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August 10, 2004

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER04-835-___**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")[1] respectfully submits six copies of this filing in compliance with the Commission's July 8, 2004 "Order on Tariff Amendment No. 60," issued in the captioned docket and concerning Amendment No. 60 to the ISO Tariff, 108 FERC ¶ 61,022 ("Amendment No. 60 Order").[2] The Commission directed the ISO to comply with the Amendment No. 60 Order as described below. (The underlined headings provided below correspond to the headings used in the Amendment No. 60 Order.)

Condition 2 System-Wide Usage

The Commission directed the ISO to modify its proposal concerning the dispatch of Condition 2 RMR Units to reflect that such units may only be dispatched when a System Emergency is imminent or threatened and the ISO has issued appropriate notice to Market Participants that grid reliability may be compromised. Amendment No. 60 Order at P 43. The ISO has included this requirement in new Section 5.2.9 of the ISO Tariff to comply with this directive.

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1 Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

2 Simultaneous with the submission of the present compliance filing, the ISO is submitting a motion for leave to file the compliance filing one day out-of-time.

"Reasonable Efforts" to "Use All Available Effective Non-Condition 2 RMR Units"

The Commission directed the ISO to stipulate in the present compliance filing what constitutes reasonable efforts to use all available and effective non-Condition 2 RMR Units before using Condition 2 RMR Units. Amendment No. 60 Order at P 45. As reflected in new Section 5.2.9 of the ISO Tariff, contained in the present filing, such reasonable efforts comprise first committing all units subject to the must-offer obligation that are (1) not restricted by environmental requirements; (2) do not contribute to operational problems such as Congestion or Overgeneration and (3) are available for dispatch in the time frame required.

The Commission also required the ISO to incorporate into its tariff an explicit procedure for the dispatch of Condition 2 RMR Units for System Reliability. Amendment No. 60 Order at P 45. The ISO has incorporated this procedure in new Section 5.2.9 of the ISO Tariff.

In addition, the Commission required the ISO's Department of Market Analysis ("DMA") to monitor the dispatch of Condition 2 RMR Units for System Reliability, and to report this information to the Commission on a quarterly basis. Amendment No. 60 Order at P 46. The DMA will do so and will provide its first quarterly report by November 1, 2004 for the quarter ended September 30, 2004.

Service Limits

The Commission directed the ISO to modify Amendment No. 60 to provide that the dispatch of a Condition 2 RMR Unit for System Reliability will not impact the service limits of such units as defined in Section 4.11 of the *pro forma* RMR Contract. Amendment No. 60 Order at P 47. To comply with this directive, the ISO has included in new Section 5.2.9 of the ISO Tariff language to provide that notwithstanding anything to the contrary in the applicable RMR Contract, all MWh, start-ups, and service hours provided by a Condition 2 RMR Unit pursuant to Section 5.2.9 of the ISO Tariff outside of the RMR Contract will not be used to determine future RMR Contract Annual Service Limits.

RMR Compensation

The Commission required the ISO to modify Amendment No. 60 to allow for compensation under Schedule G to the RMR Contract for all Condition 2 RMR Units dispatched for System Reliability. Amendment No. 60 Order at P 49.

The ISO has modified language in Section 11.2.4.2 of the ISO Tariff to comply with this directive. The ISO notes that it is not practical merely to refer to "payment under Schedule G of the RMR Contract" as compensation for Condition 2 RMR Units for system reliability reasons. The premium rate payable under RMR Contract Schedule G is determined from a series of other variables, some of which are determined on a monthly basis. Moreover, the premium rate specified in Schedule G is paid in addition to the variable cost paid in RMR Contract Schedule C. Referring only to Schedule G payment would only capture the partial premium above the RMR Unit's variable cost. To comply with the Commission's directive, the ISO has both included the basic variable cost formula in Schedule C and added the premium multipliers from Schedule G to Section 11.2.4.2 to provide for a rate can be readily determined without having to rely on monthly RMR invoice data.

The ISO has also removed language from Section 2.5.23.3.7.6 of the ISO Tariff that provided for an additional payment if the RMR Unit was called on under the RMR Contract after the combined RMR and non-RMR service exceeded the RMR Contract Service Limit for start-ups. Under the ISO's proposal in Amendment No. 60, if an RMR Condition 2 Unit with an annual RMR Contract Service Limit of 20 start-ups was called to start under the RMR Contract 15 times, and called out-of-market for system reliability six times, the ISO would have started paying Schedule G rates on the sixth out-of-market start – the 21st total start-up. If the ISO then called on the Condition 2 RMR Unit to start-up under the RMR Contract, its 16th RMR start-up and 22nd start-up overall, the ISO would have paid the Condition 2 RMR Unit the Schedule G rate for that RMR start-up because total RMR and out-of-market service exceeded the RMR Contract Service Limit even though RMR service alone did not exceed the RMR Contract Service Limit. In the Amendment No. 60 Order, the Commission directed the ISO to pay Schedule G rates for all out-of-market service for system reliability from Condition 2 RMR Units. Under that direction, using the scenario set forth above, the ISO would pay Schedule G rates for all six out-of-market start-ups. The RMR Unit that started up 21 times and received only one Schedule G payment under the Amendment No. 60 proposal would receive six Schedule G payments under the Commission's directives for the same number of start-ups (21) if the language the ISO now proposes to remove from Section 2.5.23.3.7.6 of the ISO Tariff were to not be removed. Removing this language will allow all out-of-market starts for system reliability to be paid Schedule G payments, and will allow RMR start-ups to be paid Schedule G payments only when RMR start-ups exceed the RMR Contract Service Limit for start-ups.

Further Study of the DMA

The Commission directed the DMA to evaluate the merits of setting the real-time Market Clearing Price, during System Emergencies, at the higher of (1) the incremental costs of the Condition 2 RMR Unit used to serve system load and (2) the highest accepted market bid. Amendment No. 60 Order at P 51. The Commission also directed the DMA to evaluate options for setting the Market Clearing Price at times in which insufficient resources are available to the ISO to fully meet load and Operating Reserve requirements. *Id.* The DMA will follow these directives.

Further, the Commission directed the DMA, in a report to the Commission, to evaluate the magnitude of the higher energy costs of Condition 2 RMR Units not participating in the market, identify the benefits of the production restrictions with regard to such units, and evaluate whether the magnitude of the benefits of the production restrictions outweighs the resultant higher energy costs. Amendment No. 60 Order at P 52. The Commission required that the report also evaluate the impact of the California Public Utilities Commission resource adequacy requirements on the need for RMR Units as part of the ISO market. *Id.* The DMA will file the report by December 31, 2004, as directed by the Commission. *See id.*

Reliability Service Costs

The Commission stated that it generally found reasonable for the ISO to define costs incurred in order to maintain the reliability of the grid as reliability costs, but that because the Commission had set for hearing the reasonableness of the methodology in Amendment No. 60 for allocating must-offer obligation costs, including minimum load compensation costs ("MLCC"), that definition will be subject to the outcome of the hearing. Amendment No. 60 Order at P 68.[3] Therefore, the ISO understands the definition of "Reliability Service Costs" contained in Amendment No. 60 to be effective unless and until directed otherwise.

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3 In an errata order issued July 15, 2004 in the captioned docket, the Commission directed that paragraph 64 of the Amendment No. 60 Order be deleted in its entirety and that the subsequent paragraphs in the Amendment No. 60 Order be renumbered accordingly. The citations in the present compliance filing reflect the required renumbering of paragraphs.

Self-Committed Units and Start-Up/Minimum Load Costs Compensation

The Commission found that if a waiver for a unit self-committed in the Day-Ahead timeframe is denied by the ISO, the ISO should be required to compensate that generator for the minimum load costs associated with being available to meet local or system-wide reliability. Amendment No. 60 Order at P 94. The ISO has modified Sections 5.11.6 and 5.11.6.1.1 of the ISO Tariff to comply with this requirement. In addition, the Commission directed the ISO to reflect in the present compliance filing a generator's right to compensation for minimum load costs when the ISO denies a request for waiver. *Id.* The ISO has modified Sections 5.11.6 and 5.11.6.1.1 to meet this requirement.

Transparency Issues (Operating Procedure M-432)

The Commission stated that it was satisfied with the ISO's explanation of its efforts to provide additional information to Market Participants related to the must-offer obligation, the use of Condition 2 RMR Units, and the ISO procurement target. Amendment No. 60 Order at P 106. However, the Commission required the ISO to finalize and file its Operating Procedure M-432 related to the ISO's capacity procurement target. *Id.* at PP 103, 106.

The ISO is currently working to implement the Security Constrained Unit Commitment ("SCUC") application approved by the Commission. *See* Amendment No. 60 Order at P 75. Prior to the implementation of the SCUC application, must-offer commitment will be done manually through the process described in the version of Operating Procedure M-432C currently posted on the ISO Home Page as part of the stakeholder process leading up to Amendment No. 60.[4] When the SCUC application is implemented, the SCUC application, not a manual process, will determine the optimal must-offer commitment (except for units committed for local reliability requirements, as described in the Amendment No. 60 transmittal letter at pages 15-17). As a result, the Operating Procedure will change significantly when the SCUC application is put into service. The ISO is currently revising Operating Procedure M-432C as it prepares the SCUC

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4 The URL is http://www.caiso.com/docs/09003a6080/29/b7/09003a608029b733.pdf. The "C" in "M-432C" reflects the fact that the portion of Operating Procedure M-432 specifically related to the ISO's capacity procurement target is contained in Attachment C to that Operating Procedure. Operating Procedure M-432 proper concerns the must-offer waiver process generally, Attachment A to the Operating Procedure concerns must-offer logging, and Attachment B to the Operating Procedure lists units subject to the must-offer obligation.

application for service. In accordance with the ISO's practice, the revised version of this Operating Procedure will be circulated to Market Participants for review prior to implementing the procedure and the SCUC application. The ISO respectfully requests to be permitted to file the revised Operating Procedure after that procedure has been finalized and commits to do so prior to the SCUC application being put into service. The ISO anticipates that it will be able to file the revised Operating Procedure by August 20, 2004.

Correction of Minor Typographical Errors

The ISO, in the answer it submitted in the captioned docket on June 16, 2004, stated that it proposed, in its compliance filing, to correct some minor typographical errors found in Amendment No. 60. ISO Answer at 58. Therefore, the ISO has made the following corrections to the ISO Tariff in the present compliance filing: in Sections 2.5.23.3.7 and 2.5.23.3.7.1, "Start-Up Fuel Costs" has been changed to "Start-Up Costs"; in Section 2.5.23.3.7.6, "Generation Units" has been changed to "Generating Units"; and in Section 5.11.6, "at least 90 minutes prior to time a unit" has been changed to "at least 90 minutes prior to the time a unit"; in Section 11.2.4.2.1.1, "RMR unit" has been changed to "RMR Unit," "MWH" has been changed to "MWh," and "Counted Hours" has been changed to "Counted Service Hours."

Materials Included in the Present Compliance Filing

Attachment A to the present filing contains clean pre-Amendment No. 54 ISO Tariff sheets reflecting the modifications to the tariff sections described above. Attachment B to the present filing contains those modifications in black-line format. Attachment C to this filing contains clean post-Amendment No. 54 ISO Tariff sheets reflecting the modifications to the tariff sections described above. Attachment D to this filing contains those modifications in black-line format.[5] Attachment E to this filing contains a form notice of this filing, suitable for publication in the Federal Register, along with a computer diskette containing the Notice.

Two additional copies of this compliance filing are enclosed to be date-stamped and returned to our messenger. The ISO is serving copies of this filing on all parties on the official service list for the captioned docket. In addition, the

[5] For an explanation why the ISO is providing pre- and post-Amendment No. 54 sheets, see the Amendment No. 60 transmittal letter at footnote 44.

ISO is posting this filing on the ISO Home Page. If there are questions concerning the filing, please contact the undersigned.

Respectfully submitted,

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ATTACHMENT A

the ISO will assess the Emissions Cost Charge in accordance with Section 2.5.23.3.6.4. Any outstanding Emissions Costs owed from previous months will be paid in the order of the month in which such costs were invoiced to the ISO. The ISO's obligation to pay Emissions Costs is limited to the obligation to pay Emissions Cost Charges received. All disputes concerning payment of Emissions Cost Invoices shall be subject to ISO ADR Procedures, in accordance with Section 13 of this ISO Tariff.

2.5.23.3.7 Start-Up Costs

2.5.23.3.7.1 Obligation to Pay Start-Up Cost Charges

Each Scheduling Coordinator shall be obligated to pay a charge which will be used to pay the verified Start-Up Costs incurred by a Must-Offer Generator as a direct result of an ISO Dispatch instruction, in accordance with this Section 2.5.23.3.7. Such Start-Up Costs shall include (1) fuel and (2) auxiliary power. The ISO shall levy this charge (the "Start-Up Cost Charge"), each month, against all Scheduling Coordinators based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area. Scheduling Coordinators shall make payment for all Start-Up Cost Charges in accordance with the ISO Payments Calendar.

2.5.23.3.7.2 Start-Up Cost Trust Account

All Start-Up Cost Charges received by the ISO shall be deposited in the Start-Up Cost Trust Account. The Start-Up Cost Trust Account shall be an interest-bearing account separate from all other accounts maintained by the ISO, and no other funds shall be commingled in it at any time.

2.5.23.3.7.3 Rate For the Start-Up Cost Charge

The rate at which the ISO will assess the Start-Up Cost Charge shall be at the projected annual total of all Start-Up Costs incurred by Must-Offer Generators as a direct result of

ISO may credit or debit, as appropriate, the account of a Scheduling Coordinator for any over- or under-assessment of Start-Up Cost Charges that the ISO determines occurred due to the error, omission, or miscalculation by the ISO or the Scheduling Coordinator.

2.5.23.3.7.6 Submission of Start-Up Cost Invoices

Scheduling Coordinators for Must-Offer Generators that incur Start-Up Costs as a direct result of an ISO Dispatch instruction or if the ISO revokes a waiver from compliance with the must-offer obligation while the unit is off-line in accordance with Section 5.11.6 of this ISO Tariff, and Scheduling Coordinators for Generating Units operating under Condition 2 of the relevant RMR Contract which are called out-of-market *in accordance with Section 11.2.4.2 of this ISO Tariff* may submit to the ISO an invoice in the form specified on the ISO Home Page (the "Start-Up Cost Invoice") for the recovery of such Start-Up Costs. Such Start-Up Costs shall not exceed the costs which would be incurred within the start-up time for a unit specified in Schedule 1 of the Participating Generator Agreement. Start-Up Cost Invoices shall use the applicable proxy figure for natural gas costs as determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Must-Offer Generator is not served from one of those three Service Areas, from the nearest of those three Service Areas. Start-Up Cost Invoices shall specify the amount of auxiliary power used during the start-up and the actual price paid for that power. Start-Up Cost Invoices shall not include any *Start-Up Costs specified in an RMR Contract for a unit owned or controlled by a Must-Offer* Generator.

2.5.23.3.7.7 Payment of Start-Up Cost Invoices

The ISO shall pay Scheduling Coordinators for all Start-Up Costs submitted in a Start-Up Cost Invoice and demonstrated to be a direct result of an ISO Dispatch instruction. The ISO shall pay such Start-Up Cost Invoices each month in accordance with the ISO Payments Calendar from

5.2.8.1 Responsibility for Reliability Must-Run Charges Associated with SONGS. If the ISO 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 ISO reasonably identifies through studies and analysis as accruing to the respective Service Areas of the Responsible Utilities.

5.2.9 The ISO may Dispatch an RMR Unit that has currently selected Condition 2 of its RMR Contract to provide Energy through an out-of-market transaction for reasons other than to manage Intra-Zonal Congestion or to address local reliability under the following conditions:

(1) The ISO projects that it will require Energy from the Condition 2 RMR Unit to (a) meet forecast Demand and operating reserve requirements or (b) manage Inter-Zonal Congestion;

(2) If ISO must Dispatch a Condition 2 RMR Unit to meet forecast Demand and operating reserve requirements, the ISO must first revoke or deny waivers of the must-offer obligation from all other Generating Units, including non-Condition 2 RMR Units and Generating Units not subject to an RMR Contract subject to the must-offer obligation and not on outage, except as set forth in item (5) below;

(3) If ISO must Dispatch a Condition 2 RMR Unit to manage projected Inter-Zonal Congestion, the ISO must first revoke or deny waivers of the must-offer obligation from all other Generating Units, including non-Condition 2 RMR Units and Generating Units not subject to an RMR Contract subject to the must-offer obligation, that are within the Congested Zone, except as set forth in item (5) below;

(4) Before Dispatching a Condition 2 RMR Unit in accordance with this Section 5.2.9, the ISO must notify Market Participants of (a) the situation for which the ISO is contemplating Dispatching a Condition 2 RMR Unit in accordance with this Section 5.2.9, and (b) the date and time the ISO requires the Condition 2 RMR Unit so Dispatched to be operating. The ISO shall provide such notice as far in advance as practical and prior to directing the Condition 2 Unit to start up;

(5) The ISO does not have to revoke or deny a waiver to a Generating Unit (a) subject to environmental limitations if doing so would violate such limitations, or cause the Generating Unit to be unavailable in the future, or if the environmental limitations currently restrict the availability or use of the Generating Unit; or (b) if that Generating Unit would cause or exacerbate Congestion, Overgeneration or other operational problem; or (c) if that Generating Unit is incapable of being available for Dispatch in the required timeframe.

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 5.2.9 outside of the RMR Contract shall not be used to determine future RMR Contract Annual Service Limits. Payment for Dispatches pursuant to this Section 5.2.9 is governed by Section 11.2.4.2 of this Tariff.

5.3 Identification of Generating Units.

Each Generator shall provide data identifying each of its Generating Units and such information regarding the capacity and the operating characteristics of the Generating Unit as may be reasonably requested from time to time by the ISO.

5.4 WECC Requirements.

5.4.1 Generator Performance Standard.

Participating Generators shall, in relation to each of their Generating Units, meet all applicable WECC standards including any standards regarding governor response capabilities, use of power system stabilizers, voltage control capabilities and hourly Energy delivery. Unless otherwise agreed by the ISO, a Generating Unit must be capable of operating at capacity registered in the ISO Controlled Grid interconnection data, and shall follow the voltage *schedules issued by the ISO from time to time.*

5.4.2 Reliability Criteria.

Participating Generators shall comply with the requirements of the WSCC Reliability Criteria Agreement, including the applicable WSCC Reliability Criteria set forth in Section IV of Annex A thereof. In the event that a Participating Generator fails to comply, it will be subject to the sanctions

If a Must-Offer Generator fails to submit a Supplemental Energy bid for any portion of its Available Generation for any BEEP Interval, the unbid quantity of the Must-Offer Generator's Available Generation will be deemed by the ISO to be bid at the Must-Offer Generator's Proxy Price for that hour if: (i) the applicable Generating Unit is a gas-fired unit and (ii) the Must-Offer Generator has provided the ISO with adequate data in compliance with Sections 2.5.23.3.3 and 5.11.3 for the applicable Generating Unit. For all other Generating Units owned or controlled by a Must-Offer Generator, the unbid quantity of the Must-Offer Generator's Available Generation will be deemed by the ISO to be bid to receive the BEEP Interval Ex Post Price. In order to dispatch resources providing Imbalance Energy in proper merit order, the ISO will insert this unbid quantity into the Must-Offer Generator's Supplemental Energy bid curve above any lower-priced segments of the bid curve and below any higher-priced segments of the bid curve as necessary to maintain a non-decreasing bid curve over the entire range of the Must-Offer Generator's Available Generation.

5.11.6 Waiver of Must-Offer Obligation

Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 5.11.4 of this ISO Tariff, for one or more of their Generating Units.

All Must-Offer Generators obligated under the must-offer obligation that have not submitted Day-Ahead Energy Schedules will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all available capacity. If conditions permit, and at the ISO's non-discriminatory and sole discretion, the ISO may grant waivers and allow a Must-Offer Generator to remove one or more Generating Units from service.

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

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during Waiver Denial Periods. Units from Must-Offer Generators that incur Minimum Load Costs during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator has a Final Hour-Ahead Energy Schedule other than a Schedule to a unit-specific Demand ID used for the purpose of scheduling minimum load energy as set forth in Section 5.11.6, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at minimum load in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum operating level by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall pay to an otherwise eligible Must-Offer Generator the Minimum Load Costs for each hour within a Waiver Denial Period that the Generating Unit runs at minimum load in compliance with the must-offer obligation and for each hour that an otherwise eligible Must-Offer Generator generates in compliance with an ISO Dispatch Instruction.

most recent similar days for the same Settlement Period for which the resource is dispatched; 2) an Energy payment equal to the average calculated using the ISO Real Time Market Energy prices for the three (3) most recent similar days for the same Settlement Period for which the resource is dispatched; 3) such resource's verifiable Start-Up Costs, if the start-up was solely attributable to the ISO's Dispatch Instruction and if the Scheduling Coordinator provides the resource's Start-Up Costs to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched; and 4) verifiable daily gas imbalance charges, if any, that are solely attributable to the ISO's Dispatch Instruction and that the Scheduling Coordinator or Generator was not able to eliminate or reduce despite the application of best efforts, if the Scheduling Coordinator provides the resource's daily gas imbalance charges to the ISO within thirty (30) Business Days from the Settlement Period for which the resource is dispatched. References to "similar days" in this Section refer to Business Days when the resource is dispatched on a Business Day and otherwise to days that are not Business Days.

To the extent a Scheduling Coordinator does not specify a payment option, the ISO will apply the payment provisions of the payment option described in Section 11.2.4.2(a).

If the ISO Dispatches an RMR Unit that has selected Condition 2 of its RMR Contract to start-up or provide energy other than a start-up or energy requested pursuant to the RMR Contract, as provided in Section 5.2.9 of the ISO Tariff, the ISO shall pay as follows:

(a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction;

(b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction.

Equation 1a

$$\text{Energy Price (\$/MWh)} = \frac{(AX^3 + BX^2 + CX + D) * P * E}{X} + \text{Variable O\&M Rate}$$

Equation 1b

$$\text{Energy Price (\$/MWh)} = \frac{A * (B + CX + De^{FX}) * P * E}{X} + \text{Variable O\&M Rate}$$

Where:

- for Equation 1a, A, B, C, D and E are the coefficients given in Table C1-7a of the applicable RMR Contract;
- for *Equation 1b*, A, *B*, *C*, *D*, *E and F are the coefficients given in Table C1-7b of the* applicable RMR Contract;
- X is the Unit output level during the applicable settlement period, MWh;
- P is the Hourly Fuel Price as calculated by Equation C1-8 in Schedule C using the Commodity Prices in accordance with the applicable RMR Contract;
- Variable O&M Rate ($/MWh): as shown on Table C1-18 of the applicable RMR Contract.

11.2.4.2.1 Allocation of Costs Resulting From Dispatch Instructions

Pursuant to Section 11.2.4.1, the ISO may, at its discretion, Dispatch any Participating Generator, Participating Load and dispatchable Interconnection resource that has not bid into the Imbalance Energy or

Ancillary Services markets, to avoid an intervention in market operations or to prevent or relieve a System Emergency. Such Dispatch may result from, among other things, planned and unplanned transmission facility Outages; bid insufficiency in the Ancillary Services and real-time Energy markets; and location-specific requirements of the ISO. The cost associated with each Dispatch instruction is broken into two components:

a) the portion of the Energy payment at or below the Market Clearing Price ("MCP") for the BEEP Interval, and

b) the portion of the Energy payment above the MCP, if any, for the BEEP Interval.

For each BEEP Interval, costs above the MCP incurred by the ISO for such Dispatch instructions necessary as a result of a transmission facility Outage or in order to satisfy a location-specific requirement in that BEEP Interval shall be payable to the ISO by the Participating Transmission Owner in whose PTO Service Territory the transmission facility is located or the location-specific requirement arose. The costs incurred by the ISO for such Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement will be recovered in the same way as for Instructed Imbalance Energy.

11.2.4.2.1.1 Allocation of Costs from Out-Of-Market calls to Condition 2 RMR Units

All costs associated with energy provided by a Condition 2 RMR Unit operating other than according to a dispatch notice issued under the RMR Contract shall be allocated in accordance with Section 11.2.4.2.1. Until either the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups exceed the relevant RMR Contract Service Limit, any cost incurred for energy provided under the RMR Contract above the rate specified in equation 1a or 1b as set forth in Section 11.2.4.2 shall be allocated in accordance with Section 11.2.4.2.1, not to the Responsible Utility.

Start-Up Costs for Condition 2 RMR Units providing service outside the RMR Contract, and any additional Start-Up Cost associated with a Condition 2 RMR Unit providing service under the RMR Contract when the unit's total service has exceeded an RMR Contract Service Limit but neither the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups have exceeded the applicable RMR Contract Service Limit, shall be invoiced in accordance with Section 2.5.23.3.7.6 and collected in accordance with Section 2.5.23.3.7.1.

11.2.4.2.2 Allocation of Above-MCP Costs

For each BEEP Interval, the above-MCP costs incurred by the ISO as a result of Instructed Imbalance Energy and Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement shall be charged to Scheduling Coordinators as follows. Each Scheduling Coordinator's charge shall be the lesser of:

(a) the pro rata share of the total above-MCP costs based upon the ratio of each *Scheduling Coordinator*'s Net Negative Uninstructed Deviations to the total system Net Negative Uninstructed Deviations; or

ATTACHMENT B

2.5.23.3.7 Start-Up ~~Fuel~~ Costs

2.5.23.3.7.1 Obligation to Pay Start-Up ~~Fuel~~ Cost Charges

Each Scheduling Coordinator shall be obligated to pay a charge which will be used to pay the verified Start-Up ~~Fuel~~ Costs incurred by a Must-Offer Generator as a direct result of an ISO Dispatch instruction, in accordance with this Section 2.5.23.3.7. Such Start-Up Costs shall include (1) fuel and (2) auxiliary power. The ISO shall levy this charge (the "Start-Up Cost Charge"), each month, against all Scheduling Coordinators based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area. Scheduling Coordinators shall make payment for all Start-Up Cost Charges in accordance with the ISO Payments Calendar.

* * *

2.5.23.3.7.6 Submission of Start-Up Cost Invoices

Scheduling Coordinators for Must-Offer Generators that incur Start-Up Costs as a direct result of an ISO Dispatch instruction or if the ISO revokes a waiver from compliance with the must-offer obligation while the unit is off-line in accordance with Section 5.11.6 of this ISO Tariff, and Scheduling Coordinators for Generating~~on~~ Units operating under Condition 2 of the relevant RMR Contract which are called out-of-market in accordance with Section 11.2.4.2 of this ISO Tariff ~~or who are due an additional payment for a start-up under the RMR Contract in accordance with Section 11.2.4.2 of this ISO Tariff~~ may submit to the ISO an invoice in the form specified on the ISO Home Page (the "Start-Up Cost Invoice") for the recovery of such Start-Up Costs. Such Start-Up Costs shall not exceed the costs which would be incurred within the start-up time for a unit specified in Schedule 1 of the Participating Generator Agreement. Start-Up Cost Invoices shall use the applicable proxy figure for natural gas costs as determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Must-Offer Generator is not served from one of those three Service Areas, from the nearest of those three Service Areas. Start-Up Cost Invoices shall specify the amount of auxiliary power used during the start-up and the actual price paid for that power. Start-Up Cost Invoices shall not include any Start-Up Costs specified in an RMR Contract for a unit owned or controlled by a Must-Offer Generator.

* * *

5.2.9 The ISO may Dispatch an RMR Unit that has currently selected Condition 2 of its RMR Contract to provide Energy through an out-of-market transaction for reasons other than to manage Intra-Zonal Congestion or to address local reliability under the following conditions:

(1) The ISO projects that it will require Energy from the Condition 2 RMR Unit to (a) meet forecast Demand and operating reserve requirements or (b) manage Inter-Zonal Congestion;

(2) If ISO must Dispatch a Condition 2 RMR Unit to meet forecast Demand and operating reserve requirements, the ISO must first revoke or deny waivers of the must-offer obligation from all other Generating Units, including non-Condition 2 RMR Units and Generating Units not subject to an RMR Contract subject to the must-offer obligation and not on outage, except as set forth in item (5) below;

(3) If ISO must Dispatch a Condition 2 RMR Unit to manage projected Inter-Zonal Congestion, the ISO must first revoke or deny waivers of the must-offer obligation from all other Generating Units, including non-Condition 2 RMR Units and Generating

Units not subject to an RMR Contract subject to the must-offer obligation, that are within the Congested Zone, except as set forth in item (5) below;

(4) Before Dispatching a Condition 2 RMR Unit in accordance with this Section 5.2.9, the ISO must notify Market Participants of (a) the situation for which the ISO is contemplating Dispatching a Condition 2 RMR Unit in accordance with this Section 5.2.9, and (b) the date and time the ISO requires the Condition 2 RMR Unit so Dispatched to be operating. *The ISO shall provide such notice as far in advance as* practical and prior to directing the Condition 2 Unit to start up;

(5) The ISO does not have to revoke or deny a waiver to a Generating Unit (a) subject to environmental limitations if doing so would violate such limitations, or cause the Generating Unit to be unavailable in the future, or if the environmental limitations currently restrict the availability or use of the Generating Unit; or (b) if that Generating Unit would cause or exacerbate Congestion, Overgeneration or other operational problem; or (c) if that Generating Unit is incapable of being available for Dispatch in the required timeframe.

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 5.2.9 outside of the RMR Contract shall not be used to determine future RMR Contract Annual Service Limits. Payment for Dispatches pursuant to this Section 5.2.9 is governed by Section 11.2.4.2 of this Tariff.

* * *

5.11.6 Must-Offer Obligation Process

Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 5.11.4 of this ISO Tariff, for one or more of their Generating Units~~ for periods other than Self-Commitment Periods. Self-Commitment Periods are defined as the hours for which Must-Offer Generators submit Day-Ahead Energy Schedules. Self-Commitment Periods~~

~~determined from Day-Ahead Schedules shall be extended by the ISO as necessary to accommodate Generating Unit minimum up and down times such that the scheduled operation is feasible~~. All ~~other~~ Must-Offer Generators obligated under the must-offer obligation that have not submitted Day-Ahead Energy Schedules will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all available capacity. If conditions permit, and at the ISO's non-discriminatory and sole discretion, the ISO may grant waivers and allow a Must-Offer Generator to remove one or more Generating Units from service. ~~The Self-Commitment Period defined by a Generating Unit's Day-Ahead schedules (plus any additional time necessary to accommodate minimum up and minimum down times) shall remain in effect for that Generating Unit even if a Must-Offer Generator nullifies the Day-Ahead Schedules submitted for that unit in the Hour-Ahead Market. If a Must-Offer Generator requests a waiver for a Generating Unit for its Self-Commitment Period, the ISO may grant the waiver, but if the ISO denies the waiver, the unit shall not be eligible to recover Minimum Load Costs incurred during any Self-Commitment Period as set forth in 5.11.6.1.1.~~ The hours ~~outside of Self-Commitment Periods~~ for which waivers are not granted shall constitute Waiver Denial Periods. A Waiver Denial Period shall be extended as necessary to accommodate Generating Unit minimum up and down times. Units shall be on-line in real time during ~~both Self-Commitment and~~ Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). The ISO shall inform a Must-Offer Generator that its Waiver request has been ~~accepted, denied~~ approved, disapproved or revoked, and shall provide the Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 10:00 a.m. (beginning of Hour Ending 11) no later than 11:30 a.m. (middle of Hour Ending 12) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 11:30 a.m. on the following day, notify Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 10:00 a.m. (beginning of Hour

Ending 11) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to the time a unit would be required to be on-line generating at its Pmin.

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during Waiver Denial Periods. Units from Must-Offer Generators that incur Minimum Load Costs ~~during Self-Commitment Periods or~~ during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator has a Final Hour-Ahead Energy Schedule other than a Schedule to a unit-specific Demand ID used for the purpose of scheduling minimum load energy as set forth in Section 5.11.6, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on an hourly basis, a Must-Offer Generator generating at minimum load in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum operating level by more than the greater of: (i) five (5) MWh or (ii) an hourly Energy amount equal to three (3) percent (%) of the unit's maximum operating output, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall pay to an otherwise eligible Must-Offer Generator the Minimum Load Costs for each hour within a Waiver Denial Period that the Generating Unit runs at minimum load in compliance with the must-offer obligation and for each hour that an otherwise eligible Must-Offer Generator generates in compliance with an ISO Dispatch Instruction.

* * *

11.2.4.2

* * *

If the ISO Dispatches an RMR Unit that has selected Condition 2 of its RMR Contract to start-up or provide energy other than a start-up or energy requested pursuant to the RMR Contract, as provided for in Section 5.2.9 of the ISO Tariff, the ISO shall pay as follows:

(a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction;

(b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction.

~~1) if, as determined by the ISO, the sum of the service hours, service MWh or start-ups from service not under the RMR Contract and RMR Contract Counted Hours, Counted MWh, or Counted Start-Ups does not exceed the applicable RMR Contract Service Limit, the ISO shall pay (a) for energy, the rate set forth in either Equation 1a or 1b below, as appropriate and (b) for a start-up, the rate specified in Schedule D to the applicable RMR Contract.~~

~~2) Equation 1a (for Units with input/output data in polynomial form) or Equation 1b (for Units with input/output data in exponential form) as defined below shall be used to calculate the Energy rate for MWh of Instructed Imbalance Energy delivered:~~

Equation 1a

$$\text{Energy Price (\$/MWh)} = \frac{(AX^3 + BX^2 + CX + D) * P * E}{X} + \text{Variable O\&M Rate}$$

Equation 1b

Energy Price ($/MWh) = ~~$\dfrac{\dfrac{A * (B + Cm X + De^{FX}) * P *}{E}}{X}$ + Variable O&M Rate~~

$\dfrac{A * (B + CX + De^{FX}) * P * E}{X}$ + Variable O&M Rate

Where:

- for Equation 1a, A, B, C, D and E are the coefficients given in Table C1-7a of the applicable RMR Contract;
- for Equation 1b, A, B, C, D, E and F are the coefficients given in Table C1-7b of the applicable RMR Contract;
- X is the Unit output level during the applicable settlement period, MWh;
- P is the Hourly Fuel Price as calculated by Equation C1-8 in Schedule C using the Commodity Prices in accordance with the applicable RMR Contract;
- Variable O&M Rate ($/MWh): as shown on Table C1-18 of the applicable RMR Contract.

~~3) If, as determined by the ISO, the sum of the service hours, service MWh or Start-Ups from service instructed by the ISO not under the RMR Contract and RMR Contract Counted Hours, Counted MWh, or Counted Start-Ups, as applicable, exceeds the applicable RMR Contract Service Limit, the ISO shall pay:~~

~~a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b above times the amount of energy delivered in response to the ISO's instruction;~~

~~b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b above times the amount of energy delivered in response to the ISO's instruction.~~

~~If the ISO Dispatches an RMR Unit pursuant to the RMR Contract when the sum of the service hours, service MWH or Start-Ups from service not under the RMR Contract and the RMR Contract Counted Hours, Counted MWh or Counted Start-Ups, as applicable, has exceeded the applicable RMR Contract Service Limit, the ISO shall pay the Scheduling Coordinator an additional amount so that the Scheduling Coordinator receives, in total, from the payment~~

~~provided pursuant to the RMR Contract and the additional amount, the rates specified in Schedule G to the RMR Contract for the RMR Energy provided or for the RMR Start-Up incurred until either the RMR Counted MWh, Counted Service Hours or Counted Start-Ups exceed the relevant RMR Contract Service Limit.~~

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11.2.4.2.1.1 Allocation of Costs from Out-Of-Market calls to Condition 2 RMR Units

All costs associated with energy provided by a Condition 2 RMR ~~u~~Unit operating other than according to a dispatch notice issued under the RMR Contract shall be allocated in accordance with Section 11.2.4.2.1. Until either the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups exceed the relevant RMR Contract Service Limit, any cost incurred for energy provided under the RMR Contract above the rate specified in equation 1a or 1b as set forth in Section 11.2.4.2 shall be allocated in accordance with Section 11.2.4.2.1, not to the Responsible Utility.

Start-Up Costs for Condition 2 RMR Units providing service outside the RMR Contract, and any additional Start-Up Cost associated with a Condition 2 RMR Unit providing service under the RMR Contract when the unit's total service has exceeded an RMR Contract Service Limit but neither the RMR Contract Counted MW~~H~~h, Counted Service Hours or Counted Start-ups have exceeded the applicable RMR Contract Service Limit, shall be invoiced in accordance with Section 2.5.23.3.7.6 and collected in accordance with Section 2.5.23.3.7.1.

ATTACHMENT C

If a Must-Offer Generator fails to submit a Supplemental Energy bid for any portion of its Available Generation for any Dispatch Interval, the unbid quantity of the Must-Offer Generator's Available Generation will be deemed by the ISO to be bid at the Must-Offer Generator's Proxy Price for that hour if: (i) the applicable Generating Unit is a gas-fired unit and (ii) the Must-Offer Generator has provided the ISO with adequate data in compliance with Sections 2.5.23.3.3 and 5.11.3 for the applicable Generating Unit. For all other Generating Units owned or controlled by a Must-Offer Generator, the unbid quantity of the Must-Offer Generator's Available Generation will be deemed by the ISO to be bid and settled in accordance with Section 11.2. In order to dispatch resources providing Imbalance Energy in proper merit order, the ISO will insert this unbid quantity into the Must-Offer Generator's Supplemental Energy bid curve above any lower-priced segments of the bid curve and below any higher-priced segments of the bid curve as necessary to maintain a non-decreasing bid curve over the entire range of the Must-Offer Generator's Available Generation.

5.11.6 Must-Offer Obligation Process

Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 5.11.4 of this ISO Tariff, for one or more of their Generating Units.

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during Waiver Denial Periods. Units from Must-Offer Generators that incur Minimum Load Costs during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator has a Final Hour-Ahead Energy Schedule other than a Schedule to a unit-specific Demand ID used for the purpose of scheduling minimum load energy as set forth in Section 5.11.6, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on a 10-minute Settlement Interval basis, a Must-Offer Generator generating at minimum load in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum operating level by more than the Tolerance Band, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such Settlement Intervals during hours within a Waiver Denial Period. When, on a Settlement Interval basis, a Must-Offer Generator's resource produces a quantity of Energy above minimum load due to an ISO Dispatch Instruction, the Must-Offer Generator shall recover its Minimum Load Costs and its bid costs, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall guarantee recovery of the Minimum Load Costs of an otherwise eligible Must-Offer Generator for each Settlement Interval during hours within a Waiver Denial Period as follows: (1) First, ISO will pre-dispatch for real time the minimum load Energy from Must-Offer Generators that have been denied waivers for each hour within a Waiver Denial Period; (2) This minimum load Energy will be accounted as Instructed

11.2.4.2.1 Allocation of Costs Resulting From Dispatch Instructions

Pursuant to Section 11.2.4.1, the ISO may, at its discretion, Dispatch any Participating Generator, Participating Load and dispatchable System Resource that has not bid into the Imbalance Energy or

Ancillary Services markets, to avoid an intervention in market operations or to prevent or relieve a System Emergency. Such Dispatch may result from, among other things, planned and unplanned transmission facility Outages; bid insufficiency in the Ancillary Services and real-time Energy markets; and location-specific requirements of the ISO. The cost associated with each Dispatch instruction is broken into two components:

a) the portion of the Energy payment at or below the Market Clearing Price ("MCP") for the Settlement Interval, and

b) the portion of the Energy payment above the MCP, if any, for the Settlement Interval.

For each Settlement Interval, costs above the MCP incurred by the ISO for such Dispatch instructions necessary as a result of a transmission facility Outage or in order to satisfy a location-specific requirement in that Settlement Interval shall be payable to the ISO by the Participating Transmission Owner in whose PTO Service Territory the transmission facility is located or the location-specific requirement arose. The costs incurred by the ISO for such Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement will be recovered in the same way as for Instructed Imbalance Energy.

11.2.4.2.1.1 Allocation of Costs from Out-Of-Market calls to Condition 2 RMR Units

All costs associated with energy provided by a Condition 2 RMR Unit operating other than according to a dispatch notice issued under the RMR Contract shall be allocated in accordance with Section 11.2.4.2.1. Until either the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups exceed the relevant RMR Contract Service Limit, any cost incurred for energy provided under the RMR Contract above the rate specified in equation 1a or 1b as set forth in Section 11.2.4.2 shall be allocated in accordance with Section 11.2.4.2.1, not to the Responsible Utility.

Start-Up Costs for Condition 2 RMR Units providing service outside the RMR Contract, and any additional Start-Up Cost associated with a Condition 2 RMR Unit providing service under the RMR Contract when the unit's total service has exceeded an RMR Contract Service Limit but neither the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups have exceeded the applicable RMR Contract Service Limit, shall be invoiced in accordance with Section 2.5.23.3.7.6 and collected in accordance with Section 2.5.23.3.7.1.

11.2.4.2.2 Allocation of Above-MCP Costs For Accepted Bids

For each Settlement Interval, the at or below-MCP costs incurred as a result of accepted bids in the ISO Imbalance Energy Markets shall be allocated in accordance with 11.2.4.1. Allocation of above-MCP costs for accepted bids in the ISO Imbalance Energy Markets shall be in accordance with this Section 11.2.4.2.2 as follows.

11.2.4.2.2.1 Allocation of Bid Costs Above the Maximum Bid Level

For each Settlement Interval, costs that are both above the MCP and above the Maximum Bid Level, incurred by the ISO as a result of Instructed Imbalance Energy and Dispatch instructions for reasons other than for a transmission facility Outage or a location-specific requirement shall

ATTACHMENT D

AMENDMENT 60 COMPLIANCE FILING – POST-AMENDMENT 54

5.11.6 Must-Offer Obligation Process

Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 5.11.4 of this ISO Tariff, for one or more of their Generating Units ~~for periods other than Self-Commitment Periods. Self-Commitment Periods are defined as the hours for which Must-Offer Generators submit Day-Ahead Energy Schedules. Self-Commitment Periods determined from Day-Ahead Schedules shall be extended by the ISO as necessary to accommodate Generating Unit minimum up and down times such that the scheduled operation is feasible~~. All ~~other~~ Must-Offer Generators obligated under the must-offer obligation that have not submitted Day-Ahead Energy Schedules will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all available capacity. If conditions permit, and at the ISO's non-discriminatory and sole discretion, the ISO may grant waivers and allow a Must-Offer Generator to remove one or more Generating Units from service. ~~The Self-Commitment Period defined by a Generating Unit's Day-Ahead schedules (plus any additional time necessary to accommodate minimum up and minimum down times) shall remain in effect for that Generating Unit even if a Must-Offer Generator nullifies the Day-Ahead Schedules submitted for that unit in the Hour-Ahead Market. If a Must-Offer Generator requests a waiver for a Generating Unit for its Self-Commitment Period, the ISO may grant the waiver, but if the ISO denies the waiver, the unit shall not be eligible to recover Minimum Load Costs incurred during any Self-Commitment Period as set forth in Section 5.11.6.1.1.~~ The hours ~~outside of Self-Commitment Periods~~ for which waivers are not granted shall constitute Waiver Denial Periods. A Waiver Denial Period shall be extended as necessary to accommodate Generating Unit minimum up and down times. Units shall be on-line in real time during ~~both Self-Commitment and~~ Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). The ISO shall inform a Must-Offer Generator that its Waiver request has been ~~accepted, denied,~~ approved, disapproved or revoked, and shall provide the Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 10:00 a.m. (beginning of Hour Ending 11) no later than 11:30 a.m. (middle of Hour Ending 12) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 11:30 a.m. on the following day, notify Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 10:00 a.m. (beginning of Hour Ending 11) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to the time a unit would be required to be on-line generating at its Pmin.

5.11.6.1 Recovery of Minimum Load Costs By Must-Offer Generators

5.11.6.1.1 Eligibility

Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during Waiver Denial Periods. Units from Must-Offer Generators that incur Minimum Load Costs ~~during Self-Commitment Periods or~~ during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Must-Offer Generator has a Final Hour-Ahead Energy Schedule other than a Schedule to a unit-specific Demand ID used for the purpose of scheduling minimum load energy as set forth in Section 5.11.6, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on a 10-minute Settlement Interval basis, a Must-Offer Generator generating at minimum load in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum operating level by more than the Tolerance Band, the Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such Settlement Intervals during hours within a Waiver Denial Period. When, on a Settlement

Interval basis, a Must-Offer Generator's resource produces a quantity of Energy above minimum load due to an ISO Dispatch Instruction, the Must-Offer Generator shall recover its Minimum Load Costs and its bid costs, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall guarantee recovery of the Minimum Load Costs of an otherwise eligible Must-Offer Generator for each Settlement Interval during hours within a Waiver Denial Period as follows: (1) First, ISO will pre-dispatch for real time the minimum load Energy from Must-Offer Generators that have been denied waivers for each hour within a Waiver Denial Period; (2) This minimum load Energy will be accounted as Instructed Imbalance Energy for each Settlement Interval within the relevant hour and be settled at the Resource-Specific Settlement Interval Ex Post Price; (3) To the extent the Instructed Imbalance Energy payments are not sufficient to cover the generator's Minimum Load Cost as defined in Section 5.11.6.1.2 of this Tariff, the generator will also receive an uplift payment for its Minimum Load Cost compensation for the relevant eligible Settlement Intervals of hours during the Waiver Denial Period that the Generating Unit runs at minimum load in compliance with the must-offer obligation; and (4) To the extent the Generator is dispatched for real time Imbalance Energy above its minimum load for any Dispatch Interval within an hour during the Waiver Denial Period, the Generator will be eligible for Bid Cost Recovery, as set forth in Section 11.2.4.1.1.1.

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11.2.4.2

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If the ISO Dispatches an RMR Unit that has selected Condition 2 of its RMR Contract to *start-up or provide energy other than a start-up or energy requested pursuant to the RMR* Contract, as provided for in Section 5.2.9 of the ISO Tariff, the ISO shall pay as follows:

(a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction;

(b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b below times the amount of energy delivered in response to the ISO's instruction.

~~1) if, as determined by the ISO, the sum of the service hours, service MWh or start-ups from service not under the RMR Contract and RMR Contract Counted Hours, Counted MWh, or Counted Start-Ups does not exceed the applicable RMR Contract Service Limit, the ISO shall pay (a) for energy, the rate set forth in either Equation 1a or 1b below, as appropriate and (b) for a start-up, the rate specified in Schedule D to the applicable RMR Contract.~~

~~2) Equation 1a (for Units with input/output data in polynomial form) or Equation 1b (for Units with input/output data in exponential form) as defined below shall be used to calculate the Energy rate for MWh of Instructed Imbalance Energy delivered.~~

Equation 1a

$$\text{Energy Price (\$/MWh)} = \frac{(AX^3 + BX^2 + CX + D) * P * E}{X} + \text{Variable O\&M Rate}$$

Equation 1b

$$\text{Energy Price (\$/MWh)} = \cancel{\frac{\frac{A * (B + Cm\,X + De^{FX}) * P *}{E} + \text{Variable O\&M Rate}}{X}}$$

$$\underline{\frac{A * (B + CX + De^{FX}) * P * E}{X} + \text{Variable O\&M Rate}}$$

Where:

- for Equation 1a, A, B, C, D and E are the coefficients given in Table C1-7a of the applicable RMR Contract;
- for Equation 1b, A, B, C, D, E and F are the coefficients given in Table C1-7b of the applicable RMR Contract;
- X is the Unit output level during the applicable settlement period, MWh;
- P is the Hourly Fuel Price as calculated by Equation C1-8 in Schedule C using the Commodity Prices in accordance with the applicable RMR Contract;
- Variable O&M Rate ($/MWh): as shown on Table C1-18 of the applicable RMR Contract.

~~3) If, as determined by the ISO, the sum of the service hours, service MWh or Start-Ups from service instructed by the ISO not under the RMR Contract and RMR Contract Counted Hours, Counted MWh, or Counted Start-Ups, as applicable, exceeds the applicable RMR Contract Service Limit, the ISO shall pay:~~

~~a) if the Owner has elected Option A of Schedule G, two times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and 1.5 times the rate specified in Equation 1a or 1b above times the amount of energy delivered in response to the ISO's instruction;~~

~~b) if the Owner has elected Option B of Schedule G, three times the start-up cost specified in Schedule D to the applicable RMR Contract for any start-up incurred, and the rate specified in Equation 1a or 1b above times the amount of energy delivered in response to the ISO's instruction.~~

~~If the ISO Dispatches an RMR Unit pursuant to the RMR Contract when the sum of the service hours, service MWH or Start-Ups from service not under the RMR Contract and the RMR Contract Counted Hours, Counted MWh or Counted Start-Ups, as applicable, has exceeded the applicable RMR Contract Service Limit, the ISO shall pay the Scheduling Coordinator an additional amount so that the Scheduling Coordinator receives, in total, from the payment provided pursuant to the RMR Contract and the additional amount, the rates specified in Schedule G to the RMR Contract for the RMR Energy provided or for the RMR Start-Up incurred until either the RMR Counted MWh, Counted Service Hours or Counted Start-Ups exceed the relevant RMR Contract Service Limit.~~

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11.2.4.2.1.1 Allocation of Costs from Out-Of-Market calls to Condition 2 RMR Units

All costs associated with energy provided by a Condition 2 RMR ~~u~~Unit operating other than according to a dispatch notice issued under the RMR Contract shall be allocated in accordance with Section 11.2.4.2.1. Until either the RMR Contract Counted MWh, Counted Service Hours or Counted Start-ups exceed the relevant RMR Contract Service Limit, any cost incurred for energy provided under the RMR Contract above the rate specified in equation 1a or 1b as set forth in Section 11.2.4.2 shall be allocated in accordance with Section 11.2.4.2.1, not to the Responsible Utility.

Start-Up Costs for Condition 2 RMR Units providing service outside the RMR Contract, and any additional Start-Up Cost associated with a Condition 2 RMR Unit providing service under the RMR Contract when the unit's total service has exceeded an RMR Contract Service Limit but neither the RMR Contract Counted MW~~H~~h, Counted Service Hours or Counted Start-ups have exceeded the applicable RMR Contract Service Limit, shall be invoiced in accordance with Section 2.5.23.3.7.6 and collected in accordance with Section 2.5.23.3.7.1.

ATTACHMENT E

NOTICE OF FILING SUITABLE FOR PUBLICATION IN THE FEDERAL REGISTER

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER04-835-___**

Notice of Filing

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Take notice that on August 10, 2004, the California Independent System Operator Corporation (ISO) submitted a filing in compliance with the Commission's July 8, 2004 "Order on Tariff Amendment No. 60," issued in the captioned docket, 108 FERC ¶ 61,022.

The ISO states that this filing has been served upon all parties on the official service list for the captioned docket. In addition, the ISO has posted this filing on the ISO Home Page.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at http://www.ferc.gov, using the **eLibrary** (FERRIS) link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866)208-3676, or for TTY, contact (202)502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: ___________