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March 23, 2009

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

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket Nos. ER08-1178-\_\_ and EL08-88-\_\_**

Dear Secretary Bose:

The California Independent System Operator (“ISO”)<sup>1</sup> hereby submits an original and five copies of this filing in compliance with the Commission’s “Order on Section 206 Investigation, Technical Conference, Accepting in Part and Rejecting In Part Tariff Provisions, and Implementing Transitionally Measures,” 126 FERC ¶ 61,150, issued on February 20, 2009 (“February 20 Order”). Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger.

## I. Background

Under Section 34.9 of the MRTU Tariff, the ISO can issue Exceptional Dispatch instructions – *i.e.*, commitments and dispatches needed in addition to those established by the ISO’s day-ahead and real-time markets – for specified purposes. On June 27, 2008, the ISO filed in these proceedings an amendment to the MRTU Tariff (“June 27 Filing”) to mitigate bids on behalf of resources that are issued Exceptional Dispatch instructions for certain purposes, and to clarify a number of the existing MRTU Tariff provisions regarding Exceptional Dispatch.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff as it will be effective upon implementation of the ISO’s Market Redesign and Technology Upgrade (also known as the MRTU Tariff). Except where otherwise noted herein, references to sections are references to sections of the MRTU Tariff.

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On October 16, 2008, the Commission issued an order<sup>2</sup> that accepted and suspended the ISO's proposed tariff revisions for a nominal period, to become effective upon implementation of the MRTU Tariff, subject to refund and to the outcome of an investigation that the Commission initiated under Section 206 of the Federal Power Act. Although the scope of the investigation into the continued justness and reasonableness of the Exceptional Dispatch mechanism was broad, the Commission's primary focus was on how Exceptional Dispatches were to be compensated. In the October 16 Order, the Commission also established a technical conference ("Technical Conference") to facilitate the resolution of its investigation and to discuss Exceptional Dispatch issues, including compensation and bid mitigation issues as specified in an agenda that the Commission provided later.

Commission Staff and parties to these proceedings took part in the Technical Conference, which was held on November 6, 2008. Parties – including the ISO – submitted comments, reply comments, and answers to the reply comments, in which they proposed further modifications to the ISO's proposals for Exceptional Dispatch compensation and mitigation.

In the February 20 Order, the Commission stated that its investigation under Section 206 of the Federal Power Act found that Exceptional Dispatch to be a just and reasonable mechanism for maintaining grid reliability. The Commission also accepted in part and rejected in part the revised Exceptional Dispatch proposal the ISO filed after the Technical Conference, effective upon the implementation of MRTU, which is scheduled for March 31, 2009 for the Day Ahead Market for the April 1, 2009 Trading Day. In summary, as detailed below, the Commission –

- accepted the ISO's proposal to mitigate Exceptional Dispatches but only in certain specified circumstances where the Commission found that the ISO had demonstrated the potential for the exercise of market power;
- directed the implementation of temporary measures regarding Exceptional Dispatch mitigation for the first four months after MRTU start-up that are essentially equivalent to the "relaxed mitigation" approach proposed by the ISO;
- specified that Scheduling Coordinators would be required to elect one of two alternative compensation methods – bid-based supplemental revenues or capacity-based ICPM designation – and if no election were made be deemed to have elected ICPM compensation;

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*Cal. Indep. Sys. Operator Corp.*, 125 FERC ¶ 61,055 (2008) ("October 16 Order").

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- required that both the Exceptional Dispatch mitigation measures that will be in effect after those first four months and also the ISO's ICPM tariff provisions will terminate twenty-four months after MRTU start-up, unless the ISO submits a filing prior to the termination date demonstrating that either or both should be extended; and
- directed that the ISO, except in those cases in which the Scheduling Coordinator has opted for supplemental revenues, offer ICPM designations for all Exceptional Dispatches except for instructions to decrement energy or to decommit and other instances where the ISO is not utilizing the resource's capacity, such as testing and other reasons, discussed below.

The Commission directed the ISO to submit a compliance filing reflecting the Commission's directives within 30 days.<sup>3</sup>

## **II. Tariff Revisions Directed in the February 20 Order**

The ISO is submitting the attached tariff revisions to comply with the February 20 Order. The following discussion describes the revisions to the currently effective tariff, including to those provisions contained in the June 27 filing.

### **A. Mitigation of Exceptional Dispatch**

In its June 27 filing, the ISO proposed to apply Mitigation Measure to three categories of Exceptional Dispatches: (1) to address reliability requirements related to non-competitive transmission constraints; (2) to ramp units up from minimum operating levels to minimum dispatchable levels to protect against contingencies that are not directly incorporated into or sufficiently met by the MRTU software; and (3) to address other special unit-specific operating or environmental constraints that are not incorporated into the MRTU model. The ISO proposed to settle such dispatches at the higher of the resource's default energy bid or its locational marginal price.

The ISO also proposed that non-resource adequacy mitigated units would be paid supplemental revenues up to a revenue cap, discussed further below. The ISO had also proposed that, during the first four months following MRTU go-live, eligible mitigated resources would receive the higher of the default energy bid plus a \$24/MWh adder or the resource-specific settlement interval locational marginal price rather than the supplemental revenues, up to the same revenue cap.

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<sup>3</sup> February 20 Order at PP 89, 147, 247, 263, and Ordering Paragraphs (A) and (B).

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In the February 20 Order, the Commission found that the ISO had made an adequate showing of the potential to exercise market power in only two circumstances: for the purpose of addressing reliability requirements related to non-competitive constraints; and for Exceptional Dispatches needed to address the Delta Dispatch.<sup>4</sup> The Commission also concluded that the ISO had not shown that using the default energy bid with a \$24/MWh adder as the basis for mitigation during the first four months after MRTU implementation was just and reasonable.<sup>5</sup>

The Commission recognized, however, that the ISO will need to rely on Exceptional Dispatch to ensure reliable grid operations, particularly for a period of time after MRTU start up, and also recognized that the limitations in the full network model and MRTU software may not become fully apparent until MRTU goes live. Accordingly, the Commission found that this uncertainty justified implementing interim measures to control Exceptional Dispatch Energy revenues to protect customers from potentially unjust and unreasonable rates during the early stages of MRTU. The Commission imposed, pursuant to its authority under section 206 of the Federal Power Act, a four-month transitional start-up period where all Exceptional Dispatches for incremental energy that would potentially be eligible to be paid as bid be limited to the higher of the resource's default energy bid or its locational marginal price.<sup>6</sup> After the four month period, only Exceptional Dispatches to address reliability requirements related to non-competitive constraints and to address the Delta Dispatch would be the only types of Exceptional Dispatch subject to mitigation, unless the ISO applies to the Commission and demonstrates that additional categories of mitigation are necessary.<sup>7</sup>

The Commission therefore directed the ISO to file tariff language implementing the four-month revenue cap on all relevant Exceptional Dispatches<sup>8</sup>, to expire automatically at the end of the four-month transition period, and to remove all references to its proposed four-month "stringent"

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<sup>4</sup> *Id.* at PP 73-74.

<sup>5</sup> *Id.* at P 87.

<sup>6</sup> *Id.* at PP 84-87.

<sup>7</sup> *Id.* at P 248.

<sup>8</sup> The Commission referred to "all purposes identified by the CAISO in its proposal." *Id.* at P 84. The ISO had not proposed to mitigate all Exceptional Dispatches as mitigation would not apply to Exceptional Dispatches that are never settled at the bid price, such as Ancillary Services testing or decremental energy, which is settled at the lower of the bid price, default energy bid or the relevant locational marginal price or where other tariff provisions specify how resources are to be compensated. Section 39.10 is thus limited to Exceptional Dispatches that are eligible for ICPM designations. This excludes Exceptional Dispatch that are required for curtailment or shutdown of a unit and Exceptional Dispatches for Ancillary Services testing, pre-commercial operation testing, PMax testing, overgeneration, accommodation of Existing Transmission Contract and Transmission Owner self-schedule rights after the markets have been run, and Black Start. As discussed below, these types of Exceptional Dispatch do not give rise to an Exceptional Dispatch ICPM designation.

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mitigation period and the associated \$24/MWh adder. It also directed the ISO to narrow the scope of its proposed mitigation measures to include only Exceptional Dispatch instructions that address reliability requirements related to non-competitive transmission constraints and that address the Delta Dispatch for the 24-month period following MRTU implementation.<sup>9</sup>

This compliance filing therefore modifies section 39.10, as included in the June 27 Filing, which specifies the Exceptional Dispatches that are subject to mitigation. The revision provides that all Exceptional Dispatches eligible to be paid as bid will be subject to mitigation for the first four months following implementation of MRTU. Following the first four months, and until the end of the twenty-fourth month following MRTU implementation, only Exceptional Dispatches to address reliability requirements related to non-competitive transmission constraints and to address the Delta Dispatch would be subject to mitigation.

The compliance filing also deletes sections 11.5.6.7.3 and 39.10.2 (including subparts), which specified the established the stringent mitigation (default energy bid plus \$24/MWh) during the first four months, and references to those two sections in sections 11.5.6.7, 11.5.6.7.2, renumbered 11.5.6.7.3 and 39.10. The filing renames sections as necessary and corrects cross-references in sections 11.5.6.7.1 and 11.5.6.7.2 and in renumbered sections 11.5.6.7.3, 39.10.1, 39.10.2, 39.10.3, and 39.10.5.

## B. Compensation Options for Exceptional Dispatch

The ISO had initially proposed in the June 27 filing that a non-resource adequacy resource (i.e. a resource to the extent it has capacity not designated as RA, RMR or ICPM) subject to mitigation be allowed to earn supplemental revenues, based on the highest of its energy bid, its default energy bid, or the locational marginal price, up to a revenue cap. The revenue cap would be set at the maximum monthly ICPM capacity payment that the resource would have been able to receive had it been given an ICPM designation, without consideration of the availability factor. In subsequent filings, in response to the October 16 Order, the ISO proposed to revise its proposal in order to give such resources the option of an ICPM designation under certain circumstances.

In the February 20 Order, the Commission accepted the ISO's revised proposal, with certain modifications. The Commission ruled that during the first 24 months following MRTU implementation, non-resource adequacy resources will have a monthly choice between accepting an ICPM designation for 30 days and earning hourly, bid-based supplemental revenues compensation pursuant to the existing Exceptional Dispatch compensation provisions in the MRTU Tariff, i.e. the ISO's proposed "relaxed-mitigation" proposal. Non-resource adequacy

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<sup>9</sup> *Id.* at P 89.

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resources that choose the hourly, bid-based option and are subject to eligible Exceptional Dispatch mitigation will earn supplemental revenues up to the level of the ICPM payment; that is, the resource would be paid the higher of its bid price, locational marginal price or default energy bid until revenues earned in excess of the locational marginal price or default energy bid reach the level of the ICPM payment. Once this level is reached, the resource would be subject to mitigation and be paid the higher of the locational marginal price or default energy bid for the balance of the 30-day term triggered by the initial eligible Exceptional Dispatch. Resources not electing supplemental revenues compensation will be designated as ICPM resources up to the amount of capacity identified in the eligible Exceptional Dispatch, as discussed below. Thus, both the ICPM designation offer and the supplemental revenues proposal will be available for all Exceptional Dispatch instructions for capacity services (as described above) for the first four months of MRTU operation and all resources will be subject to mitigation (either "relaxed mitigation" if the supplemental revenues option is chosen or full mitigation for ICPM resources).

Following the four-month transition period, Scheduling Coordinators will continue to have the option of electing supplemental revenues or, if no election is made, be deemed to have accepted ICPM designations. Although resources that select supplemental revenues will continue to accrue supplemental revenues against a revenue cap for Exceptional Dispatches in circumstances where Section 39.10 provides for mitigation measures, those circumstance become more limited. At the current time, the circumstance would be limited to non-competitive constraints and Delta Dispatch. Non-resource adequacy resources that do not elect supplemental revenues and are exceptionally dispatched will receive ICPM capacity payments for eligible Exceptional Dispatches and would also be subject to bid-price mitigation for those Commission-approved categories with no eligibility for supplemental revenues.<sup>10</sup> All resources whether they elected supplemental revenues or ICPM designation, will be paid the higher of their bid, the locational marginal price or their default energy bids for eligible Exceptional Dispatches not subject to mitigation. In other words, the ISO will not make any calculation of what such supplemental revenues are if bid-prices are unmitigated because there is no cap to be enforced.

The Commission also accepted the ISO's proposal that resources notify the ISO seven days before the beginning of each calendar month if they wish to receive supplemental revenues. In the absence of such a notification, the ICPM

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<sup>10</sup> *Id.* at PP 145-47. The ISO notes that PP 145 and 220 of the February 20 Order appear to suggest that a non-resource adequacy resource not electing supplemental revenues and not subject to mitigation would have a choice between accepting ICPM or unmitigated bid-based revenues. The ISO reads the order as a whole as limiting the choice between accepting supplemental revenues for bids subject to mitigation or accepting ICPM designations and forgoing supplemental revenues. In the later case, the ICPM resources would be fully mitigated but such mitigation would only apply to those categories of bids subject to Commission-approved mitigation.

option would apply.<sup>11</sup> The Commission directed the ISO to submit tariff language implementing the ISO's revised Exceptional Dispatch proposal as modified by the Commission.<sup>12</sup>

## **1. Supplemental Revenues**

Implementing the Commission's directives regarding supplemental revenues requires only modest changes to the supplemental revenues provisions included in the June 27 filing. Because section 39.10 as filed identified particular types of Exceptional Dispatches as subject to mitigation, sections 39.10.1 and 39.10.2 – which identify the settlement provisions applicable to resources eligible and ineligible for supplemental revenues, respectively – refer to those types of Exceptional Dispatch. As described above, pursuant to the February 20 Order, the ISO has revised section 39.10 such that relevant Exceptional Dispatches are subject to mitigation for the first four months after MRTU go-live, after which only two types of Exceptional Dispatches will be subject to mitigation.<sup>13</sup> This compliance filing revises sections 39.10.1 and 39.10.2 to be consistent with section 39.10 and to refer to resources subject to mitigation under section 39.10.

Section 39.10.3 (formerly numbered as Section 39.10.1.3) governs eligibility for supplemental revenues. The ISO has revised that section to require as a condition of eligibility that the resource notify the ISO seven days prior to the calendar month in which the Exceptional Dispatch occurs that it has chosen the supplemental revenues option. The limit on supplemental revenues included in section 39.10.3 is revised to refer to new section 39.10.4 which, as discussed below, sets forth the limitation.

## **2. Exceptional Dispatch ICPM Designations**

### **a. Designation**

In the February 20 Order, the Commission directed the ISO to provide ICPM designations to non-resource adequacy resources that provide capacity-type services. The Commission identified the following uses of Exceptional Dispatch as capacity-type services: (1) to respond to forced transmission or generation outages or de-rates; (2) to respond to on-line capacity-based constraints that are not modeled or are not fully modeled in the full network model, including the south of Path 26 constraint; (3) to provide voltage support; (4) to accommodate resource constraints, including ramping and forbidden operating region limitations; and (5) to respond to environmental constraints,

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<sup>11</sup> *Id.* at PP 204.

<sup>12</sup> *Id.* at P 147.

<sup>13</sup> There are categories of Exceptional Dispatch for which mitigation is not relevant. These include Exceptional Dispatches for testing and decremental Energy among others, as provided by Section 34.

including the Delta Dispatch.<sup>14</sup> The ISO does not interpret the Commission's identification of these services as an exclusive list of capacity-type services, but rather examples based on discussions at the Technical Conference and in parties' post Technical Conference comments. The Commission concluded that the following do not constitute capacity services: (1) Exceptional Dispatches that reduce the output of a resource, including decremental energy and decommitments; and (2) Exceptional Dispatches undertaken at the resource owner's request.<sup>15</sup>

In compliance with the Commission's directives concerning the Exceptional Dispatch option, this compliance filing adds a new section 43.1.5. Section 43.1.5 provides that the ISO will designate as ICPM capacity the capacity of a resource that responds to an Exceptional Dispatch commitment and incremental Exceptional Dispatches pursuant to section 34.9, Section 34.9.1, subsections (6), (9), or (10) of Section 34.9.2, or Section 34.9.3.<sup>16</sup> Sections 34.9 provides general authority for the ISO to commit or decommit a resource and specifies that the ISO operators make their decisions with the goal of issuing Exceptional Dispatches on a least-cost basis. Section 34.9.1 addresses Exceptional Dispatches for system reliability. The cited subsections of section 34.9.2 address Exceptional Dispatches for voltage support, to respond to an actual or potential Market Disruption, and to reverse the operating mode of a Pumped Storage Hydro Unit. Section 34.9.3 addresses Exceptional Dispatches because of transmission-related modeling limitations and whenever system conditions including threatened or imminent reliability conditions for which the timing of the Real-Time Market optimization and system modeling, are either too slow or incapable of bringing the grid back to reliable operations in the appropriate time frame for any reason. The ISO believes that these sections include all ISO authority to issue capacity-type Exceptional Dispatches. The only authority that is omitted is authority to issue Exceptional Dispatches for Ancillary Services testing, pre-commercial operation testing, PMax testing, overgeneration, accommodation of self-schedules Existing Transmission Contract and

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<sup>14</sup> *Id.* at PP 161-62.

<sup>15</sup> *Id.*

<sup>16</sup> The pool of resources eligible for an ICPM consist of the resources identified in Section 34.9.1, namely Generation Units, System Units, Participating Loads, Dynamic System Resources and Condition 2 RMR Units. Section 34.9.1 also allows the ISO to issue manual dispatches to Non-Dynamic System Resources for which the relevant Scheduling Coordinator has submitted a bid into the Hour Ahead Scheduling Process. In the absence of bids, the ISO would have to negotiate a price as these resources are not bound by a Participating Generator Agreement or any other instrument. Consequently, the ISO does not believe these resources should be eligible for Exceptional Dispatch ICPM designation. In addition, these resources will be eligible to be paid as bid if manually dispatched or be paid a negotiated price in the absence of a submitted bid or simply to decline to offer any additional energy to the ISO. Finally, in the case of Participating Load operated by the California Department of Water Resources-State Water Project ("SWP"), the ISO has revised its M-402 Operating Procedure for Exceptional Dispatches to state that in an absence of a bid, the ISO operator must contact SWP to determine whether it is willing and able to provide demand curtailment energy prior to issuing an Exceptional Dispatch.

Transmission Owner rights after the markets have been run, and Black Start. With the exception of Black Start, the ISO does not believe that any of these services constitute capacity-type Exceptional Dispatch. The ISO has excluded Black Start as the CAISO Tariff provides that Black Start capacity is paid for under contract.<sup>17</sup> Consistent with the February 20 Order, section 43.1.5 excludes Exceptional Dispatches that curtail a resource or direct shut-down from the Exceptional Dispatches eligible for and ICPM designation regardless of the applicable tariff provisions. For example, a system emergency requiring the curtailment of shut down of a resource would not be an eligible Exceptional Dispatch, whereas a system emergency requiring incremental energy of a commitment would be an eligible Exceptional Dispatch even though both Exceptional Dispatches would be issued pursuant to Section 34.9.1 of the MRTU Tariff.

Also, consistent with the February 20 Order and the ISO's proposal, new section 43.1.5 provides two additional exclusions from eligibility to receive an ICPM designation following an Exceptional Dispatch. First, the ISO will not designate as Exceptional Dispatch ICPM capacity any capacity that has an existing designation as Resource Adequacy Capacity, Reliability Must-Run ("RMR") capacity, or pre-existing ICPM Capacity. Second, a resource that has selected the supplemental revenues option (discussed above) for a particular month is not eligible for an ICPM Exceptional Dispatch designation during that month.

As approved by the Commission, an ICPM Exceptional Dispatch designation is for a term of 30 days. New section 43.2.6 establishes that term.

#### **b. Quantity of Capacity Designated**

In the February 20 Order, the Commission accepted the ISO's proposal to offer partial ICPM designations to resources receiving Exceptional Dispatches for capacity that is not under a Resource Adequacy contract, under an RMR contract, or subject to a pre-existing ICPM designation, *i.e.*, the Commission agreed that the ICPM designation should only be for the amount of capacity that was subject to the Exceptional Dispatch, which is not receiving capacity compensation under the MRTU tariff. The Commission also agreed that ICPM designations are only required to the degree that the Exceptional Dispatch is greater than a resource's Resource Adequacy obligation and self-schedule and market-cleared capacity. Finally, the Commission accepted the ISO's proposal to guarantee that the ICPM designation level offered to any non-resource adequacy resource that is exceptionally committed will be at least that unit's minimum operating level ("PMin").<sup>18</sup>

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<sup>17</sup> See CAISO Tariff Section 11.10.1.5.

<sup>18</sup> *Id.* at PP 187-91.

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Accordingly, in this compliance filing, the ISO has added new section 43.1.5.2.1 provides that if a unit with no self-schedule, market-based commitment, or Resource Adequacy, RMR or ICPM obligation receives an Exceptional Dispatch that requires a resource to start up or prevents the resource from shutting down, the ISO will designate as ICPM capacity the greater of the resource's PMin or the amount of the Exceptional Dispatch eligible capacity. New section 43.1.5.2.2 provides that if a resource has a Resource Adequacy or ICPM designation less than its full capacity and receives an Exceptional Dispatch, the Exceptional Dispatch ICPM designation will be for the amount by which the Exceptional Dispatch exceeded the greater of (1) the capacity that the resource must make available to the ISO under any resource adequacy or ICPM obligation or (2) the sum of any self-schedule and market-commitment. The ICPM designation cannot be less than the difference between the resource's PMin and its resource adequacy or ICPM obligation.

The ISO notes that if a resource has an Resource Adequacy contract for an amount that is less than its PMin, the resource cannot fulfill its obligation to make the Resource Adequacy capacity available to the ISO unless the resource has bid or self-scheduled the PMin. The Scheduling Coordinator has the obligation to make the Resource Adequacy capacity available to the ISO and cannot force the ISO to pay for the difference in order to access the Resource Adequacy capacity. The ISO, in its pending miscellaneous tariff amendment filing submitted on January 15, 2009, proposed a tariff clarification to Section 40.4.3 to ensure that this requirement is known to market participants. The amendment makes clear that a resource must make its entire PMin available to the ISO in the event it had a Resource Contract for less than PMin without obligation the ISO to pay for the capacity less than the difference between PMin and the Resource Adequacy capacity.<sup>19</sup> Similarly, if a partial Resource Adequacy resource has sold capacity at a level that is unavailable to the ISO because it falls within a forbidden operating region, the ISO believes that because the resource is obligated to make the Resource Adequacy capacity available to the ISO, the ISO should not be compelled to pay for the capacity between the Resource Adequacy contractual level and the upper level of the forbidden operating region. Accordingly, in such circumstances, the ICPM designation will only be for the amount by which the Exceptional Dispatch exceeds the resource's PMin or the upper limit of the forbidden operating region, as applicable. In the same vein, the ISO also maintains that if a Scheduling Coordinator has a Resource Adequacy resource that requires another non-Resource Adequacy resource in its portfolio to be on, the Scheduling Coordinator has the obligation to self-schedule that resource and the ISO should not be obligated to purchase that capacity. If, during the term of a resource's Exceptional Dispatch ICPM obligation, the ISO issues an Exceptional Dispatch to the resource that exceeds that obligation, new section 43.1.5.2.3 requires the

<sup>19</sup>

Add footnote citing the bucket filing and the transmittal letter at page

ISO to increase the amount of the ICPM designation by the amount of the excess for the balance of the term of the 30-day Exceptional Dispatch ICPM designation.

Similarly, under new section 43.1.5.2.4, if a unit has a Resource Adequacy or ICPM obligation that predates an Exceptional Dispatch ICPM designation, and that obligation terminated, the ISO will increase the Exceptional Dispatch ICPM by the amount necessary to ensure that the sum of all Resource Adequacy Capacity and ICPM Capacity is not less than PMin, but in this case only for the remainder of the term. Conversely, if capacity that is subject to an Exceptional Dispatch ICPM designation becomes Resource Adequacy Capacity or becomes ICPM Capacity because of a Significant Event, the capacity subject to the Exceptional Dispatch ICPM will be reduced accordingly for the remainder of the term in order to avoid double payment. Under such circumstances, the Schedule Coordinator's total capacity payments will never be less than the capacity payments that would have accrued from the initial Exceptional Dispatch ICPM.

### **c. ICPM Capacity Payment and Allocation**

The February 20 Order did not directly address the monthly capacity payment calculation or the allocation of ICPM costs. Under the MRTU Tariff, ICPM designations other than Significant Event designations run from the beginning of a month to the end of another month, except for Significant Event ICPM designations. ICPM Significant Event designations, like Exceptional Dispatch ICPM designations, may begin and end in the middle of a month. This compliance filing therefore revises sections 43.6.1 and 43.6.2.2 to provide that Exceptional Dispatch ICPM payments are calculated in the same manner as ICPM Significant Event calculations.

The only difference between Exceptional Dispatch ICPM payments and ICPM Significant Event payments involves the Resource-Specific ICPM Capacity Payment. Under section 43.6, if a resource fails to notify the ISO within the specified time period that it has chosen the standard \$41/kW-year monthly capacity payment, it is deemed to have selected the resource-specific payment for purposes of the ISO's ICPM designations. Under section 43.6.2, if the resource is subsequently offered an ICPM designation (which is voluntary), but has not provided the ISO with its going-forward costs, the ICPM designation is not effective until it does so.

In contrast, when a resource opts for the Exceptional Dispatch ICPM designation (by virtue of not choosing the supplemental revenues option under section 39.10.1.3), it has expressed its willingness to accept an ICPM designation. The tariff revisions in this compliance filing reflect the ISO's need to harmonize the pre-existing ICPM tariff provisions, which contemplate annual elections and do not require a Scheduling Coordinator to establish a going forward offer cost until and unless it accepts an ICPM designation, with the Exceptional Dispatch ICPM mechanism proposed by the ISO and accepted by

the Commission. With respect to Exceptional Dispatch ICPM designations, ISO operators will be making *real-time decisions* based on Scheduling Coordinators' elections to receive supplemental revenues or ICPM compensation. In order for ISO operators to make their decisions consistent with the goal of issuing Exceptional Dispatches on a least-cost basis, operators must be able to rely upon an established level of ICPM compensation. In the event a resource does not provide the CAISO with a specific going forward cost offer price prior to the initiation of a 30-day term triggered by an eligible Exceptional Dispatch, ISO operators will not have sufficient time to request and receive a quoted price to make their determinations without possible negative effects on reliable operations. The Exceptional Dispatch ICPM designation must be deemed effective upon the issuance of an eligible Exceptional Dispatch; otherwise, the compensation scheme approved by the Commission, including the goal of least cost Exceptional Dispatch decisions, could not be implemented. Thus, for Exceptional dispatch purposes, if a resource has not explicitly chosen the \$41/kW year option or made a specific going forward cost offer, the ISO must use the \$41/kW-year payment for purpose of calculating both the ICPM payments and for calculating the supplemental revenues cap during the term of the Exceptional Dispatch ICPM designation. The compliance filing revises section 43.6.2 accordingly. If such resource subsequently makes a going forward cost offer prior to a future 30 day period, that offer will be utilized in making Exceptional Dispatches in place of the \$41/kW year price. Under current ISO practice, resources that have not previously provided the ISO with a going forward must offer price can do so at the time an ICPM designation is offered. During the course of the year, however, They may not change the price or switch between the resource-specific price and the default \$41/kW-year.

Like ICPM Significant Event designations, Exceptional Dispatch ICPM designations cannot be attributed to the failure of any particular load-serving entity to meet resource adequacy requirements. The compliance filing therefore proposes a new section 43.7.6 to provide that the costs of Exceptional Dispatch ICPM designations will be allocated in the same manner as the costs of ICPM Significant Event designations, *i.e.*, to all Scheduling Coordinators for load-serving entities that serve load in the TAC Area or Areas in which the need for the Exceptional Dispatch ICPM arose based on the percentage of actual load of each load-serving entity in the TAC Area(s) to total load in the TAC Area or Areas.

### C. Revenue Limitation

In its June 27 filing, the ISO proposed to cap monthly supplemental revenue compensation at the resource's maximum ICPM monthly capacity payment, without the availability adjustment. In the October 16 Order, the Commission found that a revenue cap was also necessary in order to prevent a resource from receiving a double payment for capacity, *i.e.*, both ICPM payments

and the maximum supplemental revenues. In response to the Commission's comments, the ISO proposed in its Comments following the Technical Conference to reduce a unit's maximum ICPM monthly capacity payment by the amount of any supplemental revenues received to implement this "double payment" prohibition. In the February 20 Order, the Commission accepted the double payment prohibition.<sup>20</sup>

As the ISO explained in its Reply Comments following the Technical Conference, the double payment prohibition is equivalent to an add-on to the limitation on supplemental revenues: a resource's total supplemental revenue compensation and any ICPM compensation within the 30-day period cannot together exceed the resource's maximum ICPM monthly capacity payment, without the availability adjustment. This compliance filing addresses the revenue limitation consistent with this explanation. New section 39.10.1.4 provides that supplemental revenues within a 30-day period shall not exceed the difference between any month ICPM payments due the resource for the 30-day period (prorated according to the number of days that the resource was under an ICPM designation in the month) and the monthly ICPM payment (without an Availability adjustment) that the resource would have received if its entire capacity (less any Resource Adequacy Capacity) had been subject to an ICPM designation for the 30 days. Section 39.10.4.5 (formerly 39.10.1.4) is revised to adopt the calculation of the monthly cap to the newly defined limitation.

#### D. Reporting

In the February 20 order, the Commission directed the ISO to establish a 60-day reporting process that details the frequency, volume, costs, causes, and degree of mitigation of exceptional dispatches.<sup>21</sup> This compliance filing includes a new section 34.9.4 that requires the ISO, with thirty days following each 60-day period, to file with the Commission and post on the ISO Website a report including the information specified by the February 20 Order. In order to stagger the ISO's various reporting requirements, and thus make the most efficient use of ISO resources, section 34.9.4 provides that the first report will cover the first fifteen days following MRTU implementation and be filed 30 days after the end of that period.

The MRTU Tariff also contains a number of reporting requirements regarding ICPM designations. These reporting requirements were not intended to address Exceptional Dispatch and Exceptional Dispatch ICPM designations. With the introduction of required reporting in section 34.9.4, this compliance filing therefore provides an exception for Exceptional Dispatch ICPM designations in sections 43.5.1, 43.5.2, and 43.7.

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<sup>20</sup> *Id.* at P 226.

<sup>21</sup> *Id.* at P 263.

**E. Sunset**

In the February 20 Order, the Commission directed the ISO to revise the date on which the ICPM terminates to coincide with the termination of the application of Mitigation Measures to Exceptional Dispatches. This compliance filing therefore revises section 43 of the MRTU Tariff to provide that the ICPM will expire at midnight on the last day of the twenty-fourth month following the effective date of the section (which coincides with the implementation of MRTU).

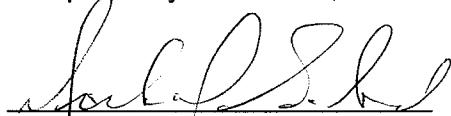
**III. Materials Provided in the Instant Compliance Filing**

In addition to this transmittal letter, the instant compliance filing includes Attachments A and B. Attachment A contains clean MRTU Tariff sheets reflecting the modifications to the MRTU Tariff described in Section II, above. Attachment B shows these modifications in red-line format.

**IV. Conclusion**

For the foregoing reasons, the ISO respectfully requests that the Commission accept the instant filing as complying with the directives of the February 20 Order. Please contact the undersigned with any questions concerning this filing.

Respectfully submitted,

  
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Dated: March 23, 2009

**Attachment A – Clean Sheets**

**Exceptional Dispatch Amendment Compliance Filing**

**4<sup>th</sup> Replacement CAISO Tariff (MRTU)**

**March 23, 2009**

**11.5.6.4      Settlement of IIE from Exceptional Dispatches Used for Ancillary Services Testing, PMax Testing and Pre-Commercial Operation Testing for Generating Units.**

The Exceptional Dispatch Settlement price for incremental IIE that is consumed or delivered as a result of an Exceptional Dispatch for purposes of Ancillary Services testing, PMax testing, or pre-commercial operation testing for Generating Units is the maximum of the Resource-Specific Settlement Interval LMP or the Default Energy Bid price. All Energy costs for these types of Exceptional Dispatch will be included in the IIE Settlement Amount described in Section 11.5.1.1.

**11.5.6.5      Settlement of IIE from Black Start and Voltage Support.**

All IIE Settlement Amounts associated with Black Start receive the Exceptional Dispatch Settlement price as provided in Section 11.5.6.1, but the costs are allocated pursuant to Section 11.10.8.

**11.5.6.6      Settlement of IIE from Exceptional Dispatches for HASP and Real-Time ETC and TOR Self-Schedules.**

The Exceptional Dispatch Settlement price for IIE from HASP and Real-Time ETC and TOR Self-Schedules shall be the Resource-Specific Settlement Interval LMP. The IIE Settlement Amount for this type of Exceptional Dispatch shall be calculated as the product of the sum of all of these types of Energy and the Resource-Specific Settlement Interval LMP. All Energy costs for these types of Exceptional Dispatches will be included in the IIE Settlement Amount described in Section 11.5.1.1.

**11.5.6.7      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Mitigated Pursuant to Section 39.10.**

This entire Section 11.5.6.7 shall be effective until the end of the 24<sup>th</sup> month following the effective date of this Section 11.5.6.7, after which date this entire Section 11.5.6.7 shall no longer apply.

**11.5.6.7.1      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Eligible for Supplemental Revenues.**

Except as specified in Section 11.5.6.7.3, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by a resource that satisfies all of the criteria set forth in Section 39.10.1 shall be the higher of (a) the resource's Energy Bid price or (b) the Resource-Specific Settlement Interval LMP.

**11.5.6.7.2      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Not Eligible for Supplemental Revenues.**

Except as specified in Section 11.5.6.7.3, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by a resource that satisfies all of the criteria set forth in Section 39.10.2 shall be the higher of (a) the Default Energy Bid price or (b) the Resource-Specific Settlement Interval LMP.

**11.5.6.7.3      Exception to the Other Provisions of Section 11.5.6.7.**

Notwithstanding any other provisions of this Section 11.5.6.7, if the Energy Bid price for a resource that satisfies all of the criteria set forth in Sections 39.10.1 or 39.10.2 is lower than the Default Energy Bid price for the resource, and the Resource-Specific Settlement Interval LMP is lower than both the Energy Bid price for the resource and the Default Energy Bid price for the resource, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by the resource shall be the Energy Bid price for the resource.

**34.9.4 Reporting Requirements.**

For the fifteen days after the effective date of this section and for each subsequent two-month period, the CAISO shall file with the Commission and post to the CAISO Website within 30 days after the end of such period a report that identifies the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period.

**39.9 CRR Monitoring and Affiliate Disclosure Requirements.**

The CAISO will monitor the CRR holdings and CAISO Markets activity for anomalous market behavior, gaming, or exercise of market power resulting from CRR ownership concentrations that are not aligned with actual transmission usage as a result of secondary market auction outcomes. If the CAISO identifies such behavior it may seek FERC approval to impose position limits on the total number or MW quantity of CRRs that may be held by any single entity and its Affiliates. Each CRR Holder or Candidate CRR Holder must notify the CAISO of any Affiliate that is a CRR Holder, Candidate CRR Holder, or Market Participant, any Affiliate that participates in an organized electricity market in North America, and any guarantor of any such Affiliate.

**39.10 Mitigation of Exceptional Dispatches of Resources.**

During the period commencing on the effective date of this section and ending at midnight on the last day of the fourth calendar month following such effective date, the CAISO shall apply Mitigation Measures to all Exceptional Dispatches eligible for an Exceptional Dispatch ICPM designation under Section 43.1.5.

During the period commencing on the first day of the fifth calendar month following the effective date of this section and ending at midnight on the last day of the twenty-fourth calendar month following such effective date, the CAISO shall apply Mitigation Measures to Exceptional Dispatches of resources when such resources are committed or dispatched under Exceptional Dispatch for purposes of: (1) addressing reliability requirements related to non-competitive transmission Constraints; and (2) addressing unit-specific environmental Constraints not incorporated into the Full Network Model or the CAISO's market software that affect the dispatch of Generating Units in the Sacramento Delta and are commonly known as "Delta Dispatch". After the last day of the twenty-fourth calendar month following the effective date of this section, this entire Section 39.10 and the entirety of related Section 11.5.6.7, Section 43.1.5, and Section 43.2.6 shall no longer apply.

**39.10.1 Application of Mitigation Measures to Exceptional Dispatches of Resources Eligible for Supplemental Revenues.**

In all cases where a resource is subject to Mitigation Measures under Section 39.10, and the resource is eligible for supplemental revenues pursuant to Section 39.10.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.1 or Section 11.5.6.7.3, whichever is applicable.

**39.10.2 Application of Mitigation Measures to Exceptional Dispatches of Resources Not Eligible for Supplemental Revenues.**

In all cases where a resource is subject to Mitigation Measures under Section 39.10, and the resource is not eligible for supplemental revenues pursuant to Section 39.10.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.2 or Section 11.5.6.7.3, whichever is applicable.

**39.10.3 Eligibility for Supplemental Revenues.**

Except as provided in Section 39.10.4, a resource that is committed or dispatched under Exceptional Dispatch shall be eligible for supplemental revenues only during such times that the resource meets all of the following criteria:

- (i) the resource has notified the CAISO, at least seven days prior to the calendar month in which the Exceptional Dispatch occurs, that the resource has chosen to receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation under Section 43.1.5;
- (ii) the resource has been mitigated under Section 39.10;
- (iii) the resource is not under an RMR Contract, is not designated as ICPM Capacity, and is not a Resource Adequacy Resource, unless the resource is a Partial Resource Adequacy Resource or a partial ICPM resource, and the Exceptional Dispatch requires non-RA Capacity or non-ICPM Capacity, in which case only the capacity not committed as Resource Adequacy Capacity or ICPM Capacity is eligible for supplemental revenues; and

(iv) the resource has a Bid in the IFM, HASP, and RTM for the applicable Operating Day or Operating Hour in which the resource is committed or dispatched under Exceptional Dispatch.

**39.10.4 Limitation on Supplemental Revenues.**

Supplemental revenues authorized under this Section 39.10 shall not exceed within a 30-day period (this 30-day period begins on the day of the first Exceptional Dispatch of the resource and re-starts on the day of the first Exceptional Dispatch of the resource following the end of any prior 30-day period) the difference between any monthly ICPM Capacity Payments due the resource for the 30-day period (calculated according to the ratio of the actual number of days that the resource had capacity designated as ICPM Capacity during the 30-day period to the total number of days in the month) and the monthly ICPM Capacity Payment, without any ICPM Availability Factor adjustment, for which the resource would be eligible pursuant to Section 43.6 had its entire capacity less any Resource Adequacy Capacity been designated as an ICPM resource.

**39.10.5 Calculation of Exceptional Dispatch Supplemental Revenues Within a 30-Day Period.**

The amount of Exceptional Dispatch supplemental revenues accrued by a resource within any 30-day period as defined in Section 39.10.4 shall be a running total of the sum of supplemental revenues received during that 30-day period. The calculation of supplemental revenues accrued by a resource within a 30-day period is based on the higher of (a) the Energy Bid price for the resource minus the Default Energy Bid price for the resource or (b) the Resource-Specific Settlement Interval LMP minus the Default Energy Bid price for the resource. The greater of (a) or (b) is multiplied by the amount of Energy provided by the resource under Exceptional Dispatch, and the results of that multiplication are summed across the successive hours of the 30-day period. Once the resource has reached the limit on supplemental revenues described in Section 39.10.4 based on the calculation above, then the Settlement for the resource will be as provided in Section 11.5.6.7.2 and the resource will not be eligible for additional supplemental revenues for the rest of the 30-day period.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FOURTH REPLACEMENT VOLUME NO. I

First Revised Sheet No. 756C  
Superseding Original Sheet No. 756C

[NOT USED]

Issued by: Laura Manz, Vice President, Market and Infrastructure Development  
Issued on: March 23, 2009

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
FERC ELECTRIC TARIFF  
FOURTH REPLACEMENT VOLUME NO. I

First Revised Sheet No. 756D  
Superseding Original Sheet No. 756D

[NOT USED]

Issued by: Laura Manz, Vice President, Market and Infrastructure Development  
Issued on: March 23, 2009

**43                  Interim Capacity Procurement Mechanism.**

This Section 43 shall be referred to as the Interim Capacity Procurement Mechanism (ICPM). The ICPM as well as changes made to other Sections to implement the ICPM shall expire at midnight on the last day of the twenty-fourth month following the effective date of this section , except that the provisions concerning compensation, cost allocation and Settlement shall remain in effect until such time as ICPM resources have been finally compensated for their services rendered under the ICPM prior to the termination of the ICPM, and the CAISO has finally allocated and recovered the costs associated with such ICPM compensation.

**43.1              Designation.**

The CAISO shall have the authority to designate Eligible Capacity to provide ICPM Capacity services under the ICPM as follows:

**43.1.1            Scheduling Coordinator Failure to Demonstrate Sufficient Local Capacity Area Resources.**

**43.1.1.1          Annual Resource Adequacy Plan.**

Where a Scheduling Coordinator fails to demonstrate in an annual Resource Adequacy Plan, submitted separately for each represented LSE, procurement of each LSE's share of Local Capacity Area Resources, as determined in Section 40.3.2 for each month of the following Resource Adequacy Compliance Year, the CAISO shall have the authority to designate ICPM Capacity; provided, however, that the CAISO shall not designate ICPM Capacity under this Section 43.1.1.1 until after the Scheduling Coordinator has had the opportunity to cure the deficiency set forth in Section 40.7. The CAISO's authority to designate ICPM Capacity under this Section 43.1.1.1 is to ensure that each Local Capacity Area in a TAC Area in which the LSE serves Load has Local Capacity Area Resources in the amounts and locations necessary to comply with the Local Capacity Technical Study criteria provided in Section 40.3.1.1, after assessing the effectiveness of Generating Units under RMR Contracts, if any, and all

Any Scheduling Coordinator that provides such additional Local Capacity Area Resources consistent with the Market Notice under this Section shall have its share of any ICPM procurement costs under Section 43.7.3 reduced on a proportionate basis. If the full quantity of capacity is not reported to the CAISO under revised annual Resource Adequacy Plans in accordance with this Section, the CAISO may designate ICPM Capacity sufficient to alleviate the deficiency.

**43.1.3            Scheduling Coordinator Failure to Demonstrate Sufficient Resource Adequacy Resources to Meet Annual and Monthly Demand and Reserve Margin Requirements.**

The CAISO shall have the authority to designate ICPM Capacity where a Scheduling Coordinator fails to demonstrate in an annual or monthly Resource Adequacy Plan, submitted separately for each represented LSE, procurement of sufficient Resource Adequacy Resources to comply with each LSE's annual and monthly Demand and Reserve Margin requirements under Section 40; provided that the CAISO shall not designate ICPM Capacity under this Section 43.1.3 until after the Scheduling Coordinator has had the opportunity to cure the deficiency as set forth in Section 40.7; provide further that the CAISO shall not designate ICPM Capacity under this Section 42.1.3 unless there is an overall net deficiency in meeting the total annual or monthly Demand and Reserve Margin requirements, whichever is applicable, after taking into account all LSE demonstrations in their applicable or monthly Resource Adequacy Plans.

**43.1.4            ICPM Significant Events.**

The CAISO may designate ICPM Capacity to provide service on a prospective basis following an ICPM Significant Event, to the extent necessary to maintain compliance with Reliability Criteria and taking into account the expected duration of the ICPM Significant Event.

**43.1.5            Exceptional Dispatch ICPM.**

Except as provided in Section 43.1.5.1, the CAISO shall designate as ICPM Capacity to provide service on a prospective basis the capacity of a resource that responds to an Exceptional Dispatch if the Exceptional Dispatch is issued pursuant to Section 34.9.1, subsections (6), (9) or (10) of Section 34.9.2, or Section 34.9.3, unless the Exceptional Dispatch directs the curtailment or shut down of the resource.

**43.1.5.1 Limitation on Eligibility for Exceptional Dispatch ICPM Designation.**

The following capacity is not eligible to receive an Exceptional Dispatch ICPM designation under Section 43.1.5.1:

- (1) RA Capacity, RMR Capacity, and ICPM Capacity; and
- (2) Capacity of a resource that is eligible to receive supplemental revenues under Section 39.10.3 during any month for which the resource has notified the CAISO under Section 39.10.3 that it chooses to receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation.

**43.1.5.2 Quantity of Capacity included in an Exceptional Dispatch ICPM Designation.**

**43.1.5.2.1 Exceptional Dispatch Commitments of Non RA, Non RMR and Non ICPM Resources.**

If a resource does not have any self-schedule, market-based commitment, or RA, RMR or ICPM Capacity and receives an Exceptional Dispatch ICPM designation under Section 43.1.5 following an Exceptional Dispatch eligible for an ICPM designation, the CAISO shall designate as ICPM Capacity the greater of the resource's PMin or the amount of capacity specified by the Exceptional Dispatch.

**43.1.5.2.2 Exceptional Dispatch of Partial RA, Partial ICPM Unit, or Market Committed Resource.**

If a resource is a Partial Resource Adequacy Resource, has an ICPM designation of less than its entire capacity, has a Self Schedule or has a market based commitment, or has already received an Exceptional Dispatch ICPM designation under Section 43.1.5, the CAISO shall designate as ICPM Capacity the amount by which the Exceptional Dispatch exceeded the greater of –

- (1) the capacity that the resources must make available to the CAISO as the result of an RA Capacity or ICPM Capacity obligation; if any; and
- (2) the sum of any Self-Schedule and any market-based commitment or dispatch of the resource.

**43.1.5.2.3 Subsequent Exceptional Dispatch.**

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity for the entire term of the Exceptional Dispatch ICPM Designation by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA Capacity. Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

**43.1.5.2.4 Change in RA or ICPM Status.**

If a resource has an RA Capacity or ICPM Capacity obligation that pre-existed the resource's Exceptional Dispatch ICPM designation and, during the term of the resource's Exceptional Dispatch ICPM designation, the amount of the resource's RA Capacity or ICPM Capacity is reduced, the CAISO will increase the ICPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch ICPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch ICPM designation becomes RA Capacity or receives a monthly ICPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch ICPM designation shall be reduced by the amount of the new RA Capacity, ICPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

**43.4.2      Obligation To Provide Capacity and Termination.**

The decision to accept an ICPM designation shall be voluntary for the Scheduling Coordinator for any resource. If the Scheduling Coordinator for a resource accepts an ICPM designation, it shall be obligated to perform for the full quantity and full period of the designation with respect to the amount of ICPM Capacity for which it has accepted an ICPM designation. If a Participating Generator's or Participating Load's Eligible Capacity is designated under the ICPM after the Participating Generator or Participating Load has filed notice to terminate its Participating Generator Agreement or Participating Load Agreement or withdraw the Eligible Capacity from its Participating Generator Agreement or Participating Load Agreement, and the Scheduling Coordinator for the resource agrees to provide service under the ICPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement or Participating Load Agreement, as applicable, with the CAISO.

**43.5      Reports.**

The CAISO shall publish the following reports and notices.

**43.5.1      ICPM Designation Market Notice.**

The CAISO shall issue a Market Notice within two (2) Business Days of an ICPM designation under Sections 43.1.1 through 43.1.4. ICPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.9.4. The Market Notice shall include a preliminary description of what caused the ICPM designation, the name of the resource(s) procured, the preliminary expected duration of the ICPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43.5.2.

**43.5.2 Designation of a Resource under the ICPM.**

The CAISO shall post a designation report to the CAISO Website and provide a Market Notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under Sections 43.1.1 through 43.1.4 or ten (10) days after the end of the month. The designation report shall include the following information:

- (1) A description of the reason for the designation (LSE procurement shortfall, Local Capacity Area Resource effectiveness deficiency, or ICPM Significant Event), and an explanation of why it was necessary for the CAISO to utilize the ICPM authority);
- (2) The following information would be reported for all backstop designations:
  - (a) the resource name;
  - (b) the amount of ICPM Capacity designated (MW),
  - (c) an explanation of why that amount of ICPM Capacity was designated,
  - (d) the date ICPM Capacity was designated,
  - (e) the duration of the designation; and
  - (f) the price for the ICPM procurement; and
- (3) If the reason for the designation is an ICPM Significant Event, the CAISO will also include:
  - (a) a discussion of the event or events that have occurred, why the CAISO has procured ICPM Capacity, and how much has been procured;
  - (b) an assessment of the expected duration of the ICPM Significant Event;
  - (c) the duration of the initial designation (thirty (30) days); and
  - (d) a statement as to whether the initial designation has been extended (such that the backstop procurement is now for more than thirty (30) days), and, if it has been extended, the length of the extension.

**43.6 Payments to Resources Designated Under the ICPM.**

Within thirty (30) days of the effective date of this Section 43, Scheduling Coordinators for Eligible Capacity may submit to the CAISO an intention to be paid a monthly ICPM Capacity Payment under Section 43.6.1 or Section 43.6.2. Scheduling Coordinators for Eligible Capacity will be able to change their selections annually within thirty (30) days of a CAISO Market Notice seeking such payment preferences. To the extent a Scheduling Coordinator for Eligible Capacity does not submit a selection to be compensated in accordance with Section 43.6.1, the Scheduling Coordinator shall be deemed to have selected to be paid on a resource-specific basis pursuant to Section 43.6.2, for purposes of the CAISO's ICPM designation determinations.

**43.6.1 Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.1 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor, as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and a fixed ICPM Capacity price of \$41/kW-year, so that the formula for determining the monthly ICPM Capacity Payment would be as follows:

$$(\text{ICPM Capacity MW}) \times (\text{ICPM Availability Factor}) \times (1/12 \text{ monthly shaping factor}) \times \\ (\$41/\text{kW-year}).$$

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.1 except for ICPM Capacity designated to respond to an ICPM Significant Event or an Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.

For purposes of ICPM designations, except for designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month.

For purposes of ICPM designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month or part of the month for which a unit is designated, whichever is applicable.

For purposes of this Section 43.6.1, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

#### **43.6.2            Resource-Specific ICPM Capacity Payment.**

If a Scheduling Coordinator for Eligible Capacity believes that the \$41/kW-year ICPM Capacity price under Section 43.6.1 will not compensate a resource for its going forward costs, as calculated in accordance with the formula provided in Section 43.6.2.2, the Scheduling Coordinator may, within thirty (30) days of the effective date of this Section 43 and annually thereafter in accordance with Section 43.6, inform the CAISO of what proposed higher ICPM Capacity price would compensate the resource for its going forward costs and which the Scheduling Coordinator is willing to have the CAISO use for purposes

**43.6.2.1 Failure to Submit Going Forward Cost Offer Price.**

A Scheduling Coordinator for a resource is not required to submit a specific going forward cost offer price for such resource within thirty (30) days after the effective date of Section 43 or under the process provided for in Section 43.6; however, except for an Exceptional Dispatch ICPM designation, a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource must notify the CAISO of what that price is before any CAISO designation of that resource's capacity as ICPM Capacity can become effective. In the case of an Exceptional Dispatch ICPM designation on behalf of a resource that has not selected the supplemental revenues option, the ICPM designation shall become effective notwithstanding the resource's failure to select compensation pursuant to Section 43.6.1 or to identify a going forward cost offer price pursuant to Section 43.6.2. In such a case, the CAISO shall use the compensation under Section 43.6.1 for both dispatch and compensation for the 30-day term. In the case of a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource, the cap on supplemental revenues under Section 39.10.4 will be calculated using the monthly capacity payment under Section 43.6.1.

**43.6.2.1.1 Determination of Capacity Price.**

If the CAISO designates a resource that has proposed an ICPM Capacity price above \$41/kW-year, and the sales from the resource are under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a limited resource-specific filing before the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO's FERC jurisdictional monthly ICPM Capacity Payment formula. If the sales from the resource are not under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a non-jurisdictional filing with the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO's FERC-jurisdictional monthly ICPM Capacity Payment formula.

**43.6.2.2 Going Forward Cost.**

In making the cost justification filing with FERC for an ICPM Capacity price above \$41/kW-year, the Scheduling Coordinator for the resource may not propose -- and shall not get paid --an amount higher than the going forward cost offer price that it had previously proposed to the CAISO as its going forward cost offer price under Section 43.6 or this Section 43.6.2, either prior to or at the time of ICPM designation.

Going forward costs for any resource-specific filing under this Section shall be calculated based on the following formula:

(fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs,  
plus ten percent (10%) of the foregoing amounts),

provided such costs shall be converted to a fixed \$/kW-year amount.

**43.6.2.3 Resource-Specific Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.2 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and the resource-specific ICPM Capacity price, as determined by FERC in accordance with the following formula:

(ICPM Capacity MW) x (ICPM Availability Factor) x (1/12 monthly shaping factor) x (the resource-specific ICPM Capacity price as determined by FERC).

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.2 except for ICPM Capacity designated to respond to an ICPM Significant Event or Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.

**43.7.5 Allocation of ICPM Significant Event Costs.**

If the CAISO makes any ICPM Significant Event designations under Section 43.1.4, the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the ICPM Significant Event caused or threatened to cause a failure to meet Reliability Criteria based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

**43.7.6 Allocation of Exceptional Dispatch ICPMs.**

If the CAISO makes any Exceptional Dispatch ICPM designations under Section 43.1.5 , the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the Exceptional Dispatch ICPM arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

**43.8 Crediting of ICPM Capacity.**

The CAISO shall credit ICPM designations to the resource adequacy obligations of Scheduling Coordinators for Load Serving Entities as follows:

- (a) To the extent the cost of ICPM designation under Section 43.1.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43.7.1, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards (1) the LSE's Local Capacity Area Resource obligation under Section 40.3.2 in an amount equal to the LSE's pro rata share of the ICPM Capacity designated under Section 43.1.1.1 and (2) the LSE's Demand and Reserve Margin requirements determined under Section 40 in an amount equal to the LSE's pro rata share of the ICPM Capacity designated under Section 43.1.1.1.

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FOURTH REPLACEMENT VOLUME NO. II

Third Revised Sheet No. 865  
Superseding Second Revised Sheet No. 865

|                                      |  |
|--------------------------------------|--|
| <b>ERA</b>                           | Energy Resource Area   |
| <b>Estimated Aggregate Liability</b> | The sum of a Market Participant's or CRR Holder's known and reasonably estimated potential liabilities for a specified time period arising from charges described in the CAISO Tariff, as provided for in Section 12.  |
| <b>Estimated RMR Invoice</b>         | The monthly invoice issued by the RMR Owner to the CAISO for estimated RMR Payments or RMR Refunds pursuant to the RMR Contract.   |
| <b>E-Tag</b>                         | An electronic tag associated with an Interchange schedule in accordance with the requirements of WECC.   |
| <b>ETC</b>                           | Existing Transmission Contract   |
| <b>ETC Self-Schedule</b>             | A Self-Schedule submitted by a Scheduling Coordinator pursuant to Existing Rights as reflected in the TRTC Instructions.   |
| <b>Exceptional Dispatch</b>          | A Dispatch Instruction issued for the purposes specified in Section 34.9. Energy from Exceptional Dispatches shall not set any Dispatch Interval LMP.  |
| <b>Exceptional Dispatch Energy</b>   | Extra-marginal IIE, exclusive of Standard Ramping Energy, Ramping Energy Deviation, Residual Imbalance Energy, MSS Load Following Energy, Real-Time Minimum Load Energy, and Derate Energy, produced or consumed due to Exceptional Dispatch Instructions that are binding in the relevant Dispatch Interval. Without MSS Load following, Exceptional Dispatch Energy is produced above the LMP index and below the lower of the Dispatch Operating Point or the Exceptional Dispatch Instruction, or consumed below the LMP index and above the higher of the Dispatch Operating Point or the Exceptional Dispatch Instruction. The LMP index is the capacity in the relevant Energy Bid that corresponds to a Bid price equal to the relevant LMP. Exceptional Dispatch Energy does not overlap with Standard Ramping Energy, Ramping Energy Deviation, Residual Imbalance Energy, Real-Time Minimum Load Energy, Derate Energy, or Optimal Energy, but it may overlap with Day-Ahead Scheduled Energy, HASP Scheduled Energy, and MSS Load Following Energy. Exceptional Dispatch Energy is settled as described in Section 11.5.6, and it is not included in BCR as described in Section 11.8.4. |
| <b>Exceptional Dispatch ICPM</b>     | An Exceptional Dispatch ICPM under Section 43.1.5 with a term of 30 days.  |

**Attachment B – Blacklines**

**Exceptional Dispatch Amendment Compliance Filing**

**4<sup>th</sup> Replacement CAISO Tariff (MRTU)**

**March 23, 2009**

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**11.5.6.7      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Mitigated Pursuant to Section 39.10.**

This entire Section 11.5.6.7, ~~except for Section 11.5.6.7.3 as described therein~~, shall be effective until the end of the 24<sup>th</sup> month following the effective date of this Section 11.5.6.7, after which date this entire Section 11.5.6.7 shall no longer apply.

**11.5.6.7.1      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Eligible for Supplemental Revenues.**

Except as specified in Section 11.5.6.7.43, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by a resource that satisfies all of the criteria set forth in Section 39.10.1.4 shall be the higher of (a) the resource's Energy Bid price or (b) the Resource-Specific Settlement Interval LMP.

**11.5.6.7.2      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Not Eligible for Supplemental Revenues.**

Except as specified in Section 11.5.6.7.43, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by a resource that satisfies all of the criteria set forth in either Section 39.10.21.2 or Section 39.10.2.2 shall be the higher of (a) the Default Energy Bid price or (b) the Resource-Specific Settlement Interval LMP.

**11.5.6.7.3      Settlement of Exceptional Dispatch Energy from Exceptional Dispatches of Resources Eligible for Supplemental Revenues Due to an Adder to the Default Energy Bid Price.**

Except as specified in Section 11.5.6.7.4, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by a resource that satisfies all of the criteria set forth in Section 39.10.2.1 shall be the higher of (a) the Default Energy Bid price plus a \$24/MWh adder or (b) the Resource-Specific Settlement Interval LMP. This Section 11.5.6.7.3 shall be effective until the last calendar day of the fourth calendar month following the effective date of Section 11.5.6.7, after which date it shall no longer apply.

**11.5.6.7.43      Exception to the Other Provisions of Section 11.5.6.7.**

Notwithstanding any other provisions of this Section 11.5.6.7, if the Energy Bid price for a resource that satisfies all of the criteria set forth in Sections 39.10.1.4, ~~or 39.10.21.2, 39.10.2.1, or 39.10.2.2~~ is lower than the Default Energy Bid price for the resource, and the Resource-Specific Settlement Interval LMP is

lower than both the Energy Bid price for the resource and the Default Energy Bid price for the resource, the Exceptional Dispatch Settlement price for the Exceptional Dispatch Energy delivered by the resource shall be the Energy Bid price for the resource.

\* \* \*

#### **34.9.4 Reporting Requirements.**

For the fifteen days after the effective date of this section and for each subsequent two-month period, the CAISO shall file with the Commission and post to the CAISO Website within 30 days after the end of such period a report that identifies the frequency, volume, costs, causes, and degree of mitigation of Exceptional Dispatches during such period.

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#### **39.10 Mitigation of Exceptional Dispatches of Resources.**

During the period commencing on the effective date of this section and ending at midnight on the last day of the fourth calendar month following such effective date, the CAISO shall apply Mitigation Measures to all Exceptional Dispatches eligible for an Exceptional Dispatch ICPM designation under Section 43.1.5.  
During the period commencing on the first day of the fifth calendar month following the effective date of this section and ending at midnight on the last day of the twenty-fourth calendar month following such effective date, the CAISO shall apply Mitigation Measures to Exceptional Dispatches of resources when such resources are committed or dispatched under Exceptional Dispatch for purposes of: (1) addressing reliability requirements related to non-competitive transmission Constraints not modeled in the Competitive Constraints Run of the MPM-RPD; and (2) Ramping units up from Minimum Load to minimum dispatchable levels in order to protect against reliability Contingencies that are not directly incorporated into the Full Network Model or sufficiently met by the CAISO's market software; or (3) addressing other special unit-specific operating or environmental Constraints not incorporated into the Full Network Model or the CAISO's market software that affect the dispatch of Generating Units in the Sacramento Delta and are commonly known as "Delta Dispatch". This entire Section 39.10, except for Section 39.10.2 as described therein, and the entirety of related Section 11.5.6.7, except for Section 11.5.6.7.3 as described therein, shall be effective until the end of the 24<sup>th</sup> month following the effective

~~date of this Section 39.10, after the last day of the twenty-fourth calendar month following the effective date of this section, which date this entire Section 39.10 and the entirety of related Section 11.5.6.7, except for Section 11.5.6.7.3 as described therein, Section 43.1.5, and Section 43.2.6 shall no longer apply.~~

**39.10.1 Application of Mitigation Measures to Exceptional Dispatches of Resources.**

~~This Section 39.10.1 shall become effective on the first day of the fifth calendar month following the effective date of Section 39.10.~~

**39.10.1.1 Application of Mitigation Measures to Exceptional Dispatches of Resources Eligible for Supplemental Revenues.**

In all cases where a resource is ~~subject to Mitigation Measures under committed or dispatched under Exceptional Dispatch for any of the purposes set forth in Section 39.10~~, and the resource is eligible for supplemental revenues pursuant to Section 39.10.1.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.1 or Section 11.5.6.7.4~~3~~, whichever is applicable.

**39.10.1.2 Application of Mitigation Measures to Exceptional Dispatches of Resources Not Eligible for Supplemental Revenues.**

In all cases where a resource is ~~subject to Mitigation Measures under committed or dispatched under Exceptional Dispatch for any of the purposes set forth in Section 39.10~~, and the resource is not eligible for supplemental revenues pursuant to Section 39.10.1.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.2 or Section 11.5.6.7.4~~3~~, whichever is applicable.

**39.10.1.3 Eligibility for Supplemental Revenues.**

~~Except as provided in Section 39.10.4, A~~ resource that is committed or dispatched under Exceptional Dispatch shall be eligible for supplemental revenues only during such times that the resource meets all of the following criteria:

- (i) ~~the resource has notified the CAISO, at least seven days prior to the calendar month in which the Exceptional Dispatch occurs, that the resource has chosen to~~

- receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation under Section 43.1.5;
- (ii) the resource has been mitigated under for one of the purposes set forth in Section 39.10;
- (iii) the resource is not under an RMR Contract, is not designated as ICPM Capacity, and is not a Resource Adequacy Resource, unless the resource is a Partial Resource Adequacy Resource or a partial ICPM resource, and the Exceptional Dispatch requires non-RA Capacity or non-ICPM Capacity, in which case only the capacity not committed as Resource Adequacy Capacity or ICPM Capacity is eligible for supplemental revenues; and
- (iv) the resource has a Bid in the IFM, HASP, and RTM for the applicable Operating Day or Operating Hour in which the resource is committed or dispatched under Exceptional Dispatch; and

#### **39.10.4 Limitation on Supplemental Revenues.**

(iv) Supplemental revenues authorized under this Section 39.10 shall not exceed the resource has not accrued an amount of Exceptional Dispatch supplemental revenues within a 30-day period (this 30-day period begins on the day of the first Exceptional Dispatch of the resource and re-starts on the day of the first Exceptional Dispatch of the resource following the end of any prior 30-day period) equal to or greater than the difference between any monthly ICPM Capacity Payments due the resource for the 30-day period (calculated according to the ratio of the actual number of days that the resource had capacity designated as ICPM Capacity during the 30-day period to the total number of days in the month) and the monthly ICPM Capacity Payment, without any ICPM Availability Factor adjustment, for which the resource would be eligible pursuant to Section 43.6 had its entire capacity less any Resource Adequacy Capacity been designated as an ICPM resource.

#### **39.10.51.4 Calculation of Exceptional Dispatch Supplemental Revenues Within a 30-Day Period.**

The amount of Exceptional Dispatch supplemental revenues accrued by a resource within any 30-day period as defined in Section 39.10.1.3(iv) shall be a running total of the sum of supplemental revenues

received during that 30-day period. The calculation of supplemental revenues accrued by a resource within a 30-day period is based on the higher of (a) the Energy Bid price for the resource minus the Default Energy Bid price for the resource or (b) the Resource-Specific Settlement Interval LMP minus the Default Energy Bid price for the resource. The greater of (a) or (b) is multiplied by the amount of Energy provided by the resource under Exceptional Dispatch, and the results of that multiplication are summed across the successive hours of the 30-day period. Once the resource has reached the limit on supplemental revenues described in Section 39.10.4 accrued an amount of supplemental revenues within the 30-day period, based on the calculation above, that equals the monthly ICPM Capacity Payment, without any ICPM Availability Factor adjustment, for which the resource would be eligible pursuant to Section 43.6 had it been designated as an ICPM resource, then the Settlement for the resource will be as provided in Section 11.5.6.7.2 and the resource will not be eligible for additional supplemental revenues for the rest of the 30-day period.

**39.10.2 Interim Rules for Application of Mitigation Measures to Exceptional Dispatches of Resources.**

This Section 39.10.2 shall be effective until the last calendar day of the fourth calendar month following the effective date of Section 39.10, after which date it shall no longer apply.

**39.10.2.1 Interim Rules for Application of Mitigation Measures to Exceptional Dispatches of Resources Eligible for an Adder to the Default Energy Bid Price.**

In all cases where a resource is committed or dispatched under Exceptional Dispatch for any of the purposes set forth in Section 39.10, and the resource is eligible for an adder to the Default Energy Bid price pursuant to Section 39.10.2.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.3 or Section 11.5.6.7.4, whichever is applicable.

**39.10.2.2 Interim Rules for Application of Mitigation Measures to Exceptional Dispatches of Resources Not Eligible for an Adder to the Default Energy Bid Price.**

In all cases where a resource is committed or dispatched under Exceptional Dispatch for any of the purposes set forth in Section 39.10, and the resource is not eligible for an adder to the Default Energy Bid price pursuant to Section 39.10.2.3, Exceptional Dispatch Energy delivered by the resource shall be settled as set forth in either Section 11.5.6.7.2 or Section 11.5.6.7.4, whichever is applicable.

**39.10.2.3 Interim Requirements to Be Eligible for an Adder to the Default Energy Bid Price.**

A resource that is committed or dispatched under Exceptional Dispatch shall be eligible for an adder to the Default Energy Bid price only during such times that the resource meets all of the following criteria:

- (i) the resource has been mitigated for one of the purposes set forth in Section 39.10;
- (ii) the resource is not under an RMR Contract, is not designated as ICPM Capacity, and is not a Resource Adequacy Resource, unless the resource is a Partial Resource Adequacy Resource or a partial ICPM resource, and the Exceptional Dispatch requires non-RA Capacity or non-ICPM Capacity, in which case only the capacity not committed as Resource Adequacy Capacity or ICPM Capacity is eligible for an adder to the Default Energy Bid price;
- (iii) the resource has a Bid in the IFM, HASP, and RTM for the applicable Operating Day or Operating Hour in which the resource is committed or dispatched under Exceptional Dispatch; and
- (iv) the resource has not accrued an amount of Exceptional Dispatch supplemental revenues within a 30-day period (this 30-day period begins on the day of the first Exceptional Dispatch and re-sets on the day of the first Exceptional Dispatch of the resource following the end of any prior 30-day period) equal to or greater than the monthly ICPM Capacity Payment, without any ICPM Availability Factor adjustment, for which the resource would be eligible pursuant to Section 43.6 had it been designated as an ICPM resource.

**39.10.2.4 Interim Calculation of Exceptional Dispatch Supplemental Revenues Within a 30-Day Period.**

The amount of Exceptional Dispatch supplemental revenues accrued by a resource within any 30-day period as defined in Section 39.10.2.3(iv) shall be a running total of the sum of supplemental revenues received during that 30-day period. The calculation of supplemental revenues accrued by a resource within a 30-day period is based on the higher of (a) the Resource Specific Settlement Interval LMP minus the Default Energy Bid price for the resource or (b) the Default Energy Bid price plus a \$24/MWh adder minus the Default Energy Bid price for the resource. The greater of (a) or (b) is multiplied by the amount

~~of Energy provided by the resource under Exceptional Dispatch, and the results of that multiplication are summed across the successive hours of the 30-day period. Once the resource has accrued an amount of supplemental revenues within the 30-day period, based on the calculation above, that equals the monthly ICPM Capacity Payment, without any ICPM Availability Factor adjustment, for which the resource would be eligible pursuant to Section 43.6 had it been designated as an ICPM resource, then the Settlement for the resource will be as provided in Section 11.5.6.7.2 and the resource will not be eligible for additional supplemental revenues for the rest of the 30-day period.~~

\* \* \*

#### **43                  Interim Capacity Procurement Mechanism.**

This Section 43 shall be referred to as the Interim Capacity Procurement Mechanism (ICPM). The ICPM as well as changes made to other Sections to implement the ICPM shall expire at midnight on the last day of the twenty-fourth month following the effective date of this section ~~on December 31, 2010~~, except that the provisions concerning compensation, cost allocation and Settlement shall remain in effect until such time as ICPM resources have been finally compensated for their services rendered under the ICPM prior to the termination of the ICPM, and the CAISO has finally allocated and recovered the costs associated with such ICPM compensation.

\* \* \*

##### **43.1.5              Exceptional Dispatch ICPM.**

Except as provided in Section 43.1.5.1, the CAISO shall designate as ICPM Capacity to provide service on a prospective basis the capacity of a resource that responds to an Exceptional Dispatch if the Exceptional Dispatch is issued pursuant to Section 34.9.1, subsections (6), (9) or (10) of Section 34.9.2, or Section 34.9.3, unless the Exceptional Dispatch directs the curtailment or shut down of the resource.

##### **43.1.5.1              Limitation on Eligibility for Exceptional Dispatch ICPM Designation.**

The following capacity is not eligible to receive an Exceptional Dispatch ICPM designation under Section 43.1.5.1:

- (1)        RA Capacity, RMR Capacity, and ICPM Capacity; and

(2) Capacity of a resource that is eligible to receive supplemental revenues under Section 39.10.3 during any month for which the resource has notified the CAISO under Section 39.10.3 that it chooses to receive supplemental revenues in lieu of an Exceptional Dispatch ICPM designation.

**43.1.5.2      Quantity of Capacity included in an Exceptional Dispatch ICPM Designation.**

**43.1.5.2.1    Exceptional Dispatch Commitments of Non RA, Non RMR and Non ICPM Resources.**

If a resource does not have any Self-Schedule, market-based commitment, or RA, RMR or ICPM Capacity and receives an Exceptional Dispatch ICPM designation under Section 43.1.5 following an Exceptional Dispatch eligible for an ICPM designation, the CAISO shall designate as ICPM Capacity the greater of the resource's PMin or the amount of capacity specified by the Exceptional Dispatch.

**43.1.5.2.2    Exceptional Dispatch of Partial RA, Partial ICPM Unit, or Market Committed Resource.**

If a resource is a Partial Resource Adequacy Resource, has an ICPM designation of less than its entire capacity, has a Self-Schedule or has a market based commitment, or has already received an Exceptional Dispatch ICPM designation under Section 43.1.5, the CAISO shall designate as ICPM Capacity the amount by which the Exceptional Dispatch exceeded the greater of –

- (1) the capacity that the resources must make available to the CAISO as the result of an RA Capacity or ICPM Capacity obligation; if any; and
- (2) the sum of any Self-Schedule and any market-based commitment or dispatch of the resource.

**43.1.5.2.3    Subsequent Exceptional Dispatch.**

If the CAISO, during the term of a resource's Exceptional Dispatch ICPM designation, issues an Exceptional Dispatch to the resource that requires Energy in excess of the sum of the resource's ICPM Capacity and RA Capacity, the CAISO will increase the capacity designated as Exceptional Dispatch ICPM Capacity for the entire term of the Exceptional Dispatch ICPM designation by the amount equal to the difference between the Exceptional Dispatch and the sum of the resource's ICPM Capacity or RA

Capacity. Any incremental Exceptional Dispatch issued within any 30-day ICPM term does not result in a new 30-day term.

**43.1.5.2.4 Change in RA or ICPM Status.**

If a resource has an RA Capacity or ICPM Capacity obligation that pre-existed the resource's Exceptional Dispatch ICPM designation and, during the term of the resource's Exceptional Dispatch ICPM designation, the amount of the resource's RA Capacity or ICPM Capacity is reduced, the CAISO will increase the ICPM designation by the amount, if any, necessary to ensure that the sum of Exceptional Dispatch ICPM designation quantity and any remaining RA Capacity is not less than PMin. If capacity that receives an Exceptional Dispatch ICPM designation becomes RA Capacity or receives a monthly ICPM designation or Significant Event designation or receives an RMR Contract as of a certain date, then the Exceptional Dispatch ICPM designation shall be reduced by the amount of the new RA Capacity, ICPM Significant Event designation, or RMR Contract from that date through the rest of the 30-day term.

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**43.5.1 ICPM Designation Market Notice.**

The CAISO shall issue a Market Notice within two (2) Business Days of an ICPM designation under Sections 43.1.1 through 43.1.4. ICPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.9.4. The Market Notice shall include a preliminary description of what caused the ICPM designation, the name of the resource(s) procured, the preliminary expected duration of the ICPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43.5.2.

**43.5.2 Designation of a Resource under the ICPM.**

The CAISO shall post a designation report to the CAISO Website and provide a Market Notice of the availability of the report within the earlier of thirty (30) days of procuring a resource under Sections 43.1.1 through 43.1.4 ~~the ICPM or~~ ten (10) days after the end of the month. The designation report shall include the following information:

- (1) A description of the reason for the designation (LSE procurement shortfall, Local Capacity Area Resource effectiveness deficiency, or ICPM Significant Event),

and an explanation of why it was necessary for the CAISO to utilize the ICPM authority);

- (2) The following information would be reported for all backstop designations:
  - (a) the resource name;
  - (b) the amount of ICPM Capacity designated (MW),
  - (c) an explanation of why that amount of ICPM Capacity was designated,
  - (d) the date ICPM Capacity was designated,
  - (e) the duration of the designation; and
  - (f) the price for the ICPM procurement; and
- (3) If the reason for the designation is an ICPM Significant Event, the CAISO will also include:
  - (a) a discussion of the event or events that have occurred, why the CAISO has procured ICPM Capacity, and how much has been procured;
  - (b) an assessment of the expected duration of the ICPM Significant Event;
  - (c) the duration of the initial designation (thirty (30) days); and
  - (d) a statement as to whether the initial designation has been extended (such that the backstop procurement is now for more than thirty (30) days), and, if it has been extended, the length of the extension.

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#### **43.6.1        Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.1 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor, as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and a fixed ICPM Capacity price of \$41/kW-year, so that the formula for determining the monthly ICPM Capacity Payment would be as follows:

$(\text{ICPM Capacity MW}) \times (\text{ICPM Availability Factor}) \times (1/12 \text{ monthly shaping factor}) \times$   
 $(\$41/\text{kW-year}).$

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.1 except for ICPM Capacity designated to respond to an ICPM Significant Event or an Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.

For purposes of ICPM designations, except for designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month.

For purposes of ICPM designations for ICPM Significant Events and Exceptional Dispatch ICPM, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month or part of the month for which a unit is designated, whichever is applicable.

For purposes of this Section 43.6.1, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

#### **43.6.2            Resource-Specific ICPM Capacity Payment.**

If a Scheduling Coordinator for Eligible Capacity believes that the \$41/kW-year ICPM Capacity price under Section 43.6.1 will not compensate a resource for its going forward costs, as calculated in accordance with the formula provided in Section 43.6.2.42, the Scheduling Coordinator may, within thirty (30) days of the effective date of this Section 43 and annually thereafter in accordance with Section 43.6,

inform the CAISO of what proposed higher ICPM Capacity price would compensate the resource for its going forward costs and which the Scheduling Coordinator is willing to have the CAISO use for purposes of the ICPM designation process (“going forward cost offer price”).

#### **43.6.2.1 Failure to Submit Going Forward Cost Offer Price.**

A Scheduling Coordinator for a resource is not required to submit a specific going forward cost offer price for such resource within thirty (30) days after the effective date of Section 43 or under the process provided for in Section 43.6; however, except for an Exceptional Dispatch ICPM designation, a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource must notify the CAISO of what that price is before any CAISO designation of that resource's capacity as ICPM Capacity can become effective. In the case of an Exceptional Dispatch ICPM designation on behalf of a resource that has not selected the supplemental revenues option, the ICPM designation shall become effective notwithstanding the resource's failure to select compensation pursuant to Section 43.6.1 or to identify a going forward cost offer price pursuant to Section 43.6.2. In such a case, the CAISO shall use the compensation under Section 43.6.1 for both dispatch and compensation for the 30-day term. In the case of a Scheduling Coordinator that has not previously identified the going forward cost offer price for a resource, the cap on supplemental revenues under Section 39.10.4 will be calculated using the monthly capacity payment under Section 43.6.1.

#### **43.6.2.1.1 Determination of Capacity Price.**

If the CAISO designates a resource that has proposed an ICPM Capacity price above \$41/kW-year, and the sales from the resource are under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a limited resource-specific filing before the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO's FERC jurisdictional monthly ICPM Capacity Payment formula. If the sales from the resource are not under the jurisdiction of the FERC, the Scheduling Coordinator for the resource shall make a non-jurisdictional filing with the FERC to determine the just and reasonable capacity price for the going forward costs for the resource to be used in applying the CAISO's FERC-jurisdictional monthly ICPM Capacity Payment formula.

#### **43.6.2.12 Going Forward Cost.**

In making the cost justification filing with FERC for an ICPM Capacity price above \$41/kW-year, the Scheduling Coordinator for the resource may not propose -- and shall not get paid --an amount higher than the going forward cost offer price that it had previously proposed to the CAISO as its going forward cost offer price under Section 43.6 or this Section 43.6.2, either prior to or at the time of ICPM designation.

Going forward costs for any resource-specific filing under this Section shall be calculated based on the following formula:

(fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs, plus ten percent (10%) of the foregoing amounts),

provided such costs shall be converted to a fixed \$/kW-year amount.

#### **43.6.2.23 Resource-Specific Monthly ICPM Capacity Payment.**

Scheduling Coordinators representing resources receiving payment under this Section 43.6.2 shall receive a monthly ICPM Capacity Payment for each month of ICPM designation equal to the product of the amount of their ICPM Capacity, the relevant ICPM Availability Factor as determined in accordance with Appendix F, Schedule 6, a monthly shaping factor as set forth in Appendix F, Schedule 6, and the resource-specific ICPM Capacity price, as determined by FERC in accordance with the following formula:

(ICPM Capacity MW) x (ICPM Availability Factor) x (1/12 monthly shaping factor) x (the resource-specific ICPM Capacity price as determined by FERC).

The foregoing formula shall apply to all ICPM Capacity receiving monthly ICPM Capacity Payments under this Section 43.6.2 except for ICPM Capacity designated to respond to an ICPM Significant Event or Exceptional Dispatch ICPM, in which case the monthly ICPM Capacity Payment shall be based proportionately on the actual number of days the resource was designated as ICPM Capacity during the month to the total number of days in the month.

Prior to the determination by FERC of the resource-specific going forward costs for ICPM Capacity designated and paid pursuant to this Section 43.6.2, the CAISO shall proceed as follows. For the period between the CAISO's designation and the FERC's determination, the CAISO shall utilize the \$41/kW-year

rate for purposes of the resource-specific monthly ICPM Capacity Payment for financial Settlement. This amount shall be subject to surcharge based on the outcome of the FERC proceeding so that the resource will receive any higher actual resource-specific payment as determined by FERC for the full period of the ICPM designation. Once approved by FERC, the CAISO shall apply the higher of \$41/kW-year or the resource-specific ICPM Capacity price as determined by the FERC.

For purposes of ICPM designations, except for designations for ICPM Significant Events, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour of the month across all hours of the month, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month.

For purposes of ICPM designations for ICPM Significant Events, the ICPM Availability Factor shall be calculated as the ratio of: (1) the sum of the ICPM Capacity MW for each hour across all hours of the month or part of the month for which a unit is designated, whichever is applicable, where the actual capacity MW available to the CAISO, if less than the ICPM Capacity MW, shall be substituted for ICPM Capacity MW for each hour the resource is not available and is not on an authorized Outage, to (2) the product of ICPM Capacity MW and the total hours in the month or part of the month for which a unit is designated, whichever is applicable.

For purposes of this Section 43.6.2, an authorized Outage shall be limited to a CAISO Approved Maintenance Outage.

\* \* \*

#### **43.7.6 Allocation of Exceptional Dispatch ICPMs.**

If the CAISO makes any Exceptional Dispatch ICPM designations under Section 43.1.5 , the CAISO shall allocate the costs of such designations to all Scheduling Coordinators for LSEs that serve Load in the TAC Area(s) in which the need for the Exceptional Dispatch ICPM arose based on the percentage of actual Load of each LSE represented by the Scheduling Coordinator in the TAC Area(s) to total Load in the TAC Area(s) as recorded in the CAISO Settlement system for the actual days during any Settlement month period over which the designation has occurred.

\* \* \*

## **CAISO Tariff Appendix A**

### **Master Definitions Supplement**

#### **Exceptional Dispatch ICPM**

An Exceptional Dispatch ICPM under Section 43.1.5 with a term of 30 days.

\* \* \*

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service lists compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 23<sup>rd</sup> day of March, 2009.



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