**41. Procurement of RMR Resources**

**41.1 Procurement of Reliability Must-Run Resources by the CAISO**

A Reliability Must-Run Contract is a contract entered into by the CAISO with a resource owner that operates a Generating Unit and/or is capable of providing a reliability service, giving the CAISO the right to call on the resource to generate Energy and/or provide Ancillary Services or other reliability services to maintain the reliability of the CAISO Controlled Grid, including meeting system, local, and flexible capacity needs.

**41.2 Designation of Resources as Reliability Must-Run Resources**

The CAISO will, subject to any existing power purchase contracts, have the right at any time based upon CAISO Controlled Grid technical analyses and studies to designate a Generating Unit as a Reliability Must-Run Unit. The CAISO will also have the right at any time based upon CAISO Controlled Grid technical analyses and studies to designate a resource for Reliability Must-Run service that is needed to provide Ancillary Services or other reliability services. A resource so designated shall then be obligated to provide the CAISO with its proposed rates for Reliability Must-Run service for negotiation with the CAISO. A pro forma Reliability Must-Run Contract applicable to resources that receive RMR designations is attached as Appendix G. Such rates shall be authorized by FERC or the Local Regulatory Authority, whichever authority is applicable.

**41.2.1 Formal Notice Applicable to Generating Units**

If an owner of a Generating Unit plans to withdraw it from the CAISO markets, it must submit a formal written notice to the CAISO indicating its intent to retire or mothball the unit. The written notice must include a signed affidavit by an executive officer of the entity that owns or controls the company who has the legal authority to bind the company attesting that it intends to take the Generating Unit out of service by retiring or mothballing it, and that the decision is definite unless the CAISO procures the Generating Unit, the Generating Unit enters into an RA contract or some other arrangement for compensation for the capacity of the Generating Unit, or the Generating Unit is sold to a non-affiliated entity. In the notice, the resource owner must state that it is planning to retire/mothball the Generating Unit at a certain date, providing a minimum of 90-days’ notice for retirement or mothballing. Failure to provide this notice may result in the CAISO rejecting the request and not studying the need for the Generating Unit under Section 41.3.

**41.2.2 Processing Retirement/Mothball Notices**

The CAISO will process retirement/mothball notices as follows:

(a) If the Generating Unit is not a Resource Adequacy Resource in the current Resource Adequacy Compliance Year and is planning to retire or mothball its Generating Unit, the unit owner may submit its written notice at any time during the year, and the CAISO will inform the owner of the study results after it completes the study in Section 41.3. If the owner of a non-Resource Adequacy Generating Unit desires an earlier determination of need, it can submit its written notice to the CAISO before the deadline specified in the Participating Generator Agreement for terminating the agreement or removing a resource from the agreement. Under Section 41.3, the CAISO will study whether the Generating Unit is needed for reliability in the current Resource Adequacy Compliance Year or the by the end of the upcoming Resource Adequacy Compliance Year. If the CAISO finds that the Generating Unit is needed for reliability in either of these timeframes, the CAISO may grant the Generating Unit an RMR designation for the remainder of the current Resource Adequacy Compliance Year.

(b) If the Generating Unit is a Resource Adequacy Resource in the current Resource Adequacy Compliance Year and the unit owner is planning to retire or mothball its Generating Unit, the unit owner may submit a notice by the deadline established in the applicable Business Practice Manual, which will be in the first quarter of the current Resource Adequacy Compliance Year, and the CAISO will study the Generating Unit and post the results of the study by the deadline established in the applicable Business Practice Manual, which will be by the end of the second quarter of the current Resource Adequacy Compliance Year. Generating Units that are not Resource Adequacy Resources in the current Resource Adequacy Compliance Year may also submit a notice to be studied under this sub-section and the prior sub-section. The CAISO will not commence its RMR procurement process for any Generating Unit the CAISO finds to be needed until September 1. Any new RMR designations will be conditional until the deadline for LSEs to submit their annual Resource Adequacy showings to the CAISO passes. Under Section 41.3, the CAISO will study whether the Generating Unit is needed for reliability in the upcoming Resource Adequacy Compliance Year and may study whether the Generating Unit is needed for reliability by the end of the following Resource Adequacy Compliance Year. If the CAISO finds that the Generating Unit is need for reliability in either the upcoming Resource Adequacy Compliance Year or by the end of the following Resource Adequacy Compliance Year, the CAISO may grant the Generating Unit an RMR designation for the upcoming Resource Adequacy Compliance Year.

(c) If the unit owner of a Resource Adequacy Resource provides notice after deadline specified in the Business Practice Manual, the CAISO will inform the resource of the study results 60 days prior to expiration of the Resource Adequacy contract or 90 days from the date of the notice, whichever is later.

(d) If multiple Generating Units file the requisite notice with the CAISO and can meet the reliability need identified by the CAISO, but the CAISO does not need all of the Generating Units to meet the reliability need, the CAISO will ask each unit owner to submit a proposed cost-based RMR price for its Generating Unit and a total cost for Planned Capital Items pursuant to the rate schedules including in the pro forma RMR Contract. The CAISO will determine which Generating Unit(s) receives an RMR designation by selecting the Generating Unit(s) with the lowest combined proposed costs for RMR service including Planned Capital Items for the next RMR Contract Year provided that if the total costs of two or more Generating Units are within 10% of each other, then the CAISO will grant the designation in its discretion based on the following criteria: (1) relative effectiveness of the Generating Units in meeting local and/or zonal constraints or other CAISO system needs, including flexible capacity needs; and (2) relative operating characteristics of the Generating Units including dispatch ability, ramp rate, and load following capability. A designated Generating Unit will not be able to propose to FERC – and will not be compensated by the CAISO for any costs higher than – its proposed RMR costs, including any Planned Capital Items provided to the CAISO, respectively.

**41.3 Reliability Studies and Determination of RMR Units Status**

In addition to the Local Capacity Technical Study under 40.3.1, the CAISO may perform additional technical studies, as necessary, to ensure compliance with Reliability Criteria, including system, local, and flexible capacity needs. The CAISO will then determine which resources it requires to continue to be Reliability Must-Run Units, which resources it no longer requires to be Reliability Must-Run Units and which resources it requires to become the subject of a Reliability Must-Run Contract which had not previously been so contracted to the CAISO.

**41.4 [Not Used]**

**41.5 RMR Dispatch**

**41.5.1 Day-Ahead and RTM RMR Dispatch**

Reliability Must Run units will be subject to all of the availability, dispatch, testing, reporting, verification and any other applicable requirements imposed under Section 40.6 or Section 40.10.6, as applicable to Resource Adequacy Resources identified in Resource Adequacy Plans and Flexible RA Capacity resources identified in Resource Flexible RA Capacity Plans. Reliability Must-Run will meet the Day-Ahead availability requirements specified in in Section 40.6, the Real-Time availability requirements specified in Section 40.6.2, and the Day-Ahead and Real-Time availability requirements specified under Section 40.10.6.1 for the highest Flexible Capacity Category for which the unit qualifies under Section 40.10.3. Also in accordance with those requirements, Reliability Must-Run Units that meet the definition of Short Start Units, will be obligated to meet the availability requirements of Section 40.6.2, Reliability Must-Run Units that meet the definition of Long Star Units will have the rights and obligations specified in Section 40.6.2. If the CAISO has not received an Economic Bid or Self-Schedule for capacity from a Reliability Must-Run Unit, the CAISO will utilize a Generated Bid in accordance with the procedures specified in Section 40.6.8. In addition to Energy Bids, Reliability Must-Run Units will submit Ancillary Service Bids for their capacity to the extent the unit is certified to provide Ancillary Service.

**41.5.2 RMR Payments**

RMR Units will be paid in accordance with the RMR Contract and Section 11.13.

**41.5.3 Provisions of Ancillary Services and other Reliability Services**

The CAISO may call upon RMR resources for Ancillary Services or any other reliability service that the RMR resource is contracted to provide in any amounts and at any time that the CAISO has determined is necessary.

**\* \* \* \* \***

**41.7 Individualized Non-Availability Charges and Availability Incentive Payments**

The provisions of Section 40.9 applicable to resources providing local and/or system Resource Adequacy Capacity and Flexible RA Capacity apply to Reliability Must-Run Units. Reliability Must-Run Units will face a resource-specific Availability Incentive Mechanism Price under Section 40.9.6. The resource-specific price will be the higher of: (a) the price that the resource is being paid by the CAISO ($/kW-month) under the Reliability Must-Run Contract; and (b) the Resource Adequacy Availability Incentive Mechanism rate. Availability Incentive Mechanism payments to Reliability Must-Run Units will be capped at the general Availability Incentive Mechanism rate. Reliability Must-Run Units can provide RA Substitute Capacity based on the same rules applicable to Resource Adequacy Resources under Section 40.9.

**41.8 Allocating Resource Adequacy Credits for RMR Designations**

The CAISO will allocate year-ahead Reliability Must-Run credits (local, system, and flex – if applicable) to the Scheduling Coordinators of LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of year ahead CEC forecasted load of each LSE in the TAC Area(s) to total forecasted load in the TAC Areas(s), at the CAISO coincident forecasted peak, for the period for which the RMR Contract is projected to be in effect.

The CAISO will allocate month-ahead Reliability Must-Run credits (local, system and flex – if applicable) to the Scheduling Coordinators for LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of month ahead CEC forecasted load of each LSE in the TAC Area(s) to total forecasted load in the TAC Areas(s), at the CAISO coincident forecasted peak, for each RMR Contract the months for which the Reliability Must-Run Contract is projected to be in effect.

**41.9 Allocation of Reliability Must-Run Contract Costs**

The CAISO will allocate Reliability Must-Run costs not recovered through market revenues to the Scheduling Coordinators for LSEs that serve load in the TAC Area(s) in which the need for the Reliability Must-Run Contract arose based upon the percentage of actual load of each LSE in the TAC Area(s) to the total load in the TAC Area(s) as recorded in the CAISO settlement system for the actual days of any settlement month period for which the Reliability Must-Run Contract was in effect.

**41.9.1 [Not Used]**

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**43A.2 Capacity Procurement Mechanism Designation**

The CAISO shall have the authority to designate Eligible Capacity to provide CPM Capacity services under the CPM to address the following circumstances, as discussed in greater detail in Section 43A:

1. Insufficient Local Capacity Area Resources in an annual or monthly Resource Adequacy Plan;

2. Collective deficiency in Local Capacity Area Resources;

3. Insufficient Resource Adequacy Resources in an LSE’s annual or monthly Resource Adequacy Plan;

4. A CPM Significant Event;

5. A reliability or operational need for an Exceptional Dispatch CPM; and

6. A cumulative deficiency in the total Flexible RA Capacity included in the annual or monthly Flexible RA Capacity Plans, or in a Flexible Capacity Category in the monthly Flexible RA Capacity Plans.

**\* \* \* \* \* \***

**43A.2.6 [Not Used]**

**\* \* \* \* \* \***

**43A.3.7 [Not Used]**

**\* \* \* \* \* \***

**43A.4 Selection of Eligible Capacity Under the CPM through Competitive Solicitation Processes (CSP) and General Eligibility Rules**

In accordance with Good Utility Practice, the CAISO shall designate and compensate Eligible Capacity as CPM Capacity based on the results of either the Annual CSP, the Monthly CSP, or the Intra-monthly CSP.

The CAISO shall designate CPM Capacity through the Annual CSP to meet designations triggered under sections 43A.2.1.1, 43A.2.2, or 43A.2.3 (if the failure is to demonstrate sufficient Resource Adequacy capacity in an annual Resource Adequacy Plan), and 43A.2.7(a) (if the failure is to demonstrate sufficient Flexible Resource Adequacy capacity in an annual Flexible Resource Adequacy Plan).

The CAISO shall designate CPM Capacity through the Monthly CSP to meet designations triggered under sections 43A.2.1.2, 43A.2.3 (if the failure is to demonstrate sufficient Resource Adequacy capacity in a monthly Resource Adequacy Plan), or 43A.2.7(b) (if the failure is to demonstrate sufficient Flexible Resource Adequacy capacity in a monthly Flexible Resource Adequacy Plan).

The CAISO shall designate CPM Capacity through the Intra-monthly CSP to meet designations triggered under sections 43A.2.4 or 43A.2.5.

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**43A.4.1.1.1 Exceeding CPM Soft Offer Cap through a Resource-Specific Cost Filing with FERC**

A Scheduling Coordinator for a resource may offer a price in excess of the CPM Soft Offer Cap. The resource owner whose capacity is offered in excess of the CPM Soft Offer Cap must justify in a filing to FERC a price above the CPM Soft Offer Cap, which shall be determined in accordance with the following methodology: (fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs, plus 20 percent (20%) of the foregoing amount), provided such costs will be converted to a fixed $kW-year amount. For a resource whose sales are under FERC jurisdiction that is providing CPM Capacity to be compensated at a rate higher than the CPM Soft Offer Cap, the resource owner must make a limited resource-specific filing before FERC to determine the just and reasonable capacity price for the resource as calculated under this formula. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

If the sales from the resource are not under the jurisdiction of FERC, the resource owner shall make a non-jurisdictional filing with FERC to determine the just and reasonable capacity price for the going forward costs for the resource as calculated in accordance with the following methodology: (fixed operation & maintenance costs, plus ad valorem taxes, plus administrative & general costs, plus 20 percent (20%) of the foregoing amount), provided such costs will be converted to a fixed $/kW-year amount. The resource owner must serve its filing on the CAISO within five business days of submitting its filing to FERC.

A resource owner may make a cost justification filing at FERC either before it offers a resource into the competitive solicitation process or after having capacity designated as CPM Capacity. If the resource owner has not made the cost justification filing before the capacity was designated as CPM Capacity, then the resource owner must make its cost justification filing with FERC within 30 days of the CPM designation. If the resource owner fails to make such cost justification filing within 30 days, then the CAISO shall deem the effective CPM Capacity price for the resource to be the CPM Soft Offer Cap. The resource owner may not propose – and shall not be compensated based upon – an offer price higher than the price submitted in its bid to the CAISO for the designated capacity.

A FERC-approved resource-specific CPM Capacity price shall remain in effect for the remainder of the calendar year in which it is approved and for the subsequent two calendar years, unless superseded by a subsequent FERC-approved CPM Capacity price during that period. Although a FERC-approved resource-specific CPM Capacity price will be denoted in units of $/kW-year, that $/kW-year figure will be divided by 12 so that compensation will be in terms of $/kW-month.

A resource that has obtained the appropriate FERC authorization in response to the cost justification filing described in this Section 43A.4.1.1.1 for a rate higher than the CPM Soft Offer Cap is not precluded from submitting a bid into the competitive solicitation process that is below the FERC-authorized rate and, if selected pursuant to such a bid, will be compensated based on that lower bid.

**\* \* \* \* \* \***

**43A.5.4 Individualized Non-Availability Charges and Availability Incentive Payments**

The provisions of Section 40.9 applicable to Resource Adequacy Resources apply to CPM Capacity. Capacity accepting a designation as CPM Capacity will face a resource-specific Availability Incentive Mechanism Price under section 40.9.6. The resource-specific price will be the higher of: (a) the price that the resource was paid by the CAISO ($/kW-month) as a result of receiving the designation; and (b) the RA Availability Incentive Mechanism rate. Availability Incentive Mechanism payments to a resource designated under the CPM will be capped at the general Availability Incentive Mechanism rate.

For a resource requesting a resource-specific CPM Capacity price pursuant to Section 43A.4.1.1.1, the CAISO shall use that resource-specific CPM capacity price for calculating the Availability Incentive Mechanism only if that resource-specific CPM capacity price has been approved in time for inclusion on the Recalculation Settlement Statement T+55B. Otherwise, for resources that have sought a resource-specific CPM Capacity price pursuant to Section 43A.4.1.1.1, the CAISO shall use the CPM Soft Offer Cap price for calculating the Availability Incentive Mechanism price.

**43A.6 Reports**

The CAISO shall publish the following reports and notices.

**43A.6.1 CPM Designation Market Notice**

The CAISO shall issue a Market Notice within two (2) Business Days of a CPM designation under Sections 43A.2.1 through 43A.2.7. CPM 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 CPM designation, the name of the resource(s) procured, the preliminary expected duration of the CPM designation, the initial designation period, and an indication that a designation report is being prepared in accordance with Section 43A.6.2. For Exceptional Dispatch CPM designations, the market notice shall additionally indicate whether the designation was made to address an Exceptional Dispatch CPM System Reliability Need or an Exceptional Dispatch CPM Non-System Reliability Need, specify the quantity of the Exceptional Dispatch CPM capacity that was procured and the Exceptional Dispatch CPM Term, and identify the engineering assessment the CAISO used to determine the quantity of capacity needed from the resource to address the reliability issue.

**43A.6.2 Designation of a Resource Under the CPM**

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 43A.2.1 through 43A.2.7 or ten (10) days after the end of the month; provided that where the CAISO makes a designation under Sections 43A.2.1.1, 43A.2.1.2, 43A.2.2.2, 43A.2.3, 43A.2.4, or 43A.2.7 that takes effect on the first day of the succeeding month, the CAISO will post the designation report by the earlier of 30 days after the CAISO selects the resource it will be designating or the tenth day of the month in which the designation takes effect. 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 CPM Significant Event), and an explanation of why it was necessary for the CAISO to utilize the CPM authority);

(2) The following information would be reported for all backstop designations:

(a) the resource name;

(b) the amount of CPM Capacity or Flexible Capacity CPM designated (MW),

(c) an explanation of why that amount of CPM Capacity or Flexible Capacity CPM was designated,

(d) the date CPM Capacity was designated,

(e) the duration of the designation; and

(f) the accepted offer price of the resource, or if the resource has a request pending with FERC to exceed the CPM Soft Offer Cap, then the CPM Soft Offer Cap along with a notation that the resource has a pending request with FERC to be compensated above the CPM Soft Offer Cap.

(3) If the reason for the designation is a CPM Significant Event, the CAISO will also include:

(a) a discussion of the event or events that have occurred, why the CAISO has procured CPM Capacity, and how much has been procured;

(b) an assessment of the expected duration of the CPM 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.

(4) If the reason for the designation is Exceptional Dispatch CPM Capacity, the CAISO will also include additional information about the CAISO’s determination of the quantity and term of the designation, which supplements the information included in the market notice issued pursuant to Section 43A.6.1.

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**43A.8.7 [Not Used]**

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**43A.9 Crediting of CPM Capacity**

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

(a) To the extent the cost of CPM designation under Section 43A.2.1.1 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.1, 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 CPM Capacity designated under Section 43A.2.1.1 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 CPM Capacity designated under Section 43A.2.1.1.

(b) To the extent the cost of CAISO designation under Section 43A.2.2 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.3, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards 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 CPM Capacity designated under Section 43A.2.2.

(c) To the extent the cost of CPM designation under Section 43A.2.3 is allocated to a Scheduling Coordinator on behalf of a LSE under Section 43A.8.4, and the designation is for greater than one month under Section 43A.3.4, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards 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 CPM Capacity designated under Section 43A.2.3.

(d) The credit provided in this Section shall be used for determining the need for the additional designation of CPM Capacity under Section 43A.2 and for allocation of CPM costs under Section 43A.8.

(e) For each Scheduling Coordinator that is provided credit pursuant to this Section, the CAISO shall provide information, including the quantity of capacity procured in MW, necessary to allow the CPUC, other Local Regulatory Authority, or federal agency with jurisdiction over the LSE on whose behalf the credit was provided to determine whether the LSE should receive credit toward its resource adequacy requirements adopted by such agencies or authorities.

(f) To the extent the cost of Flexible Capacity CPM designation under Section 43A.2.7 is allocated to a Scheduling Coordinator for an LSE under Section 43A.8.8, and the designation is for greater than one month under Section 43A.3.8, the CAISO shall provide the Scheduling Coordinator on behalf of the LSE, for the term of the designation, credit towards the LSE’s Flexible Capacity requirements determined under Section 40 in an amount equal to the LSE’s pro rata share of the Flexible Capacity CPM designated under Section 43A.2.7.