**40.3 Local Capacity Area Resource Requirements for SCs for LSEs**

**40.3.1 Local Capacity Technical Study**

On an annual basis, pursuant to the schedule set forth in the Business Practice Manual, the CAISO will, perform, and publish on the CAISO Website the Local Capacity Technical Study. The Local Capacity Technical Study shall identify Local Capacity Areas, determine the minimum amount of Local Capacity Area Resources in MW that must be available to the CAISO within each identified Local Capacity Area, and identify the Generating Units within each identified Local Capacity Area. The CAISO shall collaborate with the CPUC, Local Regulatory Authorities within the CAISO Balancing Authority Area, federal agencies, and Market Participants to ensure that the Local Capacity Technical Study is performed in accordance with this Section 40.3 and to establish for inclusion in the Business Practice Manual other parameters and assumptions applicable to the Local Capacity Technical Study and a schedule that provides for: (i) reasonable time for review of a draft Local Capacity Technical Study, (ii) reasonable time for Participating TOs to propose operating solutions, and (iii) release of the final Local Capacity Technical Study no later than 120 days prior to the date annual Resource Adequacy Plans must be submitted under this Section 40.

**40.3.1.1 Local Capacity Technical Study Criteria**

The Local Capacity Technical Study will determine the minimum amount of Local Capacity Area Resources needed to address the Contingencies identified in Section 40.3.1.2. In performing the Local Capacity Technical Study, the CAISO will apply those methods for resolving Contingencies considered appropriate for the performance level that corresponds to a particular studied Contingency, as provided in NERC Reliability Standards regarding Transmission System Planning Performance Requirements (TPL-001-4 or its successor), as augmented by CAISO Reliability Criteria in accordance with the Transmission Control Agreement and Section 24.3.1. The CAISO Reliability Criteria shall include:

(1) Time Allowed for Manual Readjustment: This is the amount of time required for the Operator to take all actions necessary to prepare the system for the next Contingency. This time should not be more than thirty (30) minutes.

(2) No voltage collapse or dynamic instability shall be allowed for a Contingency in Category Extreme Events [any P1 system readjusted (Common Structure) P7], as listed in TPL-001-4 in areas with load of 250 MW or more. For areas with less than 250 MW of load, mitigation will only be proposed if there is a risk of cascading beyond the area directly affected by the outage.

**40.3.1.2 Local Capacity Technical Study Contingencies.**

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The Local Capacity Technical Study shall assess all the Contingencies and appropriate performance levels required by mandatory standards including, but not limited to, NERC, WECC and CAISO Planning Standards.

**40.3.2 Allocation of Local Capacity**

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

(a) The responsibility for the aggregate Local Capacity Area Resources required for all Local Capacity Areas within each TAC Area as determined by the Local Capacity Technical Study will be allocated to all Scheduling Coordinators for Load Serving Entities that serve Load in the TAC Area in accordance with the Load Serving Entity’s proportionate share of the LSE’s TAC Area Load at the time of the CAISO’s annual coincident peak Demand set forth in the annual peak Demand Forecast for the next Resource Adequacy Compliance Year as determined by the California Energy Commission. Expressed as a formula, the allocation of Local Area Capacity Resource obligations will be as follows: (∑ Local Capacity Area MW in TAC Area from the Local Capacity Technical Study) \* (LSE Demand in TAC Area at CAISO annual coincident peak Demand)/(Total TAC Area Demand at the time of CAISO annual coincident peak Demand). This will result in a MW responsibility for each Load Serving Entity for each TAC Area in which the LSE serves Load. In no instance, however, is a Load Serving Entity obligated to commit, on a monthly Resource Adequacy Plan, Local Capacity Area Resources in a particular TAC Area in excess of the quantity of capacity needed by that Load Serving Entity to meet its applicable Demand and Reserve Margin requirements for the applicable compliance month. If the CAISO determines that a Load Serving Entity would have an obligation to show Local Capacity Area Resources of less than 1 MW in a particular TAC Area, then the Load Serving Entity will have an obligation of zero (0) MWs for that TAC Area in that year. The LSE may meet its MW responsibility, as assigned under this Section, for each TAC Area in which the LSE serves Load by procurement of that MW quantity in any Local Capacity Area in the TAC Area.

(b) For Scheduling Coordinators for Non-CPUC Load Serving Entities, the Local Capacity Area Resource obligation will be allocated based on Section 40.3.2(a) above.

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

Once the CAISO has allocated the total responsibility for Local Capacity Area Resources, the CAISO will inform the CPUC and the Scheduling Coordinators for each non-CPUC jurisdictional LSE of the LSE’s specific allocated responsibility for Local Capacity Area Resources in each TAC Area in which the LSE serves Load. The CPUC will inform the CPUC jurisdictional LSEs of their specific allocated responsibility for Local Capacity Area Resources per methodology adopted by the CPUC. Furthermore, the CPUC will provide the CAISO its allocations of Local Capacity Area Resources responsibility for its jurisdictional LSEs as provided in the BPM.

**40.3.3 Procurement of Local Capacity Area Resources by LSEs**

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