**Blacklines**

**Standard Capacity Product Phase II Draft Tariff Language**

**May 11, 2010**

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**40.9. Availability Standards, Non-Availability Charges, and Availability Incentive Payments.**

**40.9.1 General.**

Except for the exemptions specified in Section 40.9.2, the CAISO will track the availability of Resource Adequacy Capacity during the Availability Assessment Hours of each month, as specified in Section 40.9.3, in order to determine the amount of Resource Adequacy Capacity that was available to the CAISO. Each non-exempt Resource Adequacy Resource will be subject to the Availability Standards determined in accordance with either Section 40.9.4 or 40.9.7, whichever is applicable, for each month during each Resource Adequacy Compliance Year, starting with the 2010 Resource Adequacy Compliance Year. Scheduling Coordinators for Resource Adequacy Resources will be subject to Non-Availability Charges or Availability Incentive Payments as specified in either Section 40.9.4 or Section 40.9.7, whichever is applicable. MW values or percentages used by the CAISO in this Section 40.9 will be calculated to no less than two decimal places.

**40.9.2 Exemptions.**

The following exemptions apply to the CAISO’s Availability Standards program of this Section 40.9:

(1) Resources with a Pmax less than one (1.0) MW will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9.

(2) Capacity under a resource specific power supply contract that existed prior to June 28, 2009 and Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval prior to June 28, 2009, and is associated with specific Generating Units or System Resources, will not be subject to Non-Availability Charges or Availability Incentive Payments. Such contracted Resource Adequacy Capacity, except for non Resource-Specific System Resources, will be included in the development of Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. The exemption will apply only for the initial term of the contract and to the MW capacity quantity and Resource Adequacy Resources specified in the contract prior to June 28, 2009. The exemption shall terminate upon the conclusion of the initial contract term. Exempt contracts may be re-assigned or undergo novation on or after June 28, 2009, but the exemption shall not apply for any extended contract term, increased capacity quantity or additional resource(s) beyond those specified in the contract prior to June 28, 2009. Scheduling Coordinators for Resource Adequacy Resources subject to these contracts will be required to certify the start date of the contract, the expiration date, the Resource ID(s), and the amount of Resource Adequacy Capacity associated with each Resource ID included in the contract. Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output from the CPUC or a Local Regulatory Authority that does not adjust the historical output data to correct for the possible double counting of Outages are subject to this subsection, except that the deadline date shall be August 1, 2010 instead of June 28, 2009.

(3) For a contract entered into prior to June 28, 2009 that provides for the amount of Resource Adequacy Capacity to increase during the original term of the contract, based on a ratio of the Resource Adequacy Resource’s output or due to an addition of capacity, the exemption provided in subsection (2) of this Section 40.9.2 will apply to the additional capacity allowed under the contract; provided that the capacity increase (i) is expressly contained in the provisions of the contract, (ii) occurs during the primary term of the contract; and (iii) does not result from contract extensions or other amendments to the original terms and conditions of the contract. Scheduling Coordinators for Resource Adequacy Resources subject to contracts that provide for such capacity increases or additions must include in their certification, in addition to the requirements of subsection (2) of this Section 40.9.2, (i) the citation to any contract provisions that might entitle them to increased exempt Resource Adequacy Capacity from the contracted resources during the primary term of the contract; (ii) the amount of additional capacity to which they might be entitled; and (iii) the actual effective date of the capacity increase. If the actual amount of capacity and/or the actual effective date of the capacity increase is not known at the time of the initial certification, the Scheduling Coordinator shall provide a supplemental certification(s) when this information becomes known. Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output from the CPUC or a Local Regulatory Authority that does not adjust the historical output data to correct for the possible double counting of Outages are subject to this subsection, except that the deadline date shall be August 1, 2010 instead of June 28, 2009.

(*4*) Demand response resources will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9.

(*5*) Resource Adequacy Capacity provided through contracts for Energy from non-specified resources delivered within the CAISO Balancing Authority Area will not be used to determine Availability Standards, will not be subject to Non-Availability Charges or Availability Incentive Payments, and will not be subject to the additional Outage reporting requirements of this Section 40.9; and

(6) Resource Adequacy Resources of a Modified Reserve Sharing LSE or a Load following MSS will be used to determine the Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. Non-Local Capacity Area Resource Adequacy Resources of a Modified Reserve Sharing LSE or a Load following MSS will not be subject to Non-Availability Charges or Availability Incentive Payments, but those entities shall remain responsible for any other applicable deficiency payments under this CAISO Tariff or the applicable MSS Agreement.

Exclusions from the Availability Standards and Outage reporting requirements established in this Section 40.9 are for this Section 40.9 alone and do not affect any other obligation arising under the CAISO Tariff.

**40.9.3 Availability Assessment Hours.**

The CAISO shall establish Availability Assessment Hours applicable for each month of each Resource Adequacy Compliance Year, which shall be applied starting with Resource Adequacy Compliance Year 2010, in order to assess the extent to which each Resource Adequacy Resource has met the Availability Standards of this Section 40.9. The Availability Assessment Hours shall be a pre-defined set of hours in each month corresponding to the operating periods when high demand conditions typically occur and when the availability of Resource Adequacy Capacity is most critical to maintaining system reliability. The Availability Assessment Hours shall be comprised of five consecutive hours of each non-weekend, non-federal holiday day. The five hour period will vary by season as necessary such that, based on historical actual load data, the coincident peak load hour typically falls within the five-hour range each day during the month. The CAISO shall annually determine the five hour range for the Availability Assessment Hours for each month of the next Resource Adequacy Compliance year prior to the start of each Resource Adequacy Compliance Year and shall specify them in the Business Practice Manual.

**40.9.4 Availability Determinations.**

This Section 40.9.4 addresses availability assessment for all Resource Adequacy Capacity, including the Resource Adequacy Capacity of Resource-Specific System Resources, subject to the Section 40.9 Availability Standards program; however, this Section 40.9.4 does not apply to Resource Adequacy Capacity provided by non-Resource-Specific System Resources which are addressed in Section 40.9.7.

**40.9.4.1 Availability Standard.**

The CAISO shall calculate and publish the monthly Availability Standards for Resource Adequacy Compliance Year 2010 no later than forty five (45) days after a FERC order approving this section and by July 1 prior to each Resource Adequacy Compliance Year thereafter. For Resource Adequacy Compliance Year 2010, the monthly Availability Standards applicable to Resource Adequacy Resources subject to this Section 40.9.4 will be based on the historical availability of Resource Adequacy Resources during the Availability Assessment Hours of the corresponding months during the period from June 2006 through December 2008. For subsequent years, the monthly Availability Standards will be based on historical availability for the Availability Assessment Hours over the previous three years. Each monthly Availability Standard will be calculated as the sum of the available Resource Adequacy Capacity of the included Resource Adequacy Resources across all the Availability Assessment Hours of the month, divided by the sum of the designated Resource Adequacy Capacity for the same set of hours and resources, and multiplied by 100 to obtain a number between zero (0) and one hundred percent (100%). For the purpose of determining the available Resource Adequacy Capacity in each month, the CAISO will use the Outage information reported in SLIC and, when available, the Outage reports submitted pursuant to Section 40.9.5. To ensure consistency between the calculation of the monthly Availability Standard and the calculation of each resource’s monthly availability, the data utilized for both calculations will be in accordance with the provisions of Sections 40.9.4.2. All Resource Adequacy Resources except for the following will be included in the calculation of the Availability Standards:

(1) Resource Adequacy Resources exempted in Section 40.9.2;

(2) Non-Resource-Specific System Resources;

(3) Resources between one (1) MW and ten (10) MW subject to the reporting requirements of Section 40.9.5, until such time that the CAISO has received the outage reports and can begin to utilize the data; and

(4) Use-Limited Resources for Compliance Year 2010 and 2011.

**40.9.4.2 Availability Calculation for a Resource Adequacy Resource.**

The CAISO will calculate the monthly availability for each Resource Adequacy Resource subject to this Section 40.9.4 as follows:

(1) Except as provided in subsection (2), the monthly availability of each Resource Adequacy Resource will be the sum of the hourly available Resource Adequacy Capacity of the resource over all Availability Assessment Hours of the month, divided by the sum of the hourly Resource Adequacy Capacity of the resource as designated in the Supply Plan for the resource for those hours, and multiplied by 100 to obtain a number between zero percent (0%) and one hundred percent (100%). A Resource Adequacy Resource will be determined to be less than one hundred percent (100%) available in a given month if it has any Forced Outages, non-ambient de-rates, or temperature-related ambient de-ratesthat impact the availability of its designated Resource Adequacy Capacity during the Availability Assessment Hours of that month.

(2) For Resource Adequacy Resources whose Qualifying Capacity value is determined by historical output from the CPUC or a Local Regulatory Authority that does not adjust the historical output data to correct for the possible double counting of Outages, the monthly availability of each resource will be determined from three components: the total actual amount of Energy the resource delivered during all of the Availability Assessment Hours of the month; the Resource Adequacy Capacity of the resource as designated in its Supply Plan; and the resource’s Net Qualifying Capacity as reduced by the same percentage by which any Forced Outages or temperature-related ambient de-rates reduced the resource’s availability from its PMax capacity during the Availability Assessment hours. If the total actual amount of Energy delivered by the resource is greater than or equal to the amount of Resource Adequacy Capacity designated in the Supply Plan, the resource will be considered one hundred percent (100%) available. If the total actual amount of Energy delivered by the resource is less than the amount of Resource Adequacy Capacity designated in the Supply Plan, the availability of the resource will be the higher of the total actual Energy the resource delivered during all of the Availability Assessment Hours or the resource’s Net Qualifying Capacity as reduced by the same percentage by which any Forced Outages or temperature-related ambient de-rates reduced the resource’s availability from its PMax capacity during the Availability Assessment hours. If the SC for the Resource Adequacy Resource requests to convert from a Forced Outage to a Maintenance Outage in accordance with Section 9.3.3, the SC must terminate the existing Forced Outage and submit a new request for a Maintenance Outage. In the event the CAISO rejects the request to convert from a Forced Outage to a Maintenance Outage due to reliability criteria, the Outage will not be converted and the Forced Outage will continue. Outages properly submitted for temperature-related ambient derates for a Use Limited Resource will be counted against its availability only until such time as the Use Limited Resource reaches its energy limit constraint, at which time such Outages or derates will no longer count against the availability of the Use Limited Resource for the relevant month.

The start and end times used in calculating the availability of each resource each month will be the Outage time reported in the SLIC system or through the alternative reporting process of Section 40.9.5 for resources not included in the SLIC system.

**40.9.4.2.1 Substitute Capacity.**

A Scheduling Coordinator may substitute capacity that is not Resource Adequacy Capacity for its Resource Adequacy Capacity that is on a Forced Outage or de-rate in order to mitigate the impact of the Forced Outage or de-rate on its availability calculation. Such substitution will be accepted by the CAISO in accordance with the following procedures.

(1) For Local Capacity Area Resources. A Scheduling Coordinator providing Resource Adequacy Capacity to satisfy a Local Capacity Area requirement may pre-qualify alternate resources by providing a prequalification request in accordance with the form and schedule specified in the Business Practice Manual. If the alternate resource is located at the same bus as the Resource Adequacy Resource it would replace and has similar operational characteristics, the CAISO will approve the pre-qualification request as a substitute resource for use in the subsequent Resource Adequacy Compliance Year. Additionally, when a Local Capacity Area Resource Adequacy Resource subsequently has a Forced Outage or de-rate, the Scheduling Coordinator may, prior to the close of IFM, request to substitute a non-pre-qualified resource. The CAISO will grant the request if the alternate resource is (i) located at the same bus and meets the CAISO’s operational needs, or (ii) if not located at the same bus, is located in the same Local Capacity Area, and which meets the CAISO’s effectiveness and operational needs, including size of resource, as determined by the CAISO in its reasonable discretion.

(2) Non-Local Capacity Area Resources (Resource Adequacy Resources designated to meet system requirements). If a Resource Adequacy Resource that is not also a Local Capacity Area Resource has an outage that would count against its availability, the Scheduling Coordinator for that resource may, prior to the close of the IFM, request to substitute a non-Resource Adequacy Resource to be used in the place of the original resource.A Scheduling Coordinator for a non-Resource Specific System Resource that has an outage that would count against its availability may, prior to the close of the IFM, request to substitute a non-Resource Adequacy Resource that is internal to the CAISO Balancing Area Authority to be used in the place of the original resource. The CAISO shall approve the request if the substitute resource provides the same MW quantity of deliverable capacity as the original Resource Adequacy Resource.

**40.9.4.2.2 Accounting for De-Rates.**

In accounting for a de-rate of a unit that has not committed one hundred percent (100%) of its Net Qualified Capacity in its Monthly Supply Plan, the CAISO will follow the following principles:

(1) Any de-rate will be applied first to any non Resource Adequacy Capacity of the resource; and

(2) Any de-rate to Resource Adequacy Capacity will be applied pro-rata to any contract capacity exempt under Section 40.9.2(2) and any non-exempt Resource Adequacy Capacity commitment from that resource.

**40.9.5 Outage Reporting.**

Scheduling Coordinators for Generating Units or Resource-Specific System Resources that are also Resource Adequacy Resources with a maximum output capability of one (1) MW or more, but which do not meet the requirement to provide information on Forced Outages in accordance with Section 9.3.10, shall provide equivalent availability-related information in the form and on the schedule specified in the Business Practice Manuals. This information shall identify all Forced Outages and temperature-related ambient de-rates that have occurred over the previous calendar month and shall contain all relevant details needed to enable the CAISO to perform the availability calculation for the resource in accordance with Section 40.9.4, including: the start and end times of any Outages or de-rates, the MW availability in all Availability Assessment Hours, and the causes of any Forced Outages or de-rates. Scheduling Coordinators for Resource Adequacy Resources whose maximum output capability is ten (10) MW or more shall report Outage-related information in accordance with the reporting obligations in Section 9.3.10.

**40.9.6 Non-Availability Charges and Availability Incentive Payments.**

A Resource Adequacy Resource that is subject to the availability assessment in accordance with Section 40.9.4 and whose monthly availability calculation under Section 40.9.4.2 is more than two and a half percent (2.5%) below the monthly Availability Standard will be subject to a Non-Availability Charge for the month. A Resource Adequacy Resource subject to Section 40.9.4 whose availability calculation under Section 40.9.4.2 is more than two and a half percent (2.5%) above the monthly Availability Standard will be eligible for an Availability Incentive Payment for the month.

**40.9.6.1** **Determination of Resource Adequacy Capacity Subject to Non-Availability Charge.**

The amount of Resource Adequacy Capacity of a Resource Adequacy Resource subject to the Non-Availability Charge will be determined as follows:

(1) A Resource Adequacy Resource with actual availability calculated in accordance with Section 40.9.4.2 that is less than the Availability Standard minusthe tolerance band of two and a half percent (2.5%) for a given month will have the Non-Availability Charge assessed to that portion of itsnon-exempt Resource Adequacy Capacity determined in accordance with the following formula:

If the value of X satisfies RA\*(S - .025) > X >= PMin, then

P = RA\*(S - .025) – X

If the value of X satisfies PMin >= X >= 0, then

P = RA – (X/PMin)\*[RA(1 – (S - .025)) + PMin]

Where:

P = The RA Resource’s RA Capacity subject to Non-Availability Charge

S = Monthly Availability Standard as a fraction, so that 0 < S < 1.0

RA = The RA Resource’s RA Capacity (MW) less any exempt capacity

X = The RA Resource’s monthly calculated RA availability calculated in accordance with Section 40.9.4.2 (MW)

Pmin = The RA Resource’s Master File minimum operating limit (MW)

(*2*) No Non-Availability Charge will be applied when a Resource Adequacy Resource’s actual availability, calculated in accordance with Section 40.9.4.2 for a given month, is equal to or greater than the Availability Standard less two and a half percent (2.5%).

(*3*) Any Forced Outage or temperature-related ambient de-rates of a resource that the CAISO has accepted as a substitute for a Resource Adequacy Resource in accordance with Section 40.9.4.2.1 will be applied in calculating the availability of the Resource Adequacy Resource for which it is substituting.

**40.9.6.2 Determination of the Non-Availability Charge.**

The per-MW Non-Availability Charge rate will be the Monthly ICPM Capacity Payment price as specified in Schedule 6 of Appendix F of this CAISO Tariff. The Non-Availability Charge for a Resource Adequacy Resource shall be determined by multiplying the resource’s capacity subject to the Non-Availability Charge calculated in accordance with Section 40.9.6.1 by the Non-Availability Charge rate.

**40.9.6.3 Availability Incentive Payment.**

Scheduling Coordinators for Resource Adequacy Resources that achieve monthly availability that is more than two and a half percent (2.5%) above the monthly Availability Standard are eligible to receive the monthly Availability Incentive Payment. This payment will be funded entirely through the monthly Non-Availability Charges assessed for the same month. For each resource eligible for the Availability Incentive Payment, its eligible capacity will be that portion of its designated Resource Adequacy Capacity equal to its actual availability calculated in accordance with Section 40.9.4.2 minus the Availability Standard percent minus two and a half percent (2.5%). The monthly Availability Incentive Payment rate will equal the total Non-Availability Charges assessed for the month divided by the total Resource Adequacy Capacity eligible to receive the Availability Incentive Payment that month, provided that the Availability Incentive Payment rate shall not exceed three times the Non-Availability Charge rate. The Availability Incentive Payment the CAISO shall pay to each eligible resource will equal the product of its eligible capacity and the Availability Incentive Payment rate. Any remaining Non-Availability Charge funds that are not distributed to eligible Resource Adequacy Resources will be credited against the Real-Time neutrality charge to metered CAISO Demand for that Trade Month .

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