

March 18, 2021

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

**Re: California Independent System Operator Corporation
Docket No. ER21-_____000**

Available Import Capability Multi-Year Allocation

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment¹ to revise its available import capability allocation process to allow load serving entities to reserve import capability at the intertie level on a multi-year basis, consistent with their long-term import contracts, during each annual import capability allocation process. In addition, the CAISO proposes to revise its existing import allocation process to allocate Remaining Import Capability consistent with Load Share Quantity and to increase transparency by publishing information regarding import capability allocations at each Intertie.

The proposed tariff amendments create a new opportunity for load serving entities to reserve multi-year import capability at the intertie level based on their showing of multi-year contracted import capacity during the existing 13-step annual import allocation process. Currently, load serving entities cannot reserve multi-year import capability at the intertie level to support import capacity contracts.² As a result, they cannot ensure they will have sufficient import capability to support their import capacity contracts at any specific intertie from one year to the next. If a load serving entity does not have sufficient import capability to support an import capacity contract, the contract cannot count

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and as revised or proposed in this filing, unless otherwise indicated.

² Except import allocations supported by pre-CAISO or pre-RA construct agreements, *i.e.*, Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments.

toward meeting the load serving entity's resource adequacy requirements. The annual nature of the import allocation process creates uncertainty regarding any individual load serving entity's ability to obtain sufficient import capability at a specific intertie to support its long-term import contracts.

To address this issue, the CAISO proposes to allow load serving entities to reserve multi-year import capability at the intertie level for shown multi-year import capacity contracts. The proposed tariff revisions update the import capability allocation process to facilitate long-term procurement of import resources. The multi-year reservation of import capability at the intertie level will also remove barriers to new resource development external to the CAISO Balancing Authority Area. It allows multi-year import contracts tied to resource-specific resources to lock a load serving entity's remaining import capability at the intertie level for the length of the long-term contract.

The CAISO respectfully requests the Commission issue an order by May 28, 2021 accepting the proposed tariff revisions effective June 1, 2021. The CAISO needs an order in this timeframe to prepare for its import capability allocation process for calendar year 2022, which commences on June 1, 2021.

I. Background

A. The California's Resource Adequacy Program and the Role of Import Resources

The CAISO's resource adequacy (RA) program, which the CAISO administers jointly with the California Public Utilities Commission (CPUC) and other local regulatory authorities in the CAISO balancing authority area, seeks to secure sufficient capacity when and where needed to support the safe and reliable operation of the CAISO grid.

The CAISO's RA program requires load serving entities (through scheduling coordinators) to file annual and monthly Resource Adequacy Plans detailing the resources they will rely on to satisfy applicable Demand and any applicable Reserve Margin requirements. Resources shown on the Resource Adequacy Plans must be deliverable to load to meet RA requirements. The CAISO conducts a deliverability assessment to ensure that all fully and partially deliverable internal resources, along with the established maximum import capability, can serve the aggregate of load.³ Although deliverability for internal resources is owned by each resource, the deliverability of imports, or maximum import capability, is assigned every year to load serving entities.⁴

³ CAISO tariff, section 40.4.6.1.

⁴ CAISO tariff, section 40.4.6.2.

The Available Import Capability assignment process determines the maximum import capability for each Intertie into the CAISO Balancing Authority Area. The CAISO then allocates Available Import Capability on the Interties to load serving entities. For an import to satisfy a load serving entity's RA requirements, the load serving entity must have an import capability allocation at the import Scheduling Point that is greater than or equal to the Resource Adequacy Capacity provided by the import resource.⁵

B. Establishing Maximum Import Capability

The CAISO's annual Available Import Capability assignment process begins by establishing the Maximum Import Capability on Interties into the CAISO Balancing Authority Area.⁶ As part of this process, the CAISO calculates Available Import Capability for each Intertie using historical import schedule data during high load periods for the two years (of the last five) with the highest imports.⁷ The CAISO selects the sample hours from these years by identifying the two hours (on different days) in the two years with the highest total import level when peak load was at least 90 percent of the annual system peak load.⁸ The CAISO then adds these scheduled net import values for each intertie with unused existing transmission contract rights and transmission ownership rights, averaged over the four selected historical hours, to determine the Available Import Capability for resource adequacy purposes.⁹

The CAISO's calculation of Maximum Import Capability at its Interties serves as a basis to establish Available Import Capability for resource adequacy purposes. The data reflects feasible real-time schedules under N-1 secure

⁵ CAISO tariff, section 40.8.1.12.

⁶ See *generally* CAISO tariff, section 40.4.6.2. The CAISO tariff defines maximum import capability as "a quantity in MW determined by the CAISO for each Intertie into the CAISO Balancing Authority Area to be deliverable to the CAISO Balancing Authority Area based on CAISO study criteria." See Appendix A to the CAISO tariff.

⁷ CAISO Business Practice Manual for Reliability Requirements at 67-69.
<https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Reliability%20Requirements>.
For Resource Adequacy year 2020 and prior years, the CAISO's calculation used only the two preceding years to establish Maximum Import Capability.

⁸ *Id.*

⁹ *Id.* The CAISO tariff defines available import capability as "the Maximum Import Capability of an Intertie into the CAISO Balancing Authority Area in MW deliverable to the CAISO Balancing Authority Area based on CAISO study criteria minus the sum in MW of all Existing Contracts and Transmission Ownership Rights over that Intertie held by load serving entities that do not serve Load within the CAISO Balancing Authority Area." See Appendix A to the CAISO tariff.

operating conditions. Because the CAISO uses actual schedules, the CAISO's approach demonstrates not only that import capability is simultaneously feasible, but also that physical resources exist, are available, and have scheduled their output to serve load within the CAISO's balancing authority. The CAISO notes, however, that changes in transmission capability and system conditions occurring subsequent to the CAISO's calculation can change actual import capability levels.

On prospective basis, if necessary, the CAISO increases maximum import capability at specific interties to meet state and federal policy goals. The CAISO assures through deliverability studies that both the increased maximum import capability and internal generation are deliverable to the aggregate of load. If necessary, through the Transmission Planning Process (TPP), transmission upgrades are approved and built before additional deliverability is made available to increased imports and new internal resources.

C. The CAISO's Existing Available Import Capability Assignment Process

After establishing the Maximum Import Capability for each Intertie into the CAISO Balancing Authority Area, the CAISO conducts a multi-step process to allocate the Available Import Capability to load serving entities. The CAISO first subtracts any import capability associated with (1) Existing Contracts and (2) Transmission Ownership Rights held by load serving entities not serving load in the CAISO Balancing Authority Area.¹⁰

Next, the CAISO reserves Available Import Capability for holders of Existing Contracts and Transmission Ownership Rights held by load serving entities serving load within the CAISO to establish Total Import Capability.¹¹ From the remaining amount, the CAISO then assigns Available Import Capability to load serving entities

¹⁰ CAISO tariff, Section 40.4.6.2.1, Step 2.

¹¹ CAISO tariff, Section 40.4.6.2.1, Step 3.

based on Pre-RA Import Commitments.¹² The CAISO then assigns the Remaining Import Capability¹³ to load serving entities based on Load Share Quantity.

The CAISO provides Available Import Capability allocations annually for the subsequent RA year. Currently, load serving entities can retain import capability at the intertie level based on Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments, to the extent the Maximum Import Capability is available, for the duration of the associated contract. Load serving entities receiving an import allocation based on Remaining Import Capability for the subsequent year have no assurance they will receive import capability at a given intertie in future years.

The current annual process does not provide load serving entities with certainty they can retain the same amount of RA import allocation on any particular intertie year-to-year. This has not been a significant concern in the past because (1) significant external resources have been available and (2) import capacity was allocated to a relatively small number of larger load serving entities with high load share ratios at the CAISO coincident peak (thus producing a fairly stable year-to-year allocation). However, these conditions are changing and creating greater uncertainty. In that regard, there is increased competition for resources in the Western Interconnection, which likely will require CAISO load serving entities to pursue multi-year import agreements to provide long-term stability. Further, Community Choice Aggregation (CCA) entities have taken over a significant share of the load serving responsibility. The growing number of load serving entities receiving import allocations has increased the variability of year-to-year import allocations and generally resulted in smaller import allocation shares for individual load serving entities. This causes uncertainty regarding any individual load serving entity's year-to-year import allocation quantity at the intertie level.

¹² CAISO tariff, Section 40.4.6.2.1, Step 4. CAISO tariff Appendix A defines "Pre-RA Import Commitment" as "Any power purchase agreement, ownership interest, or other commercial arrangement entered into on or before March 10, 2006, by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of Energy or capacity from a resource or resources located outside the CAISO Balancing Authority Area. The Pre-RA Import Commitment shall be deemed to terminate upon the expiration of the initial term of the Pre-RA Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of the Load Serving Entity. Notwithstanding the above, a contract for delivery entered under Schedule A or B of 43 USC § 619a is a Pre-RA Import Commitment, the term of which does not expire with the expiration of any contractual arrangements entered into to implement such entitlements."

¹³ CAISO tariff Appendix A defines "Remaining Import Capability" as "The quantity in MW of Total Import Capability assigned to a Load Serving Entity up to its Load Share Quantity after the assignment of Existing Contract Import Capability and Pre-RA Import Commitment Capability."

III. Proposed Tariff Changes

A. Multi-Year Import Allocation Reservations

The current annual import allocation process does not provide load serving entities with certainty they can retain the same RA import allocation on any particular Intertie year-after-year. This has not been a significant concern in the past, but is a greater concern now, for the reasons identified above.

To address these issues and provide certainty regarding future import allocations, the CAISO proposes to allow load serving entities to reserve multi-year import capability at the intertie level for import capacity procured pursuant to a multi-year contract. To accomplish this, the CAISO will allow load serving entities to reserve import capacity received as Remaining Import Capability at the intertie (branch group) level with supporting long-term import contracts.

To reserve Remaining Import Capability at the intertie (branch group) level, the load serving entity will provide a New Use Import Commitment, which is defined as a power purchase agreement, ownership interest, or other commercial arrangement for the procurement of capacity from a resource specific or aggregation of resources consistent of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources.¹⁴ The New Use Import Commitment will terminate upon the expiration of the initial term of the contract, notwithstanding any “evergreen” or renewal provision.

During the term of the New Use Import Commitment, the CAISO will allocate the load serving entity New Use Import Commitment Capability at the intertie (branch group) level during the annual import allocation process.¹⁵ The New Use Import Commitment Capability allocation will occur after the CAISO allocates import capacity associated with Existing Contracts, Transmission Ownership Rights, and Pre-RA Import Commitments, but before the CAISO allocates Remaining Import Capability to load serving entities based on Load Share Quantity.¹⁶ In other words, load serving entities with qualifying long-term import contracts will be able to reserve import capability for the term of the contract. This process is analogous to how the CAISO reserves import capability for Pre-RA Commitments in the current import allocation process.

Initially, the CAISO proposes that only contracts with Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources can qualify to reserve New Use Import Commitment Capability. Requiring New Use Import

¹⁴ Proposed “New Use Import Commitment,” Appendix A to the CAISO tariff.

¹⁵ Proposed “New Use Import Commitment Capability,” Appendix A to the CAISO tariff.

¹⁶ Proposed Tariff Section 40.4.6.2.1, Step 4b.

Commitments to be back by Pseudo-Tie Generating Units or Dynamic Resource-Specific Resources is consistent with the CPUC's recent decision on RA imports.¹⁷ Requiring New Use Import Commitments to be backed by Pseudo-Tie or Dynamic Resource-Specific System Resources, not only ensures external resources supporting a multi-year import capability allocation are supported by specific, dedicated resources, it also ensures they will have must offer obligations and be deliverable on the same basis as RA capacity within the CAISO.

In the future, the CAISO may consider allowing other import resources to support New Use Import Commitments. In the ongoing Resource Adequacy Enhancements Initiative the CAISO has proposed allowing Non-Dynamic Resource Specific System Resources to qualify as RA import capacity. These resources could be (1) a specific external resource, (2) a specified aggregation or portfolio of resources in a single external Balancing Authority Area, or (3) if the Balancing Authority Area is the RA import supplier, the Balancing Authority Area's pool of resources (system resources) supporting the RA import.¹⁸

The CAISO's proposed tariff amendments will allow load serving entities to reserve up to 75% of their total year-ahead import allocation at the intertie (branch group) level. The total reserved amount for each load serving entity represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.¹⁹

The CAISO proposes to allow New Use Import Commitments consistent with the initial term of the underlying contract, but the reserved quantity cannot exceed a future year's Load Share Quantity.²⁰ If a load serving entity's import allocation would exceed its Load Share Quantity due to a New Use Import Commitment, the CAISO will reduce import allocation associated with New Use Import Commitment consistent with the load serving entity's stated preference.²¹ In addition, any material modification to electric or operational characteristics of a New Use Import Commitment contract will result in the loss of New Use Import

¹⁷ CPUC Decision 20-06-028, pp. 69-70. The CPUC's decision requires RA imports to either (1) be Pseudo-Tie or Dynamic Resource-Specific Resources or (2) to self-schedule into the CAISO markets during particular hours.

¹⁸ See CAISO Resource Adequacy Enhancements, Draft Final Proposal and Sixth Straw Proposal, p. 31. <http://www.aiso.com/InitiativeDocuments/DraftFinalProposal-SixthRevisedStrawProposal-ResourceAdequacyEnhancements.pdf>.

¹⁹ Proposed Section 40.4.6.2.2.4 of the CAISO tariff. A load serving entity's total import allocation is the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated per Step 7 of the CAISO's import allocation process.

²⁰ Proposed Section 40.4.6.2.2.4 of the CAISO tariff. The CAISO tariff defines "Load Share Quantity" as "The product of Total Import Capability and Import Capability Load Share."

²¹ Proposed Section 40.4.6.2.2.4 of the CAISO tariff.

Commitment status.²²

The Commission should accept these tariff revisions as just and reasonable. They build off the existing import allocation process to allow load serving entities to pursue multi-year import contracts with added assurance that such contracts will count toward system resource adequacy requirements in future years. The proposed amendments will allow load serving entities to enter into multi-year import contracts to secure necessary resources to serve California resource adequacy needs. Without these revisions, load serving entities will have no ability to secure long-term import capability at the intertie level to support multi-year contracts. Stakeholders broadly supported these revisions and the underlying need to allow load serving entities to secure multi-year import capability at the intertie level, though Southern California Edison Company expressed concern regarding implementing these revisions prior to the CPUC adopting multi-year resource adequacy requirements.

B. Revisions to the Remaining Import Capability Allocation

The CAISO proposes to modify the existing methodology for allocating Remaining Import Capability to load serving entities. Currently, the CAISO assigns Remaining Import Capability to load serving entities that have not received Existing Contract Import Capability and Pre-RA Import Commitment Capability exceeding their Load Share Quantity.²³ The CAISO currently assigns Remaining Import Capability to load serving entities eligible to receive an assignment based on each load serving entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity.

The CAISO's proposed tariff amendment would modify Step 5 of the import allocation process to calculate each load serving entities' Remaining Import Capability allocation by the product of its load share after Step 4 (after removing non-eligible load serving entities) and the gross Remaining Import Capability. For this calculation, the gross Remaining Import Capability includes the Total Import Capability less any quantities previously assigned to load serving entities ineligible to receive Remaining Import Allocation.

Tables 1 and 2 below provide an illustrative example of how this revision will operate in practice.

²² Proposed Section 40.4.6.2.2.4 of the CAISO tariff.

²³ Existing CAISO tariff Section 40.4.6.2.1, Step 5.

Table 4: Current RIC²⁴ allocation methodology

TIC ²⁵ = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	300*.54=162	177	177/265=.67
LSE 2	40	75	500*.40=200	.40/.98=.41	300*.41=123	198	198/200=.99
LSE 3	5	10	500*.05=25	.05/.98=.05	300*.05=15	25	25/25=1
LSE 4	2	100	500*.02=10	-	-	100	100/10=10

Table 5: Proposed new RIC allocation methodology

TIC = 500	Load share ratio	Steps 3 & 4	Load share quantity	Load Share after step 4	GRIC ²⁶ share	RIC assignment	Actual allocation MW	Effective allocation
LSE 1	53	15	500*.53=265	.53/.98=.54	400*.54=216.3	216-15=201.3	216.3	216.3/265=.82
LSE 2	40	75	500*.40=200	.40/.98=.41	400*.41=163.3	163.3-75=88.3	163.3	163.3/200=.82
LSE 3	5	10	500*.05=25	.05/.98=.05	400*.05=20.4	20.4-10=10.4	20.4	20.4/25=.82
LSE 4	2	100	500*.02=10	-	-	-	100	100/10=10

The Commission should accept these revisions as just and reasonable because they produce import allocations that are consistent with load serving entities' Import Capability Load Share, while respecting allocations based on prior steps in the import allocation process. No stakeholders opposed these revisions.

C. Providing Additional Transparency Regarding Import Allocations

The CAISO proposes to provide additional transparency regarding import allocations by publishing information for each intertie (branch group) the identities of the load serving entity holders and reserved import capability quantities based on Existing Contracts, Transmission Ownership Rights, Pre-RA Import Commitments, and New Use Import Commitments.²⁷ The CAISO will also provide information regarding the period for any reserved quantities on each intertie (branch group).

The Commission should approve these revisions because the additional transparency will provide load serving entities and other stakeholders with

²⁴ Remaining Import Capability.

²⁵ Total Import Capability.

²⁶ Gross Remaining Import Capability = TIC- \sum (MWs assigned to non-eligible LSEs).

²⁷ Proposed Section 40.4.6.2.1, Step 6(e) of the CAISO tariff.

information regarding current and future import capability availability at the intertie level. Stakeholders broadly supported these proposed revisions.

IV. Stakeholder Process

The stakeholder process that resulted in this filing included:

- An issue paper, followed by three draft straw proposals and a draft final proposals;
- Seven stakeholder meetings and conference calls to discuss CAISO papers and the draft tariff revisions; and
- Seven opportunities to submit comments on the CAISO proposals and draft tariff revisions;

CAISO management presented the proposals to the CAISO Board during its public meeting on October 1, 2020. The Board voted unanimously to authorize this filing.²⁸

Stakeholders generally supported the CAISO's proposals as presented in this filing. During the development of the multi-year reservation of import capability at the intertie level, CPUC Staff supported a multi-year reservation of import capability at the intertie level,²⁹ but opposed the CAISO's original proposal, because it did not adequately define which import resources load serving entities could use to reserve multi-year import capability at the intertie level. CPUC Staff requested the CAISO to "align the resources that can be used to lock [import capability] with the eligible resources identified in D.19-11-016."³⁰ To address this issue, the CAISO modified the proposed tariff language to specify only Pseudo-Tie or Dynamic Resource-Specific Resources will be eligible to qualify as New Use Import Commitments. These revisions are consistent with CPUC Decision 19-11-016.

Southern California Edison Company argued the CAISO should wait to

²⁸ Materials related to the Board's authorization to prepare and submit this filing are available on the CAISO website at <http://www.aiso.com/informed/Pages/BoardCommittees/BoardGovernorsMeetings.aspx>. The memorandum provided to the Board regarding the proposals in this filing is contained in Attachment C to this filing.

²⁹ CPUC Staff Comments on Maximum Import Capability Stabilization and Multi-Year Allocation, dated June 10, 2020. <http://www.aiso.com/InitiativeDocuments/CPUCEnergyDivisionComments-MICStabilization-Multi-YearAllocation-SecondRevisedStrawProposal.pdf>.

³⁰ CPUC Staff Comments on Maximum Import Capability Stabilization and Multi-Year Allocation, dated August 13, 2020. <http://www.aiso.com/InitiativeDocuments/EnergyDivisionStaffComments-MICStabilizationandMulti-yearAllocation-DraftFinalProposal.pdf>.

implement multi-year allocation until after the CPUC or other Local Regulatory Authorities establish multi-year system resource adequacy requirements. The CAISO agrees with the need for close coordination with Local Regulatory Authorities, but the option to reserve multi-year import capability at the intertie level provides an immediate, direct, and significant benefit to load serving entities by allowing them to secure long-term import contracts. If Local Regulatory Authorities adopt multi-year resource adequacy requirements, the CAISO will work to ensure the import allocation process remains consistent with those requirements.

V. Effective Date

For the reasons discussed in this filing, the CAISO requests the Commission the Commission issue an order by May 28, 2021 accepting the proposed tariff provisions effective June 1, 2021. The CAISO needs a Commission order before commencing its annual import allocation process for resource adequacy year 2022, so it can adequately and properly prepare for that process that starts on June 1, 2021.

VI. Communications

In accordance with the Commission's regulations,³¹ correspondence and other communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Commission with respect to this filing:

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³¹ 18 C.F.R. § 385.203(b).

VII. Service

The CAISO has served copies of this filing on the CPUC, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VIII. Contents of Filing

In addition to this transmittal letter, this filing includes the following attachments:

- | | |
|--------------|------------------------------------------------------------------------------|
| Attachment A | Clean CAISO tariff sheets for this tariff amendment; |
| Attachment B | Red-lined document showing the revisions contained in this tariff amendment; |
| Attachment C | Board of Governors Memorandum; and |
| Attachment D | Final draft proposal on this tariff amendment. |

IX. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission issue an order by May 28, 2021, accepting the tariff revisions contained in this filing effective June 1, 2021.

Respectfully submitted,

/s/ Jordan Pinjuv

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Attachment A – Clean Tariff

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

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40.4.6 Reductions for Deliverability

40.4.6.1 Deliverability Within the CAISO Balancing Authority Area

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable. Resources will be electrically grouped in a manner consistent with the CAISO Deliverability Assessment methodology posted on the CAISO Website. For Resource Adequacy Resources in the same electrical group which have identified deliverability constraints, the Qualifying Capacity of the Resource Adequacy Resources that obtained Full Capacity Deliverability Status or partial deliverability through Section 8.2 of Appendix Y to this CAISO Tariff will be reduced prior to reducing the Qualifying Capacity of those resources which were originally provided Full Capacity Deliverability Status pursuant to inclusion in an Interconnection Study Cycle under Appendix Y to this CAISO Tariff.

40.4.6.2 Deliverability of Imports

40.4.6.2.1 Available Import Capability Assignment Process

For Resource Adequacy Plans, total Available Import Capability will be assigned on an annual basis for a one-year term to Scheduling Coordinators representing Load Serving Entities serving Load in the CAISO Balancing Authority Area and, in limited circumstances, to Scheduling Coordinators representing Participating Generators or System Resources, as described by the following sequence of steps.

Step 1: Determination of Maximum Import Capability on Interties into the CAISO Balancing Authority Area: The CAISO shall establish the Maximum Import Capability for each Intertie into the CAISO

Balancing Authority Area, and will post those values on the CAISO Website in accordance with the schedule and process set forth in the Business Practice Manual.

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

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

Step 4a: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area Pre-RA Import Commitment Capability on a particular Intertie based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the Intertie selected by the Load Serving Entity during the submission of the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a Pre-RA Import Commitment submitted on behalf of a LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the LSE holds Existing Contract

Import Capability, the Pre-RA Import Commitment will be assumed to deliver over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

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

Step 4b: Assignment of New Use Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above and reserving Pre-RA Import Commitment Capability under step 4a above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area New Use Import Commitment Capability on a particular Intertie based on New Use Import Commitments in effect during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The CAISO will assign the New Use Import Commitment to the Intertie selected by the Load Serving Entity in the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a New Use Import Commitment submitted by an LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the Load Serving Entity holds Existing Contract Import Capability, the CAISO will assume the New Use Import Commitment will be delivered over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with New Use Import Commitments, such that

the MW represented in all New Use Import Commitments using the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3 as well as Pre-RA Import Commitments under Step 4a, the New Use Import Commitments will be assigned New Use Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting New Use Import Commitments on the particular Intertie. To the extent the initial assignment of New Use Import Commitment Capability does not fully assign the Available Import Capability on the over requested Intertie, the CAISO will assign the remaining Available Import Capability on the over requested Intertie until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted New Use Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4b is the New Use Import Commitment Capability. Any New Use Import Commitment Capability shall not exceed the limitations imposed in Section 40.4.6.2.2.4.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. Only the MW quantity of any Pre-RA Import Commitment Capability and New Use Import Commitment Capability assigned to Existing Contract Import Capability under Step 4 that exceeds the Existing Contract Import Capability on the particular Intertie will be counted for purposes of this Step 5.

The CAISO will assign Remaining Import Capability based on the following process. First, the CAISO will calculate the gross Remaining Import Capability by subtracting the sum of the MW quantity assigned to excluded LSEs from the Total Import Capability. Next, the CAISO will calculate the share of gross Remaining Import Capability based on load share ratio among the remaining eligible Load Serving Entities. Any CAISO internal Load Serving Entity with allocations received from both Steps 3 & 4 that exceed or are equal to its share of the gross Remaining Import Capability will be excluded from further allocation of Remaining Import Capability. The CAISO will re-perform this calculation until there are no

excluded Load Serving Entities. Each remaining eligible Load Serving Entity will have its Remaining Import Capability calculated by subtracting its total of all allocations received under Steps 3, 4a & 4b from its share of the gross Remaining Import Capability. The Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific Intertie.

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

- (a) The Total Import Capability;
- (b) The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned to each Intertie, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the CAISO Balancing Authority Area and those held by load serving entities outside the CAISO Balancing Authority Area;
- (c) The aggregate quantity in MW, and identity of the holders, of Pre-RA Import Commitments assigned to each Intertie; and
- (d) The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the Interties with Available Import Capability, and the MW quantity of Available Import Capability on each such Intertie.
- (e) For each individual Intertie, the name of the holder of Existing Contracts and Transmission Ownership Rights, Pre-RA Import Commitments and New Use Import Commitments as well as maximum locked up amount, lock start date, lock expiration date and potentially other available information that provides stakeholders with transparency into the allocation process.

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

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

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

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

Step 10: CAISO Notification of Initial Remaining Import Capability Assignments and Unassigned

Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

- (a) Notify the Scheduling Coordinators of accepted request(s) for assigning Remaining Import Capability under Step 9;
- (b) Publish on the CAISO Website aggregate unassigned Available Import Capability, if any, the identity of the Interties with unassigned Available Import Capability, and the MW quantity of Available Import Capability, on each such Intertie; and
- (c) Issue a Market Notice to advise the Scheduling Coordinators that Step 10 is complete and to specify the time at which the CAISO will begin accepting requests for the Remaining Import Capability for Step 11.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie:

To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities shall notify the CAISO of their requests to assign any Remaining Import Capability on a MW per available Intertie basis. Step 10 must be completed before a Scheduling Coordinator may submit a request under this step for any Remaining Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 10 will not be honored by the CAISO. The CAISO will honor the timely requests received to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned

Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

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

that Step 12 is complete and to specify the time at which the CAISO will begin accepting requests for the Balance of Year Unassigned Available Import Capability for Step 13.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities, Participating Generators, or System Resources may notify the CAISO of a request for unassigned Available Import Capability on a specific Intertie on a per MW basis. Step 12 must be completed before a Scheduling Coordinator may submit a request under this step for any remaining unassigned Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 12 will not be honored by the CAISO. Each request must include the identity of Load Serving Entity, Participating Generator, or System Resource on whose behalf the request is made. The CAISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on behalf of a single Load Serving Entity, Participating Generator, or System Resource. The CAISO will honor timely requests in priority of the time requests from Scheduling Coordinators were received until the Intertie is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the Resource Adequacy Compliance Year. The CAISO shall provide an electronic means, either through the Import Capability Transfer Registration Process or otherwise, of notifying the Scheduling Coordinator of the time the request was deemed received by the CAISO and, within seven (7) days of receipt of the request, whether the request was honored. If a request made on behalf of a Load Serving Entity is honored, it shall be the responsibility of the Scheduling Coordinator and its Load Serving Entity to notify the CPUC or applicable Local Regulatory Authority of the acceptance of the request for unassigned Available Import Capability. If the request is not honored because the Intertie requested was fully assigned, the request will be deemed rejected and the Scheduling Coordinator, if it still seeks to obtain unassigned Available Import Capability, will be required to submit a new request for unassigned Available Import Capability on a different Intertie. The CAISO will update on its website the list of unassigned Available Import Capability by Intertie in accordance with the schedule set forth in the Business Practice Manual.

This multi-step process for assignment of Total Import Capability does not guarantee or result in any actual transmission service being assigned and is only used for determining the import capability that can

be credited towards satisfying the Reserve Margin of a Load Serving Entity under this Section 40. Upon the request of the CAISO, Scheduling Coordinators must provide the CAISO with information on Pre-RA Import Commitments and New Use Import Commitments as well as any transfers or sales of assigned Total Import Capability.

40.4.6.2.2 Bilateral Import Capability Transfers and Registration Process

40.4.6.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers

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

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

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

40.4.6.2.2.2 Reporting Process for Bilateral Import Capability Transfers

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.4.6.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import

Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability in MW increments rounded to two decimal places. The import capability subject to each transfer shall remain on the Intertie assigned pursuant to Section 40.4.6.2.1. The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability must report the transfer to the CAISO through the CAISO's Import Capability Transfer Registration Process by providing the following information:

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

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

40.4.6.2.2.3 Other Import Capability Information Postings

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

The CAISO will also post to the CAISO Website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each Intertie, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular Intertie has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

40.4.6.2.2.4 Reserving import capacity as New Use Import Commitment

An import allocation received as Remaining Import Capability (Steps 5-13) may be reserved at the branch group level by the LSE holder for the applicable RA year. To reserve an import allocation, the LSE must hold the import allocation for all 12 months of the applicable RA year. LSEs cannot reserve import allocations for partial years.

An LSE may reserve an import allocation for the term of the New Use Import Commitment by showing an applicable New Use Import Commitment, signed by May 15th of the year prior to the requested import allocation, if the New Use Import Commitment (1) identifies a specific resource or an aggregation of specific resources, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, that will provide capacity or energy and (2) meets all the requirements herein as well as those described in the appropriate Business Process Manual.

A New Use Import Commitment reservation can extend for an undetermined length of time, but the reserved quantity cannot exceed future year ahead Load Share Quantity. For implementation purposes, before import allocations are given out for the next RA year, an LSE must provide the CAISO with contract priority preference to determine the order of MIC allocation reduction in the event the reserved quantity exceeds future year ahead Load Share Quantity. If an LSE chooses to partially reduce the import allocation associated with a specific contract, the LSE must maintain the entire contract unchanged for the duration of the next RA year. Any material modification to the electric or operational characteristics of the contract, as determined by the CAISO, or the sale (part or entire) of the RA contract that currently qualifies as a New Use Import Commitment by its LSE holder will result in the loss of status as New Use Import Commitment.

An LSE can reserve up to 75% of its year ahead total import allocation (representing the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated by the CAISO per step 7) at the branch

group level with New Use Import Commitments that meet this tariff section. The total reserved amount for each LSE represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.

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Appendix A

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- New Use Import Commitment

Any power purchase agreement, ownership interest, or other commercial arrangement, that meets all the Tariff and applicable Business Process Manual requirements to lock import capability received as Remaining Import Capability at the branch group level and does not already qualify as Pre-RA Import Commitment, entered into by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of capacity from a resource specific or aggregation, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, located outside the CAISO Balancing Authority Area. The New Use Import Commitment shall be deemed to terminate upon the expiration of the initial term of the New Use Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of either party to the agreement.

* * * * *

- New Use Import Commitment Capability

The quantity in MW assigned to a particular Intertie into the CAISO Balancing Authority Area based on a New Use Import Commitment.

Attachment B – Marked Tariff

Maximum Import Capacity Stabilization and Multi-Year Allocation

California Independent System Operator Corporation

March 18, 2021

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40.4.6 Reductions for Deliverability

40.4.6.1 Deliverability Within the CAISO Balancing Authority Area

In order to determine Net Qualifying Capacity from Resource Adequacy Resources subject to this Section 40.4, the CAISO will determine that a Resource Adequacy Resource is available to serve the aggregate of Load by means of a deliverability study. Documentation explaining the CAISO's deliverability analysis will be posted on the CAISO Website. The deliverability study will be performed annually and shall focus on peak Demand conditions. The results of the deliverability study shall be incorporated into the Net Qualifying Capacity annual report under Section 40.4.2 and will be effective for the next Resource Adequacy Compliance Year. To the extent the deliverability study shows that the Qualifying Capacity is not deliverable to the aggregate of Demand under the conditions studied, the Qualifying Capacity of the Resource Adequacy Resource will be reduced on a MW basis for the capacity that is undeliverable. Resources will be electrically grouped in a manner consistent with the CAISO Deliverability Assessment methodology posted on the CAISO Website. For Resource Adequacy Resources in the same electrical group which have identified deliverability constraints, the Qualifying Capacity of the Resource Adequacy Resources that obtained Full Capacity Deliverability Status or partial deliverability through Section 8.2 of Appendix Y to this CAISO Tariff will be reduced prior to reducing the Qualifying Capacity of those resources which were originally provided Full Capacity Deliverability Status pursuant to inclusion in an Interconnection Study Cycle under Appendix Y to this CAISO Tariff.

40.4.6.2 Deliverability of Imports

40.4.6.2.1 Available Import Capability Assignment Process

For Resource Adequacy Plans, ~~covering any period after December 31, 2007,~~ total Available Import Capability will be assigned on an annual basis for a one-year term to Scheduling Coordinators representing Load Serving Entities serving Load in the CAISO Balancing Authority Area and, in limited circumstances, to Scheduling Coordinators representing Participating Generators or System Resources, as described by the following sequence of steps. ~~However, should the CPUC modify by decision its compliance period from January to December of the calendar year to May through April of the calendar~~

~~year, the CAISO shall extend the effectiveness of the assignment for Resource Adequacy Compliance Year 2008 through April 2009.~~

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

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

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

Step 4a: Assignment of Pre-RA Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area Pre-RA Import Commitment Capability on a particular Intertie based on Pre-RA Import Commitments in effect (where a supplier has an obligation to deliver the Energy or make the capacity available) at any time during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The Pre-RA Import Commitment will be assigned to the Intertie selected by the Load Serving

Entity during the submission of the import commitment data template as required per Business Process Manual~~Resource Adequacy Compliance Year 2007 import capability assignment process, which was required to be based on the Intertie upon which the Energy or capacity from the Pre-RA Import Commitment had been primarily scheduled or, for a Pre-RA Import Commitment without a scheduling history at the time of the Resource Adequacy Compliance Year 2007 import capability assignment process, and it must be~~ the primary Intertie upon which the Energy or capacity ~~is~~was anticipated to be scheduled. ~~To the extent a Pre-RA Import Commitment was not presented during the Resource Adequacy Compliance Year 2007 import capability assignment process, the Load Serving Entity shall select the Intertie upon which the Pre-RA Import Commitment is primarily anticipated to be scheduled during the term of the Pre-RA Import Commitment and that selection shall be utilized in future annual Available Import Capability assignment processes.~~ If a Pre-RA Import Commitment submitted on behalf of a LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the LSE holds Existing Contract Import Capability, the Pre-RA Import Commitment will be assumed to deliver over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

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

Capability assigned pursuant to this Step 4a is the Pre-RA Import Commitment Capability.

Step 4b: Assignment of New Use Import Commitments: From the Available Import Capability remaining on each Intertie after reserving Existing Contract Import Capability under Step 3 above and reserving Pre-RA Import Commitment Capability under step 4a above, the CAISO will assign to Load Serving Entities serving Load within the CAISO Balancing Authority Area New Use Import Commitment Capability on a particular Intertie based on New Use Import Commitments in effect during the Resource Adequacy Compliance Year for which the Available Import Capability assignment is being performed. The CAISO will assign the New Use Import Commitment to the Intertie selected by the Load Serving Entity in the import commitment data template as required per Business Process Manual, and it must be the primary Intertie upon which the Energy or capacity is anticipated to be scheduled. If a New Use Import Commitment submitted by an LSE with Existing Contract Import Capability is assigned under this Section to the same Intertie on which the Load Serving Entity holds Existing Contract Import Capability, the CAISO will assume the New Use Import Commitment will be delivered over the Existing Contract Import Capability until exhausted, unless the LSE can demonstrate otherwise.

To the extent a particular Intertie becomes over requested with New Use Import Commitments, such that the MW represented in all New Use Import Commitments using the Intertie exceed the Intertie's Available Import Capability in excess of that reserved for Existing Contracts and Transmission Ownership Rights under Steps 2 and 3 as well as Pre-RA Import Commitments under Step 4a, the New Use Import Commitments will be assigned New Use Import Commitment Capability, based on the Import Capability Load Share Ratio of each Load Serving Entity submitting New Use Import Commitments on the particular Intertie. To the extent the initial assignment of New Use Import Commitment Capability does not fully assign the Available Import Capability on the over requested Intertie, the CAISO will assign the remaining Available Import Capability on the over requested Intertie until fully exhausted based on the Import Capability Load Share Ratio of each Load Serving Entity whose submitted New Use Import Commitment has not been fully satisfied by the previous Import Capability Load Share Ratio assignment iteration. The Available Import Capability assigned pursuant to this Step 4b is the New Use Import Commitment Capability. Any New Use Import Commitment Capability shall not exceed the limitations imposed in Section 40.4.6.2.2.4.

Step 5: Assignment of Remaining Import Capability Limited by Load Share Quantity: The Total Import Capability remaining after Step 4 will be assigned only to Load Serving Entities serving Load within the CAISO Balancing Authority Area that have not received Existing Contract Import Capability, ~~and~~ Pre-RA Import Commitment Capability and New Use Import Commitment Capability under Steps 3 and 4, that exceed the Load Serving Entity's Load Share Quantity. Only the MW quantity of any Pre-RA Import Commitment Capability and New Use Import Commitment Capability assigned to Existing Contract Import Capability under Step 4 that exceeds the Existing Contract Import Capability on the particular Intertie will be counted for purposes of this Step 5.

The CAISO will assign Remaining Import Capability based on the following process. First, the CAISO will calculate the gross Remaining Import Capability by subtracting the sum of the MW quantity assigned to excluded LSEs from the Total Import Capability. Next, the CAISO will calculate the share of gross Remaining Import Capability based on load share ratio among the remaining eligible Load Serving Entities. Any CAISO internal Load Serving Entity with allocations received from both Steps 3 & 4 that exceed or are equal to its share of the gross Remaining Import Capability will be excluded from further allocation of Remaining Import Capability. The CAISO will re-perform this calculation until there are no excluded Load Serving Entities. Each remaining eligible Load Serving Entity will have its Remaining Import Capability calculated by subtracting its total of all allocations received under Steps 3, 4a & 4b from its share of the gross Remaining Import Capability. This-The Total Import Capability will be assigned until fully exhausted to those Load Serving Entities eligible to receive an assignment under this Step ~~based on each Load Serving Entity's Import Capability Load Share Ratio up to, but not in excess of, its Load Share Quantity~~. The quantity of Total Import Capability assigned to the Load Serving Entity under this Step is the Load Serving Entity's Remaining Import Capability. This Step 5 does not assign Remaining Import Capability on a specific Intertie.

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

- (a) The Total Import Capability;
- (b) The quantity in MW of Existing Contracts and Transmission Ownership Rights assigned

to each Intertie, distinguishing between Existing Contracts and Transmission Ownership Rights held by Load Serving Entities within the CAISO Balancing Authority Area and those held by load serving entities outside the CAISO Balancing Authority Area;

- (c) The aggregate quantity in MW, and identity of the holders, of Pre-RA Import Commitments assigned to each Intertie; and
- (d) The aggregate quantity in MW of Available Import Capability after Step 4, the identity of the Interties with Available Import Capability, and the MW quantity of Available Import Capability on each such Intertie.

(e) For each individual Intertie, the name of the holder of Existing Contracts and Transmission Ownership Rights, Pre-RA Import Commitments and New Use Import Commitments as well as maximum locked up amount, lock start date, lock expiration date and potentially other available information that provides stakeholders with transparency into the allocation process.

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

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

Step 8: Transfer of Import Capability: In accordance with the schedule set forth in the Business Practice Manual, a Scheduling Coordinator for a Load Serving Entity shall be allowed to transfer some or all of its Remaining Import Capability to any other Scheduling Coordinator for a Load Serving Entity. The CAISO will accept transfers between Scheduling Coordinators only to the extent such transfers are reported to the CAISO, in accordance with the schedule set forth in the Business Practice Manual and through the CAISO's Import Capability Transfer Registration Process, by the entity receiving the Remaining Import

Capability who must set forth (1) the name of the counter-parties, (2) the MW quantity, (3) term of transfer, and (4) price on a per MW basis. The CAISO will post to the CAISO Website ~~by August 8, 2007 for Resource Adequacy Compliance Year 2008 and for subsequent Resource Adequacy Compliance Years~~ in accordance with the schedule set forth in the Business Practice Manual the information on transfers of Remaining Import Capability received under this Step 8.

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

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

- (a) Notify the Scheduling Coordinators of accepted request(s) for assigning Remaining Import Capability under Step 9;
- (b) Publish on the CAISO Website aggregate unassigned Available Import Capability, if any, the identity of the Interties with unassigned Available Import Capability, and the MW quantity of Available Import Capability, on each such Intertie; and
- (c) Issue a Market Notice to advise the Scheduling Coordinators that Step 10 is complete and to specify the time at which the CAISO will begin accepting requests for the Remaining Import Capability for Step 11.

Step 11: Secondary Scheduling Coordinator Request to Assign Remaining Import Capability by Intertie:

To the extent Remaining Import Capability remains unassigned as disclosed by Step 10, in accordance with the schedule set forth in the Business Practice Manual, Scheduling Coordinators for Load Serving Entities shall notify the CAISO of their requests to assign any Remaining Import Capability on a MW per available Intertie basis. Step 10 must be completed before a Scheduling Coordinator may submit a request under this step for any Remaining Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 10 will not be honored by the CAISO. The CAISO will honor the timely requests received to the extent an Intertie has not been over requested. If an Intertie is over requested, the requests on that Intertie will be assigned based on each Load Serving Entity's Import Capability Load Share Ratio, as used in Steps 4 and 9.

Step 12: Notification of Secondary Remaining Import Capability Assignments and Unassigned

Capability: In accordance with the schedule set forth in the Business Practice Manual, the CAISO will:

- (a) Notify the Scheduling Coordinator for each Load Serving Entity of the Load Serving Entity's accepted request(s) for assigning Remaining Import Capability under Step 11;
- (b) Publish on the CAISO Website unassigned aggregate Available Import Capability, if any, the identity of the Interties with Available Remaining Import Capability, and the MW quantity of Availability Import Capability on each such Intertie; and
- (c) Issue a Market Notice to advise the Scheduling Coordinator for each Load Serving Entity that Step 12 is complete and to specify the time at which the CAISO will begin accepting requests for the Balance of Year Unassigned Available Import Capability for Step 13.

Step 13: Requests for Balance of Year Unassigned Available Import Capability: To the extent total Available Import Capability remains unassigned as disclosed by Step 12, Scheduling Coordinators for Load Serving Entities, Participating Generators, or System Resources may notify the CAISO of a request for unassigned Available Import Capability on a specific Intertie on a per MW basis. Step 12 must be completed before a Scheduling Coordinator may submit a request under this step for any remaining unassigned Import Capability. Any requests received prior to the time stated in the Market Notice issued at the completion of Step 12 will not be honored by the CAISO. Each request must include the identity of Load Serving Entity, Participating Generator, or System Resource on whose behalf the request is made. The CAISO will accept only two (2) requests per calendar week from any Scheduling Coordinator on

behalf of a single Load Serving Entity, Participating Generator, or System Resource. The CAISO will honor timely requests in priority of the time requests from Scheduling Coordinators were received until the Intertie is fully assigned and without regard to any Load Serving Entity's Load Share Quantity. Any honored request shall be for the remainder of the Resource Adequacy Compliance Year.

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

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

40.4.6.2.2 Bilateral Import Capability Transfers and Registration Process

40.4.6.2.2.1 Eligibility Registration for Bilateral Import Capability Transfers

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

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

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

40.4.6.2.2.2 Reporting Process for Bilateral Import Capability Transfers

This Section shall apply to all transfers of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability other than that provided for in Step 8 of Section 40.4.6.2.1. Any Load Serving Entity or other Market Participant that has obtained Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability may assign, sell, or otherwise transfer such Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability in MW increments rounded to two decimal places. The import capability subject to each transfer shall remain on the Intertie assigned pursuant to Section 40.4.6.2.1. The Scheduling Coordinator for the Load Serving Entity or Market Participant receiving the transferred Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability or Remaining Import Capability must report the transfer to the CAISO through the CAISO's Import Capability Transfer Registration Process by providing the following information:

- (a) Identity of the counter-party(ies);
- (b) The MW quantity;
- (c) The Intertie on which the Existing Contract Import Capability, Pre-RA Import Commitment

Capability, [New Use Import Commitment Capability](#) or Remaining Import Capability was assigned;

- (d) Term of the transfer;
- (e) Price on a per MW basis; and
- (f) Whether the import capability assignment being transferred is Existing Contract Import Capability, Pre-RA Import Commitment Capability, [New Use Import Commitment Capability](#) or Remaining Import Capability.

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

40.4.6.2.2.3 Other Import Capability Information Postings

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

The CAISO will also post to the CAISO Website following submission of the annual Resource Adequacy Plans under Sections 40.2.1.1, 40.2.2.4, 40.2.3.4, and 40.2.4, for each Intertie, by a "yes" or "no" designation, whether each holder of import capability assigned on the particular Intertie has fully included the assigned import capability in the holder's annual Resource Adequacy Plans.

40.4.6.2.2.4 Reserving import capacity as New Use Import Commitment

An import allocation received as Remaining Import Capability (Steps 5-13) may be reserved at the branch group level by the LSE holder for the applicable RA year. To reserve an import allocation, the LSE must hold the import allocation for all 12 months of the applicable RA year. LSEs cannot reserve import allocations for partial years.

An LSE may reserve an import allocation for the term of the New Use Import Commitment by showing an applicable New Use Import Commitment, signed by May 15th of the year prior to the requested import

allocation, if the New Use Import Commitment (1) identifies a specific resource or an aggregation of specific resources, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, that will provide capacity or energy and (2) meets all the requirements herein as well as those described in the appropriate Business Process Manual.

A New Use Import Commitment reservation can extend for an undetermined length of time, but the reserved quantity cannot exceed future year ahead Load Share Quantity. For implementation purposes, before import allocations are given out for the next RA year, an LSE must provide the CAISO with contract priority preference to determine the order of MIC allocation reduction in the event the reserved quantity exceeds future year ahead Load Share Quantity. If an LSE chooses to partially reduce the import allocation associated with a specific contract, the LSE must maintain the entire contract unchanged for the duration of the next RA year. Any material modification to the electric or operational characteristics of the contract, as determined by the CAISO, or the sale (part or entire) of the RA contract that currently qualifies as a New Use Import Commitment by its LSE holder will result in the loss of status as New Use Import Commitment.

An LSE can reserve up to 75% of its year ahead total import allocation (representing the sum of Existing Contract Import Capability, Pre-RA Import Commitment Capability, New Use Import Commitment Capability and Remaining Import Capability as communicated by the CAISO per step 7) at the branch group level with New Use Import Commitments that meet this tariff section. The total reserved amount for each LSE represents the sum of all their Existing Contract Import Capability, Pre-RA Import Commitment Capability and New Use Import Commitment Capability.

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Appendix A

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- New Use Import Commitment

Any power purchase agreement, ownership interest, or other commercial arrangement, that meets all the Tariff and applicable Business Process Manual requirements to lock import capability received as Remaining Import Capability at the branch group level and does not already qualify as Pre-RA Import Commitment, entered into by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of capacity from a resource specific or aggregation, consisting of Pseudo-Tie Generating Units or Dynamic Resource-Specific System Resources, located outside the CAISO Balancing Authority Area. The New Use Import Commitment shall be deemed to terminate upon the expiration of the initial term of the New Use Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of either party to the agreement.

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- New Use Import Commitment Capability

The quantity in MW assigned to a particular Intertie into the CAISO Balancing Authority Area based on a New Use Import Commitment.