



September 30, 2011

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

**Re: California Independent System Operator Corporation
Docket No. ER11-____-000
SCP - QF Forced Outage Reporting Exemptions**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) hereby submits for filing proposed amendments to ISO Tariff Section 40.9.2¹ that will exempt scheduling coordinators for two categories of qualifying facilities (“QFs”) from the requirement in Section 40.9.5 to report outages to the ISO for purposes of the standard capacity product (“SCP”) availability determination.² The exemptions apply to scheduling coordinators for the QFs that provide resource adequacy (“RA”) capacity (“QF-RA Resources”) under an existing agreement for regulatory must-take generation that either (i) is exempt from the application of non-availability charges and availability incentive payments pursuant to Tariff Sections 40.9.2(2) or 40.9.2(3),³ or (ii) was executed prior to the August 22, 2010 deadline for grandfathering under Tariff Section 40.9.2(2), and remains in effect

¹ The ISO submits this filing pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.13 of the Commission’s regulations, 18 C.F.R. § 35.13.

² The ISO is also sometimes referred to as the CAISO. Capitalized terms not otherwise defined herein have the same meaning as set forth in the Master Definitions Supplement, Appendix A, to the currently effective ISO Tariff. References in this filing to section numbers are references to sections of the ISO Tariff, and references to appendices are references to appendices of the ISO Tariff, unless the context indicates otherwise.

³ This filing discusses several exemptions -- the exemptions from application of the SCP availability payments and non-availability charges under existing Tariff Sections 40.9.2(2) and 40.9.2(3) and the proposed exemptions from the outage reporting requirements under new Tariff Sections 40.9.2(7) and 40.9.2(8). In order to distinguish between these exemptions and avoid confusion, the existing exemptions in Sections 40.9.2(2) and 40.9.2(3) will instead be referred to collectively as the “grandfathering provision” or as “grandfathered” contracts, which are terms by which they are commonly known.

pursuant to California Public Utilities Commission Decision 07-09-040 that extended the term of expiring contracts until such time as the new contracts resulting from that decision are available.⁴ The proposed exemptions will end for each resource when its existing agreement for regulatory must-take generation terminates, the agreement is no longer grandfathered or eligible for exemption, or if requested by the scheduling coordinator.

The proposed exemptions are necessary because the scheduling coordinators⁵ for these two categories of QF-RA Resources have advised the ISO that they cannot obtain the required outage information from the resources under the provisions of their existing agreements for regulatory must-take generation or the information is unreliable. As a consequence, the scheduling coordinators are unable to comply with the outage reporting requirement in Section 40.9.5. Unless the proposed exemption is granted, a scheduling coordinator that fails to submit outage information for a QF-RA Resource could be found to be in non-compliance with the reporting requirement in Section 40.9.5 even though the scheduling coordinator does not have and cannot obtain the required information. The Commission should therefore accept these tariff changes as just and reasonable.

The ISO proposes an effective date of December 1, 2011 for the tariff modifications proposed in this filing. The ISO respectfully requests that the Commission accept the tariff revisions contained in this filing effective as of that date and issue an order immediately following expiration of the 60-day notice requirement in 18 C.F.R. § 35.3 to allow for deployment on the effective date.

I. BACKGROUND

A. Standard Capacity Product

In 2004, the California Public Utilities Commission (“CPUC”) implemented the RA program to ensure that adequate resources are available when and where needed to serve load, meet appropriate reserve requirements, and support reliable operation of the ISO controlled grid. Under this program, each load serving entity is required to procure sufficient capacity to meet its annual RA capacity obligation. In the year-ahead and month-ahead timeframes, load serving entities provide RA plans to the ISO demonstrating that their RA requirements will be met for that reporting period by identifying the specific

⁴ *Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resources Planning, et al.*, Decision 0709-040 (September 20, 2007).

⁵ The scheduling coordinators for the QF RA Resources are Pacific Gas and Electric Company (“PG&E”), San Diego Gas and Electric Company (“SDG&E”), and Southern California Edison Company (“SCE”)(collectively referred to as the investor owned utilities or “IOUs”).

resources with which they have contracted for RA capacity. Scheduling coordinators for these RA resources also submit year-ahead and monthly supply plans to the ISO confirming their commitment to make the RA capacity available. The ISO then cross-validates the RA plans and supply plans to verify that each load serving entity's RA capacity obligation will be met by the RA resources procured.

As the RA program evolved, participants identified a need to develop a standardized availability measure in order to facilitate the selling, buying and trading of capacity to meet RA requirements. In response to this need, the ISO on April 28, 2009 filed its proposal in FERC Docket No. ER09-1064-000 to establish the standard capacity product ("SCP"). SCP was designed to: 1) enhance reliability by applying availability payments and non-availability charges as financial incentives to RA resources to be available to the ISO during designated peak hours; and (2) establish uniform metrics that enable market participants to efficiently and flexibly buy, sell, and trade RA capacity without the burden of negotiating the availability requirements of each transaction. Under SCP, RA capacity is tracked by the ISO for availability during specified availability assessment hours of each month (*i.e.*, the extent to which the total amount of a resource's RA capacity is available and not on a forced equipment outage or derate). The resource's calculated availability is then subject to availability incentive payments or non-availability charges depending on the direction and number of MWs by which the resource deviates from the monthly SCP availability standard. The Commission approved the ISO's SCP filing on June 26, 2009, and SCP became effective on January 1, 2010.⁶

In the initial SCP filing, the ISO did not apply SCP to RA resources whose qualifying capacity is determined by the CPUC or a local regulatory authority based on historical output data rather than based on maximum or nameplate capacity.⁷ It would have been inappropriate to apply SCP to these resources at that time. The CPUC rules then in effect, in combination with the proposed SCP provisions, could have resulted in double counting of the impact of forced outages.

⁶ *Cal. Indep. Sys. Operator Corp*, 127 FERC ¶ 61,298 (2009) (June 26 Order). On August 10, 2009, the ISO submitted a compliance filing in Docket No. ER09-1064-003 to make certain modifications to the SCP mechanism required in the June 26 Order. On May 20, 2010, the Commission issued an Order on Compliance Filing that conditionally accepted the ISO's compliance filing subject to further modification to eliminate use of a separate formula in instances where the resource's monthly availability is less than the resource's minimum operating value. *Cal. Indep. Sys. Operator Corp*, 131 FERC ¶ 61,148 (2010).

⁷ The resources subject to this historical determination of qualifying capacity include wind, solar, non-dispatchable cogeneration, non-dispatchable biomass and non-dispatchable geothermal facilities.

On June 22, 2010, the ISO filed its SCP Phase 2 proposal in FERC Docket No. ER10-1524-000. The primary change in that proposal was to extend SCP to the RA resources whose qualifying capacity was determined by historical output. The ISO proposed to extend SCP to these resources in order to ensure that there is no undue discrimination among, or unduly preferential treatment for, certain types of RA resources and to move toward the ultimate development and implementation of a long-term RA framework in which there is a uniform availability standard applicable to all RA resources. In addition, the CPUC on May 25, 2010 had posted a proposed decision that would change the CPUC's qualifying capacity calculation in order to eliminate the potential of the double penalty occurring with the ISO's SCP. On June 24, 2010, the CPUC in Decision 10-06-036 adopted the proposed decision and eliminated the historical outage and de-rate data from the qualifying capacity calculation for these RA resources for the same hours as those included in the SCP availability calculation and replace the hours with proxy data.⁸ By order dated August 20, 2010, the Commission approved the SCP Phase 2 filing, to be effective January 1, 2011.⁹

B. The CPUC QF Settlement

In Decision 10-12-035, the CPUC adopted a comprehensive settlement of numerous outstanding QF issues that is intended to provide for an orderly transition from the CPUC's existing QF program to a new QF/combined heat and power ("CHP") program.¹⁰

For purposes of the instant filing, the pertinent aspect of the settlement is that it offers QFs the option of selecting a contract form from among four pro forma power purchase agreements. The types of agreements are Transition PPA, CHP RFP PPA, Optional As-Available CHP PPA, and PPA for QFs of 20 MW or Less. These contracts will be available for execution when the decision that approved them, Decision 10-12-035, becomes a final, non-appealable order. That is expected to occur later this year or early next year.

⁸ *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Procurement Obligations*, CPUC Decision 10-06-036 (June 24, 2010), pp. 31-35.

⁹ PG&E and SCE, as the Scheduling Coordinators for QF-RA Resources, have requested, and FERC has approved, temporary waivers from reporting outages for the QF-RA Resources under Section 40.9.5. The current waivers expire on September 30, 2011. PG&E and SCE have requested an extension of the waivers until the earlier of December 31, 2011 of the effective date of the Commission order on the instant ISO filing. See Docket Nos. ER11-2592-002 and ER11-2694-002.

¹⁰ *Application of Southern California Edison Company (U338E) for Applying the Market Index Formula and As-Available Capacity Prices Adopted in D.07-09-040 to Calculate Short-Run Avoided Cost for Payments to Qualifying Facilities Beginning July 2003 and Associated Relief, and Related Matters*, CPUC Decision 10-12-035 (December 16, 2010).

Each of the pro forma agreements contains provisions that require the QF to provide outage information to its scheduling coordinator, which can then be submitted to the ISO in accordance with the reporting requirements of the ISO Tariff. Accordingly, each new QF/CHP facility, QF/CHP whose existing contract terminates, or QF/CHP which opts to transition to the new form of agreement will execute an agreement that subjects it to the requirements of the ISO Tariff, including the SCP outage reporting requirements in Section 40.9.5 if it is a QF-RA Resource.

C. The Stakeholder Initiative

The ISO initiated the stakeholder process in January 2011 to determine the appropriate forced outage reporting requirements under the SCP provisions for QFs. The stakeholder process involved multiple conference calls with stakeholders, submission of a Joint Proposal by PG&E, SDG&E, and SCE, issuance of a whitepaper by the ISO discussing its recommendation on the Joint Proposal, and numerous opportunities for stakeholders to provide input on the issues under consideration. The resulting proposal in this filing reflects this collaborative process.¹¹

The ISO began the stakeholder process by publishing a market notice and scheduling a conference call to discuss appropriate forced outage reporting rules for the QF RA Resources. The ISO conducted the stakeholder conference call on January 14, 2011 and afforded stakeholders the opportunity to provide written comments on the issues by January 28, 2011. Three stakeholders – PG&E, SCE, and the CPUC -- responded with comments in support of the stakeholder process and an exemption or waiver from the existing forced outage reporting requirements for the QFs. No other written comments were submitted.

On June 9, 2011, PG&E, SDG&E, and SCE submitted a Joint Proposal to the ISO to exempt certain qualifying facilities from the standard capacity product requirements. The Joint Proposal recommended that the QF contracts that are exempt from the SCP availability incentive payments and non-availability charges and the contracts with terms that have been extended by CPUC order be exempt from the SCP outage reporting requirements in ISO Tariff Section 40.9.5. On June 17, 2011, the ISO conducted a stakeholder conference call in which PG&E and SCE presented the Joint Proposal. Stakeholders submitted comments on the Joint Proposal on June 24, 2011. The comments of the California Cogeneration Council, and the Cogeneration Association of California and

¹¹ The complete stakeholder record for this initiative is posted on the ISO's website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/StandardCapacityProductTemporaryWaiver.aspx>. This record includes the ISO's Issue Paper and subsequent proposals, comments submitted by stakeholders, presentations at stakeholder meetings, and draft tariff language.

Energy Producers and Users Coalition, supported the recommendation in the Joint Proposal to exempt the two categories of QF-RA Resources from the SCP outage reporting requirements. Comments by Six Cities,¹² asked questions about the Joint Proposal but did not take a position on the recommendation. None of the comments opposed the Joint Proposal.

The ISO considered the Joint Proposal and stakeholder input, and on August 30, 2011, issued a whitepaper containing its recommendation on the QF outage reporting issue. The ISO stated that it is important the QF-RA capacity be included in the development of availability standards and that such resources should continue to be subject to the forced outage reporting requirements under Section 40.9 even to the extent that such resources are not subject to the non-availability charges or availability incentive payments. However, the ISO recognized that it may not be feasible to require forced outage data for RA resources operating under QF contracts when those contracts do not require the QF resource owners to provide that data to the respective IOU. The ISO accordingly recommended that the QF-RA Resources with grandfathered contracts and contracts with terms extended by CPUC order be exempt from the SCP outage reporting requirements until those contracts expire, or are replaced by the new pro forma agreements available through the CPUC QF settlement. The new pro forma agreements contain provisions that require the QFs to provide outage information to the IOUs that may then be submitted to the ISO.

The ISO held a stakeholder call on September 9, 2011 to review the recommendation and received written comments from stakeholders on September 14, 2011. SCE's comments and the joint comments of the Cogeneration Association of California and the California Cogeneration Council supported the ISO's recommendation. Wellhead Electric submitted comments agreeing with the reasoning for the proposed exemption and requesting additional tariff amendments to address how the existing grandfathering provision will be affected by the agreements that will result from the CPUC QF settlement.¹³ No comments were submitted in opposition to the ISO's recommendation.

The ISO posted draft tariff language for this proposal on September 16, 2011. Comments on the draft tariff language were submitted on July 26, 2011 by the Cogeneration Association of California, PG&E, and Wellhead Electric. The ISO's recommendation and the stakeholder comments were discussed during a stakeholder conference call on September 26, 2011.

¹² The Six Cities are the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

¹³ The issue raised by Wellhead was outside the scope of this stakeholder process. The ISO is not proposing any modifications to the grandfathering provisions of the tariff.

II. SCP OUTAGE REPORTING EXEMPTION FOR QF-RA RESOURCES

Under the currently effective ISO Tariff, the scheduling coordinators for resource adequacy resources, including QF-RA Resources, are required to report forced outages, non-ambient derates, and temperature-related ambient derates to the ISO for use in the SCP availability calculation. Specifically, existing Section 40.9.5 provides that:

Scheduling Coordinators for Generating Units or Resource-Specific System Resources that are also Resource Adequacy Resources with a maximum output capability of one 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. The 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.

Through the stakeholder process and Joint Proposal, the IOUs, as the Scheduling Coordinators for the QF-RA Resources, have advised the ISO that they cannot obtain the required outage information from the resources under the provisions of their existing agreements for regulatory must-take generation. According to the Joint Proposal, the terms and conditions of the grandfathered contracts and the contracts that have CPUC-extended terms were developed based on operating conditions during the 1980s and 1990s when the QFs were starting to come on line. The contract forms predate the RA program and the existence of the ISO, and most do not contain provisions that obligate the QFs to provide the kinds of information required to comply with the ISO's SCP outage reporting requirements. To the extent that some of the contracts do contain provisions that allow the IOUs to obtain outage data, the Joint Proposal claims that the data is not necessarily timely. In addition, the data may not be sufficiently specific to identify the type or length of the outage, nor may the data be reliable or consistent across the QF-RA Resource group. The Joint Proposal

further maintains that it would be extremely difficult for the IOUs to negotiate and amend all of the grandfathered and CPUC-extended contracts, which exceed 400 contracts, and that the process for regulatory approval would be protracted.

Based on the Joint Proposal and input from stakeholders, the ISO proposes to add new Sections 40.9.2(7) and 40.9.2(8) to the tariff in order to exempt scheduling coordinators for two categories of QF-RA Resources from the requirement in Section 40.9.5 to report outages to the ISO for purposes of the SCP availability determination. The exemptions apply to scheduling coordinators for the QF-RA resources that provide resource adequacy capacity under an existing agreement for regulatory must-take generation that either (i) is grandfathered from the application of non-availability charges and availability incentive payments pursuant to Tariff Sections 40.9.2(2) or 40.9.2(3), or (ii) was executed prior to the August 22, 2010 deadline to be eligible for grandfathering under Tariff Section 40.9.2(2) and remains in effect pursuant to California Public Utilities Commission Decision 07-09-040 that extended the term of expiring contracts.

At the time the ISO extended the SCP provisions to the QF-RA Resources through the SCP Phase 2 tariff filing, the ISO believed that it was important to obtain forced outage information for these facilities in order to include the data in the calculation of the availability standard as well as to determine the monthly availability of each facility's RA capacity. For that reason, the ISO did not propose to exempt the QFs from the outage reporting requirement in the SCP Phase 2 filing. Although the ISO is now proposing such an exemption, its policy has not changed. The ISO continues to believe in the importance of including forced outage information for QF-RA Resources in the SCP determination.

The ISO is proposing the exemption in this filing to recognize the reality that under the existing agreements, the scheduling coordinators for the QF-RA Resources are unable to obtain outage information or the information they can obtain may not be accurate or reliable. Without this information, the scheduling coordinators are unable to comply with the outage reporting requirement in Section 40.9.5. As a consequence, unless the scheduling coordinators are exempted from this requirement, a scheduling coordinator that fails to submit outage information for a QF-RA Resource could be found to be in non-compliance with the reporting requirement in Section 40.9.5 even though the scheduling coordinator does not have and cannot obtain the required information.

The ISO proposes that the exemptions in new Sections 40.9.2(7) and 40.9.2(8) end for each resource when its existing agreement for regulatory must-take generation terminates, the agreement is no longer grandfathered or eligible for exemption, or if requested by the scheduling coordinator. This approach will serve as a bridge between the existing agreements and the four pro forma QF/CHP power purchase agreements that will be available as a result of the

CPUC QF settlement. These pro forma agreements contain outage reporting requirements consistent with the ISO Tariff. Accordingly, each new QF/CHP facility, QF/CHP whose existing contract terminates, or QF/CHP which opts to transition to the new form of agreement will execute an agreement that subjects it to the requirements of the ISO Tariff, including the SCP outage reporting requirements in Section 40.9.5 if it is a QF-RA Resource.

The following table shows the estimated MWs of RA capacity in 2011 that will be exempted from the outage reporting requirement in the PG&E and SCE service areas and the decline in the exempted MWs as the contracts expire over time:

| End of Year | Estimated Exempt RA MWs | Approximate Percentage of 2011 MWs |
|--------------------|--------------------------------|---|
| 2011 | 4,000 | 100% |
| 2012 | 2,800 | 70% |
| 2015 | 2,300 | 60% |
| 2020 | 600 | 15% |
| 2025 | 275 | 10% |
| 2030 | 60 | 2% |

In addition to exempting the scheduling coordinators for QF-RA Resources with CPUC-extended contracts from the SCP outage reporting requirements, the ISO proposes that they be exempted from the SCP availability incentive payments and the non-availability charges.¹⁴ This additional exemption is necessary in order to prevent an inequity in the application of SCP. If the scheduling coordinators for the resources under these contracts do not report forced outages, the SCP provisions will calculate the availability of the resources to be 100 percent, which means that the resources' calculated availability will always exceed the applicable availability metric and they will be eligible to receive availability incentive payments. To the extent that availability incentive payments would be made to the QF-RA Resources in these circumstances, the dollar amount of the availability incentive payments that could be made to other RA resources that actually achieved superior availability would be reduced, to their financial detriment. Exempting the QF-RA Resources with CPUC-extended contracts from the SCP availability incentive payments and non-availability charges will avoid any adverse financial impact of the proposed exemption on other RA resources.

¹⁴ A similar exemption for the QF-RA Resources with grandfathered contracts is not necessary. RA capacity provided under grandfathered contracts is already exempt from application of the SCP availability incentive payments and non-availability charges under Sections 40.9.2(2) and 40.9.2(3).

The following table summarizes the exemptions the ISO proposes in new Sections 40.9.2(7) and 40.9.2(8):

| QF Resource | Reports Forced Outages? | Subject to SCP Availability Payments and Non-Availability Charges? | Proposed Tariff Amendment |
|---|--|---|--|
| 1) QF with a QF Participating Generator Agreement (PGA), not grandfathered | Yes | Yes, if it provides RA capacity | N/A |
| 2) QF with a QF PGA, is grandfathered | Yes | No | N/A |
| 3) QF-RA Resource, no PGA, not grandfathered, but has CPUC-extended contract | Yes, but requirement is currently waived based on PG&E and SCE request and FERC approval. This waiver is set to expire on September 30, 2011. | Yes, but requirement is currently waived based on PG&E and SCE request and FERC approval. This waiver is set to expire on September 30, 2011. | Exemptions proposed from the SCP outage reporting requirement and SCP availability payments/charges. Exemptions end when the extended contract terminates, or by SC request. |
| 4) QF-RA Resource, no PGA, but is grandfathered | Yes, but currently this requirement is waived based on PG&E/SCE request and FERC approval. This waiver is set to expire on September 30, 2011. | No | Exemption proposed from the SCP outage reporting requirement. Exemption ends when the contract terminates or is no longer eligible for grandfathering, or by SC request. |

III. COMMUNICATIONS

Communications regarding this filing should be address to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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IV. EFFECTIVE DATE

The ISO proposes an effective date of December 1, 2011 for the proposed tariff modifications. The ISO respectfully requests that the Commission accept the tariff revisions contained in this filing effective as of that date and issue an order immediately following expiration of the 60-day notice requirement in 18 C.F.R. § 35.3 to allow for deployment on the effective date.

V. SERVICE

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

VI. ATTACHMENTS

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

- | | |
|---------------------|---|
| Attachment A | Revised ISO tariff sheets that incorporate the proposed changes described above |
| Attachment B | ISO tariff revisions shown in black-line format |

VII. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission approve this tariff revision as filed. Please contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

By: /s/Beth Ann Burns

Nancy Saracino

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California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Attachment A – Clean Tariff

Standard Capacity Product-Qualifying Facilities Forced Outage Reporting Exemptions

Amendment

September 30, 2011

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. For Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output, the capacity under a resource specific power supply contract or Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval that meets the requirements in this subsection (2) will not be

subject to Non-Availability Charges or Availability Incentive Payments, except that the deadline date for either type of contract shall be August 22, 2010 instead of June 28, 2009.

- (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. For Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output the exemption provided in subsection (2) of this Section 40.9.2 will apply to an increase in the capacity under a resource specific power supply contract or Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval that meets the requirements in this subsection (3), except that the deadline date for either type of contract to be exempt shall be August 22, 2010 instead of June 28, 2009.

- (4) Demand response resources 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.
- (7) Scheduling Coordinators for Qualifying Facilities that are Resource Adequacy Resources shall be exempt from the Outage reporting requirements of Section 40.9 if the resource provides Resource Adequacy Capacity under an existing agreement for Regulatory Must-Take Generation that is exempt from the application of Non-Availability Charges and Availability Incentive Payments pursuant to Section 40.9.2(2) or 40.9.2(3). This exemption from the Outage reporting requirements of Section 40.9 shall end for each resource when its contract terminates or it is no longer eligible for exemption under Section 40.9.2(2) or 40.9.2(3), or if requested by the Scheduling Coordinator for the resource, whichever is earlier.
- (8) Scheduling Coordinators for Qualifying Facilities that are Resource Adequacy Resources shall be exempt from the Outage reporting requirements of Section 40.9, and will not be subject to Non-Availability Charges or Availability Incentive Payments, if the resource

provides Resource Adequacy Capacity pursuant to an existing agreement for Regulatory Must-Take Generation that was executed prior to the August 22, 2010 deadline for exemption under Section 40.9.2(2), and remains in effect pursuant to California Public Utilities Commission Decision 07-09-040 that extended the term of expiring contracts until such time as the new contracts resulting that decision are available, This exemption from the Outage reporting requirements of Section 40.9, and the Availability Incentive Payments and Non-Availability Charges, shall end for each resource when its contract terminates or if requested by the Scheduling Coordinator for the resource, whichever is earlier.

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.

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California Independent System Operator Corporation

Fifth Replacement FERC Electric Tariff

Attachment B – Marked Tariff

Standard Capacity Product-Qualifying Facilities Forced Outage Reporting Exemptions

Amendment

September 30, 2011

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. For Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output, the capacity under a resource specific power supply contract or Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval that meets the requirements in this subsection (2) will not be

subject to Non-Availability Charges or Availability Incentive Payments, except that the deadline date for either type of contract shall be August 22, 2010 instead of June 28, 2009.

- (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. For Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output the exemption provided in subsection (2) of this Section 40.9.2 will apply to an increase in the capacity under a resource specific power supply contract or Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval that meets the requirements in this subsection (3), except that the deadline date for either type of contract to be exempt shall be August 22, 2010 instead of June 28, 2009.

- (4) Demand response resources 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.
- (7) Scheduling Coordinators for Qualifying Facilities that are Resource Adequacy Resources shall be exempt from the Outage reporting requirements of Section 40.9 if the resource provides Resource Adequacy Capacity under an existing agreement for Regulatory Must-Take Generation that is exempt from the application of Non-Availability Charges and Availability Incentive Payments pursuant to Section 40.9.2(2) or 40.9.2(3). This exemption from the Outage reporting requirements of Section 40.9 shall end for each resource when its contract terminates or it is no longer eligible for exemption under Section 40.9.2(2) or 40.9.2(3), or if requested by the Scheduling Coordinator for the resource, whichever is earlier.
- (8) Scheduling Coordinators for Qualifying Facilities that are Resource Adequacy Resources shall be exempt from the Outage reporting requirements of Section 40.9, and will not be subject to Non-Availability Charges or Availability Incentive Payments, if the resource

provides Resource Adequacy Capacity pursuant to an existing agreement for Regulatory Must-Take Generation that was executed prior to the August 22, 2010 deadline for exemption under Section 40.9.2(2), and remains in effect pursuant to California Public Utilities Commission Decision 07-09-040 that extended the term of expiring contracts until such time as the new contracts resulting that decision are available, This exemption from the Outage reporting requirements of Section 40.9, and the Availability Incentive Payments and Non-Availability Charges, shall end for each resource when its contract terminates or if requested by the Scheduling Coordinator for the resource, whichever is earlier.

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.

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