

California Independent System Operator Corporation  
Fifth Replacement Electronic Tariff

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### **31. Day-Ahead Market**

The DAM consists of the following functions performed in sequence: the MPM, IFM, and RUC. Scheduling Coordinators may submit Bids for Energy, Ancillary Services and RUC Capacity for an applicable Trading Day. The CAISO shall issue Schedules for all Supply and Demand, including Participating Load, Reliability Demand Response Resources, and Proxy Demand Resources, pursuant to their Bids as provided in this Section 31. The CAISO may issue Schedules for Supply from Proxy Demand Resources only where the CAISO's conditions of the net benefits test set forth in Section 30.6.3 necessary for the issuance of Schedules for Supply from the Proxy Demand Resources have been satisfied.

#### **31.1 Bid Submission and Validation in the Day-Ahead Market**

Bids, including Self-Schedules and Ancillary Services Bids, and Submissions to Self-Provide an Ancillary Service shall be submitted pursuant to the submission rules specified in Section 30. There is a single Bid submission in which Scheduling Coordinators' Bids are used for purposes of the DAM, which includes the MPM, the IFM and RUC. Scheduling Coordinators may submit Bids for the DAM as early as seven (7) days prior to the applicable Trading Day up to Market Close of the DAM for the applicable Trading Day. The CAISO will validate all Bids submitted to the DAM pursuant to the procedures set forth in Section 30.7. Scheduling Coordinators must submit Bids for participation in the IFM for Resource Adequacy Capacity as required in Section 40.

#### **31.2 Day-Ahead MPM Process**

After the Market Close of the DAM, and after the CAISO has validated the Bids pursuant to Section 30.7, the CAISO will perform the MPM process, which is a single market run that occurs prior to the IFM Market Clearing run. The Day-Ahead MPM process determines which Bids need to be mitigated in the IFM and when RMR Proxy Bids should be considered in the IFM for RMR Units. The Day-Ahead MPM process optimizes resources to meet Demand reflected in Demand Bids, including Export Bids and Virtual Demand Bids, and to procure one hundred (100) percent of Ancillary Services requirements based on Supply Bids submitted to the DAM. Virtual Bids and Bids from Demand Response Resources, Participating Load, and Non-Generator Resources are considered in the MPM process, but are not subject to Bid mitigation. Bids from Participating Load resources that are not subject to Bid mitigation will

also be considered in the MPM process. Bids from resources comprised of multiple technologies that include Non-Generator Resources will remain to be subject to all applicable market power mitigation under the CAISO Tariff, including Local Market Power Mitigation. The mitigated or unmitigated Bids and RMR Proxy Bids identified in the MPM process for all resources that cleared in the MPM are then passed to the IFM. The CAISO performs the MPM process for the DAM for the twenty-four (24) hours of the targeted Trading Day.

### **31.2.1 The Market Power Mitigation Process**

The MPM process enforces all Transmission Constraints that are expected to be enforced in the relevant market and produces dispatch levels for all resources with submitted Bids and LMPs for all Locations. Bid mitigation is determined by decomposing the Congestion component of each LMP determined in the MPM process into competitive Congestion and non-competitive Congestion components. The competitive Congestion component of each LMP is calculated as the sum of the product of the shift factor and the Shadow Price for all competitive Transmission Constraints and the non-competitive Congestion component of each LMP is calculated as the sum of the product of the shift factor and the Shadow Price for all non-competitive Transmission Constraints. The Reference Bus used in the MPM process will be either: (1) the Midway 500kV bus if Path 26 flow is from north to south; or (2) the Vincent 500kV bus if Path 26 flow is from south to north. The treatment of a particular Transmission Constraint as competitive or non-competitive for purposes of the MPM process is determined pursuant to Section 39.7.2.

### **31.2.2 Bid Mitigation for RMR Units**

For purposes of the MPM process, Condition 1 RMR Units will be treated like non-RMR Units with respect to any capacity in excess of the Maximum Net Dependable Capacity specified in the RMR Contract. For up to the Maximum Net Dependable Capacity specified in the RMR Contract for Condition 1 RMR Units, the portion of the market Bid at and below the Competitive LMP at the RMR Unit's Location will be retained in the IFM. To the extent that the non-competitive Congestion component of an LMP calculated in the MPM process is greater than zero (0), and that MPM process dispatches a Condition 1 RMR Unit at a level such that some portion of its market Bid exceeds the Competitive LMP at the RMR Unit's Location, those Bid prices above the Competitive LMP will be set to the higher of the RMR Proxy Bid or the Competitive LMP. If any Bid prices are set to the level of the RMR Proxy Bid through this process, any

incremental dispatch of the resource based on the RMR Proxy Bid will be flagged as an RMR Dispatch in the Day-Ahead Schedule and the resource shall be considered to have received a Dispatch Notice pursuant to the RMR Contract. Condition 1 RMR Units that have not submitted Bids and Condition 2 RMR Units will not be considered in the MPM unless the CAISO issues a manual RMR Dispatch, in which case the dispatch level specified in the manual RMR Dispatch will be protected in the MPM. If a Condition 2 RMR Unit is issued a Manual RMR Dispatch by the CAISO, then RMR Proxy Bids for all of the unit's Maximum Net Dependable Capacity under the RMR Contract will be considered in the MPM. Any incremental dispatch based on RMR Proxy Bids will be flagged as an RMR Dispatch in the Day-Ahead Schedule and the resource shall be considered to have received a Dispatch Notice pursuant to the RMR Contract. For a Condition 1 RMR Unit that has submitted Bids and has not been issued a Manual RMR Dispatch, to the extent that the non-competitive Congestion component of an LMP calculated in the MPM process is greater than zero (0), and that MPM process dispatches a Condition 1 RMR Unit at a level such that some portion of its market Bid exceeds the Competitive LMP at the RMR Unit's Location, the resource will be flagged as an RMR dispatch in the Day-Ahead Market if the resource has a Day-Ahead Schedule at a level higher than the dispatch level determined by the Competitive LMP.

### **31.2.3 Bid Mitigation for Non-RMR Units**

If the non-competitive Congestion component of an LMP calculated in an MPM process is greater than zero (0), then any resource at that Location that is dispatched in that MPM process is subject to Local Market Power Mitigation. Bids on behalf of any such resource, to the extent that they exceed the Competitive LMP at the resource's Location, will be mitigated to the higher of the resource's Default Energy Bid, as specified in Section 39, or the Competitive LMP at the resource's Location. To the extent a Multi-Stage Generating Resource is dispatched in the MPM process and the non-competitive Congestion component of the LMP calculated at the Multi-Stage Generating Resource's Location is greater than zero, for purposes of mitigation, all the MSG Configurations will be mitigated similarly and the CAISO will evaluate all submitted Energy Bids for all MSG Configurations based on the relevant Default Energy Bids for the applicable MSG Configuration. The CAISO will calculate the Default Energy Bids for Multi-Stage Generating Resources by submitted MSG Configuration. Any market Bids equal to or less than the Competitive LMP will be retained in the IFM.

### **31.3 Integrated Forward Market**

After the MPM and prior to RUC, the CAISO shall perform the IFM. The IFM (1) performs Unit Commitment and Congestion Management (2) clears mitigated or unmitigated Bids cleared in the MPM as well as Bids that were not cleared in the MPM process against bid-in Demand, taking into account transmission limits and honoring technical and inter-temporal operating constraints, such as Minimum Run Times (3) and procures Ancillary Services to meet one hundred (100) percent of the CAISO Forecast of CAISO Demand requirements. The IFM utilizes a set of integrated programs that: (1) determine Day-Ahead Schedules and AS Awards, and related LMPs and ASMPs; and (2) optimally commits resources that are bid in to the DAM. The IFM utilizes a SCUC algorithm that optimizes Start-Up Costs, Minimum Load Costs as modified pursuant to Section 30.7.10.2, if applicable, Transition Costs, and Energy Bids along with any Bids for Ancillary Services as well as Self-Schedules submitted by Scheduling Coordinators. The IFM selects the optimal MSG Configuration from a maximum of ten MSG Configurations of each Multi-Stage Generating Resource as mutually exclusive resources. If a Scheduling Coordinator submits a Self-Schedule or a Submission to Self-Provide Ancillary Services for a given MSG Configuration in a given Trading Hour, the IFM will consider the Start-Up Cost, Minimum Load Cost as modified pursuant to Section 30.7.10.2, if applicable, and Transition Cost associated with any Economic Bids for other MSG Configurations as incremental costs between the other MSG Configurations and the self-scheduled MSG Configuration. In such cases, incremental costs are the additional costs incurred to transition or operate in an MSG Configuration in addition to the costs associated with the self-scheduled MSG Configuration. The IFM also provides for the optimal management of Use-Limited Resources. The ELS Resources committed through the ELC Process conducted two days before the day the IFM process is conducted for the next Trading Day as described in Section 31.7 are binding.

#### **31.3.1 Market Clearing and Price Determination**

##### **31.3.1.1 Integrated Forward Market Output**

The IFM produces: (1) a set of hourly Day-Ahead Schedules, AS Awards, and AS Schedules for all participating Scheduling Coordinators that cover each Trading Hour of the next Trading Day; and (2) the hourly LMPs for Energy and the ASMPs for Ancillary Services to be used for settlement of the IFM. For a

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Multi-Stage Generating Resource, the IFM produces a Day-Ahead Schedule for no more than one MSG Configuration per Trading Hour. In addition, the IFM will produce the MSG Transition and the MSG Configuration indicators for the Multi-Stage Generating Resource, which would establish the expected MSG Configuration in which the Multi-Stage Generating Resource will operate. During a transition, the committed MSG Configuration is considered to be the “from” MSG Configuration. The CAISO will publish the LMPs at each PNode as calculated in the IFM. In determining Day-Ahead Schedules, AS Awards, and AS Schedules the IFM optimization will minimize total Bid Costs based on submitted and mitigated Bids while respecting the operating characteristics of resources, the operating limits of transmission facilities, and a set of scheduling priorities that are described in Section 31.4. In performing its optimization, the IFM first tries to complete its required functions utilizing Effective Economic Bids without adjusting Self-Schedules, and skips Ineffective Economic Bids and adjusts Self-Schedules only if it is not possible to balance Supply and Demand and manage Congestion in an operationally prudent manner with available Effective Economic Bids. The process and criteria by which the IFM adjusts Self-Schedules and other Non-priced Quantities are described in Sections 27.4.3, 31.3.1.3 and 31.4. The Day-Ahead Schedules are binding commitments, including the commitment to Start-Up, if necessary, to comply with the Day-Ahead Schedules. The CAISO will not issue separate Start-Up Instructions for Day-Ahead commitments. A resource’s status, however, can be modified as a result of additional market processes occurring in the RTM.

**31.3.1.2 Treatment of Ancillary Services Bids in IFM**

As provided in Section 30.7.6.2 the CAISO shall co-optimize the Energy and Ancillary Services Bids in clearing the IFM. To the extent that capacity subject to an Ancillary Services Bid submitted in the Day-Ahead Market is not associated with an Energy Bid, there is no co-optimization, and therefore, no opportunity cost associated with that resource for that Bid for the purposes of calculating the Ancillary Services Marginal Price as specified in Section 27.1.2.2. When the capacity associated with the Energy Bid overlaps with the quantity submitted in the Ancillary Services Bid, then the Energy Bid will be used to determine the opportunity cost, if any, in the co-optimization to the extent of the overlap. Therefore, the capacity that will be considered when co-optimizing the procurement of Energy and Ancillary Services from Bids in the IFM will consider capacity up to the total capacity of the resource as reflected in the

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Ancillary Services Bid as derated through the CAISO's outage management system pursuant to Section 9, if at all. In the case of Regulation, the capacity that will be considered is the lower of the capacity of the resource offered in the Ancillary Services Bid or the upper Regulation limit of the highest Regulating Range as contained in the Master File. For any Trading Hour within the period in which the Multi-Stage Generating Resource is transitioning from one MSG Configuration to another, the IFM will not award Ancillary Services and any Submission to Self-Provide Ancillary Services will be disqualified. Any Ancillary Services Awards in the IFM to Multi-Stage Generating Resources will carry through to the Real-Time Market in the same MSG Configuration that the Multi-Stage Generating Resource is awarded in the IFM.

**31.3.1.3 Reduction of Self-Scheduled LAP Demand**

In the IFM, to the extent the market software cannot resolve a non-competitive Transmission Constraint utilizing Effective Economic Bids such that self-scheduled Load at the LAP level would otherwise be reduced to relieve the Transmission Constraint, the CAISO Market software will adjust Non-priced Quantities in accordance with the process and criteria described in Section 27.4.3. For this purpose the priority sequence, starting with the first type of Non-priced Quantity to be adjusted, will be:

- (a) Schedule the Energy from Self-Provided Ancillary Service Bids from capacity that is obligated to offer an Energy Bid under a must-offer obligation such as from an RMR Unit or a Resource Adequacy Resource. Consistent with Section 8.6.2, the CAISO Market software could also utilize the Energy from Self-Provided Ancillary Service Bids from capacity that is not under a must-offer obligation such as from an RMR Unit or a Resource Adequacy Resource, to the extent the Scheduling Coordinator has submitted an Energy Bid for such capacity. The associated Energy Bid prices will be those resulting from the MPM process.
- (b) Relax the constraint consistent with Section 27.4.3.1, and establish prices consistent with Section 27.4.3.2. No constraints, including Transmission Constraints, on Interties with adjacent Balancing Authority Areas will be relaxed in this procedure.

#### **31.3.1.4 Eligibility to Set the Day-Ahead LMP**

All Generating Units, Participating Loads, non-Participating Loads, Proxy Demand Resources, Reliability Demand Response Resources, System Resources, System Units, or Constrained Output Generators subject to the provisions in Section 27.7, with Bids, including Generated Bids, that are unconstrained due to Ramp Rates, MSG Transitions, Forbidden Operating Regions, or other temporal constraints are eligible to set the LMP, provided that (a) the Schedule for the Generating Unit or Resource-Specific System Resource is between its Minimum Operating Limit and the highest MW value in its Economic Bid or Generated Bid, or (b) the Schedule for the Participating Load, non-Participating Load, Proxy Demand Resources, Reliability Demand Response Resources, non-Resource-Specific System Resource, or System Unit is between zero (0) MW and the highest MW value in its Economic Bid or Generated Bid. If (a) a resource's Schedule is constrained by its Minimum Operating Limit or the highest MW value in its Economic Bid or Generated Bid, (b) the CAISO enforces a resource-specific constraint on the resource due to an RMR or Exceptional Dispatch, (c) the resource is constrained by a boundary of a Forbidden Operating Region or is Ramping through a Forbidden Operating Region, or (d) the resource's full Ramping capability is constraining its inter-hour change in Schedule, the resource cannot be marginal and thus is not eligible to set the LMP. Resources identified as MSS Load following resources are not eligible to set the LMP. A Constrained Output Generator will be eligible to set the hourly LMP if any portion of its Energy is necessary to serve Demand.

#### **31.3.2 Congestion and Transmission Losses Cost Determination**

Except for those transactions exempt from such charges as specified in Section 11.2.1.5, Scheduling Coordinators will be responsible for MCC and MCL as specified in Section 27.1. The CAISO will determine the Marginal Losses surplus it has collected and will allocate such revenues to Scheduling Coordinators as described in Section 11.2.1.6.

#### **31.3.3 Metered Subsystems**

In clearing the IFM, the CAISO will not enforce Transmission Constraints within each MSS. The Full Network Model (FNM) includes a full model of MSS transmission networks used for power flow calculations and Transmission Constraint management in the IFM and RTM. Transmission Constraints (i.e. circuit ratings, thermal ratings, etc.) within the MSS, or at its boundaries, that are modeled in the FNM



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shall be monitored but not enforced in the operation of the CAISO Markets. If overloads are observed in the forward markets that are internal to the MSS or at the MSS boundaries and are attributable to MSS operations, the CAISO shall communicate such events to the Scheduling Coordinator for the MSS and coordinate any manual Re-dispatch required in Real-Time. If, independent of the CAISO, the Scheduling Coordinator for the MSS is unable to resolve Congestion internal to the MSS or at the MSS boundaries in Real-Time, the CAISO will use Exceptional Dispatch Instructions on resources that have been bid into the HASP and RTM to resolve the Congestion. Such costs will be allocated pursuant to the provisions specified in Section 11.5.6.2.5.2. The CAISO and MSS Operator shall develop specific procedures for each MSS to determine how Transmission Constraints will be handled. Costs associated with internal Congestion and Transmission Losses in the MSS will be the responsibility of the MSS Operator. The Scheduling Coordinator for the MSS shall be responsible for payment of Marginal Losses for transactions at any points of interconnection between the MSS and the CAISO Controlled Grid, and for the delivery of Energy to the MSS or from the MSS in accordance with the CAISO Tariff. For MSS Operators that elect Load following, the CAISO shall exclude the effect of Transmission Losses in the relevant MSS in the CAISO's calculation of loss sensitivity factors used to calculate LMPs.

**31.4 CAISO Market Adjustments to Non-Priced Quantities in the IFM**

All Self-Schedules are respected by SCUC to the maximum extent possible and are protected from curtailment in the Congestion Management process to the extent that there are Effective Economic Bids that can relieve Congestion. If all Effective Economic Bids in the IFM are exhausted, resource Self-Schedules between the resource's Minimum Load as defined in the Master File, or if applicable, as modified pursuant to Section 9.3.3, and the first Energy level of the first Energy Bid point will be subject to adjustments by the CAISO Market optimization based on the scheduling priorities listed below. This functionality of the optimization software is implemented through the setting of scheduling parameters as described in Section 27.4.3 and specified in Section 27.4.3.1 and the Business Practice Manuals. Through this process, imports and exports may be reduced to zero, Demand Bids may be reduced to zero, Price Taker Demand (LAP load) may be reduced, and Generation may be reduced to a lower operating limit (or Regulation Limit) (or to a lower Regulation Limit plus any qualified Regulation Down award or Self-Provided Ancillary Services, if applicable). Any Self-Schedules below the Minimum Load

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level are treated as fixed Self-Schedules and are not subject to these adjustments for Congestion Management. The provisions of this section shall apply only to the extent they do not conflict with any MSS Agreement. In accordance with Section 27.4.3.5, the resources submitted in valid TOR, ETC or Converted Rights Self-Schedules shall not be adjusted in the IFM in response to an insufficiency of Effective Economic Bids. Thus the adjustment sequence for the IFM from highest priority (last to be adjusted) to lowest priority (first to be adjusted), is as follows:

- (a) Reliability Must Run (RMR) Generation pre-dispatch reduction;
- (b) Day-Ahead TOR Self-Schedules reduction (balanced demand and supply reduction);
- (c) Day-Ahead ETC and Converted Rights Self-Schedules reduction; different ETC priority levels will be observed based upon global ETC priorities provided to the CAISO by the Responsible PTOs;
- (d) Internal Transmission Constraint relaxation for the IFM pursuant to Section 27.4.3.1;
- (e) Other Self-Schedules of CAISO Demand reduction subject to Section 31.3.1.3, exports explicitly identified in a Resource Adequacy Plan to be served by Resource Adequacy Capacity explicitly identified and linked in a Supply Plan to the exports, and Self-Schedules of exports at Scheduling Points explicitly sourced by non-Resource Adequacy Capacity;
- (f) Self-Schedules of exports at Scheduling Points not explicitly sourced by non-Resource Adequacy Capacity, except those exports explicitly identified in a Resource Adequacy Plan to be served by Resource Adequacy Capacity explicitly identified and linked in a Supply Plan to the exports as set forth in Section 31.4(d);
- (g) Day-Ahead Regulatory Must-Run Generation and Regulatory Must-Take Generation reduction;
- (h) Other Self-Schedules of Supply reduction.

### **31.5 Residual Unit Commitment**

The CAISO shall perform the RUC process after the IFM. In the event that the IFM did not commit sufficient resources to meet the CAISO Forecast of CAISO Demand and account for other factors such as Demand Forecast error, as described in the Business Practice Manuals, the RUC shall commit additional

resources and identify additional RUC Capacity to ensure sufficient on-line resources to meet Demand for each hour of the next Trading Day. RUC Capacity is selected by a SCUC optimization that uses the same Base Market Model used in the IFM adjusted as described in Section 27.5.1 and 27.5.6 to help ensure the deliverability of Energy from the RUC Capacity. In the case of Multi-Stage Generating Resources, the RUC will optimize Transition Costs in addition to the Start-Up and Minimum Load Costs. If a Scheduling Coordinator submits a Self-Schedule or a Submission to Self-Provide Ancillary Services for a given MSG Configuration in a given Trading Hour, the RUC will consider the Start-Up Cost, Minimum Load Cost, and Transition Cost associated with any Economic Bids for other MSG Configurations as incremental costs between the other MSG Configurations and the self-scheduled MSG Configuration. In such cases, incremental costs are the additional costs incurred to transition or operate in an MSG Configuration in addition to the costs associated with the self-scheduled MSG Configuration.

### **31.5.1 RUC Participation**

#### **31.5.1.1 Capacity Eligible for RUC Participation**

RUC participation is voluntary for capacity that has not been designated as Resource Adequacy Capacity. Scheduling Coordinators may make such capacity available for participation in RUC by submitting a RUC Availability Bid, provided the Scheduling Coordinator has also submitted an Energy Bid (other than a Virtual Bid) for such capacity into the IFM. Virtual Bids are not eligible to participate in RUC. Capacity from Non-Dynamic System Resources that has not been designated Resource Adequacy Capacity is not eligible to participate in RUC. Capacity from resources including System Resources that has been designated as qualified Resource Adequacy Capacity must participate in RUC. RUC participation is required for Resource Adequacy Capacity to the extent that Resource Adequacy Capacity is not committed following the IFM. System Resources eligible to participate in RUC will be considered on an hourly basis; that is, RUC will not observe any multi-hour block constraints. In RUC the CAISO may commit a Multi-Stage Generating Resource with a Resource Adequacy must-offer obligation at any MSG Configuration with capacity equal to or greater than the MSG Configuration committed in the Integrated Forward Market. RUC will observe the Energy Limits that may have been submitted in conjunction with Energy Bids to the IFM. RMR Unit capacity will be considered in RUC in accordance with Section 31.5.1.3. MSS resources may participate in RUC in accordance with Section 31.5.2.3. COG

resources are accounted for in RUC, but may not submit or be paid RUC Availability Payments. The ELS Resources committed through the ELC Process conducted two days before the day the RUC process is conducted for the next Trading Day as described in Section 31.7 are binding.

#### **31.5.1.2 RUC Availability Bids**

Scheduling Coordinators may only submit RUC Availability Bids for capacity (above the Minimum Load as registered in the Master File) for which they are also submitting an Energy Bid (other than a Virtual Bid) to participate in the IFM. Any available Resource Adequacy Capacity and CPM Capacity will be optimized at \$0/MW in RUC. For Multi-Stage Generating Resources that fail to submit a \$0/MW per hour for the Resource Adequacy Capacity, the CAISO will insert the \$0/MW per hour for the resource's Resource Adequacy Capacity at the MSG Configuration level up to the minimum of the Resource Adequacy Capacity or the PMax of the MSG Configuration. Scheduling Coordinators may submit non-zero RUC Availability Bids for the portion of a resource's capacity that is not Resource Adequacy Capacity or CPM Capacity.

#### **31.5.1.3 RMR Generation Resources**

If a resource is determined to have an RMR Generation requirement for any Trading Hour of the next day, either by the MPM process or by the CAISO through a manual RMR Dispatch Notice, and if any portion of the RMR Generation requirement has not been cleared in the IFM, the entire portion of the RMR Generation requirement will be represented as a RMR Generation Self-Schedule in the RUC.

#### **31.5.1.4 Eligibility to Set the RUC Price**

All resources that are eligible for RUC participation as described in Section 31.5.1.1 with RUC Bids that are unconstrained due to Ramp Rates or other temporal constraints, including MSG Transitions, are eligible to set the RUC Price, provided that (a) the RUC Schedule for the Generating Unit or Resource-Specific System Resource is between its Minimum Operating Limit and the highest MW value in its Economic Bid or Generated Bid, or (b) the Schedule for the eligible resource other than a Generating Unit or Resource-Specific System Resource is between zero (0) MW and the highest MW value in its Economic Bid or Generated Bid. If (a) a resource's Schedule is constrained by its Minimum Operating Limit or the highest MW value in its Economic Bid or Generated Bid, (b) the CAISO enforces a resource-specific constraint on the resource due to an RMR or Exceptional Dispatch or (c) the resource's full

Ramping capability is constraining its inter-hour change in Schedule, the resource cannot be marginal and thus is not eligible to set the RUC Price. Resources identified as MSS Load following resources are not eligible to set the RUC Price.

### **31.5.2 Metered Subsystem RUC Obligation**

MSS Operators are permitted to make an annual election to opt-in or opt-out of RUC participation. MSS Operators that elect to Load follow are automatically considered to opt-out of the RUC participation. Prior to the deadline for the annual CRR Allocation and CRR Auction process, as specified in Section 36, an MSS Operator that has selected not to Load follow shall notify the CAISO of its RUC participation option for the following CRR cycle.

#### **31.5.2.1 MSS Operator Opts-In to RUC Procurement**

If the MSS Operator opts-in to the RUC procurement process, the Scheduling Coordinator for the MSS will be treated like any other Scheduling Coordinator that submits a Bid in the DAM with respect to RUC procurement by the CAISO and allocation of RUC costs. The CAISO will consider the CAISO Demand Forecast of the MSS Demand in setting the RUC procurement target, and the Scheduling Coordinator for the MSS will be responsible for any applicable allocation of costs related to the Bid Cost Recovery for RUC as provided in Section 11.8.

#### **31.5.2.2 MSS Operator Opts-Out RUC Procurement**

If an MSS Operator opts out of the RUC procurement process, the CAISO shall not consider the CAISO Demand Forecast of the MSS Demand in setting the RUC procurement target, and will not commit resources in RUC to serve the MSS Demand. The MSS Operator shall be responsible for meeting the Supply requirements for serving its Demand in accordance with this Section 31.5.2.2, and it will be exempt from the allocation of costs related to the Bid Cost Recovery for RUC as provided in Section 11.8. The MSS that opts out of the CAISO's RUC procurement will have two options for meeting the Supply requirements for serving its Demand, which it will select on an hourly basis depending on how it submits Self-Schedules for its Demand in the DAM.

##### **31.5.2.2.1 Based on CAISO Demand Forecast**

If the Scheduling Coordinator for the MSS submits Hourly Demand Self-Schedules in the DAM that are greater than or equal to the CAISO Demand Forecast for the MSS Demand, the Scheduling Coordinator

will have met its Supply requirement for such hours and will be exempt from the allocation of costs related to the Bid Cost Recovery for RUC as provided in Section 11.8.

**31.5.2.2.2 Not Based on CAISO Demand Forecast**

If the Scheduling Coordinator for the MSS submits Hourly Demand Self-Schedules in the DAM that are less than the CAISO Demand Forecast for the MSS Demand, the Scheduling Coordinator will be exempt from the RUC cost allocation but will be monitored for its compliance with the Supply requirement based on the following performance criteria. If the MSS Demand Self-Schedule in the IFM for a given Trading Hour is less than the CAISO Demand Forecast for the MSS Demand and less than the actual metered Demand of the MSS for that Trading Hour, then penalty points will be accrued as follows: (i) if the difference between the actual metered Demand and the IFM Self-Schedule in any hour is greater than the lesser of two percent (2%) of the CAISO Demand Forecast for the MSS or five (5) MW, but less than the lesser of five percent (5%) or ten (10) MW, then the Scheduling Coordinator for the MSS will have one (1) penalty point against it for each occurrence; (ii) if the difference in any hour is more than the lesser of five percent (5%) or ten (10) MW, but less than the lesser of ten percent (10%) or twenty (20) MW, then the Scheduling Coordinator for the MSS will have two (2) penalty points against it for each occurrence; (iii) if the difference in any hour is more than the lesser of ten percent (10%) or twenty (20) MW, then the Scheduling Coordinator for the MSS will have five (5) penalty points against it for each occurrence. The maximum penalty points that can be accrued during a single Trading Day for each MSS will be five (5). A total of more than twenty (20) penalty points within twelve (12) consecutive months will require the MSS to opt-in to RUC for the remainder of the CRR Annual Cycle and for the following CRR Annual Cycle. The provisions in this Section 31.5.2.2.2 do not apply to an MSS Operator that has elected to Load follow, and only apply to non-Load following MSS Operators.

**31.5.2.3 MSS Option to Bid RUC Capacity**

The Scheduling Coordinator for the MSS Operator may submit RUC Availability Bids for the capacity of MSS resources and receive RUC Availability Payments and other RUC Compensation for such capacity selected in RUC, subject to the same bidding and operational requirements as any other resources providing RUC Capacity. This capability is not affected by the MSS Operator's decision to opt-in to or opt-out of RUC per Sections 31.5.2.1 and 31.5.2.2.

### **31.5.3 RUC Procurement Target**

The procurement target for RUC in any given Trading Hour will be determined based on the next day's hourly CAISO Forecast Of CAISO Demand less the Energy scheduled in the Day-Ahead Schedule, and accounting for other factors, as appropriate, such as Demand Forecast error and estimated incremental RTM Bids including those from Participating Intermittent Resources. The adjustments listed in Sections 31.5.3.1 to 31.5.3.6 will be made to the CAISO Forecast Of CAISO Demand to account for the conditions as provided therein. Adjustments may be made on a RUC Zone basis to ensure that RUC results in adequate local capacity procurement. The RUC procurement target-setting procedure is designed to meet the requirements of reliable grid operation without unnecessary over-procurement of RUC Capacity or over-commitment of resources. Additional detail on the process for setting the RUC procurement target is specified in the Business Practice Manuals.

#### **31.5.3.1 CAISO Operator Review & Adjustment**

The CAISO Operator reviews the CAISO Forecast of CAISO Demand and all calculated adjustments as provided in Sections 31.5.3.2 through 31.5.3.6. The CAISO Operator shall accept, modify, or reject such adjustments based on Good Utility Practice. If the CAISO Operator determines it must modify or reject adjustments, the CAISO Operator shall log sufficient information as to reason, Operating Hour, and specific modification(s) made to the calculated adjustments.

#### **31.5.3.2 Demand Response Adjustments.**

The CAISO shall account for Demand response that is clearly communicated to the CAISO as certain to be curtailed for the next Trading Day only for the two following types of Demand response: 1) Demand response triggered by a staged System Emergency event; and 2) Demand response that is triggered by a price or an event known in advance. If an LSE informs the CAISO of anticipated Demand response prior to Market Close of the DAM, the CAISO Forecast of CAISO Demand used as the RUC procurement target will be reduced accordingly.

#### **31.5.3.3 MSS Adjustment**

As specified in section 31.5.2.1, MSS Operators are permitted to make an annual election to opt-in or opt-out of RUC participation. If the MSS Operator opts-in to the RUC procurement process, the CAISO considers the CAISO's Demand Forecast of the MSS Demand in setting the RUC procurement target. If

an MSS Operator opts-out of the RUC procurement process, the CAISO does not consider the CAISO's Demand Forecast of the MSS Demand in setting the RUC procurement target. An MSS Operator that has elected to opt-out of RUC, or has elected to Load follow and therefore has also elected to opt-out of RUC, is required to provide sufficient resources in the Day-Ahead Market, and in the case of a Load following MSS Operator, follow its Load within the MSS Deviation Band. To reflect these options and to prevent committing additional capacity or resources for any differences between the CAISO Demand Forecast for the MSS and the MSS Self-Scheduled quantities in the IFM, the CAISO replaces the CAISO Demand Forecast for such MSS with the quantity of Demand in Self-Schedules submitted by the Scheduling Coordinator for the MSS in the IFM.

#### **31.5.3.4 Eligible Intermittent Resource Adjustment**

Scheduling Coordinators for Eligible Intermittent Resources may submit Bids, including Self-Schedules, in the Day-Ahead Market and the quantity ultimately scheduled from Eligible Intermittent Resources may differ from the CAISO forecasted deliveries from the Eligible Intermittent Resources. The CAISO may adjust the forecasted Demand either up or down for such differences by RUC Zone in which the Eligible Intermittent Resource resides. To the extent the scheduled quantity for an Eligible Intermittent Resource in the IFM is less than the quantity forecasted by CAISO, the CAISO makes a Supply side adjustment in RUC by using the CAISO forecasted quantity for the Eligible Intermittent Resource as the expected delivered quantity. To the extent the scheduled quantity for an Eligible Intermittent Resource in the IFM is greater than the quantity forecasted by the CAISO, the CAISO makes a Demand side adjustment to the RUC Zone Demand equal to the difference between the Day-Ahead Schedule and the CAISO forecasted quantity.

#### **31.5.3.5 Real-Time Expected Incremental Supply Self-Schedule Adjustment**

In order to avoid over procurement of RUC, the CAISO shall, using a similar-day approach, estimate the RTM Self-Schedules for resources that usually submit RTM Self-Schedules that are greater than their Day-Ahead Schedules. The CAISO Operator may set the length of the Self-Schedule moving average window. Initially this moving average window shall be set by default to seven (7) days; in which case the weekday estimate is based on the average of five (5) most recent weekdays and the weekend estimate is based on the average of the two (2) most recent weekend days. To the extent weather conditions differ



significantly from the historical days, additional adjustment may be necessary. After determining the estimate of Real-Time Self-Schedules, using a similar day forecasting approach, the CAISO adjusts the CAISO Forecast Of CAISO Demand of a RUC Zone based on the forecasted quantity changes in Supply as a result of Self-Schedules submitted in the RTM. This adjustment for forecasted Real-Time Self-Schedules may result in positive or negative adjustments. Demand adjustments to the CAISO Forecast Of CAISO Demand result when there is a net forecast decrease in Real-Time Self-Schedule Supply relative to the Day-Ahead Schedule Supply. Supply adjustments to the individual resources occur when there is a net forecast increase in Real-Time Self-Schedule Supply relative to the Day-Ahead Schedule Supply of the individual resource.

#### **31.5.3.6 Day-Ahead Ancillary Service Procurement Deficiency Adjustment**

While the CAISO intends to procure one hundred percent (100%) of its forecasted Operating Reserve requirement in the IFM based on the CAISO Forecast of CAISO Demand as specified in Section 8.3.1, the CAISO shall make adjustments to the CAISO Forecast of CAISO Demand used in RUC to ensure sufficient capacity is available or resources committed in cases that the CAISO is unable to procure one hundred percent (100%) of its forecasted Operating Reserve requirement in the IFM; provided, however, that the CAISO shall not procure specific Ancillary Services products in RUC, nor will the RUC optimization consider AS-related performance requirements of available capacity.

#### **31.5.3.7 RUC Zones**

##### **31.5.3.7.1 Use of RUC Zones**

The CAISO shall adjust the CAISO Forecast of CAISO Demand by RUC Zone for the conditions described in Sections 31.5.3.2 through 31.5.3.6. If any adjustments are made throughout the affected RUC Zone, such adjustments will be made consistent with the subset of system LDFs for the Nodes that define the RUC Zone(s). The CAISO will adjust the CAISO Forecast of CAISO Demand of each affected RUC Zone, preserving the LDFs within each RUC Zone, but the relative weighting of the LDFs across the system will deviate from the original LDFs. RUC costs will be pooled together to establish the RUC Compensation Costs. As described in Section 11.6.1, Settlement of RUC Compensation Costs will not be on a RUC Zone basis.

### **31.5.3.7.2 Designation of RUC Zones**

The CAISO shall define RUC Zones as areas that represent UDC or MSS Service Areas, Local Capacity Areas, or any other collection of Nodes. RUC Zones will be designated by the CAISO as necessary and to the extent that the CAISO has developed sufficient data on historical CAISO Demand and weather conditions to allow it to perform Demand Forecasts. Once the CAISO has established RUC zones, the mapping of RUC Zones to Nodes shall be static data and shall be maintained in the Master File. The CAISO may add new Nodes to a RUC Zone if new Nodes are added to the FNM. The status of each RUC Zone shall remain active for as long as the CAISO maintains regional forecasting capabilities, but once a RUC Zone is designated the CAISO will only adjust the CAISO Forecast of CAISO Demand as necessary to address RUC procurement constraints and not as a normal course for all CAISO Market functions. The actual RUC Zones used by the CAISO in its operation of RUC are posted on the CAISO Website.

### **31.5.4 RUC Procurement Constraints**

In addition to the resource constraints and Transmission Constraints employed by SCUC as discussed in Section 27.4.1, the CAISO shall employ the following three constraints in RUC:

- (a) To ensure that sufficient RUC Capacity is procured to meet the CAISO Forecast of CAISO Demand, the CAISO will enforce the power balance between the total Supply, which includes Day-Ahead Schedules and RUC Capacity, and the total Demand, which includes the CAISO Forecast of CAISO Demand and IFM export Schedules. The CAISO may adjust the CAISO Forecast of CAISO Demand to increase the RUC procurement target if there is AS Bid insufficiency in the IFM.
- (b) To ensure that RUC will neither commit an excessive amount of Minimum Load Energy nor procure an excessive amount of RUC Capacity from Scheduling Points the CAISO will verify that the sum of Day-Ahead Schedules, Schedules of Generating Units, net imports, Participating Loads, and Proxy Demand Resources plus the Minimum Load Energy committed by RUC is not greater than a configurable percentage of the system CAISO Forecast of CAISO Demand.
- (c) The CAISO can limit the amount of RUC Capacity it will procure from resources that

could otherwise be started during the Operating Day based on operational factors such as: (1) historical confidence that a Short Start Unit actually starts when needed based on the assessment of the CAISO Operators of the historical performance of Short Start Units; (2) need to conserve the number of run-hours and number of starts per year for critical loading periods; and (3) seasonal constraints such as Overgeneration. The CAISO will verify that the total Day-Ahead Schedules and RUC Capacity from such resources is not greater than a configurable percentage of the total available capacity of all such resources.

### **31.5.5 Selection and Commitment of RUC Capacity**

Capacity that is not already scheduled in the IFM may be selected as RUC Capacity through the RUC process of the DAM. The RUC optimization will select RUC Capacity and produce nodal RUC Prices by minimizing total Bid cost based on RUC Availability Bids and Start-Up, Minimum Load Bids and Transition Costs. RUC will not consider Start-Up, Minimum Load Bids, or Transition Costs for resources already committed in the IFM. The RUC Capacity of a resource is the incremental amount of capacity selected in RUC above the resource's Day-Ahead Schedule. The resource's Day-Ahead Schedule plus its RUC Capacity comprise the resource's RUC Schedule. The CAISO will only issue RUC Start-Up Instructions to resources committed in RUC that must receive a Start-Up Instruction in the Day-Ahead in order to be available to meet Real-Time Demand. RUC Schedules will be provided to Scheduling Coordinators even if a RUC Start-Up Instruction is not issued at that time. RUC shall not Shut Down resources scheduled through the IFM and RUC will not commit a Multi-Stage Generating Resource to a lower MSG Configuration that is unable to support the Energy scheduled in the IFM. If the RUC process cannot find a feasible solution given the resources committed in the IFM, the RUC process will adjust constraints as described in Section 31.5.4 to arrive at a feasible solution that accommodates all the resources committed in the IFM, and any necessary de-commitment of IFM committed units shall be effectuated through an Exceptional Dispatch.

### **31.5.6 Eligibility for RUC Compensation**

All RUC Capacity is eligible for the RUC Availability Payment except for: (i) RUC Capacity from RMR Units that has been designated as RMR Dispatch and included in RUC as a Self-Schedule; (ii) Resource

Adequacy Capacity; and (iii) RUC Capacity that corresponds to the resource's Minimum Load, which is compensated through the Bid Cost Recovery as described in Section 11.8. Resources not committed in the IFM that are committed in RUC, including RMR Units that were not designated for RMR Dispatches and Resource Adequacy Resources, are also eligible for RUC Cost Compensation, which includes Start-Up, Transition Costs, and Minimum Load Cost compensation, and Bid Cost Recovery, subject to the resource actually following its Dispatch Instructions as verified by the CAISO pursuant to procedures set forth in the Business Practice Manuals.

### **31.5.7 Rescission of Payments for RUC Capacity**

If capacity committed in RUC provided from a Generating Unit, Participating Load, Proxy Demand Resource, System Unit or System Resource is Undispatchable Capacity or Undelivered Capacity during the relevant Settlement Interval, then payments will be rescinded as described in this Section 31.5.7 and settled in accordance with Section 11.2.2.2. If the CAISO determines that non-compliance of a Participating Load, Proxy Demand Resource, Generating Unit, System Unit or System Resource with an Operating Instruction or Dispatch Instruction from the CAISO, or with any other applicable technical standard under the CAISO Tariff, causes or exacerbates system conditions for which the WECC imposes a penalty on the CAISO, then the Scheduling Coordinator of such Participating Load, Proxy Demand Resource, Generating Unit, System Unit or System Resource shall be assigned that portion of the WECC penalty which the CAISO reasonably determines is attributable to such non-compliance, in addition to any other penalties or sanctions applicable under the CAISO Tariff. The rescission of payments in this Section 31.5.7 shall not apply to a capacity payment for any particular RUC Capacity if the RUC Availability Payment is less than or equal to zero (0).

#### **31.5.7.1 Rescission of Payments for Undispatchable RUC Capacity**

The CAISO shall calculate the Real-Time ability of each Generating Unit, Participating Load, Proxy Demand Resource, System Unit or System Resource to deliver Energy from or capacity committed in RUC for each Settlement Interval based on its maximum operating capability, actual telemetered output (or, in the case of Proxy Demand Resources, an estimate of actual output), and Operational Ramp Rate as described in Section 30.10, which for a Multi-Stage Generating Resource is evaluated by MSG Configuration. If the Undispatchable Capacity is capacity committed in RUC and is from a Generating

Unit, System Unit or System Resource that is a Resource Adequacy Resource, there is no payment obligation to the CAISO for the Undispatchable Capacity. The CAISO will report the instance of non-compliance by the Resource Adequacy Resource to the appropriate Local Regulatory Authority.

#### **31.5.7.2 Rescission of Payments for Undeliverable RUC Capacity**

For each Settlement Interval in which a Generating Unit, Participating Load, Proxy Demand Resource, System Unit or System Resource fails to supply Energy from capacity committed in RUC in accordance with a Dispatch Instruction, or supplies only a portion of the Energy specified in the Dispatch Instruction, the RUC Availability Payment will be reduced to the extent of the deficiency, in accordance with the provisions of Section 11.2.2.2, which for a Multi-Stage Generating Resource is evaluated for the Generating Unit and not by the MSG Configuration.

### **31.6 Timing of Day-Ahead Scheduling**

#### **31.6.1 Criteria for Temporary Waiver of Timing Requirements**

The CAISO may at its sole discretion implement any temporary variation or waiver of the timing requirements of this Section 31 and Section 6.5.3 (including the omission of any step) if any of the following criteria are met:

- (i) such waiver or variation of timing requirements is reasonably necessary to preserve System Reliability, prevent an imminent or threatened System Emergency or to retain Operational Control over the CAISO Controlled Grid during an actual System Emergency.
- (ii) because of error or delay, the CAISO requires additional time to fulfill its responsibilities;
- (iii) problems with data or the processing of data cause a delay in receiving or issuing Bids or publishing information on the CAISO's secure communication system;
- (iv) problems with telecommunications or computing infrastructure cause a delay in receiving or issuing Day-Ahead Schedules or publishing information on the CAISO's secure communication system.

#### **31.6.2 Information to be Published on Secure Communication System**

If the CAISO temporarily implements a waiver or variation of such timing requirements, the CAISO will publish the following information on the CAISO's secure communication system as soon as practicable:

- (i) the exact timing requirements affected;

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- (ii) details of any substituted timing requirements;
- (iii) an estimate of the period for which this waiver or variation will apply; and
- (iv) reasons for the temporary waiver or variation.

**31.6.3 Conditions Permitting CAISO to Abort Day-Ahead Market**

If, despite the variation of any time requirement or the omission of any step, the CAISO either fails to receive sufficient Bids or fails to clear the Day-Ahead Market, the CAISO may abort the Day-Ahead Market and require all Bids to be submitted in the RTM.

**31.6.4 [Not Used]**

**31.7 Extremely Long-Start Commitment Process**

The CAISO shall perform the Extremely Long-Start Commitment Process (ELC Process) after the regular DAM results are posted. ELS Resources are flagged in the Master File and are the only resources eligible to be committed in the ELC Process. Each day after the DAM results are posted, the CAISO shall conduct the ELC Process to determine commitment of ELS Resources to be available to the CAISO Markets in the second day out. The CAISO will use the latest CAISO Forecast of CAISO Demand available to the CAISO for the Trading Day two days ahead of the current day that the ELC Process is executed. For commitment purposes for a resource whose Start-Up Time would exceed the definition of an ELS Resource based on the resource's initial condition and cooling time, the CAISO will consider DAM Bids from ELS Resources as Bids for the Trading Day two days ahead of the current day that the ELC Process is executed. The CAISO Operator shall use its operator judgment consistent with Good Utility Practice to determine whether ELS Resources for the second day in the 48-hour time period should be committed. The ELC Process does not dispatch Energy for the 48-hour time period and therefore the commitment instructions will not include megawatts schedules greater than the Minimum Load. ELS Resources receiving a commitment instruction are obligated to resubmit the same Bid in the next day's Day-Ahead Market. The CAISO Commitment Period or Self-Commitment Period determination for the ELS Resources depends on the DAM results and the Clean and Generated Bids, following the same rules that apply to other resources. All Commitment Intervals for the ELS Resources will be classified as CAISO Commitment Periods, unless there is a Self-Schedule or Self-Provided AS for that interval.

## **31.8 Constraints Enforced at Interties**

### **31.8.1 Scheduling Constraints**

Within the IFM and RTM optimizations, the CAISO enforces a constraint at each CAISO Intertie such that physical imports net of physical exports must be less than or equal to the scheduling limit at the Scheduling Point in the applicable direction. The CAISO incorporates the Shadow Price of this IFM constraint into the CAISO Market runs used to establish LMPs for both physical and virtual awards.

Within the RUC process, the CAISO enforces a constraint at each Intertie such that physical imports net of physical exports must be less than or equal to the scheduling limit at the Scheduling Point in the applicable direction. Through this RUC constraint the CAISO determines what Day-Ahead Schedules can have an E-Tag submitted Day-Ahead. Day-Ahead Schedules precluded from submitting an E-Tag in the Day-Ahead on this basis are exempt from the charges described in Section 11.32.

### **31.8.2 Physical Flow Constraints**

The CAISO may enforce a physical flow constraint limit at each internal and Intertie location in the IFM taking into account the total power flow contributions, which include internal schedules, which can be physical or virtual, import/export schedules, and the CAISO's estimates of unscheduled flow at the Interties. The physical flow constraint limit at each Intertie is less than or equal to the Transmission Constraints, including Nomograms and Contingencies, affecting the Intertie. At each Intertie the scheduling and physical flow constraint limits may differ. In the RUC and RTM processes, the same physical flow constraint limit is applied and internal schedules and import/export schedules, which can only be physical, are considered along with the CAISO's estimates of unscheduled flow at the Interties. The CAISO will not enforce physical flow constraints at Interties for which the CAISO (1) is subject to contractual arrangements that provide for the management of unscheduled flows using other procedures; (2) has determined it cannot enforce the power flow constraints due to modeling inaccuracies, including inaccuracies in available data; or (3) has otherwise determined that enforcing the power flow constraints could result in adverse reliability impacts.