable to Scheduling Coordinators for All Load Serving Entities.**

##### **40.3.1 Local Capacity Technical Study.**

On an annual basis, pursuant to the schedule set forth in the Business Practice Manual, the CAISO will, perform, and publish on the CAISO Website the Local Capacity Technical Study. The Local Capacity Technical Study shall identify Local Capacity Areas, determine the minimum amount of Local Capacity Area Resources in MW that must be available to the CAISO within each identified Local Capacity Area, and identify the Generating Units within each identified Local Capacity Area. The CAISO shall

collaborate with the CPUC, Local Regulatory Authorities within the CAISO Balancing Authority Area, federal agencies, and Market Participants to ensure that the Local Capacity Technical Study is performed in accordance with this Section 40.3 and to establish for inclusion in the Business Practice Manual other parameters and assumptions applicable to the Local Capacity Technical Study and a schedule that provides for: (i) reasonable time for review of a draft Local Capacity Technical Study, (ii) reasonable time for Participating TOs to propose operating solutions, and (iii) release of the final Local Capacity Technical Study no later than 120 days prior to the date annual Resource Adequacy Plans must be submitted under this Section 40.

**40.3.1.1 Local Capacity Technical Study Criteria.**

The Local Capacity Technical Study will determine the minimum amount of Local Capacity Area Resources needed to address the Contingencies identified in Section 40.3.1.2. In performing the Local Capacity Technical Study, the CAISO will apply those methods for resolving Contingencies considered appropriate for the performance level that corresponds to a particular studied Contingency, as provided in NERC Reliability Standards TPL-001-0, TPL-002-0, TPL-003-0, and TPL-004-0, as augmented by CAISO Reliability Criteria in accordance with the Transmission Control Agreement and Section 24.2.1. The CAISO Reliability Criteria shall include:

- (1) Time Allowed for Manual Readjustment: This is the amount of time required for the Operator to take all actions necessary to prepare the system for the next Contingency. This time should not be less than thirty (30) minutes.
- (2) No voltage collapse or dynamic instability shall be allowed for a Contingency in Category D – extreme event (any B1-4 system readjusted (Common Mode) L-2), as listed in Section 40.3.1.2.



**40.3.1.2 Local Capacity Technical Study Contingencies.**

The Local Capacity Technical Study shall assess the following Contingencies:

<b>Contingency Component(s)</b>
<b>NERC/WECC Performance Level A – No Contingencies</b>
<b><u>NERC/WECC Performance Level B – Loss of a single element</u></b>
1. Generator (G-1) 2. Transmission Circuit (L-1) 3. Transformer (T-1) 4. Single Pole (dc) Line 5. G-1 system readjusted L-1
<b><u>NERC/WECC Performance Level C – Loss of two or more elements</u></b>
3. L-1 system readjusted G-1 3. G-1 system readjusted T-1 or T-1 system readjusted G-1 3. L-1 system readjusted T-1 or T-1 system readjusted L-1 3. G-1 system readjusted G-1 3. L-1 system readjusted L-1 4. Bipolar (dc) Line 5. Two circuits (Common Mode) L-2 9. SLG fault (stuck breaker or protection failure) for Bus section WECC-S3. Two generators (Common Mode) G-2
<b><u>D – Extreme event – loss of two or more elements</u></b>
Any B1-4 system readjusted (Common Mode) L-2 All other extreme combinations D1-14.

**[NOT USED]**

**40.3.2 Allocation of Local Capacity Area Resource Obligations.**

The CAISO will allocate responsibility for Local Capacity Area Resources to Scheduling Coordinators for Load Serving Entities in the following sequential manner:

- (a) The responsibility for the aggregate Local Capacity Area Resources required for all Local Capacity Areas within each TAC Area as determined by the Local Capacity Technical Study will be allocated to all Scheduling Coordinators for Load Serving Entities that serve Load in the TAC Area in accordance with the Load Serving Entity's proportionate share of the LSE's TAC Area Load at the time of the CAISO's annual coincident peak Demand set forth in the annual peak Demand Forecast for the next Resource Adequacy Compliance Year as determined by the California Energy Commission. Expressed as a formula, the allocation of Local Area Capacity Resource obligations will be as follows:  $(\sum \text{Local Capacity Area MW in TAC Area from the Local Capacity Technical Study}) * (\text{LSE Demand in TAC Area at CAISO annual coincident peak Demand}) / (\text{Total TAC Area Demand at the time of CAISO annual coincident peak Demand})$ . This will result in a MW responsibility for each Load Serving Entity for each TAC Area in which the LSE serves Load. The LSE may meet its MW responsibility, as assigned under this Section, for each TAC Area in which the LSE serves Load by procurement of that MW quantity in any Local Capacity Area in the TAC Area.
- (b) For Scheduling Coordinators for Non-CPUC Load Serving Entities, the Local Capacity Area Resource obligation will be allocated based on Section 40.3.2(a) above.

- (c) For Scheduling Coordinators for CPUC Load Serving Entities, the CAISO will allocate the Local Capacity Area Resource obligation based on an allocation methodology, if any, adopted by the CPUC. However, if the allocation methodology adopted by the CPUC does not fully allocate the total sum of each CPUC Load Serving Entity's proportionate share calculated under Section 40.3.2(a), the CAISO will allocate the difference to all Scheduling Coordinators for CPUC Load Serving Entities in accordance with their proportionate share calculated under 40.3.2(a). If the CPUC does not adopt an allocation methodology, the CAISO will allocate Local Capacity Area Resources to Scheduling Coordinators for CPUC Load Serving Entities based on Section 40.3.2(a).

Once the CAISO has allocated the total responsibility for Local Capacity Area Resources, the CAISO will inform the Scheduling Coordinator for each LSE of the LSE's specific allocated responsibility for Local Capacity Area Resources in each TAC Area in which the LSE serves Load.

**40.3.3 Procurement of Local Capacity Area Resource Obligations by Load Serving Entities.**

Nothing in this Section 40 obligates any Scheduling Coordinator to demonstrate on behalf of a Load Serving Entity that the Load Serving Entity has procured Local Capacity Area Resources to satisfy capacity requirements for each Local Capacity Area identified in the technical study. Scheduling Coordinators for Load Serving Entities may aggregate responsibilities for procurement of Local Capacity Area Resources. If a Load Serving Entity has procured Local Capacity Area Resources that satisfy generation capacity requirements for Local Capacity Areas, the Scheduling Coordinator for such Load Serving Entity shall include this information in its annual and monthly Resource Adequacy Plan(s).

**40.3.4 [NOT USED]**

**[NOT USED]**

**40.4            General Requirements on Resource Adequacy Resources.**

**40.4.1 Designation of Eligible Resources and Determination of Qualifying Capacity.**

The CAISO shall use the criteria provided by the CPUC or Local Regulatory Authority to determine and verify, if necessary, the Qualifying Capacity of all Resource Adequacy Resources; however, to the extent a resource is listed by one or more Scheduling Coordinators in their Resource Adequacy Plans, which apply the criteria of more than one Local Regulatory Authority that leads to conflicting Qualifying Capacity values for that resource, the CAISO will accept the methodology that results in the highest Qualifying Capacity value. Only if the CPUC, Local Regulatory Authority, or federal agency has not established any Qualifying Capacity criteria, or chooses to rely on the criteria in this CAISO Tariff, will the provisions of Section 40.8 apply.

**40.4.2 Net Qualifying Capacity Report.**

The CAISO shall produce an annual report posted to the CAISO Website on the schedule set forth in the Business Practice Manual that sets forth the Net Qualifying Capacity of all Participating Generators. All other Resource Adequacy Resources may be included in the annual report under Section 40.4.2 upon their request. The Net Qualifying Capacity of any resource included in the annual report, once posted to the CAISO Website, shall not be reduced by the CAISO for the next Resource Adequacy Compliance Year. Any change proposed to be made to a Net Qualifying Capacity value for a resource included in a prior annual report shall be explained, and any test results or analyses underlying the change provided, to the Scheduling Coordinator within ten (10) days of the CAISO's determination that a change to the resource's Net Qualifying Capacity is appropriate, which also must be at least fifteen (15) days prior to the posting on the CAISO Website of the annual report. Any disputes as to the CAISO's determination regarding Net Qualifying Capacity shall be subject to the CAISO ADR Procedures.



**40.4.3 General Qualifications for Supplying Net Qualifying Capacity.**

Resource Adequacy Resources included in a Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity serving Load in the CAISO Balancing Authority Area must:

- (1) Be available for testing by the CAISO to validate Qualifying Capacity, which can be no less than a resource's PMin even if the resource's contractual Resource Adequacy Capacity is less than its PMin, and determine Net Qualifying Capacity for the next Resource Adequacy Compliance Year;
- (2) Provide any information requested by the CAISO to apply the performance criteria to be adopted by the CAISO pursuant to Section 40.4.5;
- (3) Submit Bids into the CAISO Markets as required by this CAISO Tariff;
- (4) Be in compliance, as of the date that the CAISO performs any testing or otherwise determines Net Qualifying Capacity for the next Resource Adequacy Compliance Year, with the criteria for Qualifying Capacity established by the CPUC, relevant Local Regulatory Authority, or federal agency and provided to the CAISO; and
- (5) Be subject to Sanctions for non-performance as specified in the CAISO Tariff; and
- (6) For a resource with contractual Resource Adequacy Capacity less than PMin, make the PMin available to the CAISO for commitment or dispatch at PMin, subject to Section 11.8 provisions for Bid Cost Recovery, so that the resource's Resource Adequacy Capacity can be utilized as required by this CAISO Tariff.

**40.4.4 Reductions for Testing.**

In accordance with the procedures specified in the Business Practice Manual, the Generating Unit of a Participating Generator or other Generating Units, System Units or Loads of Participating Loads included in a Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity can have its Qualifying Capacity reduced, for purposes of the Net Qualifying Capacity annual report under Section 40.4.2 for the next Resource Adequacy Compliance Year, if a CAISO testing program determines that it is not capable of supplying the full Qualifying Capacity amount.

**40.4.5 Reductions for Performance Criteria.**

No later than 12 months after the effective date of this Section 40, the CAISO will issue a report outlining a proposal with respect to performance criteria for Resource Adequacy Resources. The CAISO will collaborate with the CPUC and other Local Regulatory Authorities to develop the performance criteria to be submitted to FERC. The Scheduling Coordinator for a Resource Adequacy Resource shall provide or make available to the CAISO, subject to the confidentiality provisions of this CAISO Tariff, all documentation requested by the CAISO to determine, develop or implement the performance criteria, including, but not limited to, NERC Generating Availability Data System data.

**40.4.6 Reductions for Deliverability.**

**40.4.6.1 Deliverability Within the CAISO Balancing Authority Area.**

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable.

**40.4.6.2 Deliverability of Imports.**

**40.4.6.2.1 Available Import Capability Assignment Process.**

For Resource Adequacy Plans covering any period after December 31, 2007, total Available Import Capability will be assigned on an annual basis for a one-year term to Load Serving Entities serving Load in the CAISO Balancing Authority Area and other Market Participants through their respective Scheduling Coordinators, as described by the following sequence of steps. However, should the CPUC modify by decision its compliance period from January to December of the calendar year to May through April of the calendar year, the CAISO shall extend the effectiveness of the assignment for Resource Adequacy Compliance Year 2008 through April 2009.

Step 1: Determination of Maximum Import Capability on Interties into the CAISO Balancing Authority Area: The CAISO shall establish the Maximum Import Capability for each Intertie into the CAISO Balancing Authority Area, and will post those values on the CAISO Website in accordance with the schedule and process set forth in the Business Practice Manual.

Step 2: Determination of Available Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by Out-of- Balancing Authority Area LSEs: For each Intertie, the Available Import Capability will be determined by subtracting from the Maximum Import Capability established in Step 1 for each Intertie the import capability on each Intertie associated with (i) Existing Contracts and (ii) Transmission Ownership Rights held by load serving entities that do not serve Load within the CAISO Balancing Authority Area. The remaining sum of all Intertie Available Import Capability is the Total Import Capability. Total Import Capability shall be used to determine the Load Share Quantity for each Load Serving Entity that serves Load within the CAISO Balancing Authority Area.

Step 3: Determination of Existing Contract Import Capability by Accounting for Existing Contracts and Transmission Ownership Rights Held by CAISO Balancing Authority Area LSEs: From the Available Import Capability remaining on each Intertie after Step 2 above, Existing Contracts and Transmission Ownership Rights held by Load Serving Entities that serve Load within the CAISO Balancing Authority Area shall be reserved for the holders of such commitments and will not be subject to reduction under any subsequent steps in this Section. The import capability reserved pursuant to this Step 3 is the Existing Contract Import Capability.

Step 4: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area Pre-RA Import Commitment Capability on a particular Intertie based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the Intertie selected by the Load Serving Entity during the Resource Adequacy Compliance Year 2007 import capability assignment process, which was required to be based on the Intertie upon which the Energy or capacity from the Pre-RA Import Commitment had been primarily scheduled or, for a Pre-RA Import Commitment without a scheduling history at the time of the Resource Adequacy Compliance Year 2007 import capability assignment process, the primary Intertie upon which the Energy or capacity was anticipated to be scheduled. To the extent a Pre-RA Import Commitment was not presented during the Resource Adequacy Compliance Year 2007 import capability assignment process, the Load Serving Entity shall select the Intertie upon which the Pre-RA Import Commitment is primarily anticipated to be scheduled during the term of the Pre-RA Import Commitment and that

selection shall be utilized in future annual Available Import Capability assignment processes. If a Pre-RA Import Commitment submitted on behalf of a LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the LSE holds Existing Contract Import Capability, the Pre-RA Import Commitment will be assumed to deliver over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with Pre-RA Import Commitments due to either Pre-RA Import Commitments not included in the Resource Adequacy Compliance Year 2007 import capability assignment process or changes in system conditions that decrease the Maximum Import Capability of the Intertie, such that the MW represented in all Pre-RA Import Commitments utilizing the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3, the Pre-RA Import Commitments will be assigned Pre-RA Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting Pre-RA Import Commitments on the particular Intertie. To the extent this initial assignment of Pre-RA Import Commitment Capability has not fully assigned the Available Import Capability of the particular over requested Intertie, the remaining Available Import Capability on the over requested Intertie will be assigned until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted Pre-RA Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4 is the Pre-RA Import Commitment Capability.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability and Pre-RA Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. Only the MW quantity of any Pre-RA Import Commitment Capability assigned to Existing Contract Import Capability under Step 4 that exceeds the Existing Contract Import Capability on the particular Intertie will be counted for purposes of this Step 5. This Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step based on each Load Serving Entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific Intertie.

Step 6: CAISO Posting of Assigned and Unassigned Capability: Following the completion of Step 5, the CAISO will post to the CAISO Website, in accordance with the schedule set forth in the Business Practice Manual the following information:

- (a) The Total Import Capability;
- (b) The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned to each Intertie, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the CAISO Balancing Authority Area and those held by load serving entities outside the CAISO Balancing Authority Area;
- (c) The aggregate quantity in MW, and identity of the holders, of Pre-RA Import Commitments assigned to each Intertie; and

- (d) The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the Interties with Available Import Capability, and the MW quantity of Available Import Capability on each such Intertie.

Step 7: CAISO Notification of LSE Assignment Information: Following the completion of Step 5, in accordance with the schedule set forth in the Business Practice Manual, the CAISO will notify the Scheduling Coordinator for each Load Serving Entity of:

- (a) The Load Serving Entity's Import Capability Load Share;
- (b) The Load Serving Entity's Load Share Quantity; and
- (c) The amount of, and Intertie on which, the Load Serving Entity's Existing Contract Import Capability and Pre-RA Import Commitment Capability, as applicable, has been assigned; and
- (d) The Load Serving Entity's Remaining Import Capability.

Step 8: Transfer of Import Capability: In accordance with the schedule set forth in the Business Practice Manual, a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Load Serving Entity or Market Participant. The CAISO will accept transfers among LSEs and Market Participants only to the extent such transfers are reported to the CAISO, in accordance with the schedule set forth in the Business Practice Manual and through the CAISO's Import Capability Transfer Registration Process, by the entity receiving the Remaining Import Capability who must set forth (1) the name of the counter-parties, (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to the CAISO Website by August 8, 2007 for Resource Adequacy Compliance Year 2008 and for subsequent Resource Adequacy Compliance Years in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability received under this Step 8.



Step 9: Initial Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie: In accordance with the schedule set forth in the Business Practice Manual, the Scheduling Coordinator for each Load Serving Entity or Market Participant shall notify the CAISO of its request to assign its post-trading Remaining Import Capability on a MW basis per available Intertie. Total requests for assignment of Remaining Import Capability by a Scheduling Coordinator cannot exceed the sum of the post-traded Remaining Import Capability of its Load Serving Entities. The CAISO will honor the requests to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests for Remaining Import Capability on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio in the same manner as set forth in Step 4. A Market Participant without an Import Capability Load Share will be assigned the Import Capability Load Share equal to the average Import Capability Load Share of those Load Serving Entities from which it received transfers of Remaining Import Capability.

Step 10: CAISO Notification of Initial Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

- (a) Notify the Scheduling Coordinator for each Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted request(s) for assigning Remaining Import Capability under Step 9; and
- (b) Publish on the CAISO Website aggregate unassigned Available Import Capability, if any, the identity of the Interties with unassigned Available Import Capability, and the MW quantity of Available Import Capability, on each such Intertie.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie: To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities or Market Participants shall notify the CAISO of their requests to assign any remaining Remaining Import Capability on a MW per available Intertie basis. The CAISO will honor the requests to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests on that Intertie will be assigned based on each Load Serving Entity or Market Participant's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

- (a) Notify the Scheduling Coordinator for each Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted request(s) for assigning Remaining Import Capability under Step 11; and
- (b) Publish on the CAISO Website unassigned aggregate Available Import Capability, if any, the identity of the Interties with Available Remaining Import Capability, and the MW quantity of Availability Import Capability on each such Intertie.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities or Market Participants may notify the CAISO at any time, except as limited herein, of a request for unassigned Available Import Capability on a specific Intertie on a per MW basis. Each request must include the identity of Load Serving Entity or Market Participant on whose behalf the request is made. The CAISO will accept only two (2) requests per calendar week from any

Scheduling Coordinator on behalf of a single Load Serving Entity or other Market Participant. The CAISO will honor requests in priority of the time requests from Scheduling Coordinators were received until the Intertie is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the Resource Adequacy Compliance Year; however, any notification by the CAISO of acceptance of the request in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the acceptance.

The CAISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the CAISO and, within seven (7) days of receipt of the request, whether the request was honored. If honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned Available Import Capability. If the request is not honored because the Intertie requested was fully assigned, the request will be deemed rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned Available Import Capability on a different Intertie. The CAISO will update on its website the list of unassigned Available Import Capability by Intertie in accordance with the schedule set forth in the Business Practice Manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can be credited towards satisfying the Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the CAISO, Scheduling Coordinators must provide the CAISO with information on Pre-RA Import Commitments and any transfers or sales of assigned Total Import Capability.

**40.4.6.2.2 Bilateral Import Capability Transfers and Registration Process.**

**40.4.6.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers.**

To be eligible to engage in any bilateral assignment, sale, or other transfer of Remaining Import Capability under Step 8 of Section 40.4.6.2.1 or Section 40.4.6.2.2.2 or Existing Contract Import Capability, and Pre-RA Import Commitment Capability under Section 40.6.2.2.2, a Load Serving Entity or other Market Participant must provide the CAISO through the Import Capability Transfer Registration Process the following information:

- (a) Name of the Load Serving Entity or Market Participant
- (b) E-mail contact information

The CAISO will post to the CAISO Website the information received under this Section on a monthly basis in accordance with the schedule set forth in the Business Practice Manual. Any assignment, sale, or other transfer of Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability may only be made by or to a Load Serving Entity or Market Participant whose information received under this Section has been posted to the CAISO Website prior to the date of the assignment, sale, or other transfer of the Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability. It shall be the exclusive responsibility of the Scheduling Coordinator for the Load Serving Entity or Market Participant to ensure that the information posted to the CAISO Website under this Section is accurate and up to date.

**40.4.6.2.2.2 Reporting Process for Bilateral Import Capability Transfers.**

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability other than that provided for in Step 8 of Section 40.4.6.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability in MW increments. The import capability subject to each transfer shall remain on the Intertie assigned pursuant to Section 40.4.6.2.1.

The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability must report the transfer to the CAISO through the CAISO's Import Capability Transfer Registration Process by providing the following information:

- (a) Identity of the counter-party(ies);
- (b) The MW quantity;
- (c) The Intertie on which the Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability was assigned;
- (d) Term of the transfer;
- (e) Price on a per MW basis; and
- (f) Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, or Remaining Import Capability.

The CAISO will promptly post to the CAISO Website the information on transfers received under this Section except for the information received pursuant to subpart (f) of this Section. On a quarterly basis, the CAISO shall also report to FERC the transfer information received under this Section and Step 8 of Section 40.4.6.2.1. Transfer information received in accordance with this Section after the 20<sup>th</sup> calendar day of any month shall not be permitted to be included in the Load Serving Entity's Resource Adequacy Plan submitted in the same month as the transfer submission.

**40.4.6.2.2.3 Other Import Capability Information Postings.**

The CAISO will post to the CAISO Website on a monthly basis in accordance with the schedule set forth in the Business Practice Manual, for each Intertie, the holder and that holder's quantity in MW of import capability assigned on the particular Intertie as of the reporting date.

The CAISO will also post to the CAISO Website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each Intertie, by a "yes" or "no"

designation, whether each holder of import capability assigned on the particular Intertie has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

**40.4.7 Submission of Supply Plans.**

**40.4.7.1 Schedule for Submission of Supply Plans.**

Scheduling Coordinators representing Resource Adequacy Resources supplying Resource Adequacy Capacity shall provide the CAISO with annual and monthly Supply Plans, on the schedule set forth in the Business Practice Manual verifying their agreement to provide Resource Adequacy Capacity during the next Resource Adequacy Compliance Year or relevant month, as applicable.

**40.4.7.2 Form of Supply Plans.**

The Supply Plan must be in the form of the template provided on the CAISO Website, which shall include an affirmative representation by the Scheduling Coordinator submitting the Supply Plan that the CAISO is entitled to rely on the accuracy of the information provided in the Supply Plan to perform those functions set forth in this Section 40.

**40.4.7.3 Validation of Supply Plans.**

The CAISO shall be entitled to take reasonable measures to validate the accuracy of the information submitted in Supply Plans under this Section. Supply Plan validation measures may include the following:

- (a) The CAISO may compare a Resource Adequacy Resource's Resource Adequacy Capacity against the Resource Adequacy Resource's Net Qualifying Capacity, if applicable. To the extent the Resource Adequacy Capacity of a Resource Adequacy Resource included in a Supply Plan is greater than the Resource Adequacy Resource's Net Qualifying Capacity, the CAISO will notify the respective Scheduling Coordinators for the Resource Adequacy Resource and each Load Serving Entity that has included the Resource Adequacy Resource in its Resource Adequacy Plan that the Resource Adequacy Capacity from the Resource Adequacy Resource shall be reduced to the Resource Adequacy Resource's Net Qualifying Capacity and that it will be considered a mismatch under Section 40.7. If the CAISO is not advised as to how the reduction in Resource Adequacy Capacity to conform with the Resource Adequacy Resource's Net Qualifying Capacity shall be allocated among each Load Serving Entity that included the Resource Adequacy Resource on its Resource Adequacy Plan, the CAISO will apply a pro rata reduction based on the Supply Plan.
- (b) Other errors or inaccuracies identified by the CAISO in a Supply Plan shall be treated as a mismatch under Section 40.7.

Disputes regarding the CAISO's determination of Net Qualifying Capacity shall be subject to Section 40.5.2. The provisions of this Section shall not affect a Resource Adequacy Resource's Net Qualifying Capacity posted by the CAISO under Section 40.5.2.

**40.5 Requirements Applicable to Modified Reserve Sharing LSEs Only.**

**40.5.1 Day Ahead Scheduling and Bidding Requirements.**

- (1) Scheduling Coordinators on behalf of Modified Reserve Sharing LSEs serving Load within the CAISO Balancing Authority Area for whom they submit Demand Bids shall submit into the IFM ~~Bids or Self-Schedules for Demand equal to one hundred percent (100%) and for Supply~~ equal to ~~one hundred and fifteen percent (115%)~~ of the hourly Demand Forecasts for each Modified Reserve Sharing LSE it represents for each Trading Hour for the next Trading Day. Subject to Section 40.5.5, the resources included in a Self-Schedule or a Bid in each Trading Hour to satisfy ~~one hundred and fifteen percent (115%)~~ of the Modified Reserve Sharing LSE's hourly Demand Forecasts will be deemed Resource Adequacy Resources and (a) shall be ~~comprised of~~ those resources listed in the Modified Reserve Sharing LSE's monthly Resource Adequacy Plan and (b) shall include all Local Capacity Area Resources listed in the Modified Reserve Sharing LSE's annual Resource Adequacy Plan, if any, except to the extent the Local Capacity Area Resources, if any, are unavailable due to any Outages or reductions in capacity reported to the CAISO in accordance with this CAISO Tariff.



- (i) *Local Capacity Area Resources physically capable of operating must submit: (a) Economic Bids for Energy and/or Self-Schedules for all their Resource Adequacy Capacity and (b) Economic Bids for Ancillary Services and/or a Submission to Self-Provide Ancillary Services for all of their Resource Adequacy Capacity that is certified to provide Ancillary Services. For Local Resource Adequacy Capacity that is certified to provide Ancillary Services and is not covered by a Submission to Self-Provide Ancillary Services, the resource must submit Economic Bids for each Ancillary Service for which the resource is certified. For Resource Adequacy Capacity subject to this requirement for which no Economic Energy Bid or Self-Schedule has been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8. For Resource Adequacy Capacity subject to this requirement for which no Economic Bids for Ancillary Services or Submissions to Self-Provide Ancillary Services have been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8 for each Ancillary Service the resource is certified to provide.* However, to the extent the Generating Unit providing Local Capacity Area Resource capacity constitutes a Use-Limited Resource under Section 40.6.4, the provisions of Section 40.6.4 will apply.
- (ii) Resource Adequacy Resource must participate in the RUC to the extent that the resource has *available Resource Adequacy Capacity that was offered into the IFM and is not reflected in an IFM Schedule.* Resource Adequacy *Capacity participating in RUC* will be *optimized using zero dollar (\$0/MW-hour)* RUC Availability Bid.

(iii) Capacity from Resource Adequacy Resources selected in RUC will not be eligible to receive a RUC Availability Payment.

(iv) *Through the IFM co-optimization process, the CAISO will utilize available Local Capacity Area Resource Adequacy Capacity to provide Energy or Ancillary Services in the most efficient manner to clear the Energy market, manage congestion and procure required Ancillary Services. In so doing the IFM will honor submitted Energy Self-Schedules of the Local Capacity Area Resource Adequacy Capacity of the Modified Reserve Sharing LSE unless the CAISO is unable to satisfy one hundred percent (100%) of the Ancillary Services requirements. In such cases the CAISO may curtail all or a portion of a submitted Energy Self-Schedule to allow Ancillary Service-certified Local Capacity Area Resource Adequacy Capacity to be used to meet the Ancillary Service requirements. The CAISO will not curtail for the purpose of meeting Ancillary Service requirements a Self-Schedule of a resource internal to a Metered Subsystem that was submitted by the Scheduling Coordinator for that Metered Subsystem. If the IFM reduces the Energy Self-Schedule of Resource Adequacy Capacity to provide an Ancillary Service, the Ancillary Service Marginal Price for that Ancillary Service will be calculated in accordance with Section 27.1.2 using the Ancillary Service Bids submitted by the Scheduling Coordinator for the Resource Adequacy Resource or inserted by the CAISO pursuant to this Section 40.5.1, and using the resource's Generated Energy Bid to determine the Resource Adequacy Resource's opportunity cost of Energy. If the Scheduling Coordinator for the Modified Reserve Sharing LSE's Resource Adequacy Resource believes that the opportunity cost of*

*Energy based on the Resource Adequacy Resource's Generated Energy Bid is insufficient to compensate for the resource's actual opportunity cost, the Scheduling Coordinator may submit evidence justifying the increased amount to the CAISO and to the FERC no later than seven (7) days after the end of the month in which the submitted Energy Self-Schedule was reduced by the CAISO to provide an Ancillary Service. The CAISO will treat such information as confidential and will apply the procedures in Section 20.4 of this CAISO Tariff with regard to requests for disclosure of such information. The CAISO shall pay the higher opportunity costs after those amounts have been approved by FERC.*

- (2) Resource Adequacy Resources of Modified Reserve Sharing LSEs that do not clear in the IFM or are not committed in RUC shall have no further offer

requirements in HASP or Real-Time, except under System Emergencies as provided in this CAISO Tariff.

- (3) Resource Adequacy Resources committed by the CAISO must maintain that commitment through Real-Time. In the event of a Forced Outage on a Resource Adequacy Resource committed in the Day-Ahead Market to provide Energy, the Scheduling Coordinator for the Modified Reserve Sharing LSE will have up to the next HASP bidding opportunity, plus one hour, to replace the lesser of: (i) the committed resource suffering the Forced Outage, (ii) the quantity of Energy committed in the Day-Ahead Market, or (iii) **one hundred and seven percent (107%)** of the hourly forecast Demand.

#### **40.5.2 Demand Forecast Accuracy.**

On a monthly basis, the CAISO will review Meter Data to evaluate the accuracy or quality of the hourly Day-Ahead Demand Forecasts submitted by the Scheduling Coordinator on behalf of Modified Reserve Sharing LSEs. If the CAISO determines, based on its review, that one or more Demand Forecasts materially under-forecasts the Demand of the Modified Reserve Sharing LSEs for whom the Scheduling Coordinator schedules, after accounting for weather adjustments, the CAISO will notify the Scheduling Coordinator of the deficiency and will cooperate with the Scheduling Coordinator and Modified Reserve Sharing LSE(s) to revise its Demand Forecast protocols or criteria. If the material deficiency affects ten (10) hourly Demand Forecasts over a minimum of two (2) non-consecutive Business Days within a month, the CAISO may: (i) inform State of California authorities including, but not necessarily limited to the California Legislature, and identify the Modified Reserve Sharing LSE(s) represented by the Scheduling Coordinator and (ii) assign to the Scheduling Coordinator responsibility for all tier 1 RUC charges as specified in Section 11.8.6.5 to address the uncertainty caused by the Scheduling Coordinator's deficient hourly Demand Forecasts until the deficiency is addressed.

**40.5.3 Requirement to Make Resources Available During System Emergencies.**

Scheduling Coordinators for Modified Reserve Sharing LSEs that are MSS Operators shall make resources available to the CAISO during a System Emergency in accordance with the provisions of their Metered Subsystem Agreement. Scheduling Coordinators for all other Modified Reserve Sharing LSEs

shall make available to the CAISO upon a warning or emergency notice of an actual or imminent System Emergency all resources that have not submitted a Self-Schedule or Economic Bid in the IFM that were listed in the Modified Reserve Sharing LSE's monthly Resource Adequacy Plan that are physically capable of operating without violation of any applicable law.

**40.5.4 Consequence of Failure to Meet Scheduling Obligation.**

- (1) If the Scheduling Coordinator for the Modified Reserve Sharing LSE fails to submit a Self-Schedule or submit Bids equal to 115% of its hourly Demand Forecasts for each Trading Hour for the next Trading Day in the IFM and RUC, the Scheduling Coordinator will be charged a capacity surcharge of three times the price of the relevant Day-Ahead Hourly LAP LMP in the amount of the shortfall. To the extent the Scheduling Coordinator for the Modified Reserve Sharing LSE schedules imports on one or more Scheduling Points in an aggregate megawatt amount greater than its aggregate import deliverability allocation under Section 40.4.6.2, the quantity of megawatts in excess of its import deliverability allocation will not count toward satisfying the Modified Reserve Sharing LSE's scheduling obligation, unless it clears the Day-Ahead Market.
- (2) If the Scheduling Coordinator for the Modified Reserve Sharing LSE cannot fulfill its obligations under Section 40.5.1(3), the Scheduling Coordinator for the Modified Reserve Sharing LSE will be charged a capacity surcharge of two times the average of the six (6) Settlement Interval LAP prices for the hour in the amount of the shortfall. Energy scheduled in the HASP will not net against, or be used as a credit to correct, any failure to fulfill the Day-Ahead IFM hourly scheduling and RUC obligation in Section 40.5.1(1).
- (3) Any Energy surcharge received by the CAISO pursuant to this Section 40.5.4 shall be allocated to Scheduling Coordinators representing other Load Serving

Entities in proportion to each such Scheduling Coordinator's Measured Demand during the relevant Trading Hour(s) to the aggregate CAISO Measured Demand during the relevant Trading Hour(s).

**40.5.5 Substitution of Resources.**

Subject to the provisions of this Section 40.5, the Scheduling Coordinator for a Modified Reserve Sharing LSE may substitute for its Resource Adequacy Resources listed in its monthly Resource Adequacy Plan provided:

- (1) Substitutions must occur no later than the close of the IFM; and
- (2) Resources eligible for substitution are either imports or capacity from non-Resource Adequacy Resources or Resource Adequacy Resources with additional available capacity defined as Net Qualifying Capacity in excess of previously sold Resource Adequacy Capacity; however a Local Capacity Area Resource may be substituted only with capacity from non-Resource Adequacy Resources located in the same Local Capacity Area.

**40.6 Requirements Applicable to Scheduling Coordinators for Reserve Sharing LSEs and Resources Providing Resource Adequacy Capacity to Reserve Sharing LSEs.**

This Section 40.6 does not apply to Resource Adequacy Resources of Load following MSSs and those entities that participate in the Modified Reserve Sharing LSE program under Section 40.5. Scheduling Coordinators supplying Resource Adequacy Capacity shall make the Resource Adequacy Capacity listed in the Scheduling Coordinator's monthly Supply Plans under Section 40.4.7 available to the CAISO each hour of each day of the reporting month in accordance with this Section 40.6.

**40.6.1 Day-Ahead Availability.**

Scheduling Coordinators supplying Resource Adequacy Capacity shall make the Resource Adequacy Capacity, except for that subject to Section 40.6.4, available Day-Ahead to the CAISO as follows:

- (1) Resource Adequacy Resources physically capable of operating must submit: **(a)** Economic Bids **for Energy and/or** Self-Schedules for **all** their Resource Adequacy Capacity **and (b) Economic Bids for Ancillary Services and/or a Submission to Self-Provide Ancillary Services in the IFM for all of their Resource Adequacy Capacity that is certified to provide Ancillary Services. For Resource Adequacy Capacity that is certified to provide Ancillary Services and is not covered by a Submission to Self-Provide Ancillary Services, the resource must submit Economic Bids for each Ancillary Service for which the resource is certified. For Resource Adequacy Capacity subject to this requirement for which no Economic Energy Bid or Self-Schedule has been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8. For Resource Adequacy Capacity subject to this requirement for which no Economic Bids for Ancillary Services or Submissions to Self-Provide Ancillary Services have been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8 for each Ancillary Service the resource is certified to provide.**



- (2) Resource Adequacy Resources that are Extremely Long-Start Resources must make themselves available to the CAISO by complying with the Extremely Long-Start Commitment Process under Section 31.7 or otherwise committing the ELS Resource upon instruction from the CAISO, if physically capable. *Once the ELS Resource is committed by the CAISO, it is subject to the provisions of this Section 40.6.1 regarding Day-Ahead Availability and Section 40.6.2 regarding Real-Time Availability for the Trading Days for which it was committed.*
- (3) Resource Adequacy Resources must be available except for limitations specified in the Master File, legal or regulatory prohibitions or as otherwise required by this CAISO Tariff or by Good Utility Practice.

- (4) *Through the IFM co-optimization process, the CAISO will utilize available Resource Adequacy Capacity to provide Energy or Ancillary Services in the most efficient manner to clear the Energy market, manage congestion and procure required Ancillary Services. In so doing, the IFM will honor submitted Energy Self-Schedules of Resource Adequacy Capacity unless the CAISO is unable to satisfy one hundred percent (100%) of the Ancillary Services requirements. In such cases, the CAISO may curtail all or a portion of a submitted Energy Self-Schedule to allow Ancillary Service-certified Resource Adequacy Capacity to be used to meet the Ancillary Service requirements. The CAISO will not curtail for the purpose of meeting Ancillary Service requirements a Self-Schedule of a resource internal to a Metered Subsystem that was submitted by the Scheduling Coordinator for that Metered Subsystem. If the IFM reduces the Energy Self-Schedule of Resource Adequacy Capacity to provide an Ancillary Service, the Ancillary Service Marginal Price for that Ancillary Service will be calculated in accordance with Section 27.1.2 using the Ancillary Service Bids submitted by the Scheduling Coordinator for the Resource Adequacy Resource or inserted by the CAISO pursuant to this Section 40.6.1, and using the resource's Generated Energy Bid to determine the Resource Adequacy Resource's opportunity cost of Energy. If the Scheduling Coordinator for the Resource Adequacy Resource believes that the opportunity cost of Energy based on the Resource Adequacy Resource's Generated Energy Bid is insufficient to compensate for the resource's actual opportunity cost, the Scheduling Coordinator may submit evidence justifying the increased amount to the CAISO and to the FERC no later than seven (7) days after the end of the month in which the submitted Energy Self-Schedule was reduced by the CAISO to provide an Ancillary Service.*

*The CAISO will treat such information as confidential and will apply the procedures in Section 20.4 of this CAISO Tariff with regard to requests for disclosure of such information. The CAISO shall pay any higher opportunity costs approved by FERC.*

- (5) **A** Resource Adequacy Resources must participate in the RUC to the extent that the resource has available Resource Adequacy Capacity that is not reflected in an *IFM Schedule*. Resource Adequacy *Capacity participating in* RUC will be optimized *using* a zero dollar *(\$0/MW-hour)* RUC Availability Bid.
- (6) Capacity from Resource Adequacy Resources selected in RUC will not be eligible to receive a RUC Availability Payment.

#### **40.6.2 Real-Time Availability.**

Resource Adequacy Resources that *have received an IFM Schedule for Energy or Ancillary Services or a RUC Schedule* for *all or* part of their Resource Adequacy Capacity must remain available to the CAISO through Real-Time *for Trading Hours for which they receive an IFM or RUC schedule*, including *any Resource Adequacy Capacity of such resources that is not included in an IFM Schedule or RUC Schedule, except for Resource Adequacy Capacity that is subject to Section 40.6.4.*

Short Start Units or Long Start Units that are *Resource Adequacy Resources that do not have an IFM Schedule or a RUC Schedule for any of their Resource Adequacy Capacity for a given Trading Hour may be required to be available to the CAISO through Real-Time as specified in Sections 40.6.3 and 40.6.7. Resource Adequacy Resources with Resource Adequacy Capacity that is required to be available to the CAISO through Real-Time and does not have an IFM Schedule or a RUC Schedule for a given Trading Hour must submit to the RTM for that Trading hour: (a) Energy Bids and Self-Schedules for the full amount of the available Resource Adequacy Capacity, including capacity for which it has submitted Ancillary Services Bids or Submissions to Self-Provide Ancillary Services; and (b) Ancillary Services Bids and Submissions to Self-Provide Ancillary Services for the full amount of the available Ancillary Service-certified Resource Adequacy Capacity and*

*for each Ancillary Service for which the resource is certified, including capacity for which it has submitted Energy Bids and Self-Schedules. The CAISO will insert Generated Bids in accordance with Section 40.6.8 for any Resource Adequacy capacity subject to the above requirements for which the resource has failed to submit the appropriate bids to the RTM.*

*The CAISO will honor submitted Energy Self-Schedules of Resource Adequacy Capacity unless the CAISO is unable to satisfy one hundred percent (100%) of its Ancillary Services requirements. In such cases, the CAISO may curtail all or a portion of a submitted Energy Self-Schedule to allow Ancillary Service-certified Resource Adequacy Capacity to be used to meet the Ancillary Service requirements, as long as such curtailment does not lead to a real-time shortfall in energy supply. If the CAISO reduces a submitted Real-Time Energy Self-Schedule for Resource Adequacy Capacity when that capacity is needed to meet an Ancillary Services requirement, the Ancillary Service Marginal Price for that capacity will be calculated in accordance with Sections 27.1.2 and 40.6.1.*

#### 40.6.3 Additional Availability Requirements for Short Start Units.

A Short Start *Unit that is a Resource Adequacy Resource and that does not have an IFM Schedule or a RUC Schedule for any of its capacity for a given Trading Hour is required to participate in the Real Time Market in accordance with Section 40.6.2. Such a resource that is also a Use-Limited Resource subject to Section 40.6.4 is required, consistent with their applicable use plan, to submit Economic Bids or Self Schedules for Resource Adequacy Capacity into the Real Time Market.*

The CAISO may waive these availability obligations for a Short Start Unit that *does not have an IFM Schedule or a RUC Schedule* based on the procedure to be published on the CAISO Website.

#### 40.6.4 Additional Availability Requirements for Use-Limited Resources.

##### 40.6.4.1 Registration of Use-Limited Resources.

*Hydroelectric Generating Units and Participating Load, including Pumping Load, are deemed to be Use-Limited Resources for purposes of this Section 40 and are not required to submit the application*

*described in this Section 40.6.4.1.* Scheduling Coordinators for *other* Use-Limited Resources, must provide the CAISO an application in the form specified on the CAISO Website requesting registration of a specifically identified resource as a Use-Limited Resource. This application shall include specific operating data and supporting documentation including, but not limited to;

- (1) a detailed explanation of why the resource is subject to operating limitations;
- (2) historical data to show attainable MWhs for each 24-hour period during the preceding year, including, as applicable, environmental restrictions for NOx, SOx, or other factors; and
- (3) further data or other information as may be requested by the CAISO to understand the operating characteristics of the unit.

Within five (5) Business Days after receipt of the application, the CAISO will respond to the Scheduling Coordinator as to whether or not the CAISO agrees that the facility is eligible to be a Use-Limited

Resource. If the CAISO determines the facility is not a Use-Limited Resource, the Scheduling Coordinator may challenge that determination in accordance with the CAISO ADR Procedures.

#### **40.6.4.2 Use Plan.**

The Scheduling Coordinator shall provide for the following Resource Adequacy Compliance Year a proposed annual use plan for each Use-Limited Resource that is a Resource Adequacy Resource. The proposed annual use plan will delineate on a month-by-month basis the total MWhs of Generation, total run hours, expected daily supply capability (if greater than four hours) and the daily Energy limit, operating constraints, and the timeframe for each constraint. The CAISO will have an opportunity to discuss the proposed annual use plan with the Scheduling Coordinator and suggest potential revisions to meet reliability needs of the system. The Scheduling Coordinator shall then submit its final annual use plan. Scheduling Coordinators for Use-Limited Resources must submit the proposed and final annual use plans in accordance with the schedule set forth in the Business Practice Manual. The Scheduling Coordinator will be able to update the projections made in the annual use plan in the monthly Resource Adequacy Plans. Hydroelectric Generating Units and Pumping Load will be able to update use plans intra-monthly as necessary to reflect evolving hydrological and meteorological conditions. The annual use plan must reflect the potential operation of the Use-Limited Resource at a level no less than the minimum criteria set forth by the Local Regulatory Authority for qualification of the resource.

#### **40.6.4.3 Bidding Requirements on Use-Limited Resources.**

##### **40.6.4.3.1 Non-Hydro and Dispatchable Use-Limited Resources.**

Use-Limited Resources, other than those subject to the provisions of 40.6.4.3.2, must submit a Supply Bid or Self-Schedule for their Resource Adequacy Capacity in the Day-Ahead Market whenever the Use-Limited Resources are physically capable of operating in accordance with their operating criteria, including environmental or other regulatory requirements. Use-Limited Resources will also provide a daily Energy limit as part of their Day-Ahead Market offer to enable the CAISO to schedule them for the period in which they are capable of providing the Energy. To the extent that the daily Energy limit has been reached through Self-Schedules, no further action will be taken by the CAISO, unless rescheduling of the Energy is necessary for System Reliability. Use-Limited Resources will attempt to reschedule the Energy

in recognition of the System Reliability concern, to the extent that the change is possible without violating a Use-Limited Resource's operating criteria.

**40.6.4.3.2 Hydro and Non-Dispatchable Use-Limited Resources.**

Hydroelectric Generating Units, Pumping Load, and Non-Dispatchable Use-Limited Resources shall submit Self-Schedules or Bids in the Day-Ahead Market for their expected available Energy or their expected as-available Energy, as applicable, in the Day-Ahead Market and HASP. Such resources shall also revise their Self-Schedules or submit additional Bids in HASP based on the most current information available regarding expected Energy deliveries. Hydroelectric Generating Units, Pumping Load, and Non-Dispatchable Use-Limited Resources will not be subject to commitment in the RUC process. The CAISO will retain discretion as to whether a particular resource should be considered a Non-Dispatchable Use-Limited Resource, and this decision will be made in accordance with the provisions of Section 40.6.4.1.

**40.6.4.3.3 Availability of Use-Limited Resources During System Emergencies.**

All Use-Limited Resources remain subject to Section 7.7.2.3 regarding System Emergencies to the extent the Use-Limited Resource is owned or controlled by a Participating Generator.

**40.6.4.3.4 Availability of Intermittent Resources.**

Any Eligible Intermittent Resource that provides Resource Adequacy Capacity may, but is not required to, submit Bids in the Day-Ahead Market.

#### 40.6.5 Additional Availability Requirements for System Resources.

In the IFM, the multi-hour block constraints of a System Resource, other than a System Resource capable of submitting a Dynamic Schedule *or a Resource-Specific System Resource*, are honored in the optimization. *Such a* resource that *is also a* Resource Adequacy Resource must be capable of hourly *scheduling* by the CAISO in RUC if *it is* not fully *scheduled* in the IFM. If *such a Resource Adequacy Resource is scheduled* in the RUC, the *CAISO will schedule the resource in the HASP for each hour of the resource's RUC schedule without regard to the multi-hour block constraint that was submitted to the IFM*. For *an* existing System Resource *that provides Resource Adequacy Capacity through* a call-option that expires prior to the *close* of the IFM, such *a* System Resource listed on a Resource Adequacy Plan must be reported to the CAISO for consideration in the Extremely Long-Start Commitment Process.



**40.6.5.1 Additional Availability Requirements for Dynamic and Non-Dynamic Resource-Specific System Resources.**

A Dynamic or Non-Dynamic Resource-Specific System Resource that supplies Resource Adequacy Capacity, and is not otherwise a Use-Limited Resource under Section 40.6.4, will be subject to the requirements of Sections 40.6.1, 40.6.2 and either Section 40.6.3 as a Short Start Unit or Section 40.6.7 as a Long Start Unit based upon the Dynamic Resource-Specific System Resource's registered physical operating characteristics.

**40.6.5.2 Dynamic Non-Resource-Specific System Resources**

*A Dynamic non-Resource-Specific System Resource that provides Resource Adequacy Capacity will be subject to the provisions of 40.6.1 and 40.6.2.*

**40.6.6 Availability Requirements for Partial Resource Adequacy Resources.**

Only that output of a Partial Resource Adequacy Resource that is designated by a Scheduling Coordinator as Resource Adequacy Capacity in its monthly or annual Supply Plan shall have an availability obligation to the CAISO. Exports being supported by non-Resource Adequacy Capacity from a Partial Resource Adequacy Resource that becomes unavailable or unusable shall be considered as an export of non-Resource Adequacy Capacity based on the pro-rata allocation of derated capacity of the Partial Resource Adequacy Resource as follows:

- (a) Resource Adequacy Capacity – [(Resource Adequacy Capacity/PMax Capacity of Resource Adequacy Resource) x MW Derate or Outage]; or
- (b) [1- (Resource Adequacy Capacity/PMax Capacity of Resource Adequacy Resource)] x De-rated PMax].

**40.6.7 Release of Long Start Units.**

Long Start Units not committed in the Day-Ahead Market will be released from any further obligation to submit Self-Schedules or Bids for the relevant Operating Day. Scheduling Coordinators for Long Start Units are not precluded from self-committing the unit after the Day-Ahead Market and submitting a Self-Schedule for Wheeling-Out in the HASP, unless precluded by terms of their contracts.

#### **40.6.8 Use of Generated Bids.**

Prior to completion of the Day-Ahead Market, the CAISO will determine if Resource Adequacy Capacity *subject to the requirements of Sections 40.5.1 or 40.6.1 and for which the CAISO has not received notification of an Outage* has not been reflected in a Bid and will insert a Generated Bid for *such capacity* into the CAISO Day-Ahead Market. *Prior to running the Real-Time Market, the CAISO will determine if Resource Adequacy Capacity subject to the requirements of Section 40.6.2 and for which the CAISO has not received notification of an Outage has not been reflected in a Bid and will insert a Generated Bid for such capacity into the Real-Time Market.* If a Scheduling Coordinator for an RA Resource submits a partial bid for the resource's RA capacity, the CAISO will insert a Generated Bid only for the remaining RA capacity. In addition, the CAISO will determine if all dispatchable Resource Adequacy Capacity from Short Start Units, not otherwise selected in the IFM or RUC, is reflected in a Bid into the *Real-Time Market* and will insert a Generated Bid for any remaining dispatchable Resource Adequacy Capacity for which the CAISO has not received notification of an Outage. *A Generated Bid for Energy will be calculated as provided in the Business Practice Manuals. A Generated Bid for Ancillary Services will equal zero dollars (\$0/MW-hour).* Notwithstanding any of the provisions of Section 40.6.8 set forth above, the CAISO will not insert any Bid for a Resource Adequacy Resource that is a Use-Limited Resource.

#### **40.6.9 Availability Requirements for Grandfathered Firm Liquidated Damages Contracts.**

Resource Adequacy Capacity represented by a Firm Liquidated Damages Contract and relied upon by a Scheduling Coordinator in a monthly or annual Resource Adequacy Plan shall be submitted as a Self-Schedule or Bid in the Day-Ahead IFM to the extent such scheduling right exists under the Firm Liquidated Damages Contract.

**40.6.10 Exports of Energy from Resource Adequacy Capacity.**

Resource Adequacy Capacity may be utilized to serve an Export Bid. An Export Bid may be submitted into the CAISO Markets and be cleared by the Energy being provided by Resource Adequacy Capacity.

**40.6.11 Curtailment of Exports in Emergency Situations.**

At its sole discretion, the CAISO may curtail exports from Resource Adequacy Capacity to prevent or alleviate a System Emergency. An Export Bid or a Self-Schedule to provide exports included in a binding Schedule accepted in the IFM or HASP will not be distinguished from a Demand Bid or Self-Schedule to serve Load within the CAISO Balancing Authority Area included in a binding Schedule accepted in the IFM or HASP for purposes of curtailment under this Section, except as consistent with Good Utility Practice.

**40.6.12 Participating Loads.**

Participating Loads included in a Resource Adequacy Plan and Supply Plan, if the Scheduling Coordinator for the Participating Loads is not the same as that for the Load Serving Entity, will be dispatched by the CAISO in accordance with the terms and conditions established by the CPUC or the Local Regulatory Authority.

**40.7 Compliance.**

The CAISO will evaluate whether each annual and monthly Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity demonstrates Resource Adequacy Capacity sufficient to satisfy the Load Serving Entity's (i) allocated responsibility for Local Capacity Area Resources under Section 40.3.2 and (ii) applicable Demand and Reserve Margin requirements. If the CAISO determines that a Resource Adequacy Plan does not demonstrate Local Capacity Area Resources sufficient to meet its allocated responsibility under Section 40.3.2, compliance with applicable Demand and Reserve Margin requirements, or compliance with any other resource adequacy requirement in this Section 40 or adopted by the CPUC, Local Regulatory Authority, or federal agency, as applicable, the CAISO will notify the relevant Scheduling Coordinator, CPUC, Local Regulatory Authority, or federal agency with jurisdiction over the relevant Load Serving Entity, or in the case of a mismatch between Resource Adequacy Plan(s) and Supply Plan(s), the relevant Scheduling Coordinators, in an attempt to resolve any deficiency in accordance with the procedures set forth in the Business Practice Manual. The notification will include the reasons the CAISO believes a deficiency exists. If the deficiency relates to the demonstration of Local Capacity Area Resources in a Load Serving Entity's annual Resource Adequacy Plan, and the CAISO does not provide a written notice of resolution of the deficiency as set forth in the Business Practice Manual, the Scheduling Coordinator for the Load Serving Entity may demonstrate that the identified deficiency is cured by submitting a revised annual Resource Adequacy Plan within thirty (30) days of the beginning of the Resource Adequacy Compliance Year. For all other identified

deficiencies, at least ten (10) days prior the effective month of the relevant Resource Adequacy Plan, the Scheduling Coordinator for the Load Serving Entity shall (i) demonstrate that the identified deficiency is cured by submitting a revised Resource Adequacy Plan or (ii) advise the CAISO that the CPUC, Local Regulatory Authority, or federal agency, as appropriate, has determined that no deficiency exists. In the case of a mismatch between Resource Adequacy Plan(s) and Supply Plan(s), if resolved, the relevant Scheduling Coordinator(s) must provide the CAISO with revised Resource Adequacy Plan(s) or Supply Plans, as applicable, at least ten (10) days prior to the effective month. If the CAISO is not advised that the deficiency or mismatch is resolved at least ten (10) days prior to the effective month, the CAISO will use the information contained in the Supply Plan to set the obligations of Resource Adequacy Resources under this Section 40 and/or to assign any costs incurred under this Section 40 and Section 43.

**40.7.1 Other Compliance Issues.**

Scheduling Coordinators representing Generating Units, System Units or System Resources supplying Resource Adequacy Capacity that fail to provide the CAISO with an annual or monthly Supply Plan, as applicable, as set forth in Section 40.7, shall be subject to Section 37.6.1. Further, Scheduling Coordinators representing Generating Units, System Units or System Resources supplying Resource Adequacy Capacity that fail to provide the CAISO with information required for the CAISO to determine Net Qualifying Capacity shall not be eligible for inclusion in the Net Qualifying Capacity annual report under Section 40.4.2 for the next Resource Adequacy Compliance Year and may be subject to Sanctions under Section 37.6.1.

**40.7.2 Penalties for Non-Compliance.**

The failure of a Resource Adequacy Resource or Resource Adequacy Capacity to be available to the CAISO in accordance with the requirements of this Section 40 and the failure to operate a Resource Adequacy Resource by placing it online or in a manner consistent with a submitted Bid or Generated Bid shall be subject to the Sanctions set forth in Section 37.2. However, any failure of the Resource Adequacy Resource to satisfy any obligations prescribed under this Section 40 during a Resource

Adequacy Compliance Year for which Resource Adequacy Capacity has been committed to a Load Serving Entity shall not limit in any way, except as otherwise established under Section 40.4.5 or requirements of the CPUC, Local Regulatory Authority, or federal agency, as applicable, the ability of the Load Serving Entity to whom the Resource Adequacy Capacity has been committed to use such Resource Adequacy Capacity for purposes of satisfying the resource adequacy requirements of the CPUC, Local Regulatory Authority, or federal agency, as applicable. In addition, a Reserve Sharing LSE shall not be subject to any sanctions, penalties, or other compensatory obligations under this Section 40 on account of a Resource Adequacy Resource's satisfaction or failure to satisfy its obligations under this Section 40.

**40.8 CAISO Default Qualifying Capacity Criteria.**

**40.8.1 Applicability.**

The criteria in this Section 40.8 shall apply only: (i) where the CPUC or Local Regulatory Authority has not established and provided to the CAISO criteria to determine the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity for such eligible resource types and (ii) until the CAISO has been notified in writing by the CPUC of its intent to overturn, reject or fundamentally modify the capacity-based framework in CPUC Decisions 04-01-050 (Jan. 10, 2004), 04-10-035 (Oct. 28, 2004), and 05-10-042 (Oct. 31, 2005). The types of resources specified in this Section 40.8.1 will be eligible to provide Qualifying Capacity to the extent they meet the criteria for each type of resource set forth in this Section 40.8.1.

**40.8.1.2 Nuclear and Thermal.**

Nuclear and thermal Generating Units, other than Qualifying Facilities with effective contracts under the Public Utility Regulatory Policies Act addressed in Section 40.8.1.8 below, must be a Participating Generator or a System Unit. The Qualifying Capacity of nuclear and thermal units, other than Qualifying Facilities addressed in Section 40.8.1.8, will be based on net dependable capacity defined by NERC Generating Availability Data System information.

**40.8.1.3 Hydro.**

Hydroelectric Generating Units, other than Qualifying Facilities with contracts under the Public Utility Regulatory Policies Act, must be either Participating Generators or System Units. The Qualifying Capacity of a pond or Pumped-Storage Hydro Unit, other than a QF, will be determined based on net dependable capacity defined by NERC GADS minus variable head derate based on an average dry year reservoir level. The Qualifying Capacity of a pond or Pumped-Storage Hydro Unit that is a QF will be determined based on historic performance during the hours of noon to 6:00 p.m., using a three-year rolling average.

The Qualifying Capacity of all run-of-river hydro units, including Qualifying Facilities, will be based on net dependable capacity defined by NERC GADS minus an average dry year conveyance flow, stream flow, or canal head derate. As used in this section, average dry year reflects a one-in-five year dry hydro scenario (for example, using the 4th driest year from the last 20 years on record).

**40.8.1.4 Unit-Specific Contracts.**

Unit-specific contracts with Participating Generators or System Units will qualify as Resource Adequacy Capacity subject to the verification that the total MW quantity of all contracts from a specific unit do not exceed the total Net Qualifying Capacity (MW) consistent with the Net Qualifying Capacity determination for that unit.

**40.8.1.5 Contracts with Liquidated Damage Provisions.**

Firm Energy contracts with liquidated damages provisions, as generally reflected in Service Schedule C of the Western Systems Power Pool Agreement or the Firm LD product of the Edison Electric Institute pro forma agreement, or any other similar firm Energy contract that does not require the seller to source the Energy from a particular unit, and specifies a delivery point internal to the CAISO Balancing Authority Area entered into before October 27, 2005 shall be eligible to count as Qualifying Capacity until the end of 2008. A Scheduling Coordinator, however, cannot have more than twenty-five percent (25%) of its portfolio of Qualifying Capacity met by contracts with liquidated damage provisions for 2008.

**40.8.1.6 Wind and Solar.**

As used in this Section, wind units are those wind Generating Units without backup sources of Generation and solar units are those solar Generating Units without backup sources of Generation. Wind and solar units, other than Qualifying Facilities with effective contracts under the Public Utility Regulatory Policies Act, must be Participating Intermittent Resources or subject to availability provisions of Section 40.6.4.3.4.

The Qualifying Capacity of all wind or solar units, including Qualifying Facilities, for each month will be based on their monthly historic performance during that same month during the hours of noon to 6:00 p.m., using a three-year rolling average. For wind or solar units with less than three years operating history, all months for which there is no historic performance data will utilize the monthly average production factor of all units (wind or solar, as applicable) within the TAC Area in which the Generating Unit is located.

**40.8.1.7 Geothermal.**

Geothermal Generating Units, other than Qualifying Facilities addressed in Section 40.8.1.8, must be Participating Generators or System Units. The Qualifying Capacity of geothermal units, other than Qualifying Facilities addressed in Section 40.8.1.8, will be based on NERC GADS net dependable capacity minus a derate for steam field degradation.

**40.8.1.8 Treatment of Qualifying Capacity for Qualifying Facilities.**

Qualifying Facilities must be subject to an effective Participating Generator Agreement or QF Participating Generator Agreement or must be System Units, unless they have a PURPA contract. Except for hydro, wind, and solar Qualifying Facilities addressed pursuant to Sections 40.8.1.3 and 40.8.1.6, the Qualifying Capacity of Qualifying Facilities under PURPA contracts, will be based on historic monthly Generation output during the hours of noon to 6:00 p.m. (net of Self-provided Load) during a three-year rolling average.



**40.8.1.9 Participating Loads.**

The Qualifying Capacity of Participating Loads shall be the average reduction in Demand over a three-year period on a per Dispatch basis or, if the Load does not have three years of performance history, based on comparable evaluation data using similar programs. Loads of Participating Loads must be available at least 48 hours, and if the Loads can only be dispatched for a maximum of two hours per event, then only 0.89 percent of a Scheduling Coordinator's portfolio may be made up of such Loads.

**40.8.1.10 Jointly-Owned Facilities.**

A jointly-owned facility must be either a Participating Generator or a System Unit. The Qualifying Capacity for the entire facility will be determined based on the type of resource as described elsewhere in this Section 40.8.1. In addition, the Scheduling Coordinator must provide the CAISO with a demonstration of its entitlement to the output of the jointly-owned facility's Qualified Capacity and an explanation of how that entitlement may change if the facility's output is restricted.

**40.8.1.11 Facilities under Construction.**

The Qualifying Capacity for facilities under construction will be determined based on the type of resource as described elsewhere in this Section 40.8. In addition, the facility must have been in commercial operation for no less than one month to be eligible to be included as a Resource Adequacy Resource in a Scheduling Coordinator's monthly Resource Adequacy Plan.

**40.8.1.12 System Resources.**

**40.8.1.12.1 Dynamic System Resources.**

Dynamic System Resources shall be treated similar to resources within the CAISO Balancing Authority Area, except with respect to the deliverability screen under Section 40.4.6.1. However, eligibility as a Resource Adequacy Resource is contingent upon a showing by the Scheduling Coordinator that the Dynamic System Resource has secured transmission through any intervening Balancing Authority Areas for the Operating Hours that cannot be curtailed for economic reasons or bumped by higher priority transmission and that the Load Serving Entity for which the Scheduling Coordinator is submitting Demand

Bids has an allocation of import capacity at the import Scheduling Point under Section 40.4.6.2 that is not less than the Resource Adequacy Capacity provided by the Dynamic System Resource.

**40.8.1.12.2 Non-Dynamic System Resources.**

For Non-Dynamic System Resources, the Scheduling Coordinator must demonstrate that the Load Serving Entity for which the Scheduling Coordinator is scheduling Demand has an allocation of import capacity at the import Scheduling Point under Section 40.4.6.2 that is not less than the Resource Adequacy Capacity from the Non-Dynamic System Resource. The Scheduling Coordinator must also demonstrate that the Non-Dynamic System Resource is covered by Operating Reserves, unless unit contingent, in the sending Balancing Authority Area. Eligibility as Resource Adequacy Capacity is contingent upon a showing by the Scheduling Coordinator of the System Resource that it has secured transmission through any intervening Balancing Authority Areas for the Operating Hours that cannot be curtailed for economic reasons or bumped by higher priority transmission. With respect to Non-Dynamic System Resources, any inter-temporal constraints, such as multi-hour run blocks, must be explicitly identified in the monthly Resource Adequacy Plan, and no constraints may be imposed beyond those explicitly stated in the plan.

**40.9. Availability Standards, Non-Availability Charges, and Availability Incentive Payments.**

**40.9.1 General.**

Except for the exemptions specified in Section 40.9.2, the CAISO will track the availability of Resource Adequacy Capacity during the Availability Assessment Hours of each month, as specified in Section 40.9.3, in order to determine the amount of Resource Adequacy Capacity that was available to the CAISO. Each non-exempt Resource Adequacy Resource will be subject to the Availability Standards determined in accordance with either Section 40.9.4 or 40.9.7, whichever is applicable, for each month during each Resource Adequacy Compliance Year, starting with the 2010 Resource Adequacy Compliance Year. Scheduling Coordinators for Resource Adequacy Resources will be subject to Non-Availability Charges or Availability Incentive Payments as specified in either Section 40.9.4 or Section 40.9.7, whichever is applicable. MW values or percentages used by the CAISO in this Section 40.9 will be calculated to no less than two decimal places.

**40.9.2 Exemptions.**

The following exemptions apply to the CAISO's Availability Standards program of this Section 40.9:

- (1) Resources with a Pmax less than one (1.0) MW will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9.

- (2) Capacity under a resource specific power supply contract that existed prior to June 28, 2009 and Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval prior to June 28, 2009, and is associated with specific Generating Units or System Resources, will not be subject to Non-Availability Charges or Availability Incentive Payments. Such contracted Resource Adequacy Capacity, except for non Resource-Specific System Resources, will be included in the development of Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. The exemption will apply only for the initial term of the contract and to the MW capacity quantity and Resource Adequacy Resources specified in the contract prior to June 28, 2009. The exemption shall terminate upon the conclusion of the initial contract term. Exempt contracts may be re-assigned or undergo novation on or after June 28, 2009, but the exemption shall not apply for any extended contract term, increased capacity quantity or additional resource(s) beyond those specified in the contract prior to June 28, 2009. Scheduling Coordinators for Resource Adequacy Resources subject to these contracts will be required to certify the start date of the contract, the expiration date, the Resource ID(s), and the amount of Resource Adequacy Capacity associated with each Resource ID included in the contract.

(3) For a contract entered into prior to June 28, 2009 that provides for the amount of Resource Adequacy Capacity to increase during the original term of the contract, based on a ratio of the Resource Adequacy Resource's output or due to an addition of capacity, the exemption provided in subsection (2) of this Section 40.9.2 will apply to the additional capacity allowed under the contract; provided that the capacity increase (i) is expressly contained in the provisions of the contract, (ii) occurs during the primary term of the contract; and (iii) does not result from contract extensions or other amendments to the original terms and conditions of the contract. Scheduling Coordinators for Resource Adequacy Resources subject to contracts that provide for such capacity increases or additions must include in their certification, in addition to the requirements of subsection (2) of this Section 40.9.2, (i) the citation to any contract provisions that might entitle them to increased exempt Resource Adequacy Capacity from the contracted resources during the primary term of the contract; (ii) the amount of additional capacity to which they might be entitled; and (iii) the actual effective date of the capacity increase. If the actual amount of capacity and/or the actual effective date of the capacity increase is not known at the time of the initial certification, the Scheduling Coordinator shall provide a supplemental certification(s) when this information becomes known.

*(4) Demand response resources and resources whose Qualifying Capacity value is determined by historical output from the CPUC or a Local Regulatory Authority that does not adjust the historical output data to correct for the possible double-counting of Outages will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9.*

(5) Resource Adequacy Capacity provided through contracts for Energy from non-specified resources delivered within the CAISO Balancing Authority Area will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9; and

(6) Resource Adequacy Resources of a Modified Reserve Sharing LSE or a Load following MSS will be used to determine the Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. Non-Local Capacity Area Resource Adequacy Resources of a Modified Reserve Sharing LSE or a Load following MSS will not be subject to Non-Availability Charges or Availability Incentive Payments, but those entities shall remain responsible for any other applicable deficiency payments under this CAISO Tariff or the applicable MSS Agreement.

Exclusions from the Availability Standards and Outage reporting requirements established in this Section 40.9 are for this Section 40.9 alone and do not affect any other obligation arising under the CAISO Tariff.

#### **40.9.3 Availability Assessment Hours.**

The CAISO shall establish Availability Assessment Hours applicable for each month of each Resource Adequacy Compliance Year, which shall be applied starting with Resource Adequacy Compliance Year 2010, in order to assess the extent to which each Resource Adequacy Resource has met the Availability Standards of this Section 40.9. The Availability Assessment Hours shall be a pre-defined set of hours in each month corresponding to the operating periods when high demand conditions typically occur and when the availability of Resource Adequacy Capacity is most critical to maintaining system reliability. The Availability Assessment Hours shall be comprised of five consecutive hours of each non-weekend, non-federal holiday day. The five hour period will vary by season as necessary such that, based on historical actual load data, the coincident peak load hour typically falls within the five-hour range each day during the month. The CAISO shall annually determine the five hour range for the Availability Assessment Hours for each month of the next Resource Adequacy Compliance year prior to the start of each Resource Adequacy Compliance Year and shall specify them in the Business Practice Manual.

**40.9.4 Availability Determinations.**

*This Section 40.9.4 addresses availability assessment for all Resource Adequacy Capacity, including the Resource Adequacy Capacity of Resource-Specific System Resources, subject to the Section 40.9 Availability Standards program; however, this Section 40.9.4 does not apply to Resource Adequacy Capacity provided by non-Resource-Specific System Resources which are addressed in Section 40.9.7.*

**40.9.4.1 Availability Standard.**

The CAISO shall calculate and publish the monthly Availability Standards for Resource Adequacy Compliance Year 2010 no later than forty five (45) days after a FERC order approving this section and by July 1 prior to each Resource Adequacy Compliance Year thereafter. For Resource Adequacy Compliance Year 2010, the monthly Availability Standards applicable to Resource Adequacy Resources subject to this Section 40.9.4 will be based on the historical availability of Resource Adequacy Resources during the Availability Assessment Hours of the corresponding months during the period from June 2006 through December 2008. For subsequent years, the monthly Availability Standards will be based on historical availability for the Availability Assessment Hours over the previous three years. Each monthly Availability Standard will be calculated as the sum of the available Resource Adequacy Capacity of the included Resource Adequacy Resources across all the Availability Assessment Hours of the month, divided by the sum of the designated Resource Adequacy Capacity for the same set of hours and resources, and multiplied by 100 to obtain a number between zero (0) and one hundred percent (100%). For the purpose of determining the available Resource Adequacy Capacity in each month, the CAISO will use the Outage information reported in SLIC and, when available, the Outage reports submitted pursuant to Section 40.9.5. To ensure consistency between the calculation of the monthly Availability Standard and the calculation of each resource's monthly availability, the data utilized for both calculations will be in accordance with the provisions of Sections 40.9.4.2. All Resource Adequacy Resources except for the following will be included in the calculation of the Availability Standards:

- (1) Resource Adequacy Resources exempted in Section 40.9.2;
- (2) Non-Resource-Specific System Resources;
- (3) Resources between one (1) MW and ten (10) MW subject to the reporting requirements of Section 40.9.5, until such time that the CAISO has received the outage reports and can begin to utilize the data; and
- (4) Use-Limited Resources for Compliance Year 2010 and 2011.

**40.9.4.2 Availability Calculation for a Resource Adequacy Resource**

The CAISO will calculate the monthly availability for each Resource Adequacy Resource subject to this Section 40.9.4 as the sum of the hourly available Resource Adequacy Capacity of the resource over all Availability Assessment Hours of the month, divided by the sum of the hourly Resource Adequacy Capacity of the resource as designated in the Supply Plan for the resource for those hours, and multiplied by 100 to obtain a number between zero percent (0%) and one hundred percent (100%).

A Resource Adequacy Resource will be determined to be less than one hundred percent (100%) available in a given month if it has any Forced Outages, non-ambient de-rates, or temperature-related ambient de-rates that impact the availability of its designated Resource Adequacy Capacity during the Availability Assessment Hours of that month. If the SC for the Resource Adequacy Resource requests to convert from a Forced Outage to a Maintenance Outage in accordance with Section 9.3.3, the SC must terminate the existing Forced Outage and submit a new request for a Maintenance Outage. In the event the CAISO rejects the request to convert from a Forced Outage to a Maintenance Outage due to reliability criteria, the Outage will not be converted and the Forced Outage will continue. Outages properly submitted for temperature-related ambient derates for a Use Limited Resource will be counted against its availability only until such time as the Use Limited Resource reaches its energy limit constraint, at which time such Outages or derates will no longer count against the availability of the Use Limited Resource for the relevant month.



*The start and end times used in calculating the availability of each resource each month will be the Outage time reported in the SLIC system or through the alternative reporting process of Section 40.9.5 for resources not included in the SLIC system.*

**40.9.4.2.1 Substitute Capacity.**

*A Scheduling Coordinator may substitute capacity that is not Resource Adequacy Capacity for its Resource Adequacy Capacity that is on a Forced Outage or de-rate in order to mitigate the impact of the Forced Outage or de-rate on its availability calculation. Such substitution will be accepted by the CAISO in accordance with the following procedures.*

- (1) For Local Capacity Area Resources. A Scheduling Coordinator providing Resource Adequacy Capacity to satisfy a Local Capacity Area requirement may pre-qualify alternate resources by providing a prequalification request in accordance with the form and schedule specified in the Business Practice Manual. If the alternate resource is located at the same bus as the Resource Adequacy Resource it would replace and has similar operational characteristics, the CAISO will approve the pre-qualification request as a substitute resource for use in the subsequent Resource Adequacy Compliance Year. Additionally, when a Local Capacity Area Resource Adequacy Resource subsequently has a Forced Outage or de-rate, the Scheduling Coordinator may, prior to the close of IFM, request to substitute a non-pre-qualified resource. The CAISO will grant the request if the alternate resource is (i) located at the same bus and meets the CAISO's operational needs, or (ii) if not located at the same bus, is located in the same Local Capacity Area, and which meets the CAISO's effectiveness and operational needs, including size of resource, as determined by the CAISO in its reasonable discretion.

(2) *Non-Local Capacity Area Resources (Resource Adequacy Resources designated to meet system requirements). If a Resource Adequacy Resource that is not also a Local Capacity Area Resource has an outage that would count against its availability, the Scheduling Coordinator for that resource may, prior to the close of the IFM, request to substitute a non-Resource Adequacy Resource to be used in the place of the original resource. A Scheduling Coordinator for a non-Resource Specific System Resource that has an outage that would count against its availability may, prior to the close of the IFM, request to substitute a non-Resource Adequacy Resource that is internal to the CAISO Balancing Area Authority to be used in the place of the original resource. The CAISO shall approve the request if the substitute resource provides the same MW quantity of deliverable capacity as the original Resource Adequacy Resource.*

**40.9.4.2.2 Accounting for De-Rates.**

*In accounting for a de-rate of a unit that has not committed one hundred percent (100%) of its Net Qualified Capacity in its Monthly Supply Plan, the CAISO will follow the following principles:*

- (1) *Any de-rate will be applied first to any non Resource Adequacy Capacity of the resource;*  
*and*
- (2) *Any de-rate to Resource Adequacy Capacity will be applied pro-rata to any contract capacity exempt under Section 40.9.2(2) and any non-exempt Resource Adequacy Capacity commitment from that resource.*

**40.9.5 Outage Reporting.**

*Scheduling Coordinators for Generating Units or Resource-Specific System Resources that are also Resource Adequacy Resources with a maximum output capability of one (1) MW or more, but which do not meet the requirement to provide information on Forced Outages in accordance with Section 9.3.10, shall provide equivalent availability-related information in the form and on the schedule specified in the Business Practice Manuals. This information shall identify all Forced Outages, non-ambient de-rates, and temperature-related ambient de-rates that have occurred over the previous calendar month and shall contain all relevant details needed to enable the CAISO to perform the availability calculation for the resource in accordance with Section 40.9.4, including: the start and end times of any Outages or de-rates, the MW availability in all Availability Assessment Hours, and the causes of any Forced Outages or*

*de-rates. Scheduling Coordinators for Resource Adequacy Resources whose maximum output capability is ten (10) MW or more shall report Outage-related information in accordance with the reporting obligations in Section 9.3.10.*

**40.9.6 Non-Availability Charges and Availability Incentive Payments.**

*A Resource Adequacy Resource that is subject to the availability assessment in accordance with Section 40.9.4 and whose monthly availability calculation under Section 40.9.4.2 is more than two and a half percent (2.5%) below the monthly Availability Standard will be subject to a Non-Availability Charge for the month. A Resource Adequacy Resource subject to Section 40.9.4 whose availability calculation under Section 40.9.4.2 is more than two and a half percent (2.5%) above the monthly Availability Standard will be eligible for an Availability Incentive Payment for the month.*

**40.9.6.1 Determination of Resource Adequacy Capacity Subject to Non-Availability Charge.**

The amount of Resource Adequacy Capacity of a Resource Adequacy Resource subject to the Non-Availability Charge will be determined as follows:

- (1) A Resource Adequacy Resource with actual availability calculated in accordance with Section 40.9.4.2 that is less than the Availability Standard minus the tolerance band of two and a half percent (2.5%) for a given month will have the Non-Availability Charge assessed to that portion of its non-exempt Resource Adequacy Capacity determined in accordance with the following formula:

If the value of X satisfies  $RA*(S - .025) > X \geq P_{Min}$ , then  
 $P = RA*(S - .025) - X$

If the value of X satisfies  $P_{Min} \geq X \geq 0$ , then  
 $P = RA - (X/P_{Min})*[RA(1 - (S - .025)) + P_{Min}]$

Where:

P = The RA Resource's RA Capacity subject to Non-Availability Charge

S = Monthly Availability Standard as a fraction, so that  $0 < S < 1.0$

RA = The RA Resource's RA Capacity (MW) less any exempt capacity

X = The RA Resource's monthly calculated RA availability calculated in accordance with Section 40.9.4.2 (MW)

Pmin = The RA Resource's Master File minimum operating limit (MW)

(2) No Non-Availability Charge will be applied when a Resource Adequacy Resource's actual availability, calculated in accordance with Section 40.9.4.2 for a given month, is equal to or greater than the Availability Standard less two and a half percent (2.5%).

(3) Any Forced Outage, non-ambient de-rate, or temperature-related ambient de-rates of a resource that the CAISO has accepted as a substitute for a Resource Adequacy Resource in accordance with Section 40.9.4.2.1 will be applied in calculating the availability of the Resource Adequacy Resource for which it is substituting.

#### **40.9.6.2 Determination of the Non-Availability Charge.**

The per-MW Non-Availability Charge rate will be the Monthly ICPM Capacity Payment price as specified in Schedule 6 of Appendix F of this CAISO Tariff. The Non-Availability Charge for a Resource Adequacy Resource shall be determined by multiplying the resource's capacity subject to the Non-Availability Charge calculated in accordance with Section 40.9.6.1 by the Non-Availability Charge rate.

#### **40.9.6.3 Availability Incentive Payment.**

Scheduling Coordinators for Resource Adequacy Resources that achieve monthly availability that is more than two and a half percent (2.5%) above the monthly Availability Standard are eligible to receive the monthly Availability Incentive Payment. This payment will be funded entirely through the monthly Non-Availability Charges assessed for the same month. For each resource eligible for the Availability Incentive Payment, its eligible capacity will be that portion of its designated Resource Adequacy Capacity equal to its actual availability calculated in accordance with Section 40.9.4.2 minus the Availability Standard percent minus two and a half percent (2.5%). The monthly Availability Incentive Payment rate will equal the total Non-Availability Charges assessed for the month divided by the total Resource Adequacy Capacity eligible to receive the Availability Incentive Payment that month, provided that the Availability Incentive Payment rate shall not exceed three times the Non-Availability Charge rate. The Availability Incentive Payment the CAISO shall pay to each eligible resource will equal the product of its eligible capacity and the Availability Incentive Payment rate. Any remaining Non-Availability Charge funds that are not distributed to eligible Resource Adequacy Resources will be credited against the Real-Time neutrality charge for that Trade Month in accordance with Section 11.5.2.3.

**40.9.6.4 Monthly Settlement.**

*The CAISO shall calculate and settle Non-Availability Charges and Availability Incentive Payments on a Trade Month basis so that all Non-Availability Charges collected for a Trade Month are allocated in accordance with Section 40.9.6.3 for that same Trade Month.*

**40.9.7 Availability Assessment for Resource Adequacy Capacity Provided by Non-Resource-Specific System Resources.**

*Non-Resource-Specific System Resources that provide Resource Adequacy Capacity will comprise a distinct category for purposes of the CAISO's Availability Standards program. This category will utilize the same Availability Standard determined for other Resource Adequacy Resources in accordance with Section 40.9.4.1, but will have its own availability calculations, as well as a separate account for settling Non-Availability Charges and Availability Incentive Payments.*

**40.9.7.1 Availability Standard for Non-Resource-Specific System Resources Providing Resource Adequacy Capacity.**

*The monthly Availability Standard for a non-Resource-Specific System Resource will be the Availability Standard determined in accordance with Section 40.9.4.1 to be provided in the form of Economic Bids or Self-Schedules at the resource's designated Scheduling Point submitted to the IFM for all Availability Assessment Hours. The Availability Standard applicable to a non-Resource Specific System Resource shall not include any hours in which the resource was prohibited by Section 30.8 from bidding across an out-of-service transmission path at its designated Scheduling Point. A non-Resource Specific System Resource providing Resource Adequacy Capacity whose monthly availability calculation under Section 40.9.7.2 is more than two and a half percent (2.5%) below the monthly Availability Standard will be subject to a Non-Availability Charge for the month. A non-Resource Specific System Resource providing Resource Adequacy Capacity whose monthly availability calculation under Section 40.9.7.2 is more than two and a half percent (2.5%) above the monthly Availability Standard will be eligible for Availability Incentive Payments. Non-Resource-Specific System Resources will not be included in the calculation of the Availability Standards for other Resource Adequacy Resources as determined in Section 40.9.4.*

**40.9.7.2 Availability Calculation for Non-Resource-Specific System Resources Providing Resource Adequacy Capacity.**

The availability of Resource Adequacy Capacity provided by a non-Resource-Specific System Resource will be measured by its hourly offers of Economic Bids or Self-Schedules to provide Energy or, if certified to provide Ancillary Services, Bids for or submissions to Self-Provide Ancillary Service capacity into the CAISO Day-Ahead Market in accordance with the requirements of Section 40.6, for all of the Availability Assessment Hours. Specifically, the resource's availability will be calculated as the sum of the MW-hours reflected in the resource's submitted Day-Ahead Economic Bids and Self-Schedules over all Availability Assessment Hours, divided by the sum of the resource's designated non-exempt Resource Adequacy Capacity for all Availability Assessment Hours, times one hundred (100) to obtain a number between zero (0) and one hundred percent (100%). The Scheduling Coordinator for Resource Adequacy Capacity provided by non-Resource-Specific System Resources is expected to secure sufficient transmission rights to deliver the Resource Adequacy Capacity to its designated CAISO Scheduling Point. If in any given Availability Assessment Hour, the CAISO does not fully accept the Economic Bids or Self-Schedules submitted by the Scheduling Coordinator for the Resource Adequacy Capacity provided by non-Resource-Specific System Resources, the Scheduling Coordinator for that resource shall be deemed to have met its availability obligation for that hour. In determining monthly availability of a non-Resource Specific System Resource under Section 40.9.7.2, any hours in which the resource was prohibited by Section 30.8 from bidding across an out-of-service transmission path at its designated Scheduling Point will be excluded from the calculation. Scheduling Coordinators for non-Resource Specific System Resources must submit a monthly report of such hours occurring under Section 30.8, in the format and manner described in the Business Practice Manual for Reliability Requirements.



**40.9.7.3 Determination of Non-Availability Charges and Availability Incentive Payments for Non-Resource-Specific System Resources Providing Resource Adequacy Capacity.**

A Non-Resource-Specific System Resource that provides Resource Adequacy Capacity and whose actual availability calculated in accordance with Section 40.9.7.2 is less than the Availability Standard defined in Section 40.9.7.1 minus the tolerance band of two and one-half percent (2.5%) for a given month shall be assessed a Non-Availability Charge. This charge for such a resource shall apply to that portion of the resource's designated non-exempt Resource Adequacy Capacity equal to one hundred percent (100%) minus the ratio of its actual availability calculated in accordance with Section 40.9.7.2 to the Availability Standard minus two and one-half percent (2.5%). The Non-Availability Charge will then equal the resource's applicable capacity that is subject to Non-Availability Charges multiplied by the a Non-Availability Charge rate equal to the Monthly ICPM Capacity Payment price as specified in Schedule 6 of Appendix F of this CAISO Tariff.

Funds collected for Non-Availability Charges pursuant to this Section 40.9.7.3 in a Trade Month will be used to provide Availability Incentive Payments to non-Resource-Specific System Resources providing

*Resource Adequacy Capacity that exceed the Availability Standard established in Section 40.9.7.1 plus the tolerance band of two and one-half percent (2.5%) for that same Trade Month. The funds will be distributed to each such resource in proportion to the resource's share of the total non-exempt Resource Adequacy Capacity provided by non-Resource-Specific System Resources that are eligible for Availability Incentive Payments or the month.*

*Any Availability Incentive Payment to a non-resource specific System Resource providing Resource Adequacy Capacity under this Section 40.9.7.3 will be capped at three times the Non-Availability Charge rate multiplied by the amount of the resource's non-exempt Resource Adequacy Capacity. Any remaining monthly surplus of Non-Availability Charges from non-Resource-Specific System Resources providing Resource Adequacy Capacity in a Trade Month will be credited against the Real-Time neutrality charge for that Trade Month in accordance with Section 11.5.2.3. Only revenues received from the assessment of Non-Availability Charges to non-Resource-Specific System Resources providing Resource Adequacy Capacity will be used to fund Availability Incentive Payments for non-Resource-Specific System Resources providing Resource Adequacy Capacity.*

#### **40.9.8 Reporting**

*By July 1 of each year, the CAISO will provide an informational report that will be posted on the CAISO Website and include the following information: (1) the Availability Standard value for each month of the year and (2) information on the average actual availability each month of Resource Adequacy Resources, the total amount of Non-Availability Charges assessed and the total amount of Availability Incentive Payments made.*

**41 Procurement of RMR Generation.**

**41.1 Procurement of Reliability Must-Run Generation by the CAISO.**

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

**41.2** The CAISO will, subject to any existing power purchase contracts of a Generating Unit, have the right at any time based upon CAISO Controlled Grid technical analyses and studies to designate a Generating Unit as a Reliability Must-Run Unit. A Generating Unit so designated shall then be obligated to provide the CAISO with its proposed rates for Reliability Must-Run Generation for negotiation with the CAISO. Such rates shall be authorized by FERC or the Local Regulatory Authority, whichever authority is applicable.

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

**41.4** A pro forma of the Reliability Must-Run Contract is attached as Appendix G. From the CAISO Operations Date all Reliability Must-Run Units will be placed under the "As Called" conditions, but the parties may, pursuant only to the terms of the Reliability Must-Run Contract, transfer any such unit to one of the alternative forms of conditions under specific circumstances. The CAISO will review the terms of the applicable forms of agreement applying to each Reliability Must-Run Unit to ensure that the CAISO will procure Reliability Must-Run Generation from the cheapest available sources and to maintain System Reliability. The CAISO shall give notice to terminate Reliability Must-Run Contracts that are no longer necessary or can be replaced by less expensive and/or more competitive sources for maintaining the reliability of the CAISO Controlled Grid.

**41.5 RMR Dispatch.**

**41.5.1 Day-Ahead and HASP RMR Dispatch.**

RMR Dispatches will be determined in accordance with the RMR Contract, the MPM-RRD process addressed in Sections 31 and 33 and through manual RMR Dispatch Notices to meet Applicable Reliability Criteria.

The CAISO will notify Scheduling Coordinators for RMR Units of the amount and time of Energy requirements from specific RMR Units in the Trading Day prior to or at the same time as the Day-Ahead Schedules and AS and RUC Awards are published, to the extent that the CAISO is aware of such requirements, through an RMR Dispatch Notice or flagged RMR Dispatch in the IFM Day-Ahead Schedule. The CAISO may also issue RMR Dispatch Notices after Market Close of the DAM and through Dispatch Instructions flagged as RMR Dispatches in the Real-Time Market. The Energy to be delivered for each Trading Hour pursuant to the RMR Dispatch Notice an RMR Dispatch in the IFM or Real-Time shall be referred to as the RMR Energy. Scheduling Coordinators may submit Bids in the DAM or the HASP for RMR Units operating under Condition 1 of the RMR Contract in accordance with the bidding rules applicable to non-RMR Units. A Bid submitted in the DAM or the HASP for a Condition 1 RMR Unit

shall be deemed to be a notice of intent to substitute a market transaction for the amount of MWh specified in each Bid for each Trading Hour pursuant to Section 5.2 of the RMR Contract. In the event the CAISO issues an RMR Dispatch Notice or an RMR Dispatch in the IFM or Real-Time Market for any Trading Hour, any MWh quantities cleared through Competitive Constraint Run of the MPM-RRD shall be considered as a market transaction in accordance with the RMR Contract. RMR Units operating as Condition 2 RMR Units may not submit Bids until and unless the CAISO issues an RMR Dispatch Notice or issues an RMR Dispatch in the IFM, in which case a Condition 2 RMR Unit shall submit Bids in accordance with the RMR Contract in the next available market for the Trading Hours specified in the RMR Dispatch Notice or Day-Ahead Schedule.

#### **41.5.2 RMR Payments.**

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

#### **41.5.3 RMR Units and Ancillary Services Requirements.**

The CAISO may call upon RMR Units in any amounts that the CAISO has determined is necessary at any time after the issuance of Day-Ahead Schedules for the Trading Day if: (i) the CAISO determines that it requires more of an Ancillary Service than it has been able to procure, except that the CAISO shall not be required to accept Ancillary Services Bids that exceed the price caps specified in Section 39 or any other FERC-imposed price caps; and (ii) the CAISO has notified Scheduling Coordinators of the circumstances existing in this Section 41.5.3, and after such notice, the CAISO determines that a bid insufficiency condition in accordance with the RMR Contract exists in the HASP and the CAISO requires more of an Ancillary Service. The CAISO must provide the notice specified in sub paragraph (ii) of this Section 41.5.3 as soon as possible after the CAISO determines that additional Ancillary Services are needed for which Bids are not available. The CAISO may only determine that a Bid insufficiency exists after the Market Close of the HASP, unless an earlier determination is required in order to accommodate the RMR

Unit's operating constraints. For the purposes of this Section 41.5.3, a Bid insufficiency exists in HASP if, and only if: (i) Bids in the HASP for the particular Ancillary Service that can be used to satisfy that particular Ancillary Services requirement that remain after first procuring the megawatts of the Ancillary Service that the CAISO had notified Scheduling Coordinators it would procure in the HASP ("remaining Ancillary Services requirement") represent, in the aggregate, less than two times such remaining Ancillary Services requirement; or (ii) there are less than two unaffiliated bidders to provide such remaining Ancillary Services requirement. If the CAISO determines that a Bid insufficiency condition exists as described in this Section 41.5.3, the CAISO may nonetheless accept available Bids if it determines in its sole discretion that the prices specified in the Bids and the Energy Bid Curves created by the Bids indicate that the Scheduling Coordinators were not attempting to exercise market power.

#### **41.6 Reliability Must-Run Charge.**

The CAISO shall prepare and send to each Responsible Utility in accordance with Section 11.13, a CAISO Invoice as provided in the RMR Contract in respect of those costs incurred under each Reliability Must-Run Contract that are payable to the CAISO by such Responsible Utility or payable by the CAISO to such Responsible Utility pursuant to Section 41.7. The CAISO Invoices as provided in the RMR Contract shall reflect all reductions or credits required or allowed under or arising from the Reliability Must-Run Contract or under this Section 41.6. The CAISO Invoice as provided in the RMR Contract shall separately show the amounts due for services from each RMR Owner. Each Responsible Utility shall pay the amount due under each CAISO Invoice as provided in the RMR Contract by the due date specified in the CAISO Invoice as provided in the RMR Contract, in default of which interest shall become payable at the interest rate provided in the Reliability Must-Run Contract from the due date until the date on which the amount is paid in full. For each Reliability Must-Run Contract, the CAISO shall establish two segregated commercial bank accounts under the Facility Trust Account referred to in Section 11.13.2.1

and Article 9 of the Reliability Must-Run Contract. One commercial bank account, the RMR Owner Facility Trust Account, shall be held in trust by the CAISO for the RMR Owner. The other commercial bank account, the Responsible Utility Facility Trust Account, shall be held in trust by the CAISO for the Responsible Utility. Payments received by the CAISO from the Responsible Utility in connection with the Reliability Must-Run Contract, including payments following termination of the Reliability Must-Run Contract, will be deposited into the RMR Owner Facility Trust Account and payments from the CAISO to the RMR Owner will be withdrawn from such account, in accordance with this Section 41.6, Article 9 of the Reliability Must-Run Contract and Section 11.13. Any payments received by the CAISO from the RMR Owner in connection with the Reliability Must-Run Contract will be deposited into the Responsible Utility Facility Trust Account. Any payments due to the Responsible Utility of funds received from the RMR Owner in connection with the Reliability Must-Run Contract will be withdrawn from the Responsible Utility Facility Trust Account, in accordance with this Section 41.6, Section 11.13, and Article 9 of the Reliability Must-Run Contract. Neither the RMR Owner Facility Trust Account nor the Responsible Utility Facility Trust Account shall have other funds commingled in it at any time. The CAISO shall not modify this Section or Section 11.13 as it applies to procedures for the billing, invoicing and payment of charges under Reliability Must-Run Contracts without the Responsible Utility's consent, provided, however, that no such consent shall be required with respect to any change in the method by which costs incurred by the CAISO under RMR Contracts are allocated to or among Responsible Utilities.

**41.6.1** Except where the Responsible Utility is also the RMR Owner, the Responsible Utility's payment of the CAISO Invoice as provided in the RMR Contract shall be made without offset, recoupment or deduction of any kind whatsoever. Notwithstanding the foregoing, if the CAISO fails to deduct an amount required to be deducted under Section 41.6.2, the Responsible Utility may deduct such amount from payment otherwise due under such CAISO Invoice as provided in the RMR Contract.

**41.6.2** If the Responsible Utility disputes a CAISO Invoice as provided in the RMR Contract, Revised Estimated RMR Invoice, or Revised Adjusted RMR Invoice, or Final Invoice, it shall pay the CAISO Invoice as provided in the RMR Contract but may pay under protest and reserve its right to seek a refund, with interest, from the CAISO. If resolution of the dispute results in an amount paid by the Responsible Utility under protest being due from the CAISO to the Responsible Utility and from the RMR Owner to the CAISO, and such amount was paid to the RMR Owner by the CAISO, then such amount, with interest at the interest rate specified in the applicable Reliability Must-Run Contract from the date of payment until the date on which the amount is repaid in full, shall be refunded by the RMR Owner to the CAISO and from the CAISO to the Responsible Utility, pursuant to Article 9 of the Reliability Must-Run Contract and Section 11.13, by the RMR Owner's inclusion of such refund amount in the appropriate invoice. If the RMR Owner does not include such refund amount (including interest) in the appropriate invoice, then such refund amount shall be deducted by the CAISO from the next succeeding amounts otherwise due from the Responsible Utility to the CAISO and from the next succeeding amounts otherwise due from the CAISO to the RMR Owner with respect to the applicable Reliability Must-Run Contract or, if such RMR Contract has terminated, such amount shall be refunded by the CAISO to the Responsible Utility; provided, however, that if and to the extent that such resolution is based on an error or breach or default of the RMR Owner's obligations to the CAISO under the Reliability Must-Run Contract, then such refund obligation shall extend only to amounts actually collected by the CAISO from the RMR Owner as a result of such resolution. If resolution of the dispute requires the CAISO, but not the RMR Owner, to pay the Responsible Utility, then such award shall be recovered from any applicable insurance proceeds, provided that to the extent sufficient funds are not recoverable through insurance, the amount of the award (whether determined through settlement, or the CAISO ADR Procedures or otherwise) shall be collected by the CAISO pursuant to Section 13.5, and in any event, the award shall be paid by the CAISO to the Responsible Utility pursuant to Section 13.5.



**41.6.3** If the Responsible Utility disputes a CAISO Invoice as provided in the RMR Contract, a Revised Estimated RMR Invoice, a Revised Adjusted RMR Invoice, or a Final Invoice, or part thereof, based in whole or in part on an alleged error by the RMR Owner or breach or default of the RMR Owner's obligations to the CAISO under the Reliability Must-Run Contract, the Responsible Utility shall notify the CAISO of such dispute within twelve (12) months of its receipt of the applicable Revised Adjusted RMR Invoice or Final Invoice from the CAISO, except that the Responsible Utility may also dispute a Revised Estimated RMR Invoice, Revised Adjusted RMR Invoice, or Final Invoice for the reasons set forth above in this Section 41.6.3, within sixty (60) days from the issuance of a final report with respect to an audit of the RMR Owner's books and accounts allowed by a Reliability Must-Run Contract.

**41.6.4** If the Responsible Utility disputes a CAISO Invoice as provided in the RMR Contract, a Revised Estimated RMR Invoice, a Revised Adjusted RMR Invoice, or a Final Invoice, based in whole or in part on an alleged error by the CAISO or breach or default of the CAISO's obligations to the Responsible Utility, the Responsible Utility shall notify the CAISO of such dispute prior to the later to occur of: (i) the date twelve (12) months following the date on which the CAISO submitted such invoice to the Responsible Utility for payment or (ii) the date sixty (60) days following the date on which a final report is issued in connection with an operational compliance review, pursuant to Section 22.1.2.2, of the CAISO's performance of its obligations to Responsible Utilities under this Section 41.6.4 conducted by an independent third party selected by the CAISO Governing Board and covering the period to which such alleged dispute relates. The CAISO or any Responsible Utility shall have the right to request, but not to require, that the CAISO Governing Board arrange for such an operational compliance review at any time.

**41.6.5** Notwithstanding Section 13, any Responsible Utility dispute relating to a CAISO Invoice as provided in the RMR Contract, a Revised Estimated RMR Invoice, a Revised Adjusted RMR Invoice, a Final Invoice, or a RMR Charge, RMR Payment or RMR Refund shall be resolved through the dispute resolution process specified in the relevant RMR Contract. If the Responsible Utility fails to notify the CAISO of any dispute as provided above, it shall be deemed to have validated the invoice and waived its right to dispute such invoice.

**41.6.6** The RMR Owner shall, to the extent set forth herein, be a third party beneficiary of, and have all rights that the CAISO has under the CAISO Tariff, at law, in equity or otherwise, to enforce the Responsible Utility's obligation to pay all sums invoiced to it in the CAISO Invoices as provided in the RMR Contract but not paid by the Responsible Utility, to the extent that, as a result of the Responsible Utility's failure to pay, the CAISO does not pay the RMR Owner on a timely basis amounts due under the Reliability Must-Run Contract. The RMR Owner's rights as a third party beneficiary shall be no greater than the CAISO's rights and shall be subject to the dispute resolution process specified in the relevant RMR Contract. Either the CAISO or the RMR Owner (but not both) will be entitled to enforce any claim arising from an unpaid CAISO Invoice as provided in the RMR Contract, and only one party will be a "disputing party" under the dispute resolution process specified in the relevant RMR Contract with respect to such claim so that the Responsible Utility will not be subject to duplicative claims or recoveries. The RMR Owner shall have the right to control the disposition of claims against the Responsible Utility for non-payments that result in payment defaults by the CAISO under a Reliability Must-Run Contract. To that end, in the event of non-payment by the Responsible Utility of amounts due under the CAISO Invoice as provided in the RMR Contract, the CAISO will not take any action to enforce its rights against the Responsible Utility unless the CAISO is requested to do so by the RMR Owner. The CAISO shall cooperate with the RMR Owner in a timely manner as necessary or appropriate to most fully effectuate

the RMR Owner's rights related to such enforcement, including using its best efforts to enforce the Responsible Utility's payment obligations if, as, to the extent, and within the time frame, requested by the RMR Owner. The CAISO shall intervene and participate where procedurally necessary to the assertion of a claim by the RMR Owner.

**41.7 Responsibility for Reliability Must-Run Charge.**

Except as otherwise provided in Section 41.8 , the costs incurred by the CAISO under each Reliability Must-Run Contract shall be payable to the CAISO by the Responsible Utility in whose PTO Service Territory the Reliability Must-Run Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Unit is located outside the PTO Service Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the CAISO. Where costs incurred by the CAISO under a Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the CAISO will file the allocation under Section 205 of the Federal Power Act.

**41.8 Responsibility for Reliability Must-Run Charges Associated with SONGS.**

If the CAISO procures Reliability Must-Run Generation from the San Onofre Nuclear Generation Station Units 2 or 3, it shall determine prior to the operation of such facilities as Reliability Must-Run Generation the appropriate allocation of associated charges, if any, among Responsible Utilities. The allocation of such charges shall be based on the reliability benefits that the CAISO reasonably identifies through studies and analysis as accruing to the respective Service Areas of the Responsible Utilities.

**41.9 Exceptional Dispatch of Condition 2 RMR Units.**

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

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

**41.9.1** Before dispatching a Condition 2 RMR Unit in accordance with this Section, the CAISO must notify Market Participants of (a) the situation for which the CAISO is contemplating dispatching a Condition 2 RMR Unit in accordance with this Section, and (b) the date and time the CAISO requires the Condition 2 RMR Unit so dispatched to be operating. The CAISO shall provide such notice as far in advance as practical and prior to directing the Condition 2 RMR Unit to Start-Up.

Notwithstanding anything to the contrary in the applicable RMR Contract, all MWh, Start-Ups and service hours provided by a Generating Unit that has currently selected Condition 2 of its RMR Contract pursuant to this Section 41.9.1 through an Exceptional Dispatch outside of the RMR Contract shall not be used to determine future "Annual Service Limits" as defined in the RMR Contract. Payment for Dispatches pursuant to this Section 41.9.1 is governed by Section 11.

**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 CAISO shall prepare a forecast of weekly Generation capacity and weekly peak Demand on the CAISO Controlled Grid. This forecast shall cover a period of twelve months and be posted on the CAISO Website and the CAISO may make the forecast available in other forms at the CAISO's option.

**42.1.2** If the forecast shows that the Applicable Reliability Criteria can be met during peak Demand periods, then the CAISO shall take no further action.

**42.1.3** If the forecast shows that the Applicable Reliability Criteria cannot be met during peak Demand periods, then the CAISO shall facilitate the development of market mechanisms to bring the CAISO Controlled Grid during peak periods into compliance with the Applicable Reliability Criteria (or such more stringent criteria as the CAISO may impose). The CAISO shall solicit Bids in the form of Ancillary Services, short-term Generation supply contracts of up to one (1) year with Generators, and Load curtailment contracts giving the CAISO the right to reduce the Demands of those parties that win the contracts when there is insufficient Generation capacity to satisfy those Demands in addition to all other Demands. The Load curtailment contracts shall provide that the CAISO's curtailment rights can only be exercised after all available Generation capacity has been fully utilized unless the exercise of such rights would allow the CAISO to satisfy the Applicable Reliability Criteria at lower cost, and the curtailment rights shall not be exercised to stabilize or otherwise influence prices for power in the Energy markets.

**42.1.4** If Ancillary Services, short-term Generation supply contracts, or Load curtailment contracts are required to meet Applicable Reliability Criteria, the CAISO shall select the Bids that permit the satisfaction of those Applicable Reliability Criteria at the lowest cost.

**42.1.5** Notwithstanding the foregoing, if the CAISO concludes that it may be unable to comply with the Applicable Reliability Criteria, the CAISO shall, acting in accordance with Good Utility Practice, take such steps as it considers to be necessary to ensure compliance, including the negotiation of contracts through processes other than competitive solicitations. These steps can include the negotiation of contracts for Generation or Ancillary Services on a Real-Time basis.

**42.1.6** The CAISO may, in addition to the required annual forecast, publish a forecast of the peak Demands and Generation resources for two or more additional years. This forecast would be for information purposes to allow Market Participants to take appropriate steps to satisfy the Applicable Reliability Criteria, and would not be used by the CAISO to determine whether additional resources are necessary.

**42.1.7** In fulfilling its requirement to ensure that the applicable Generation planning reserve criteria are satisfied, the CAISO shall rely to the maximum extent possible on market forces.

**42.1.8** Except where and to the extent costs incurred by the CAISO for any contract entered into under Section 42.1.5 are recovered from Scheduling Coordinators pursuant to Sections 11.5.8, 11.10 or 42.1.9, all costs incurred by the CAISO in any Trading Hour shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's Measured Demand bears to the total Measured Demand served in that hour.

**42.1.9** Costs incurred by the CAISO pursuant to any contract entered into under this Section for resources to meet any portion of the anticipated difference between forward Schedules and the Real-Time deviations from those Schedules shall be charged to each Scheduling Coordinator pro rata based upon the same proportion as the Scheduling Coordinator's obligation for RUC Availability Payments.

**43 Interim Capacity Procurement Mechanism.**

This Section 43 shall be referred to as the Interim Capacity Procurement Mechanism (ICPM). The ICPM as well as changes made to other Sections to implement the ICPM shall expire at midnight on the last day of the twenty-fourth month following the effective date of this section , except that the provisions concerning compensation, cost allocation and Settlement shall remain in effect until such time as ICPM resources have been finally compensated for their services rendered under the ICPM prior to the termination of the ICPM, and the CAISO has finally allocated and recovered the costs associated with such ICPM compensation.

**43.1 Designation.**

The CAISO shall have the authority to designate Eligible Capacity to provide ICPM Capacity services under the ICPM as follows:

**43.1.1 Scheduling Coordinator Failure to Demonstrate Sufficient Local Capacity Area Resources.**

**43.1.1.1 Annual Resource Adequacy Plan.**

Where a Scheduling Coordinator fails to demonstrate in an annual Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE's share of Local Capacity Area Resources, as determined in Section 40.3.2 for each month of the following Resource Adequacy Compliance Year, the CAISO shall have the authority to designate ICPM Capacity; provided, however, that the CAISO shall not designate ICPM Capacity under this Section 43.1.1.1 until after the Scheduling Coordinator has had the opportunity to cure the deficiency set forth in Section 40.7. The CAISO's authority to designate ICPM Capacity under this Section 43.1.1.1 is to ensure that each Local Capacity Area in a TAC Area in which the LSE serves Load has Local Capacity Area Resources in the amounts and locations necessary to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all

Resource Adequacy Resources reflected in all submitted annual Resource Adequacy Plans and any supplements thereto, as may be permitted by the CPUC, Local Regulatory Authority, or federal agency and provided to the CAISO in accordance with Section 40.7, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area.

**43.1.1.2 Monthly Resource Adequacy Plan.**

Where a Scheduling Coordinator fails to demonstrate in a monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE's share of Local Capacity Area Resources, as determined in Section 40.3.2 for the reported month, the CAISO shall have the authority to designate ICPM Capacity; provided, however, that the CAISO shall not designate ICPM Capacity under this Section 43.1.1.2 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7. The CAISO's authority to designate ICPM Capacity under this Section 43.1.1.1 is to ensure that each Local Capacity Area in a TAC Area in which the LSE serves Load has Local Capacity Area Resources in the amounts and locations necessary to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all Resource Adequacy Resources reflected in all submitted annual and monthly Resource Adequacy Plans and any supplements thereto, as may be permitted by the CPUC, Local Regulatory Authority, or federal agency and provided to the CAISO in accordance with Section 40.7, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area.



**43.1.2 Collective Deficiency in Local Capacity Area Resources.**

The CAISO shall have the authority to designate ICPM Capacity where the Local Capacity Area Resources specified in the annual Resource Adequacy Plans of all applicable Scheduling Coordinators, after the opportunity to cure under Section 43.1.2.1 has been exhausted, fail to ensure compliance in one or more Local Capacity Areas with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, regardless of whether such resources satisfy, for the deficient Local Capacity Area, the minimum amount of Local Capacity Area Resources identified in the Local Capacity Technical Study, and after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all Resource Adequacy Resources reflected in all submitted annual Resource Adequacy Plans, whether or not such Generating Units under RMR Contracts and Resource Adequacy Resources are located in the applicable Local Capacity Area. The CAISO may, pursuant to this Section 43.1.2, designate ICPM Capacity in an amount and location sufficient to ensure compliance with the Reliability Criteria applied in the Local Capacity Technical Study.

**43.1.2.1 LSE Opportunity to Resolve Collective Deficiency in Local Capacity Area Resources.**

Where the CAISO determines that a need for ICPM Capacity exists under Section 43.1.2, but prior to any designation of ICPM Capacity, the CAISO shall issue a Market Notice, no later than sixty (60) days before the beginning of the Resource Adequacy Compliance Year, identifying the deficient Local Capacity Area and the quantity of capacity that would permit the deficient Local Capacity Area to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1 and, where only specific resources are effective to resolve the Reliability Criteria deficiency, the CAISO shall provide the identity of such resources. Any Scheduling Coordinator may submit a revised annual Resource Adequacy Plan within thirty (30) days of the beginning of the Resource Adequacy Compliance Year demonstrating procurement of additional Local Capacity Area Resources consistent with the Market Notice issued under this Section.

Any Scheduling Coordinator that provides such additional Local Capacity Area Resources consistent with the Market Notice under this Section shall have its share of any ICPM procurement costs under Section 43.7.3 reduced on a proportionate basis. If the full quantity of capacity is not reported to the CAISO under revised annual Resource Adequacy Plans in accordance with this Section, the CAISO may designate ICPM Capacity sufficient to alleviate the deficiency.

**43.1.3 Scheduling Coordinator Failure to Demonstrate Sufficient Resource Adequacy Resources to Meet Annual and Monthly Demand and Reserve Margin Requirements.**

The CAISO shall have the authority to designate ICPM Capacity where a Scheduling Coordinator fails to demonstrate in an annual or monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of sufficient Resource Adequacy Resources to comply with each LSE's annual and monthly Demand and Reserve Margin requirements under Section 40; provided that the CAISO shall not designate ICPM Capacity under this Section 43.1.3 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7; provide further that the CAISO shall not designate ICPM Capacity under this Section 42.1.3 unless there is an overall net deficiency in meeting the total annual or monthly Demand and Reserve Margin requirements, whichever is applicable, after taking into account all LSE demonstrations in their applicable or monthly Resource Adequacy Plans.

**43.1.4 ICPM Significant Events.**

The CAISO may designate ICPM Capacity to provide service on a prospective basis following an ICPM Significant Event, to the extent necessary to maintain compliance with Reliability Criteria and taking into account the expected duration of the ICPM Significant Event.

**43.1.5 Exceptional Dispatch ICPM.**

Except as provided in Section 43.1.5.1, the CAISO shall designate as ICPM Capacity to provide service on a prospective basis the capacity of a resource that responds to an Exceptional Dispatch if the Exceptional Dispatch is issued pursuant to Section 34.9.1, subsections (6), (9) or (10) of Section 34.9.2, or Section 34.9.3, unless the Exceptional Dispatch directs the curtailment or shut down of the resource.

**43.1.5.1 Limitation on Eligibility for Exceptional Dispatch ICPM Designation.**

The following capacity is not eligible to receive an Exceptional Dispatch ICPM designation under Section 43.1.5.1:

- (1) RA Capacity, RMR Capacity, and ICPM Capacity; and
- (2) Capacity of a resource that is eligible to receive supplemental revenues under Section 39.10.3 during any month for which the resource has notified the CAISO under Section 39.10.3 that it chooses to receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation.

**43.1.5.2 Quantity of Capacity included in an Exceptional Dispatch ICPM Designation.**

**43.1.5.2.1 Exceptional Dispatch Commitments of Non RA, Non RMR and Non ICPM Resources.**

If a resource does not have any self-schedule, market-based commitment, or RA, RMR or ICPM Capacity and receives an Exceptional Dispatch ICPM designation under Section 43.1.5 following an Exceptional Dispatch eligible for an ICPM designation, the CAISO shall designate as ICPM Capacity the greater of the resource's PMin or the amount of capacity specified by the Exceptional Dispatch.

**43.1.5.2.2 Exceptional Dispatch of Partial RA, Partial ICPM Unit, or Market Committed Resource.**

If a resource is a Partial Resource Adequacy Resource, has an ICPM designation of less than its entire capacity, has a Self Schedule or has a market based commitment, or has already received an Exceptional Dispatch ICPM designation under Section 43.1.5, the CAISO shall designate as ICPM Capacity the amount by which the Exceptional Dispatch exceeded the greater of –

- (1) the capacity that the resources must make available to the CAISO as the result of an RA Capacity or ICPM Capacity obligation; if any; and
- (2) the sum of any Self-Schedule and any market-based commitment or dispatch of the resource.

**43.1.5.2.3 Subsequent Exceptional Dispatch.**

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. The increase will be effective for the remainder of the term of the Exceptional Dispatch ICPM Designation and retroactively to the beginning of the 30 day term or the first day of the month in which the increase occurs, whichever is later. Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

**43.1.5.2.4 Change in RA or ICPM Status.**

If a resource has an RA Capacity or ICPM Capacity obligation that pre-existed the resource's Exceptional Dispatch ICPM designation and, during the term of the resource's Exceptional Dispatch ICPM designation, the amount of the resource's RA Capacity or ICPM Capacity is reduced, the CAISO will increase the ICPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch ICPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch ICPM designation becomes RA Capacity or receives a monthly ICPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch ICPM designation shall be reduced by the amount of the new RA Capacity, ICPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

**43.2 Terms of ICPM Designation.**

**43.2.1 Term – Scheduling Coordinator Failure to Demonstrate Local Capacity Area Resources in Annual Resource Adequacy Plan.**

ICPM Capacity designated under Section 43.1.1.1 shall have a minimum commitment term of one (1) month and a maximum commitment term of one (1) year, based on the period(s) of overall shortage as reflected in the annual Resource Adequacy Plans that have been submitted. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

**43.2.2 Term – Scheduling Coordinator Failure to Demonstrate Local Capacity Area Resources in Monthly Resource Adequacy Plan.**

ICPM Capacity designated under Section 43.1.1.2 shall have a minimum commitment term of one (1) month. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

**43.2.3 Term – Insufficient Collective Local Capacity Area Resources in Annual Resource Adequacy Plans.**

ICPM Capacity designated under Section 43.1.2 shall have a minimum commitment term of one (1) month and a maximum commitment term of one year, based on the period(s) of overall shortage as reflected in the annual Resource Adequacy Plans that have been submitted. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

**43.2.4 Term – Scheduling Coordinator Failure to Demonstrate Sufficient Resource Adequacy Resources.**

ICPM Capacity designated under Section 43.1.3 shall: (a) have a minimum commitment term of one (1) month and a maximum commitment term equal to the maximum annual procurement period established by the Local Reliability Authority based on the period of the deficiency reflected in the annual Resource Adequacy Plan or (b) have a commitment term of one (1) month if the deficiency is in the monthly Resource Adequacy Plan. The term of the designation may not extend into a subsequent Resource Adequacy Compliance Year.

**43.2.5 Term – ICPM Significant Event.**

ICPM Capacity designated under Section 43.1.4 shall have an initial term of thirty (30) days. If the CAISO determines that the ICPM Significant Event is likely to extend beyond the thirty (30) day period, the CAISO shall extend the designation for another sixty (60) days. During this additional sixty (60) day period, the CAISO will provide Market Participants with an opportunity to provide alternative solutions to meet the CAISO's operational and reliability needs in response to the ICPM Significant Event, rather than rely on the CAISO's designation of capacity under the ICPM. The CAISO shall consider and implement, if acceptable to the CAISO 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 ICPM capacity that are fully effective in addressing the deficiencies in Reliability Criteria resulting from ICPM Significant Event, the CAISO shall extend the term of the designation under Section 43.1.4 for the expected duration of the ICPM Significant Event.

If the solutions offered by Market Participants are only partially effective in addressing the CAISO's operational and reliability needs resulting from the ICPM Significant Event, the CAISO shall extend the designation under Section 43.1.4 for the expected duration of the ICPM Significant Event, but only as to the amount of ICPM Capacity necessary to satisfy the CAISO's operational and reliability needs after taking into account the effective capacity provided by the alternative solution. If there is a reasonable alternative solution that fully resolves the CAISO's operational and reliability needs, the CAISO will not extend the designation under Section 43.1.4. In no event shall the term of the designation under Section 43.1.4 extend beyond midnight on December 31, 2010.

**43.3 Selection of Eligible Capacity under the ICPM.**

In accordance with Good Utility Practice, the CAISO shall make designations of Eligible Capacity as ICPM Capacity under Section 43.1 based on the following criteria:

- (1) the effectiveness of the Eligible Capacity at meeting the designation criteria specified in Section 43.1;
- (2) the capacity costs associated with the Eligible Capacity;
- (3) the quantity of a resource's available Eligible Capacity, based on a resource's PMin, relative to the remaining amount of capacity needed; and
- (4) for designations under Section 41.1.3, the effectiveness of the Eligible Capacity in meeting local and/or zonal constraints or other CAISO system needs.

In making this determination, the CAISO will attempt to designate lower cost resources that have specified a capacity price before designating resources that have not specified a capacity price, taking into account factors (1), (3) and (4) of this Section concerning the relative effectiveness of the resource and the resource's PMin. If after applying these criteria, two or more resources that are eligible for designation equally satisfy these criteria, the CAISO shall utilize a random selection method to determine the designation between those resources.

While the CAISO does not have to designate the full capability of a resource, the CAISO may designate under the ICPM an amount of ICPM Capacity from a resource that exceeds the amount of capacity identified to ensure compliance with the Reliability Criteria set forth in Section 40.3 due to the PMin or other operational requirements/limits of a resource that has available capacity to provide ICPM service. The CAISO shall not designate the capacity of a resource for an amount of capacity that is less than the resource's PMin.

#### **43.4 Obligations of a Resource Designated under the ICPM.**

##### **43.4.1 Availability Obligations.**

Capacity from resources designated under the ICPM shall be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed under Section 40.6 on Resource Adequacy Resources identified in Resource Adequacy Plans. In accordance with those requirements, ICPM Capacity designated under the ICPM shall meet the Day-Ahead availability requirements specified in Section 40.6.1 and the Real-Time availability requirements of Section 40.6.2. Also in accordance with those requirements, Generating Units designated under the ICPM 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 ICPM 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 ICPM 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 ICPM shall submit Ancillary Service Bids for their ICPM Capacity to the extent that the resource is certified to provide the Ancillary Service.



**43.4.2 Obligation To Provide Capacity and Termination.**

The decision to accept an ICPM designation shall be voluntary for the Scheduling Coordinator for any resource. If the Scheduling Coordinator for a resource accepts an ICPM designation, it shall be obligated to perform for the full quantity and full period of the designation with respect to the amount of ICPM Capacity for which it has accepted an ICPM designation. If a Participating Generator's or Participating Load's Eligible Capacity is designated under the ICPM after the Participating Generator or Participating Load has filed notice to terminate its Participating Generator Agreement or Participating Load Agreement or withdraw the Eligible Capacity from its Participating Generator Agreement or Participating Load Agreement, and the Scheduling Coordinator for the resource agrees to provide service under the ICPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement or Participating Load Agreement, as applicable, with the CAISO.

**43.5 Reports.**

The CAISO shall publish the following reports and notices.

**43.5.1 ICPM Designation Market Notice.**

The CAISO shall issue a Market Notice within two (2) Business Days of an ICPM designation under Sections 43.1.1 through 43.1.4. ICPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.9.4. The Market Notice shall include a preliminary description of what caused the ICPM designation, the name of the resource(s) procured, the preliminary expected duration of the ICPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43.5.2.

**43.5.2 Designation of a Resource under the ICPM.**

The CAISO shall post a designation report to the CAISO Website and provide a Market Notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under Sections 43.1.1 through 43.1.4 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 ICPM Significant Event), and an explanation of why it was necessary for the CAISO to utilize the ICPM authority);
- (2) The following information would be reported for all backstop designations:
  - (a) the resource name;
  - (b) the amount of ICPM Capacity designated (MW),
  - (c) an explanation of why that amount of ICPM Capacity was designated,
  - (d) the date ICPM Capacity was designated,
  - (e) the duration of the designation; and
  - (f) the price for the ICPM procurement; and
- (3) If the reason for the designation is an ICPM Significant Event, the CAISO will also include:
  - (a) a discussion of the event or events that have occurred, why the CAISO has procured ICPM Capacity, and how much has been procured;
  - (b) an assessment of the expected duration of the ICPM 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.

**43.5.3 Non-Market Commitments and Repeated Market Commitments of Non-Resource Adequacy Capacity.**

Within ten (10) calendar days after the end of each month, the CAISO shall post a report to the CAISO Website that identifies for the prior month:

- (1) Any non-market commitments of non-Resource Adequacy Capacity; and
- (2) All market commitments of non-Resource Adequacy Capacity.

The CAISO will provide a Market Notice of the availability of this report. The report will not include commitments of RMR Generation capacity, Resource Adequacy Capacity or designated ICPM Capacity.

The report shall include the following information:

- (a) the name of the resource;
- (b) the IOU Service Area and Local Capacity Area (if applicable);
- (c) the maximum capacity committed in response to the event (MW);
- (d) how capacity was procured (for example, by RUC or Exceptional Dispatch);
- (e) the reason capacity was committed; and
- (f) information as to whether or not all Resource Adequacy Resources and previously-designated ICPM Capacity were used first and, if not, why they were not.

**43.5.4 Board of Governors Report.**

The CAISO will include in the operations report provided to the CAISO Governing Board at each board meeting a summary of ICPM costs.

**43.6 Payments to Resources Designated Under the ICPM.**

Within thirty (30) days of the effective date of this Section 43, Scheduling Coordinators for Eligible Capacity may submit to the CAISO an intention to be paid a monthly ICPM Capacity Payment under Section 43.6.1 or Section 43.6.2. Scheduling Coordinators for Eligible Capacity will be able to change their selections annually within thirty (30) days of a CAISO Market Notice seeking such payment preferences. To the extent a Scheduling Coordinator for Eligible Capacity does not submit a selection to be compensated in accordance with Section 43.6.1, the Scheduling Coordinator shall be deemed to have selected to be paid on a resource-specific basis pursuant to Section 43.6.2, for purposes of the CAISO's ICPM designation determinations.

**43.6.1 Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.1 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor, as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and a fixed ICPM Capacity price of \$41/kW-year, so that the formula for determining the monthly ICPM Capacity Payment would be as follows:

$$\text{(ICPM Capacity MW)} \times \text{(ICPM Availability Factor)} \times \text{(1/12 monthly shaping factor)} \times \text{(\$41/kW-year)}.$$

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.1 except for ICPM Capacity designated to respond to an ICPM Significant Event or an Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.

For purposes of ICPM designations, except for designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month.

For purposes of ICPM designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM 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 CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM 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 43.6.1, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

#### **43.6.2 Resource-Specific ICPM Capacity Payment.**

If a Scheduling Coordinator for Eligible Capacity believes that the \$41/kW-year ICPM Capacity price under Section 43.6.1 will not compensate a resource for its going forward costs, as calculated in accordance with the formula provided in Section 43.6.2.2, the Scheduling Coordinator may, within thirty (30) days of the effective date of this Section 43 and annually thereafter in accordance with Section 43.6, inform the CAISO of what proposed higher ICPM Capacity price would compensate the resource for its going forward costs and which the Scheduling Coordinator is willing to have the CAISO use for purposes

of the ICPM designation process (“going forward cost offer price”).

**43.6.2.1 Failure to Submit Going Forward Cost Offer Price.**

A Scheduling Coordinator for a resource is not required to submit a specific going forward cost offer price for such resource within thirty (30) days after the effective date of Section 43 or under the process provided for in Section 43.6; however, except for an Exceptional Dispatch ICPM designation, a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource must notify the CAISO of what that price is before any CAISO designation of that resource’s capacity as ICPM Capacity can become effective. In the case of an Exceptional Dispatch ICPM designation on behalf of a resource that has not selected the supplemental revenues option, the ICPM designation shall become effective notwithstanding the resource’s failure to select compensation pursuant to Section 43.6.1 or to identify a going forward cost offer price pursuant to Section 43.6.2. In such a case, the CAISO shall use the compensation under Section 43.6.1 for both dispatch and compensation for the 30-day term. In the case of a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource, the cap on supplemental revenues under Section 39.10.4 will be calculated using the monthly capacity payment under Section 43.6.1.

**43.6.2.1.1 Determination of Capacity Price.**

If the CAISO designates a resource that has proposed an ICPM Capacity price above \$41/kW-year, and the sales from the resource are under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a limited resource-specific filing before the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO’s FERC jurisdictional monthly ICPM Capacity Payment formula. If the sales from the resource are not under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a non-jurisdictional filing with the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO’s FERC-jurisdictional monthly ICPM Capacity Payment formula.

**43.6.2.2        Going Forward Cost.**

In making the cost justification filing with FERC for an ICPM Capacity price above \$41/kW-year, the Scheduling Coordinator for the resource may not propose -- and shall not get paid -- an amount higher than the going forward cost offer price that it had previously proposed to the CAISO as its going forward cost offer price under Section 43.6 or this Section 43.6.2, either prior to or at the time of ICPM designation.

Going forward costs for any resource-specific filing under this Section shall be calculated based on the following formula:

(fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs, plus ten percent (10%) of the foregoing amounts),

provided such costs shall be converted to a fixed \$/kW-year amount.

**43.6.2.3 Resource-Specific Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.2 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and the resource-specific ICPM Capacity price, as determined by FERC in accordance with the following formula:

$(\text{ICPM Capacity MW}) \times (\text{ICPM Availability Factor}) \times (1/12 \text{ monthly shaping factor}) \times (\text{the resource-specific ICPM Capacity price as determined by FERC}).$

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.2 except for ICPM Capacity designated to respond to an ICPM Significant Event or Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.



Prior to the determination by FERC of the resource-specific going forward costs for ICPM Capacity designated and paid pursuant to this Section 43.6.2, the CAISO shall proceed as follows. For the period between the CAISO's designation and the FERC's determination, the CAISO shall utilize the \$41/kW-year rate for purposes of the resource-specific monthly ICPM Capacity Payment for financial Settlement. This amount shall be subject to surcharge based on the outcome of the FERC proceeding so that the resource will receive any higher actual resource-specific payment as determined by FERC for the full period of the ICPM designation. Once approved by FERC, the CAISO shall apply the higher of \$41/kW-year or the resource-specific ICPM Capacity price as determined by the FERC.

For purposes of ICPM designations, except for designations for ICPM Significant Events, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month.

For purposes of ICPM designations for ICPM Significant Events, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM 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 CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM 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 43.6.2, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

**43.6.3 Market Payments.**

In addition to the ICPM Capacity Payment identified in Section 43.6, ICPM resources shall be entitled to retain any revenues received as a result of their selection in the CAISO Markets, provided, however, that ICPM resources are required to participate in the RUC process through submission of a zero (\$0) dollar RUC Availability Bid and are not eligible to receive compensation through the RUC process.

**43.7 Allocation of ICPM Capacity Payment Costs.**

For each month, the CAISO shall allocate the costs of ICPM Capacity Payments made pursuant to Section 43.6 as follows:

**43.7.1 LSE Shortage of Local Capacity Area Resources in Annual Resource Adequacy Plan.**

If the CAISO makes ICPM designations under Section 43.1.1.1 to address a shortage resulting from the failure of a Scheduling Coordinator for an LSE to identify sufficient Local Capacity Area Resources to meet its applicable Local Capacity Area capacity requirements in its annual Resource Adequacy Plan, then the CAISO shall allocate the total costs of the ICPM Capacity Payments for such ICPM designations (for the full term of those ICPM designations) pro rata to each Scheduling Coordinator for an LSE based on the ratio of its Local Capacity Area Resource Deficiency to the sum of the deficiency of Local Capacity Area Resources in the deficient Local Capacity Area(s) within a TAC Area. The Local Capacity Resource Deficiency under this Section shall be computed on a monthly basis and the ICPM Capacity Payments allocated based on deficiencies during the month(s) covered by the ICPM designation(s).

**43.7.2 LSE Shortage of Local Capacity Area Resources in Monthly Resource Adequacy Plan.**

If the CAISO makes ICPM designations under Section 43.1.1.2 to address a shortage resulting from the failure of a Scheduling Coordinator for an LSE to identify sufficient Local Capacity Area Resources to meet its applicable Local Capacity Area capacity requirements in its monthly Resource Adequacy Plan, then the CAISO shall allocate the total costs of the ICPM Capacity Payments for such ICPM designations (for the full term of those ICPM designations) pro rata to each Scheduling Coordinator for an LSE based on the ratio of its Local Capacity Area Resource Deficiency to the sum of the deficiency of Local Capacity Area Resources in the deficient Local Capacity Area(s) within a TAC Area.

**43.7.3 Collective Deficiency in Local Capacity Area Resources.**

If the CAISO makes designations under Section 43.1.2 the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs serving Load in the TAC Area(s) in which the deficient Local Capacity Area was located. The allocation will be based on the Scheduling Coordinators' proportionate share of Load in such TAC Area(s) as determined in accordance with Section 40.3.2, excluding Scheduling Coordinators for LSEs that procured additional capacity in accordance with Section 43.1.2.1 on a proportionate basis, to the extent of their additional procurement.

**43.7.4 LSE Shortage of Demand or Reserve Margin Requirements in Annual or Monthly Resource Adequacy Plan.**

If the CAISO makes ICPM designations under Section 43.1.3, then the CAISO will allocate the total costs of the ICPM Capacity Payments for such ICPM designations (for the full term of those ICPM designations) pro rata to each LSE based on the proportion of its deficiency to the aggregate deficiency.

**43.7.5 Allocation of ICPM Significant Event Costs.**

If the CAISO makes any ICPM Significant Event designations under Section 43.1.4, 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 ICPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria 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.

**43.7.6 Allocation of Exceptional Dispatch ICPMs.**

If the CAISO makes any Exceptional Dispatch ICPM designations under Section 43.1.5 , 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 Exceptional Dispatch ICPM 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.

**43.8 Crediting of ICPM Capacity.**

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

- (a) To the extent the cost of ICPM designation under Section 43.1.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.7.1, 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 ICPM Capacity designated under Section 43.1.1.1 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 ICPM Capacity designated under Section 43.1.1.1.

- (b) To the extent the cost of CAISO designation under Section 43.1.2 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.7.3, 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 ICPM Capacity designated under Section 43.1.2.
- (c) To the extent the cost of ICPM designation under Section 43.1.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.7.4, and the designation is for greater than one month under Section 43.2.4, 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 ICPM Capacity designated under Section 43.1.3.
- (d) The credit provided in this Section shall be used for determining the need for the additional designation of ICPM Capacity under Section 43.1 and for allocation of ICPM costs under Section 43.7.
- (e) 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.

**44 Temporary Suspension of CAISO Tariff.**

**44.1 Authority to Suspend Temporarily the Current Version of the CAISO Tariff and Reversion to Previously Effective ISO Tariff.**

If, during the thirty (30) days following the effective date of this section, the CAISO concludes that a hardware or software failure or other event has compromised the ability of the CAISO to reliably and accurately operate the CAISO Controlled Grid and CAISO Balancing Authority Area and settle the CAISO's markets in accordance with the currently-effective version of the CAISO Tariff and Business Practice Manuals, the CAISO may temporarily suspend the effectiveness of the currently-effective CAISO Tariff, or any part thereof, and operate under the terms and conditions of the ISO Tariff in effect on the day before the effective date of this section. In the event of such a suspension or partial suspension, the CAISO shall perform Settlements in accordance with a single version of the CAISO Tariff for the entire month in which the suspension occurred to the extent practicable. Upon restoration of the CAISO's ability to reliably and accurately operate the CAISO Controlled Grid and CAISO Balancing Authority Area and settle the CAISO's markets, the CAISO shall terminate such temporary suspension on the first of the month after a minimum of ten days' operations under the terms and conditions of the ISO Tariff in effect on the day before the effective date of this section unless Market Participants are required to change their process or systems, in which case a minimum of 30 days' operations are required.

**44.2 Notice of Effectiveness and Termination of Temporary Suspension.**

The CAISO shall issue a Market Notice announcing any temporary suspension declared under Section 44.1 and stating the reason for the suspension. The suspension shall take effect at the time and date specified by the CAISO in the Market Notice. Within five (5) Business Days after the issuance of the Market Notice announcing the temporary suspension, the CAISO shall file a report with FERC describing the reasons for the temporary suspension and the estimated time by which the suspension will be terminated. The CAISO shall issue a subsequent Market Notice announcing the time and date on which the termination of the temporary suspension will be effective.

**44.3 Preconditions to Suspension.**

The CAISO shall not declare a suspension under Section 44.1 unless it has determined that there are no viable automated or manual work-arounds or other options that would restore the ability of the CAISO to reliably and accurately operate the CAISO Controlled Grid and CAISO Balancing Authority Area and settle the CAISO's markets in accordance with the CAISO Tariff and Business Practice Manuals while the underlying problem is resolved.