

Business Requirements Specification

Central Procurement Entity (CPE) Implementation

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Revision History

Date	Version	Description
03/02/2022	1.0	Creation of Document
04/07/2022	1.1	RAAIM scope item taken out per stakeholder policy process. BRQ025, BRQ026, MKT-006 removed. BPM section updated with deleting RAAIM scope item.
9/13/2022	1.2	Section 5.3: MKT – 003, language updated from New User Role to New Entity Type.

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1 Introduction

1.1 Purpose

The purpose of this document is to capture and record a description of what the Users and Business Stakeholders of the project wish to obtain, by providing high level business requirements. This document establishes the basis for the agreement between the initiators and implementers of the project. The information in this document serves as input to determine the scope of projects and all Business Process Modeling and System Requirements Specifications (SRS) efforts.

Business requirements are what must be delivered to provide value for the Users and Business Stakeholders. Systems, software, and processes are the ways (how) to deliver, satisfy, or meet the business requirements (what).

Background:

In June 2020, the CPUC ordered the creation of a Central Procurement Entity (CPE) to lead procurement of Local Resource Adequacy (RA) Resources for CPUC jurisdictional LSEs in the SCE and PG&E TAC areas. Under this order, CPUC would now assign the local RA obligation to the CPE to procure local resources on behalf of all CPUC jurisdictional LSEs within the CPE’s respective TAC area. The system and flexible RA attributes of these local resources would also be allocated to all LSEs through CAM credits to reduce their own system and flexible requirements. The CPUC adopted what it referred to as a hybrid procurement model, in which LSEs could procure local resources voluntarily to meet their system and flexible RA requirements, in which case the local resource also would count towards the collective local RA requirements of the CPE. The CPE would also be subject to CAISO’s CPM mechanism for any identified local deficiencies.

The CAISO tariff currently allows LSEs to aggregate responsibilities to procure Local Capacity Area Resources. However, given the unique nature of the CPE as outlined in CPUC D. 20-06-002, relying solely on this existing tariff provision is not sufficient to facilitate implementation of the CPE construct. The CAISO has identified additional needed tariff, software, and business process enhancements. Although the CPUC’s CPE order is the impetus for this stakeholder initiative, the CAISO does not propose to limit a CPE to CPUC-jurisdiction LSEs. The CAISO instead proposes to allow all Local Regulatory Authorities (LRAs) to designate a CPE to procure local resources on behalf of its LSEs and that LRAs may designate the same CPE to procure local resources on behalf of the LSEs under the jurisdiction of those multiple LRAs.

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Scope:

1. Recognizing a Central Procurement Entity (CPE)
2. System and Local Obligation for CPE and LSEs with Load in Multiple Transmission Access Charge (TAC) Areas
3. Allocation of System and Flexible Attributes of Local Resource Adequacy (RA) Resources
4. Clarification of Capacity Procurement Mechanism (CPM) Process and Cost Allocations in regards to CPE changes

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2 Intellectual Property Ownership

Intellectual Property covers a broad array of information and materials, including written works, computer programs, software, business manuals, processes, symbols, logos, and other work products. Determining ownership of Intellectual Property is very important in preserving the rights of the California ISO, and helps to avoid Intellectual Property infringement issues. In considering the business requirements or service requirements to be performed, the business owner of the project must determine Intellectual Property Ownership.

2.1 Guidelines

Intellectual Property ownership must be considered by all applicable stakeholders before the services are performed. The level of analysis is two-fold:

1. One, the business owner must determine if the Intellectual Property necessary to perform the services is owned by the California ISO or whether it must be obtained from a third party. Once the California ISO has secured the proper Intellectual Property rights to perform the services (i.e., the Intellectual Property is owned by the California ISO or we have licensed it from a third party), the California ISO can undertake the next step.
2. The second step in the analysis is to consider whether new Intellectual Property will be created as a result of the business requirements or service requirements to be performed, and how that Intellectual Property will be owned and protected by the California ISO.

In order to assist the business owner in the analysis previously described, refer to the California Intellectual Property Policy available at: <http://www.caiso.com/rules/Pages/LegalPoliciesNotices/Default.aspx>, which provides a brief tutorial on what Intellectual Property is and how the California ISO can protect its Intellectual Property. Contact the Legal Department if you have any questions regarding Intellectual Property.

There are no impacts to intellectual property based on the requirements stated in this document.

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2.2 Acronyms and Definitions Table

Acronym	Definition
CAM	Cost Allocation Mechanism
CIRA	CAISO Interface for Resource Adequacy Application
CEC	California Energy Commission
CPE	Central Procurement Entity
CPM	Capacity Procurement Mechanism
CPUC	California Public Utilities Commission
LRA	Local Resource Adequacy
LSE	Load Serving Entity
MW	Mega Watt
RA	Resource Adequacy
SC	Scheduling Coordinator
TAC	Transmission Access Charge

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3 Details of Business Need/Problem

3.1 Description

Business Opportunity/Problem Statement	
What:	<p>The CAISO tariff currently allows LSEs to aggregate responsibilities to procure Local Capacity Area Resources. However, given the unique nature of the CPE as outlined in CPUC D. 20-06-002, relying solely on this existing tariff provision is not sufficient to facilitate implementation of the CPE construct. The CAISO has identified additional needed tariff, software, and business process enhancements. Although the CPUC’s CPE order is the impetus for this stakeholder initiative, the CAISO does not propose to limit a CPE to CPUC-jurisdiction LSEs. The CAISO instead proposes to allow all Local Regulatory Authorities (LRAs) to designate a CPE to procure local resources on behalf of its LSEs and that LRAs may designate the same CPE to procure local resources on behalf of the LSEs under the jurisdiction of those multiple LRAs.</p>
When:	<p>Implementation planned for Fall 2022</p>
Why do we have this opportunity/problem:	<p>In June 2020, the CPUC ordered the creation of a Central Procurement Entity (CPE) to lead procurement of Local Resource Adequacy (RA) Resources for CPUC jurisdictional LSEs in the SCE and PG&E TAC areas. Under this order, CPUC would now assign the local RA obligation to the CPE to procure local resources on behalf of all CPUC jurisdictional LSEs within the CPE’s respective TAC area. The system and flexible RA attributes of these local resources would also be allocated to all LSEs through CAM credits to reduce their own system and flexible requirements. The CPUC adopted what it referred to as a hybrid procurement model, in which LSEs could procure local resources voluntarily to meet their system and flexible RA requirements, in which case the local resource also would count towards the collective local RA requirements of the CPE. The CPE would also be subject to CAISO’s CPM mechanism for any identified local deficiencies.</p>

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Business Opportunity/Problem Statement	
Who does this opportunity/problem impact:	Settlements, Transmission Infrastructure Planning, Operations Engineering Services, Legal, Market Policy and Performance, Market Participants

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4 Project Impact Assessment (IA)

4.1 Business Process

Business Process Framework (Level I)	Related Business Process Impacted (Level II)	Impact Description
<u>Develop Infrastructure (DI)</u>	Yes Manage Long term Transmission Planning (DI LII)	Transmission Infrastructure Planning – Business Process changes expected for Scope 1, 2, 3, 4.
<u>Manage Market & Reliability Data & Modeling (MMR)</u>	Yes Manage Resource Adequacy Requirements (MMR LII) Manage Entity and Resource Updates (MMR LII)	CIRA – Business processes changes expected for Scope 1, 2, 3, 4. Internal System – Business process changes expected for Scope 1.
<u>Manage Markets & Grid (MMG)</u>	Yes Manage Market Billing and Settlements (MOS LII)	Settlements – Business process changes expected for Scope 1, and 5.
<u>Support Business Services (SBS)</u>	Yes Configure Application Provisioning (SBS LII)	Internal System – Business processes changes expected for Scope 1

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Business Process Framework (Level I)	Related Business Process Impacted (Level II)	Impact Description
<u>Develop Markets (DM)</u>	Not Impacted	Not Applicable
<u>Manage Human Capabilities (MHC)</u>	Not Impacted	Not Applicable
<u>Manage Operations Support & Settlements (MOS)</u>	Not Impacted	Not Applicable
<u>Plan & Manage Business (PMB)</u>	Not Impacted	Not Applicable
<u>Support Customers & Stakeholders (SCS)</u>	Not Impacted	Not Applicable

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4.2 Business Practice Manuals (BPM)

BPM	Description of Impact(s)
Reliability Requirements	Yes Language updates due to Scope 1, 2, 3, 4 <ol style="list-style-type: none"> 1. Define Central Procurement Entity (CPE) 2. Describe system and Local Obligation for CPE and LSEs with respect to how their obligations will be assigned 3. Allocation of System and Flexible Attributes of Local Resource Adequacy (RA) Resources to LSEs when shown by a CPE 4. Clarification of Capacity Procurement Mechanism (CPM) Process and Cost Allocations in regards to CPE changes and cost allocations to each entity
Settlements and Billing	Yes Language updates due to Scope 1 <ol style="list-style-type: none"> 1. Define Central Procurement Entity (CPE)
BPM Change Management	Not Impacted
Candidate CRR Holder Registration	Not Impacted
Compliance Monitoring	Not Impacted
Congestion Revenue Rights	Not Impacted
Credit Management and Market Clearing	Not Impacted
Definitions and Acronyms	Not Impacted
Demand Response	Not Impacted

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BPM	Description of Impact(s)
Direct Telemetry	Not Impacted
Distributed Generation for Deliverability	Not Impacted
Energy Imbalance Market (EIM)	Not Impacted
Generator Interconnection and Deliverability Allocation Procedures	Not Impacted
Generator Interconnection Procedure (GIP)	Not Impacted
Generator Management	Not Impacted
Managing Full Network Model	Not Impacted
Market Instruments	Not Impacted
Market Operations	Not Impacted
Metering	Not Impacted
Outage Management	Not Impacted
Reliability Coordinator Services	Not Impacted
Rules of Conduct Administration	Not Impacted
Scheduling Coordinator Certification and Termination	Not Impacted
Transmission Planning Process	Not Impacted

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4.3 Tariff

Note: Refer to stakeholder initiative site for more information on expected tariff impacts.

<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Central-procurement-entity-implementation>

4.4 Other

Impact	Description (optional)
Market Simulation	<p>Yes</p> <p>Structured Market Simulation</p> <ul style="list-style-type: none"> • Settlements / CIRA / Internal System <ul style="list-style-type: none"> ○ Scope 1: in relation to CPE creation <p>Unstructured Market Simulation</p> <ul style="list-style-type: none"> • CIRA <ul style="list-style-type: none"> ○ Scope 2: in relation to system and Local Obligation for CPE and LSEs with respect to how their obligations will be assigned ○ Scope 3: in relation to allocation of system and Flexible Attributes of Local Resource Adequacy (RA) Resources to LSEs when shown by a CPE ○ Scope 4: in relation to Clarification of Capacity Procurement Mechanism (CPM) Process and Cost Allocations in regards to CPE changes and cost allocations to each entity
Market Participant Impact	<p>Yes</p>
External Bid Publication	<p>No</p>
User Acceptance Testing (UAT)	<p>Yes</p> <ul style="list-style-type: none"> • See specific impacts for each system in section four for each scope item.

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Impact	Description (optional)
Operational Procedures	No
Internal Training	Yes
Customer Readiness Impact	See Below.
<ul style="list-style-type: none"> External Communication Needed 	Yes Outreach to affected customers.
<ul style="list-style-type: none"> External Onboarding and Maintenance 	Yes New CPE will be implemented like an LSE and will require setup in AIM.
<ul style="list-style-type: none"> External Training 	Yes Provide training to customers on what is changing and what they will need to do differently as a result.
<ul style="list-style-type: none"> External Computer Based Training 	Yes Update existing RA CBT with reference to CPE and its role in the procurement of RA.
Policy Initiative	Yes

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Impact	Description (optional)
	https://stakeholdercenter.caiso.com/StakeholderInitiatives/Central-procurement-entity-implementation
Development/Vendor	Yes
Infrastructure Assumptions	Not Applicable
Information Security – Critical Infrastructure Protection (CIP)* * Note: if there is a CIP impact, the PM needs to communicate to Procurement for awareness.	Not Impacted
Intellectual Property Impact	Not Impacted
Architectural Framework and Roadmap	Design will follow existing architectural framework and will align with the roadmap.

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5 Business Requirements

The sections below describe the business processes and the associated business requirements involved in the project. These may represent high-level functional, non-functional, reporting, and/or infrastructure requirements. These business requirements directly relate to the high-level scope items determined for the project.

5.1 Business Process: Manage Resource Adequacy Requirements (MMR LII) – CAISO Interface for Resource Adequacy Application (CIRA)

5.1.1 Business Requirements

ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE - BRQ005	Scope Two: Receive Central Procurement Entity ID System shall receive the CPE ID from Internal System.	Core	CIRA
CPE - BRQ006	Scope Two: Broadcast Load Serving Entity ID System shall broadcast CPE ID to downstream systems.	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE – BRQ007	<p>Scope Two: Calculate Demand and Reserve Margin Requirements in Each TAC</p> <p>System must have the capability to calculate the Applicable Demand and Reserve Margin requirements in each TAC area by adding the Planning Reserve Margin (PRM) to each California Energy Commission (CEC) peak obligation value per TAC.</p> <ul style="list-style-type: none"> Calculation: The Applicable Demand and Reserve Margin in each TAC = (The Planning Reserve Margin * The CEC Peak Obligation Value in the TAC) + The CEC Peak Obligation Value in the TAC. <p>Note: E.g., $(0.15 * 150) + 150 = 172.50$.</p> <p>Note: The calculation is the same as today but will be done at the TAC level per LSE and is a single value. Note that the current calculation for system obligation is not changing.</p>	Core	CIRA
CPE - BRQ008	<p>Scope Two: Capping of LSEs with Load in Multiple TAC Areas</p> <p>System must cap LSEs local obligation at their applicable Demand and Reserve Margin requirements in each TAC area.</p> <ul style="list-style-type: none"> This rule applies to the monthly process for the applicable month. This rule does not apply for the annual process. 	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
	<p>Note: E.g., $(0.15 * 150) + 150 = 172.50$. If Local Obligation is 180 then capped at 172.50.</p> <p>Note: Capping total system load to load in that specific TAC and cap TAC local forecast. Going TAC by TAC and not on the overall system level.</p>		
CPE - BRQ009	<p>Scope Two: Exclude CPE from Existing Rule</p> <p>System must exclude all LSEs and CPEs if they have no CEC Peak Obligation in that TAC area from the existing rule of capping the local obligation at the system obligation.</p> <p>Note: If not exempted, under the existing tariff the LSEs and CPE's local obligation would be capped at 0 MWs, and would not be committed to show capacity to meet its assigned obligation.</p> <p>Note: No obligation in TAC area refers to no CEC peak demand obligation in that TAC area.</p>	Core	CIRA



ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE - BRQ010	<p>Scope Three: Central Procurement Entity Credits Mechanism</p> <p>System must have a Central Procurement Entity credits mechanism to allocate the system capacity to whichever LSE/CPE the LRA decided to allocate.</p> <p>Note: The proposed name by the business unit for the CPE credits mechanism is CPE.</p> <p>Implementation note: Currently the LRA fills out a spreadsheet called the "LRA System Credits Template". The request is for the new credit type to be added to this template. The process for what LRAs or OES team uploads is not changing.</p>	Core	CIRA
CPE – BRQ011	<p>Scope Three: Central Procurement Entity Credits Mechanism</p> <p>System must have the capability to apply all types of credits to CPE and/or LSE.</p>	Core	CIRA
CPE - BRQ012	<p>Scope Three: Implement Separate fields in LRA Credit Templates</p> <p>System must have the capability to implement separate fields in the LRA Credit templates in CIRA to accept and validate system CPE credits.</p>	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE - BRQ013	<p>Scope Three: Matching of Local RA Resources</p> <p>System must have the capability to require that all CPE credits allocated to LSEs match the exact quantity of RA MW shown by the CPE.</p> <ul style="list-style-type: none"> • If CPE credits allocated to LSEs does not match the exact quantity of RA MW shown by the CPE the system will reallocate the CPE credits pro-rata between the LSEs. <p>Note: The pro-rata is the percentage of credits allocated to each LSE by the LRA based on the values inputted by the LRA in the credits template.</p>	Core	CIRA
CPE - BRQ014	<p>Scope Three: Validate LRA CPE Credit Submission</p> <p>System must validate the LRA CPE Credit submission always nets to zero upon submission and reject submission if does not net to zero.</p>	Core	CIRA
CPE - BRQ015	<p>Scope Three: Central Procurement Entity Credits Mechanism</p> <p>System must have a Central Procurement Entity credits mechanism to allocate the Flex capacity to whichever LSE/CPE the LRA decided to allocate.</p> <p>Note: The proposed name by the business unit for the CPE credits mechanism is CPE.</p>	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
	<p>Note: Currently the LRA fills out a spreadsheet called the “RMR LRA Flex” Credits Template. The request is for the new credit type to be added to this template. The process for what LRAs or OES team uploads is not changing.</p>		
CPE - BRQ016	<p>Scope Three: Implement Separate fields in LRA Credit Templates</p> <p>System must have the capability to implement separate fields in the LRA Credit templates in CIRA to accept and validate Flex CPE credits.</p>	Core	CIRA
CPE – BRQ017	<p>Scope Three: New CPE Credit Type Added to Reports</p> <p>The new CPE credit type must be added to the following reports on CIRA:</p> <ul style="list-style-type: none"> • Generic Obligation Report • Flex Obligation Report • LCR By Tac Credits • Peak Demand Credits • Flex Credits 	Core	CIRA
CPE - BRQ018	<p>Scope Three: Matching of Local RA Resources</p> <p>System must have the capability to require that all CPE credits allocated to LSEs match the exact quantity of FLEX RA MW shown by the CPE.</p>	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
	<ul style="list-style-type: none"> If CPE credits allocated to LSEs does not match the exact quantity of FLEX RA MW shown by the CPE the system will reallocate the CPE credits pro-rata between the LSEs. <p>Note: The pro-rata is the percentage of credits allocated to each LSE by the LRA based on the values inputted by the LRA in the credits template.</p>		
CPE - BRQ019	<p>Scope Four: CPE With Allocations Subject to CPM</p> <p>System must allocate Capacity Procurement Mechanism (CPM) to CPE receiving any allocations.</p> <p>Note: To ensure the CPE is getting the CPM cost allocation for their local individual deficiencies if any. This distinction is needed because the CPE will not have a system obligation aka CEC load forecast. If treated like LSE then will be treated like status quo.</p> <p>Note: There are no impacts to RMR cost allocations as CPE does not have load. No RMR system impacts due to CPM Cost Allocation under the CPUC's Hybrid Procurement Framework as existing functionality present.</p>	Core	CIRA

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ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE - BRQ020	<p>Scope Four: Accept RA Credits for CPE</p> <p>System must have the capability to accept any type of RA credits for the CPE.</p> <p>Note:</p> <ul style="list-style-type: none"> • RMR • CPM • DR • LD • UC • CAM • CPE (new credit type) <p>Note: Allow the user to allocate any type of RA credits just like we do to the LSE today. This includes allocating all current and future RA credits types. New credit type will be captured in the template and uploaded to CIRA.</p>	Core	CIRA

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5.2 Business Process: Manage Market Billing and Settlements (MOS LII) – Settlements/DReAMS

5.2.1 Business Requirements

ID#	Business Feature	Requirement Type	Potential Application(s) Impacted
CPE - BRQ022	Scope One: Receive CPE ID System shall receive CPE ID and RA Obligation from CIRA.	Core	Settlements
CPE - BRQ023	Scope One: Receive CPE ID and SC ID System shall derive the SC ID from Internal System for the CPE ID received from CIRA.	Core	Settlements
CPE - BRQ024	Scope Four: Apply CPM to CPE System shall apply CPM cost to SC of the CPE ID that is deficient.	Core	Settlements

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5.3 Business Process: Market/Business Simulation

This section shall provide a basis for the development of the Market/Business Simulation Scenarios. These requirements will provide guidance on the market participant impacts, inputs into the Scenarios, endpoints to the Scenarios and reasons for potential Scenarios. The guidance on market participant impacts shall be gathered from the requirements that impact rules, interfaces, applications/reports, new system processes, new/modified data models, and new user roles. The source and sink systems shall be determined through the development of the system context diagram and the web service requirements. The *Reason for the Potential Scenario* column will be to offer guidance regarding what potential scenarios, and their context, may be needed for this project. This section applies to all policy development projects, market enhancements, technology enhancements, operation enhancements, Energy Imbalance Market (EIM) implementations, and Reliability Coordination (RC) service implementations.

In the Reason for Potential Scenario column, select one or more of the following reasons:

1. **Rule Impacts:** Generalized changes in market rules, bidding rules, settlements rules, market design changes, or other business rules.
2. **Interface changes:** Changes that impact templates (e.g., the Resource Adequacy (RA) supply plan), user interface (UI), and application programming interface (API) (e.g., retrievals of new shadow settlement data).
3. **New application/report:** Changes that cause addition/modification of market software or reports, especially when market data input is required by the market participant.
4. **New system process:** Modification of data flow in systems, especially if the new process requires the market participant to demonstrate proficiency prior to production.
5. **New/Modified model data:** Addition or substantial modification of model data as a market solution or export provided by the ISO.
6. **New user role:** The addition or modification of access permissions for a user role applied to specific business units within an EIM entity or market participant organization (e.g., Load Serving Entity (LSE) as a Local Regulatory Authority (LRA) role). Scenarios are beneficial for market participants taking on a new function or process within their organization.

5.3.1 Business Requirements

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ID#	Guidance on Market Participant Impacts	Source System	Sink System	Reason for Potential Scenario
MKT - 003	Structured Market Simulation CPE entity should be able to view their obligation data, submit RA showing, and view their deficiency data.	N/A	CIRA	New Entity Type, New User Interface
MKT - 004	Unstructured Market Simulation Updated logic for LSEs to display system obligation and LSE credit (CPE credit type) after the deficiency calculation.	N/A	CIRA	New Rule, New User Interface
MKT - 005	Structured Market Simulation Allocation of CPM cost to CPE entity.	CIRA	Settlements	New Rule