



California ISO

California Independent System Operator Corporation

January 17, 2025

The Honorable Debbie-Anne Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER25-____-000**

**Tariff Amendment to Make Limited Enhancements to the Capacity
Procurement Mechanism**

Dear Secretary Reese:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to make four operational and process enhancements to its capacity procurement mechanism (CPM).¹ The CPM, described in section 43A of the CAISO tariff, permits the CAISO to procure capacity when necessary to address certain types of reliability needs that cannot be met by resource adequacy (RA) capacity.

Through this filing, the CAISO seeks greater flexibility in how the CAISO administers the CPM and scheduling coordinators accept a CPM designation. Specifically, the CAISO proposes to make the following changes:

- (1) Adjust the MW volume of a significant event CPM designation based on pre-existing or new capacity obligations that arise during the term of the CPM designation;
- (2) Permit a resource to elect a significant event CPM designation term of less than 30 days;

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act (FPA), 16 U.S.C. § 824d, and Part 35 of the Commission's Regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the CAISO tariff, and references herein to specific tariff sections are references to sections of the CAISO tariff unless otherwise specified.

- (3) Extend the existing deadline for the CAISO to publish a market notice when issuing a CPM designation from two business days to five business days; and
- (4) Streamline the CPM designation report process by posting the report on OASIS and foregoing issuance of a market notice advising of the report's availability.

The need for the first two updates has been highlighted by prior experience where various limitations in the current CPM processes constrained the CAISO from using its CPM authority as effectively as possible. The third and fourth updates will benefit the CAISO by reducing the administrative burden of using the CPM authority, while maintaining transparency for stakeholders over how the CAISO uses CPM.

Each set of tariff amendments is discrete, severable, and not interdependent with the other parts of the proposal. The CAISO requests the Commission evaluate the justness and reasonableness of the revisions separately.

The CAISO respectfully requests the Commission issue an order accepting the proposed tariff revisions by March 21, 2025. The CAISO is targeting implementation of these provisions on April 1, 2025. To provide implementation flexibility, however, the CAISO requests these tariff revisions be effective subject to the CAISO filing a notice with the Commission no less than seven days prior to the actual effective date.²

I. Background

A. The Role of CPM Under the CAISO Tariff

The CAISO tariff includes RA provisions to ensure sufficient resources are available when and where needed to serve load, meet reserve requirements, and support reliable operation of the CAISO controlled grid.³ There nevertheless may be circumstances in which the RA capacity shown by load serving entities is inadequate or insufficient to meet the CAISO's operational needs and reliability

² The CAISO has included a proposed effective date of 12/31/9998 as part of the tariff records submitted in this filing. The CAISO will notify the Commission of the actual effective date of these tariff records in an eTariff submittal using Type of Filing code 150 – Report. The CAISO also respectfully requests the Commission grant waiver of the notice requirement of section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), to permit a potential effective date more than 120 days after this filing.

³ Tariff section 40, et seq.

criteria.⁴ The CAISO tariff provides the CAISO with authority to designate backstop capacity to meet reliability needs under its CPM and reliability must-run (RMR) mechanisms.

CPM is the mechanism for procuring backstop capacity if load serving entities are deficient in meeting their RA requirements or if RA capacity cannot meet an unforeseen, immediate, or impending reliability need. The CPM allows the CAISO to select bids voluntarily submitted by scheduling coordinators for generation resources in a competitive solicitation to procure capacity needed to address a deficiency or supplement load serving entities' resource adequacy procurement, as needed, to maintain grid reliability. The CAISO may designate capacity under the CPM to address six specified circumstances:

- (1) Insufficient local capacity area resources in an annual or monthly RA plan;⁵
- (2) Collective deficiency in local capacity area resources;⁶
- (3) Insufficient RA resources in a load serving entity's annual or monthly RA plan;⁷
- (4) A CPM significant event;⁸
- (5) A reliability or operational need for an exceptional dispatch CPM;⁹ and

⁴ After the monthly and annual RA showings, the CAISO notifies deficient load serving entities and provides them with an opportunity to cure their deficiencies.

⁵ Tariff sections 43A.2.1.1 and 43A.2.1.2, respectively.

⁶ Tariff section 43A.2.2.

⁷ Tariff section 43A.2.3.

⁸ Tariff section 43A.2.4. As defined in the CAISO tariff, a Significant Event is a "substantial event, or a combination of events, that is determined by the CAISO to either result in a material difference from what was assumed in the resource adequacy program for purposes of determining the Resource Adequacy Capacity requirements, or produce a material change in system conditions or in CAISO Controlled Grid operations, that causes, or threatens to cause, a failure to meet Reliability Criteria absent the recurring use of a non-Resource Adequacy Resource(s) on a prospective basis." Tariff appendix A (definition of "CPM Significant Event").

⁹ Tariff section 43A.2.5. An Exceptional Dispatch CPM Non-System Reliability Need is the "existence of a reliability issue where resolution depends on a resource in a specific geographic area within the CAISO Balancing Authority, which may include, but is not limited to, a local reliability area, zone, or region." Tariff appendix A (definition of "Exceptional Dispatch CPM Non-System Reliability Need"). An Exceptional Dispatch CPM System Reliability Need is the "existence of a reliability issue where resolution does not require a resource to be in a specific geographic area within the CAISO Balancing Authority Area, which may include, but is not limited to, a forced outage of a major transmission line or a forced outage of a large generating unit."

- (6) A cumulative deficiency in the total flexible RA capacity in the annual or monthly flexible RA capacity plans, or in a flexible capacity category in the monthly flexible RA capacity plans.¹⁰

A resource designated under the CPM is treated like an RA resource, and has the same must-offer obligations to bid into the CAISO markets during the time of the CPM designation.¹¹ CPM participation is voluntary; the CAISO does not require resources to submit offers into a CPM competitive solicitation. But if a resource submits an offer and the CAISO offers a designation, then the resource must accept. If a resource does not submit a bid into a CPM competitive solicitation, and the CAISO offers the resource a CPM designation, the resource may decline the CPM designation.¹²

B. Stakeholder Process for this Tariff Amendment

The CAISO stakeholder process leading to this filing began with publication of a straw proposal on July, 28, 2022 and an accompanying stakeholder call on August 4, 2022. The CAISO followed that by publishing a draft final proposal on September 23, 2022, a revised draft final proposal on November 29, 2022, and a combined final proposal/draft tariff language document on January 12, 2023. Each of these papers was accompanied by a stakeholder call. The CAISO Board of Governors approved the policy proposal on March 23, 2023. Based on evolving implementation priorities, the CAISO deferred implementation of this initiative until now. The CAISO kept its stakeholders apprised of the reprioritization through its standard release planning processes.

Tariff appendix A (definitions of “Exceptional Dispatch CPM System Reliability Need”). To be eligible for an Exceptional Dispatch CPM, capacity cannot be RA, and cannot be the subject of a self-schedule or market-based commitment during the time covered by the Exceptional Dispatch. Tariff section 43A.2.5.2.1.

¹⁰ Tariff section 43A.2.7.

¹¹ Tariff section 43A.5.1.

¹² Tariff sections 43A.5.1 – 43A.5.2. If capacity that was not offered into the Intra-monthly Competitive Solicitation Process (CSP) is offered an Exceptional Dispatch CPM designation and declines the designation, then the resource will be compensated based on supplemental revenues under Tariff sections 39.10 and 11.5.6.7. This essentially allows the resource to be paid, during the period it otherwise would have been designated as CPM, the higher of its energy bid price or the LMP, even if it otherwise would be subject to mitigation measures. In other words, the resource would not be mitigated for an exceptional dispatch that would otherwise be mitigated.

II. Proposed Changes

A. Make Mid-Term Adjustments in Significant Event CPM Quantity Based on Other Capacity Obligations

1. Current Gaps in Significant Event CPM Authority

Under current tariff section 43A.2.5.2.4, the CAISO adjusts the MW quantity of an *exceptional dispatch* CPM up or down based on either the expiration of pre-existing capacity obligations or the start of new capacity obligations, respectively.

The CAISO adjusts the CPM quantity *upwards* if a resource held a capacity obligation in the CAISO at the time it received the ED CPM, that other capacity obligation expires while the ED CPM is still in effect, and the ED CPM quantity was below the resource's minimum operating level. In these cases, the CAISO adjusts the ED CPM quantity up to the resource's minimum operating level. For example, consider a resource with a minimum operating level of 10 MW. That resource is shown for 20 MW of RA capacity for the month of September and 0 MW for the month of October but receives a 30-day exceptional dispatch CPM designation on September 15 for 6 MW. Its total capacity obligation for the balance of September will be 26 MW. But when its RA obligation expires on October 1, that 6 MW CPM will be below its minimum operating level of 10 MW. In this scenario, the CAISO adjusts the CPM quantity up to 10 MW for the remainder of the 30 days term of the CPM designation. Table A reflects this example.

Table A – Example of Upward CPM Adjustment

Date	RA Capacity	CPM Capacity	Total Obligation
June 1	20	0	20
June 15	20	6	26
July 1	0	10	10
July 15	0	0	0

This upward adjustment ensures the CPM capacity remains available to the CAISO on equitable terms. A resource cannot bid into the market below its minimum operating level. In this case, in the absence of the adjustment, the resource effectively would have a must-offer obligation of 10 MW on a 6 MW capacity obligation. Arguably this scenario would not compensate the resource for 4 MW of a must-offer obligation. To prevent this potential inequity, the CAISO automatically adjusts the CPM designation quantity upwards.

The CAISO adjusts the CPM quantity *downwards* to offset any new capacity obligations that start during the course of the CPM designation. For

example, consider a resource shown as RA for 40 MW for the month of June and 70 MW for the month of July. If the resource receives a 30-day exceptional dispatch CPM designation on June 15 for 50 MW, then the CAISO adjusts the CPM quantity down by 30 MW on July 1 to offset the 30 MW increase in RA quantity on that date. Table B reflects this example.

Table B – Example of Downward CPM Adjustment

Date	RA Capacity	CPM Capacity	Total Obligation
June 1	40	0	40
June 15	40	50	90
July 1	70	20	90
July 15	70	0	70

The downward adjustment in CPM quantity (in this example from 50 MW to 20 MW on July 1) helps ensure the CPM designation does not interfere with pre-existing capacity obligations. If this resource's net qualifying capacity were 100 MW, then without the adjustment the CPM designation of 50 MW plus the new RA quantity of 70 MW on July 1 would create a total obligation of 120 MW, which would be infeasible. Even if the resource's net qualifying capacity value were sufficient to meet both the new RA obligation and the unadjusted CPM value, the resource may have committed that additional capacity outside the CAISO balancing authority area or may have planned to use that excess as substitute capacity for another RA resource on outage. Adjusting the CPM designation quantity downwards helps the CAISO respect those potential other obligations. Without these adjustments a resource might refrain from accepting the exceptional dispatch CPM if offered (assuming it did not have a standing offer to the intra-monthly competitive solicitation process). The adjustment also reinforces the primacy of the RA program in meeting capacity needs in the CAISO balancing authority area, with CPM serving only as backstop procurement. In this example, even with the downward adjustment in the CPM quantity, the total capacity provided from this resource stays the same on July 1. That is, the downward adjustment in CPM does not result in the CAISO losing capacity. Rather, MWs of CPM capacity become MWs of RA capacity.

Although significant event CPM designations are similar in many respects to exceptional dispatch CPM designations, the CAISO lacks authority to make similar adjustments for significant event CPM designations. This lack of flexibility has hindered the CAISO's ability to utilize the significant event authority to the fullest extent possible, particular in stress summer grid conditions. The CAISO's inability to adjust the significant event CPM designation quantity downward means the CAISO has experienced instances where resources with capacity available to meet the significant event have not made themselves available for a significant event CPM designation because other pre-existing capacity obligations would make them unavailable for the full designation term. In these

cases, the resource either does not accept the CPM at all or only accepts an initial designation at an amount that accommodates the pre-existing obligation that has not yet started. The result is that the CAISO has lost access to capacity that was available to meet a CPM significant event. The lack of authority to adjust the CPM quantity upwards may also lead a resource to decline a CPM significant event designation if the designation is below its minimum operating level and the resource's total RA capacity obligation otherwise would drop below that minimum operating level during the term of the CPM significant event designation.

The absence of these automatic adjustments for significant event designations is problematic. Regardless of whether a resource offered to the intra-monthly competitive solicitation process, a resource always must comply with an exceptional dispatch instruction if it is physically capable of doing so. The situation with a significant event is different. A resource without an offer to the intra-monthly competitive solicitation process has no obligation to meet the reliability need the significant event represents. This means the absence of a parallel adjustment authority for significant event designations has created, and will continue to create, limitations on the efficacy of the significant event CPM designation authority.

2. Explanation of Tariff Amendments

The CAISO proposes to extend the current rules on adjusting the MW quantity of an exceptional dispatch CPM to significant event CPM designations. These tariff amendments will help ensure the CAISO may use its CPM significant event designation authority to its maximum utility in order to address reliability needs arising from a significant event. The CAISO also proposes conforming/clarifying changes to the rules governing exceptional dispatch CPM designations. Most notably, the CAISO proposes tariff language clearly addressing the ability of resources to enter into new capacity obligations that did not exist at the time the exceptional dispatch or significant event CPM designation came into effect.

To implement this new authority for significant event CPM designations, the CAISO proposes a new section 43A.2.4.1, which is titled "Quantity of Capacity included in a Significant Event CPM Designation and Change in Status as Committed RA Capacity or RMR Capacity." This provision contains three sub-parts—sections 43A.2.4.1.1, 43A.2.4.1.2, and 43A.2.4.1.3—that address scenarios in which a resource may experience a change in its capacity status during the term of a significant event CPM designation.

Section 43A.2.4.1.1 acknowledges that a resource may be under a capacity obligation in the CAISO balancing authority area when the significant event CPM designation begins and that such pre-existing obligation may end

while the significant event designation is still in effect. Consistent with the existing rules for exceptional dispatch CPM designations, proposed section 43A.2.4.1.1 states “the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the post-reduction Committed RA Capacity and/or RMR Capacity is not less than PMin.”¹³ The Commission should accept this rule change because it helps ensure that a resource with a significant event CPM designation will not face an effective must-offer obligation that exceeds its capacity obligation.

The new rule in section 43A.2.4.1.1 would not apply in two limited circumstances.

First, the rule to increase the CPM quantity will not apply where the pre-existing obligation is reduced “because of an Outage for which the resource secures RA Substitute Capacity.” This limitation is necessary because when a RA resource goes on outage and secures substitute capacity the RA obligation transfers to the substitute resource during the time the alternative resource provides substitute capacity. That transfer of RA obligation then means the initial resource’s total capacity obligation would fall below its minimum operating level. Without this limitation, the outage on the initial resource could trigger an increase of the CPM designation quantity on that resource to cover the range from zero to the minimum operating level. It would serve no purpose to respond to a resource’s outage by granting it a new capacity obligation, which, because of the outage, it never could meet. This narrow limitation in the tariff avoids that outcome.

Second, the rule does not apply due to the expiration of capacity obligations outside of the CAISO balancing authority area. The CAISO does not have visibility into outside capacity obligations and would not be able to administer this rule across other balancing authority areas. It also is not clear whether it would be appropriate to extend this rule to other balancing authority areas and other capacity programs without other more significant coordination beyond this narrow CPM scenario.

Section 43A.2.4.1.2 contemplates that a resource may have a pre-existing capacity obligation that becomes effective after the significant event CPM designation starts. For example, a resource may not have been shown for any RA capacity in September but have been shown for 50 MW of RA capacity for October. If it receives a significant event CPM designation on September 15, then that 50 MW obligation for October would be a pre-existing obligation that becomes effective during the term of the significant event designation. Proposed

¹³ The proposed revisions apply where the reduction in capacity commitment in the CAISO balancing authority area happens for reasons “other than because of an Outage for which the resource secures RA Substitute Capacity.”

section 43A.2.4.1.2 states that when the pre-existing obligation goes into effect, the CAISO will reduce the CPM “by the amount of pre-existing obligation from the effective date through the earlier of the: (a) expiration of the CPM Significant Event designation term; or (b) expiration of the term of the pre-existing obligation to be Committed RA Capacity or RMR Capacity.”¹⁴ This rule change is appropriate because it will increase the CAISO’s access to available capacity in a way that respects existing capacity arrangements.

Proposed section 43A.2.4.1.3 explicitly states that resources holding a CPM significant event designation can enter new capacity obligations during the term of that CPM designation. For most new capacity obligations, the CAISO will reduce the CPM by the amount of the new obligation. The purpose of this rule is to ensure that the CAISO’s backstop capacity procurement does not reduce the pool of capacity available to meet RA obligations. Even if this rule results in the CAISO having the same quantity of capacity available, it is still preferable for that capacity to have been procured to the maximum extent possible by load serving entities through bilateral RA contracting, rather than through the CAISO CPM. In effect, this rule allows the CAISO to trade CPM capacity for RA capacity on a one-to-one basis. In the case of RA substitute capacity or external capacity obligations, proposed section 43A.2.4.1.3 does not reduce the quantity of the significant event designation. Instead, it states that new obligations for substitute capacity or external capacity are not allowed if those new obligations plus any existing capacity obligations in the CAISO balancing authority area would exceed the resource’s net qualifying capacity. This rule will help ensure the CAISO will maintain access to the capacity it procured to meet a significant event. If the CAISO released CPM capacity to serve as substitute capacity or external capacity, then it would reduce the total capacity available to the CAISO. With obligations to an external balancing authority area, that point is self-evident; the capacity is committed elsewhere. With substitute capacity, the resource is still meeting a need within the CAISO balancing authority area. However, by serving as substitute capacity it would be allowing another RA resource to take an outage, which would reduce the pool of capacity in the CAISO. That outage should not be allowed to take place at the expense of taking away capacity procured to meet a significant event. Instead, the RA resource seeking to take an outage should find substitute capacity that is not already committed as RA, CPM, or RMR.

These proposed additions to section 43A.2.4 are meant to conform the existing rules for exceptional dispatch CPM designations in section 43A.2.5.2.4 with those for significant event CPM designations. However, the CAISO also proposes to add additional clarity to the exceptional dispatch provisions in section 43A.2.5.2.4 by amending them to follow the detailed discussion of the

¹⁴ As with section 43A.2.4.1.1, this adjustment applies only to capacity obligations within the CAISO balancing authority area.

three scenarios discussed in section 43A.2.4.1. Of particular note is proposed section 43A.2.5.2.4.3, which addresses the ability of a resource under an exceptional dispatch CPM designation to enter into new capacity obligations during the term of the designation.¹⁵ Existing section 43A.2.5.2.4 states that if capacity under “an Exceptional Dispatch CPM designation *becomes RA Capacity* . . . as of a certain date, then the Exceptional Dispatch CPM designation shall be reduced by the amount of the new RA Capacity . . . from that date through the rest of the CPM designation term.” The phrase “becomes RA Capacity” is ambiguous as to whether it covers only cases where the resource had a pre-existing obligation or would also address cases where the resource enters a new capacity obligation. The proposed amendments to section 43A.2.5.2.4 resolve this potential ambiguity by clarifying that the tariff contemplates both scenarios. To further clarify this issue, the CAISO also proposes to add a sentence to section 43A.5.2 to state that aside from the exceptions noted in sections 43A.2.4.1 and 43A.2.5.2.4, “a resource that accepts a CPM designation may not enter into any other new capacity obligations . . . that conflict with the resource’s ability to meet its obligations to perform for the full quantity and full period of the designation.”

3. Stakeholder Feedback

In the stakeholder process, several stakeholders encouraged the CAISO to clarify that resources holding exceptional dispatch and significant event CPM designations were permitted to enter into new capacity obligations during the term of those CPM designations. That feedback is the basis of the proposed tariff language in sections 43A.2.4.1.3 and 43A.2.5.2.4.3. The CAISO received other questions from stakeholders on the mechanics of these proposed rules. For example, a stakeholder asked if a pre-existing obligation to serve as substitute capacity would trigger the reduction in the CPM designation quantity and also whether the CPM quantity would go back up if the substitution obligation ended before the CPM ended. The CAISO clarified that the answer to both questions was yes. However, the CAISO also explained the adjustment to the CPM quantity would not apply if the substitute capacity obligation did not pre-exist the CPM designation.

B. Permit Significant Event CPM Designation Term Below 30 Days at Resource’s Election

1. Problems Posed by Minimum Designation Term

Tariff section 43A.3.5 establishes 30 days as the minimum term for a significant event CPM designation. Because of this minimum term, the CAISO

¹⁵ This section is the analogue to proposed section 43A.2.4.1.3 for significant event CPM designations.

has observed resources decline offers of a mid-month significant event CPM designation. In some cases, the resource has an existing capacity commitment that starts at the beginning of the next month. Because the resource would be incapable of meeting both the existing capacity obligation and the potential CPM obligation, it declines the CPM offer. In other instances, the resource may have a maintenance outage planned for some point during the term of the CPM and the resource is unwilling or incapable of securing substitute RA capacity. Under existing rules, without substitute capacity the CAISO would cancel the resource's maintenance outage. To avoid risking cancellation of the maintenance outage, the resource declines the CPM offer. During significant events resources with available capacity should not have to decline the CPM designation offer because of these concerns. Greater flexibility for resources in these circumstances to accept a CPM designation for less than 30 days could help advance reliability by eliminating a reason for resources to decline the designation.

2. Explanation of Tariff Amendments

To address the identified problems posed by the current minimum 30-day term for significant event CPM designations, the CAISO proposes to revise section 43A.3.5 to provide scheduling coordinators for resources the option to "request a single continuous term shorter than thirty (30) days pursuant to the procedures established in the Business Practice Manual." In creating those procedures, the CAISO will look to make them as simple and streamlined as possible.

The default minimum term will remain at 30 days and will continue to apply unless a scheduling coordinator affirmatively requests a shorter term. Importantly, the term would be continuous. For example, the resource could not request two separate 10-day terms within a 30-day time period that sum to 20 days. Also important, the term and MW value associated with the significant event CPM award would be static once the designation is made. Allowing discontinuous terms or after-the-fact changes in the election to accept a significant event CPM designation would create implementation complexities for the CAISO and also make it harder for the CAISO to know how well the CPM designation actually would meet the need posed by the significant event.

Another important limitation is that the option for a significant event CPM designation term of less than 30 days applies only to capacity not offered to the intra-monthly competitive solicitation process. Extending this option to capacity offered into the intra-monthly process would have required more significant reforms to the overall CPM. An offer to the intra-monthly process is a binding commitment to accept either an exceptional dispatch or a significant event CPM designation type if offered at any point the offer is still effective. It is designed to be a standardized offer to serve as 30 days to meet either a significant event or an exceptional dispatch. The CAISO concluded that offering a flexible

designation term to designations arising from the competitive solicitation process would mark too significant of a change to the design of the competitive solicitation process relative to the limited scope of the stakeholder initiative.

The CAISO acknowledges a resource's election of a designation term of less than 30 days could mean that the resource's capacity might not be available to address the full extent of the significant event.¹⁶ For example, the significant event might last for 20 days but a resource might request a 15-day designation. This would leave the CAISO with five days of the significant event uncovered by needed capacity. To minimize the likelihood of this happening, when making significant event CPM designations to capacity not offered to the intra-monthly CSP, the CAISO will reserve the right to retract the offer of CPM designation to capacity that cannot meet the minimum needs posed by the significant event in favor of other capacity that can meet the minimum needs. If there remains insufficient capacity to meet the minimum CPM significant event needs, then the CAISO would have the discretion to re-offer the CPM designation to the capacity that is only partially available to meet the CPM need. This approach is consistent with current tariff section 43A.4.2.1, which states if "there is insufficient capacity to meet the minimum designation criteria from both resources offered into the CSP and resources not offered into the CSP, then the CAISO may reassess and lower the minimum criteria." The rationale of this approach is that partially meeting the CPM need is better than not meeting the need at all. Further, because the CAISO will tailor the CPM term to the resource's availability, it only will receive CPM capacity payments for the time it is available.

The proposal to allow significant event CPM designations of less than 30 days addresses similar issues to the amendments described in section II.A of this transmittal letter to address limitations in willingness to accept significant event designations by permitting *reductions in the designation quantity*. The amendments described in this section address the same issue by permitting *reductions in the designation term*. Although these two sets of amendments address the same problem, they are severable and individually necessary. For resources with another capacity obligation in the CAISO, the ability to select a shorter designation term might be of limited benefit if the automatic adjustments described in section II.A were in effect. There might not be a need to select a shorter designation term if the CAISO automatically reduced the MW quantity of the CPM designation to accommodate the other obligation. However, the reductions in designation quantity are of no benefit in cases where the resource has a capacity commitment outside the CAISO balancing authority area (because the CAISO does not necessarily have visibility over those obligations) or where the resource has planned a maintenance outage and does not want to secure substitute capacity. In these cases, the election of a term shorter than 30

¹⁶ Existing language in section 43A.3.5 addresses the CAISO's ability to extend the significant event designation beyond the initial 30-day period when necessary.

days may allow the resource to accept the CPM designation to help meet the reliability need.

3. Stakeholder Feedback

Stakeholders requested the CAISO develop this proposal to give scheduling coordinators the flexibility to request significant event designations shorter than 30 days. Stakeholders also asked if the ability to request a designation less than 30 days would extend to designations of capacity offered into the intra-monthly competitive solicitation process. The CAISO clarified during the stakeholder process that this flexibility would not apply to capacity offered to the intra-monthly competitive solicitation process. As explained above, allowing this treatment to capacity offered to the intra-monthly competitive solicitation process would undermine the design of the competitive solicitation process to serve as a standardized capacity procurement method with a set term for either exceptional dispatches or significant events.

C. Extend Deadline to Post Market Notice When Issuing CPM Designations

1. Current Issues with the Market Notice Posting Deadline

CAISO tariff section 43A.6.1 requires the CAISO to “issue a Market Notice within two (2) Business Days of a CPM designation.” The tariff further specifies the information the notice must include, such as basic information about the resource involved, a description of the need for the designation, and (for exceptional dispatches) the engineering assessment used to identify the quantity of capacity needed. This two-business-day deadline poses administrative challenges to completing and publishing the report. If the CAISO needs to issue a CPM, it usually means the grid is under strain or unexpected events have arisen. The same staff who are involved in managing the CPM and preparing the market notice typically also are involved in responding to the operational issues that created the need for the CPM. Having a two-business-day deadline to prepare the market notice in the midst of that other activity imposes an undue burden. The short turnaround time also reduces the ability to conduct necessary internal review and increases the risk of inadvertent errors in the market notice.

2. Explanation of Tariff Amendments

To ensure the CAISO has sufficient time to collect the information needed for the market notice, undertake the proper reviews, and validate the information presented in the notice, the CAISO proposes to amend section 43A.6.1 to provide up to five business days to post the market notice. This modest extension of time will provide significant relief to CAISO staff and will maintain the CAISO's current commitment to providing market participants and stakeholders timely information regarding CPM designations.

Separately, the CAISO proposes to remove the requirement that the market notice state the CAISO will publish a designation report in compliance with section 43A.6.2. Providing the designation report (addressed more fully in part II.D.) has been, and will continue to be, a tariff obligation. The CAISO always intends to comply with its tariff obligations. It is unnecessary, however, for one section of the CAISO tariff to restate a compliance obligation that exists under a separate tariff section.

3. Stakeholder Feedback

Stakeholders did not oppose extending the market notice posting deadline. One stakeholder suggested the CAISO create new tariff obligations to provide transparency regarding anticipated CPM significant events. The CAISO provides such market notices where possible and practical; however, the CAISO is not proposing to include this language in its tariff. The CAISO will not always be able to identify a significant event with sufficient advance notice to permit a market notice separate from the notice advising of the actual CPM designations.

D. Streamline Process for Posting CPM Designation Report

1. Manual Process for Posting CPM Designation Report Creates Administrative Burden

CAISO tariff section 43A.6.2 requires the CAISO to post a designation report "to the CAISO Website" and provide a market notice advising that the report is available at the earlier of 30 days from designating CPM capacity or ten days after the end of the month. In reviewing the CPM process, the CAISO identified a process improvement with the designation reports. Historically the CAISO has posted the designation report as a standalone document on its website. This is a manual process that involves recreating a similar report each time it publishes and undertaking the steps needed to publish a document to the main public website. As an alternative, posting the report through the CAISO's open access same-time information system (OASIS) will allow CAISO staff to

standardize and automate significant parts of the designation report process. Such an enhancement would reduce administrative burden for the CAISO.

2. Explanation of Tariff Amendments

To facilitate publishing the designation report on OASIS, the CAISO needs to amend some of the tariff-required elements included in the designation report.¹⁷ OASIS is not configured to report some of these specific elements. The elements the CAISO proposes to remove from the tariff are either unnecessary or available elsewhere, such as the initial designation market notice. The CAISO proposes to delete posting an explanation of the amount of capacity designated. This information is self-evident from the other information posted. The amount designated will be the amount the CAISO had available to meet the RA deficiency, significant event, or non-RA capacity that responded to an exceptional dispatch. The current tariff also requires the CAISO to note if a resource has a pending request with the Commission for compensation above the soft offer cap. The CAISO does not have a way to reflect this information through OASIS and no market participant has yet made such a request to the Commission.

The CAISO also proposes to delete provisions specific for exceptional dispatch and significant event designation types. These provisions largely call for information that duplicates what is included in the initial market notice. Sub-part 3 of 43A.6.2 relates to significant event designations and largely calls for basic information. One provision requires the CAISO to update market participants if the initial CPM term of 30 days has been extended. Under tariff section 43A.3.5, the CAISO must work with market participants to identify alternative solutions if it extends the initial term. Stakeholders will have visibility over whether the designation was extended regardless of the designation report. Thus, removing this part of section 43A.6.2 will not reduce transparency over the CAISO's CPM processes. Sub-part 4 of section 43A.6.2 calls for the CAISO to provide information regarding the circumstances requiring the exceptional dispatch. The market notices, however, have provided the full extent of the information the CAISO is able to provide. By the time of the designation report, the CAISO has not had any further information to report. For this reason, removing this particular provision from the tariff is unlikely to reduce transparency of CPM activities.

As part of these amendments, the CAISO also proposes to remove the requirement to post a market notice advising the designation report is available.

¹⁷ Merely moving the designation report to OASIS would not require tariff amendments because the current requirement is to post the report to the "CAISO Website" and the CAISO tariff defines OASIS as part of that website (an "electronic posting system . . . the CAISO maintains on the CAISO Website." (emphasis added)).

With the report now available on OASIS, interested stakeholders can configure their systems to receive automated notices when the report has been posted. Preparing and posting market notices also remains a highly manual process. Automating the designation reports through OASIS but maintaining the manual market notice process would frustrate the goals of this shift to using OASIS for the designation reports.

3. Stakeholder Feedback

Stakeholder feedback centered on clarifying questions. Specifically, some stakeholders sought clarity about whether the designation report posting deadline would change. The CAISO explained it is not proposing to change the deadline.

III. Effective Date

The CAISO respectfully requests the Commission issue an order accepting the tariff revisions by March 21, 2025. A Commission order by that date will provide regulatory certainty for the CAISO, its market participants, and stakeholders before the planned April 1, 2025 implementation. The CAISO requests these tariff revisions take effect subject to the CAISO filing a notice with the Commission no less than seven days prior to the actual effective date.

Under section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, the CAISO respectfully requests the Commission grant waiver of the notice requirement of section 35.3(a)(1) of the Commission's regulations, 18 C.F.R. § 35.3(a)(1), to permit a potential effective date over 120 days after this filing. Good cause exists to grant this waiver because it will permit the CAISO and its market participants beneficial flexibility with the implementation date without facing the administrative burden of further filings with the Commission to adjust the tariff effective date.

IV. Communications

Under Rule 203(b)(3),¹⁸ the CAISO respectfully requests that all correspondence and other communications about this filing be served upon:

David S. Zlotlow
Lead Counsel
California Independent System
Operator Corporation
250 Outcropping Way

¹⁸ 18 C.F.R. § 385.203(b)(3).

Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
Email: dzlotlow@caiso.com

V. Service

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

VI. Contents of this filing

Besides this transmittal letter, this filing includes these attachments:

Attachment A	Clean CAISO tariff sheets
Attachment B	Redlined CAISO tariff sheets
Attachment C	Memo to CAISO Board of Governors dated March 15, 2023

VII. Conclusion

The CAISO respectfully requests that the Commission issue an order accepting the tariff revisions in this filing by March 21, 2025, effective as of the dates specified. Acceptance of these tariff revisions will enhance the effectiveness of the significant event and exceptional dispatch types of CPM designations and streamline administration of the CPM processes to the benefit of the CAISO and its stakeholders.

The Honorable Debbie-Anne Reese
January 17, 2025
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Respectfully submitted,

/s/ David S. Zlotlow

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Attachment A – Clean Tariff

Tariff Amendment Filing

Limited Enhancements to the Capacity Procurement Mechanism

California Independent System Operator Corporation

January 17, 2025

Section 43A

* * * * *

43A.2.4 CPM Significant Events

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

43A.2.4.1 Quantity of Capacity included in a Significant Event CPM Designation and Change in Status as Committed RA Capacity or RMR Capacity

43A.2.4.1.1 Other Pre-existing and Effective Capacity Obligations

A resource's capacity may already be Committed RA Capacity or RMR Capacity at the time a resource's CPM Significant Event designation becomes effective. If the amount of that pre-existing and effective obligation to serve as Committed RA Capacity or RMR Capacity is reduced during the term of the resource's CPM Significant Event designation other than because of an Outage for which the resource secures RA Substitute Capacity, then the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the post-reduction Committed RA Capacity and/or RMR Capacity is not less than PMin. The CAISO does not increase the CPM designation quantity pursuant to this Section 43A.2.4.1.1 due to a pre-existing capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.4.1.2 Other Pre-existing but not yet Effective Capacity Obligations

During the term of a resource's CPM Significant Event designation, a resource may have a pre-existing but not yet effective obligation to be Committed RA Capacity or RMR Capacity. Upon that pre-existing obligation to be Committed RA Capacity or RMR Capacity becoming effective, the CAISO reduces the CPM Significant Event designation by the amount of pre-existing obligation from the effective date through the earlier of the: (a) expiration of the CPM Significant Event designation term; or (b) expiration of the term of the pre-existing obligation to be Committed RA Capacity or RMR Capacity.

The CAISO does not reduce the CPM Significant Event designation quantity pursuant to this Section

43A.2.4.1.2 because of either a: (i) pre-existing obligation to be Committed RA Capacity or RMR Capacity that already is in effect at the start of the CPM Significant Event designation term; or (ii) pre-existing but not yet effective capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.4.1.3 New Capacity Obligations

During the term of a resource's CPM Significant Event designation, a resource may enter a new obligation to be Committed RA Capacity or RMR Capacity that becomes effective during the term of the CPM Significant Event designation. Upon that new capacity obligation becoming effective, the CAISO reduces the CPM Significant Event designation by the amount of new capacity obligation from the effective date through the earlier of the: (a) expiration of the CPM Significant Event designation term; or (b) expiration of the term of the new obligation to be Committed RA Capacity or RMR Capacity. Provided, however, that during the term of a CPM Significant Event designation, a resource may not enter new obligations to be either Substitute RA Capacity or capacity outside the CAISO Balancing Authority Area that become effective during the term of the CPM Significant Event designation if the existing obligations to be Committed RA Capacity and RMR Capacity plus the quantity of the new obligations would exceed the resource's Net Qualifying Capacity.

43A.2.5 Exceptional Dispatch CPM

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43A.2.5.2.4 Change in Status as Committed RA Capacity or RMR Capacity

43A.2.5.2.4.1 Other Pre-existing and Effective Capacity Obligations

A resource's capacity may already be Committed RA Capacity or RMR Capacity at the time a resource's Exceptional Dispatch CPM designation becomes effective. If the amount of that pre-existing and effective obligation to serve as Committed RA Capacity or RMR Capacity is reduced during the term of the resource's Exceptional Dispatch CPM designation other than because of an Outage for which the resource secures RA Substitute Capacity, then the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the post-reduction Committed RA Capacity and/or RMR Capacity is not less than PMin. The CAISO does not increase the CPM designation quantity pursuant to

this Section 43A.2.5.2.4.1 due to a pre-existing capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.5.2.4.2 Other Pre-existing but not yet Effective Capacity Obligations

During the term of a resource's Exceptional Dispatch CPM designation, a resource may have a pre-existing but not yet effective obligation to be Committed RA Capacity or RMR Capacity. Upon that pre-existing obligation to be Committed RA Capacity or RMR Capacity becoming effective, the CAISO reduces the Exceptional Dispatch CPM designation by the amount of pre-existing obligation from the effective date through the earlier of the: (a) expiration of the Exceptional Dispatch CPM designation term; or (b) expiration of the term of the pre-existing obligation to be Committed RA Capacity or RMR Capacity. The CAISO does not reduce the Exceptional Dispatch CPM designation quantity pursuant to this Section 43A.2.5.2.4.2 because of either a: (i) pre-existing obligation to be Committed RA Capacity or RMR Capacity that already is in effect at the start of the Exceptional Dispatch CPM designation term; or (ii) pre-existing but not yet effective capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.5.2.4.3 New Capacity Obligations

During the term of a resource's Exceptional Dispatch CPM designation, a resource may enter a new obligation to be Committed RA Capacity or RMR Capacity that becomes effective during the term of the Exceptional Dispatch CPM designation. Upon that new capacity obligation becoming effective, the CAISO reduces the Exceptional Dispatch CPM designation by the amount of new capacity obligation from the effective date of the new obligation through the earlier of the: (a) expiration of the Exceptional Dispatch CPM designation term; or (b) expiration of the term of the new obligation to be Committed RA Capacity or RMR Capacity. Provided, however, that during the term of an Exceptional Dispatch CPM designation, a resource may not enter new obligations to be either Substitute RA Capacity or capacity outside the CAISO Balancing Authority Area that become effective during the term of the Exceptional Dispatch CPM designation if the existing obligations to be Committed RA Capacity and RMR Capacity plus the quantity of the new obligations would exceed the resource's Net Qualifying Capacity.

* * * * *

43A.3.5 Term – CPM Significant Event

CPM Capacity designated under Section 43A.2.4 shall have a default initial term of thirty (30) days. The Scheduling Coordinator for capacity that did not submit an offer to the CSP but can meet the minimum designation criteria may request a single continuous term shorter than thirty (30) days pursuant to the procedures established in the Business Practice Manual. If the CAISO designates such capacity requesting a shorter designation term, then the term of designation will be for the number of days specified in the Scheduling Coordinator's request.

If the CAISO determines that the CPM Significant Event is likely to extend beyond the thirty (30) day period, the CAISO may offer to extend the designation for another sixty (60) days to capacity that held an initial term of thirty (30) days. This offer of extension to the Scheduling Coordinator may be accepted or denied. If the Scheduling Coordinator declines an offer to extend the designation for an additional sixty (60) days, then the CAISO shall re-run the Intra-monthly CSP based on the existing offers. The Scheduling Coordinator for the resource declining an extension of the CPM designation shall be given the opportunity to provide an offer to that re-run Intra-monthly CSP, provided the offer is below the offer price at which its initial thirty (30) day designation was granted. If the Scheduling Coordinator accepts an offer to extend the designation for an additional sixty (60) days, then the CPM Capacity shall continue to be compensated on the same terms as it was during the initial thirty (30) day designation. During this additional sixty (60) day period, the CAISO will provide Market Participants with an opportunity to provide alternative solutions to meet the CAISO's operational and reliability needs in response to the CPM Significant Event, rather than rely on the CAISO's designation of capacity under the CPM. The CAISO shall consider and implement, if acceptable to the CAISO in accordance with Good Utility Practice, such alternative solutions provided by Market Participants in a timely manner. If Market Participants do not submit any alternatives to the designation of CPM capacity that are fully effective in addressing the deficiencies in Reliability Criteria resulting from CPM Significant Event, the CAISO shall extend the term of the designation under Section 43A.2.4 for the expected duration of the CPM Significant Event.

If the solutions offered by Market Participants are only partially effective in addressing the CAISO's operational and reliability needs resulting from the CPM Significant Event, the CAISO shall extend the

designation under Section 43A.2.4 for the expected duration of the CPM Significant Event, but only as to the amount of CPM Capacity necessary to satisfy the CAISO's operational and reliability needs after taking into account the effective capacity provided by the alternative solution. If there is a reasonable alternative solution that fully resolves the CAISO's operational and reliability needs, the CAISO will not extend the designation under Section 43A.2.4.

* * * * *

43A.5.2 Obligation to Provide Capacity and Termination

The decision to accept a designation as CPM Capacity shall be voluntary for the Scheduling Coordinator for any resource. If the Scheduling Coordinator for a resource accepts a CPM designation, it shall be obligated to perform for the full quantity and full period of the designation with respect to the amount of CPM Capacity for which it has accepted a CPM designation. If the Scheduling Coordinator for a resource accepts a Flexible Capacity CPM designation, the resource shall be obligated to perform for the full quantity and full period of the designation, subject to the must-offer obligation in Section 40.10.6 that applies to the Flexible Capacity Category of the resource that was designated. Except as permitted under Section 43A.2.4.1 or Section 43A.2.5.2.4, a resource that accepts a CPM designation may not enter into any other new capacity obligations, whether those obligations are within or outside the CAISO Balancing Authority Area, that conflict with the resource's ability to meet its obligations to perform for the full quantity and full period of the designation. If a Participating Generator's or Participating Load's Eligible Capacity is designated under the CPM after the Participating Generator or Participating Load has filed notice to terminate its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement or withdraw the Eligible Capacity from its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, and the Scheduling Coordinator for the resource agrees to provide service under the CPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, as applicable, with the CAISO.

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43A.6.1 CPM Designation Market Notice

The CAISO shall issue a Market Notice within five (5) Business Days of a CPM designation under Sections 43A.2.1 through 43A.2.6. CPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.11.4. 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, and the initial designation period. 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 within the earlier of thirty (30) days of procuring a resource under Sections 43A.2.1 through 43A.2.6 or ten (10) days after the end of the month; provided that if the CAISO makes a CPM 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) the date CPM Capacity was designated,
- (d) the duration of the designation; and
- (e) the accepted offer price of the resource.

Attachment B – Marked Tariff

Tariff Amendment Filing

Limited Enhancements to the Capacity Procurement Mechanism

California Independent System Operator Corporation

January 17, 2025

Section 43A

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43A.2.4 CPM Significant Events

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

43A.2.4.1 Quantity of Capacity included in a Significant Event CPM Designation and Change in Status as Committed RA Capacity or RMR Capacity

43A.2.4.1.1 Other Pre-existing and Effective Capacity Obligations

A resource's capacity may already be Committed RA Capacity or RMR Capacity at the time a resource's CPM Significant Event designation becomes effective. If the amount of that pre-existing and effective obligation to serve as Committed RA Capacity or RMR Capacity is reduced during the term of the resource's CPM Significant Event designation other than because of an Outage for which the resource secures RA Substitute Capacity, then the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the post-reduction Committed RA Capacity and/or RMR Capacity is not less than PMin. The CAISO does not increase the CPM designation quantity pursuant to this Section 43A.2.4.1.1 due to a pre-existing capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.4.1.2 Other Pre-existing but not yet Effective Capacity Obligations

During the term of a resource's CPM Significant Event designation, a resource may have a pre-existing but not yet effective obligation to be Committed RA Capacity or RMR Capacity. Upon that pre-existing obligation to be Committed RA Capacity or RMR Capacity becoming effective, the CAISO reduces the CPM Significant Event designation by the amount of pre-existing obligation from the effective date through the earlier of the: (a) expiration of the CPM Significant Event designation term; or (b) expiration of the term of the pre-existing obligation to be Committed RA Capacity or RMR Capacity.

The CAISO does not reduce the CPM Significant Event designation quantity pursuant to this Section

43A.2.4.1.2 because of either a: (i) pre-existing obligation to be Committed RA Capacity or RMR Capacity that already is in effect at the start of the CPM Significant Event designation term; or (ii) pre-existing but not yet effective capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.4.1.3 New Capacity Obligations

During the term of a resource's CPM Significant Event designation, a resource may enter a new obligation to be Committed RA Capacity or RMR Capacity that becomes effective during the term of the CPM Significant Event designation. Upon that new capacity obligation becoming effective, the CAISO reduces the CPM Significant Event designation by the amount of new capacity obligation from the effective date through the earlier of the: (a) expiration of the CPM Significant Event designation term; or (b) expiration of the term of the new obligation to be Committed RA Capacity or RMR Capacity. Provided, however, that during the term of a CPM Significant Event designation, a resource may not enter new obligations to be either Substitute RA Capacity or capacity outside the CAISO Balancing Authority Area that become effective during the term of the CPM Significant Event designation if the existing obligations to be Committed RA Capacity and RMR Capacity plus the quantity of the new obligations would exceed the resource's Net Qualifying Capacity.

43A.2.5 Exceptional Dispatch CPM

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43A.2.5.2.4 Change in ~~RA, RMR or CPM~~ Status as Committed RA Capacity or RMR Capacity

43A.2.5.2.4.1 Other Pre-existing and Effective Capacity Obligations

A resource's capacity may already be Committed RA Capacity or RMR Capacity at the time a resource's Exceptional Dispatch CPM designation becomes effective. If the amount of that pre-existing and effective obligation to serve as Committed RA Capacity or RMR Capacity is reduced during the term of the resource's Exceptional Dispatch CPM designation other than because of an Outage for which the resource secures RA Substitute Capacity, then the CAISO will increase the CPM designation by the amount, if any, necessary to ensure that the post-reduction Committed RA Capacity and/or RMR

Capacity is not less than PMin. The CAISO does not increase the CPM designation quantity pursuant to this Section 43A.2.5.2.4.1 due to a pre-existing capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.5.2.4.2 Other Pre-existing but not yet Effective Capacity Obligations

During the term of a resource's Exceptional Dispatch CPM designation, a resource may have a pre-existing but not yet effective obligation to be Committed RA Capacity or RMR Capacity. Upon that pre-existing obligation to be Committed RA Capacity or RMR Capacity becoming effective, the CAISO reduces the Exceptional Dispatch CPM designation by the amount of pre-existing obligation from the effective date through the earlier of the: (a) expiration of the Exceptional Dispatch CPM designation term; or (b) expiration of the term of the pre-existing obligation to be Committed RA Capacity or RMR Capacity. The CAISO does not reduce the Exceptional Dispatch CPM designation quantity pursuant to this Section 43A.2.5.2.4.2 because of either a: (i) pre-existing obligation to be Committed RA Capacity or RMR Capacity that already is in effect at the start of the Exceptional Dispatch CPM designation term; or (ii) pre-existing but not yet effective capacity obligation other than an obligation to be Committed RA Capacity or RMR Capacity.

43A.2.5.2.4.3 New Capacity Obligations

During the term of a resource's Exceptional Dispatch CPM designation, a resource may enter a new obligation to be Committed RA Capacity or RMR Capacity that becomes effective during the term of the Exceptional Dispatch CPM designation. Upon that new capacity obligation becoming effective, the CAISO reduces the Exceptional Dispatch CPM designation by the amount of new capacity obligation from the effective date of the new obligation through the earlier of the: (a) expiration of the Exceptional Dispatch CPM designation term; or (b) expiration of the term of the new obligation to be Committed RA Capacity or RMR Capacity. Provided, however, that during the term of an Exceptional Dispatch CPM designation, a resource may not enter new obligations to be either Substitute RA Capacity or capacity outside the CAISO Balancing Authority Area that become effective during the term of the Exceptional Dispatch CPM designation if the existing obligations to be Committed RA Capacity and RMR Capacity plus the quantity of the new obligations would exceed the resource's Net Qualifying Capacity.

If a resource has an RA, RMR or CPM Capacity obligation that pre-existed the resource's Exceptional

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

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43A.3.5 Term – CPM Significant Event

CPM Capacity designated under Section 43A.2.4 shall have a ~~default~~ initial term of thirty (30) days. The Scheduling Coordinator for capacity that did not submit an offer to the CSP but can meet the minimum designation criteria may request a single continuous term shorter than thirty (30) days pursuant to the procedures established in the Business Practice Manual. If the CAISO designates such capacity requesting a shorter designation term, then the term of designation will be for the number of days specified in the Scheduling Coordinator's request.

If the CAISO determines that the CPM Significant Event is likely to extend beyond the thirty (30) day period, the CAISO may offer to extend the designation for another sixty (60) days to capacity that held an initial term of thirty (30) days. This offer of extension to the Scheduling Coordinator may be accepted or denied. If the Scheduling Coordinator declines an offer to extend the designation for an additional sixty (60) days, then the CAISO shall re-run the Intra-monthly CSP based on the existing offers. The Scheduling Coordinator for the resource declining an extension of the CPM designation shall be given the opportunity to provide an offer to that re-run Intra-monthly CSP, provided the offer is below the offer price at which its initial thirty (30) day designation was granted. If the Scheduling Coordinator accepts an offer to extend the designation for an additional sixty (60) days, then the CPM Capacity shall continue to be compensated on the same terms as it was during the initial thirty (30) day designation. During this

additional sixty (60) day period, the CAISO will provide Market Participants with an opportunity to provide alternative solutions to meet the CAISO's operational and reliability needs in response to the CPM Significant Event, rather than rely on the CAISO's designation of capacity under the CPM. The CAISO shall consider and implement, if acceptable to the CAISO in accordance with Good Utility Practice, such alternative solutions provided by Market Participants in a timely manner. If Market Participants do not submit any alternatives to the designation of CPM capacity that are fully effective in addressing the deficiencies in Reliability Criteria resulting from CPM Significant Event, the CAISO shall extend the term of the designation under Section 43A.2.4 for the expected duration of the CPM Significant Event. If the solutions offered by Market Participants are only partially effective in addressing the CAISO's operational and reliability needs resulting from the CPM Significant Event, the CAISO shall extend the designation under Section 43A.2.4 for the expected duration of the CPM Significant Event, but only as to the amount of CPM Capacity necessary to satisfy the CAISO's operational and reliability needs after taking into account the effective capacity provided by the alternative solution. If there is a reasonable alternative solution that fully resolves the CAISO's operational and reliability needs, the CAISO will not extend the designation under Section 43A.2.4.

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43A.5.2 Obligation to Provide Capacity and Termination

The decision to accept a designation as CPM Capacity shall be voluntary for the Scheduling Coordinator for any resource. If the Scheduling Coordinator for a resource accepts a CPM designation, it shall be obligated to perform for the full quantity and full period of the designation with respect to the amount of CPM Capacity for which it has accepted a CPM designation. If the Scheduling Coordinator for a resource accepts a Flexible Capacity CPM designation, the resource shall be obligated to perform for the full quantity and full period of the designation, subject to the must-offer obligation in Section 40.10.6 that applies to the Flexible Capacity Category of the resource that was designated. Except as permitted under Section 43A.2.4.1 or Section 43A.2.5.2.4, a resource that accepts a CPM designation may not enter into any other new capacity obligations, whether those obligations are within or outside the CAISO

Balancing Authority Area, that conflict with the resource's ability to meet its obligations to perform for the full quantity and full period of the designation. If a Participating Generator's or Participating Load's

Eligible Capacity is designated under the CPM after the Participating Generator or Participating Load has filed notice to terminate its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement or withdraw the Eligible Capacity from its Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, and the Scheduling Coordinator for the resource agrees to provide service under the CPM, then the Scheduling Coordinator shall enter into a new Participating Generator Agreement, Net Scheduled PGA, Pseudo-Tie Participating Generator Agreement, or Participating Load Agreement, as applicable, with the CAISO.

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43A.6.1 CPM Designation Market Notice

The CAISO shall issue a Market Notice within ~~two-five~~ (25) Business Days of a CPM designation under Sections 43A.2.1 through 43A.2.6. CPM designations as a result of Exceptional Dispatches shall be subject to the reporting requirement set forth in Section 34.11.4. 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, and 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.2.6 or ten (10) days after the end of the month; provided that if the CAISO makes a CPM 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.~~

Attachment C – Board Memo

Tariff Amendment Filing

Limited Enhancements to the Capacity Procurement Mechanism

California Independent System Operator Corporation

January 17, 2025

Memorandum

To: ISO Board of Governors
From: Anna McKenna, Vice President of Market Design and Analysis
Date: March 15, 2023
Re: **Decision on capacity procurement mechanism enhancements track 1**

This memorandum requires ISO Board of Governors action.

EXECUTIVE SUMMARY

The ISO uses its “backstop” capacity procurement mechanism (CPM) authority when sufficient capacity has not been procured through the resource adequacy program or there is a significant event that requires additional capacity. In recent years, the ISO has faced challenges in finding and procuring capacity through the CPM. For example, when the ISO issued significant event declarations during the summer heatwave events of 2020 and 2021, it struggled to procure sufficient capacity using its significant event CPM authority – in part due to ISO rules that make it difficult for significant event CPM designations to dovetail with other commitments made by resources. For this reason, Management proposes to make four operational improvements to the CPM processes, described below. Two proposed changes to its CPM rules will allow for better alignment with other capacity commitments in order to help the ISO find and procure capacity that is not contracted for during a significant event. In addition, Management proposes two straightforward improvements to the CPM process that will streamline reporting.

1. Allow the ISO to reduce the volume (MW) of significant event CPM designations when the capacity designation period overlaps with an upcoming resource adequacy commitment. This will allow the ISO to access capacity that would otherwise be ineligible for a significant event CPM designation. More specifically, this change allows the ISO to access uncontracted capacity in a specific calendar month, even if that uncontracted volume is not available for a full 30 days, due to a resource adequacy commitment. This ultimately allows the ISO to more easily make significant event CPM designations during tight supply conditions. In addition, allow significant event CPM designated capacity and exceptional dispatch CPM designated capacity to take on new resource adequacy obligations after the CPM designation has been accepted. This will help ensure that CPM designations do not hinder the fulfillment of forward resource adequacy obligations by reducing the pool of potentially available resource adequacy capacity.

2. Allow resources to accept shorter-term significant event CPM designations when the capacity designation period overlaps with an upcoming resource adequacy commitment or is otherwise unavailable to the ISO. In other words, allow resources to accept significant event CPM designations for less than 30 days if they have a conflicting contractual commitment. This flexibility will apply only to capacity that was not offered into the intra-monthly competitive solicitation process. This will allow the ISO to access capacity that would otherwise be inaccessible for a significant event CPM designation. More specifically, this change allows the ISO to take advantage of uncontracted capacity in a specific calendar month, even if that uncontracted volume is not available for a full 30 days. This ultimately allows the ISO to more easily make significant event CPM designations to support reliability.
3. Allow the ISO to meet its CPM designation reporting obligations through its open-access same-time information system (OASIS), which already receives CPM designation information from the ISO's customer interface for resource adequacy (CIRA) application. As part of this enhancement, the ISO needs to revise the tariff-defined parameters included in the report. This will allow for more efficient CPM designation reporting.
4. Extend the CPM designation market notice deadline from two business days to five business days. This will ensure the ISO has sufficient time to collect the information needed for the market notice, undertake the proper reviews, obtain necessary approvals, and issue the market notice in a timely manner.

The proposal described in this memorandum falls under the ISO Board of Governors' approval authority.

Moved, that the ISO Board of Governors approve management's proposal pertaining to capacity procurement mechanism enhancements Track 1 as described in the memorandum dated March 15, 2023; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement these changes, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

BACKGROUND

The ISO uses its capacity procurement mechanism, often referred to as “backstop” procurement, when sufficient capacity has not been procured through the resource adequacy and when there is a significant event that may impact reliability and require additional capacity. The ISO’s backstop procurement authority also includes reliability must-run (RMR) contracts, which the ISO uses to retain resources that would otherwise retire but the ISO determines are needed to maintain reliable grid operations. The ISO can use its CPM authority to address specific circumstances defined by the following six CPM designation types:

1. Insufficient local capacity area resources in an annual or monthly resource adequacy plan
2. A collective deficiency in local capacity area resources
3. Insufficient resource adequacy resources in a load-serving entity’s annual or monthly resource adequacy plan
4. A CPM significant event
5. A reliability or operational need for an exceptional dispatch CPM
6. A cumulative deficiency in the total flexible resource adequacy capacity included in the annual or monthly flexible resource adequacy capacity plans, or in a flexible capacity category in the monthly flexible resource adequacy capacity plans

When the ISO makes CPM designations, it relies on capacity willingly offered to the ISO by resource owners. To attract such capacity, the ISO conducts annual, monthly and intra-monthly competitive solicitation processes, into which resource owners may offer their capacity to the ISO at prices up to a soft offer cap, currently set at \$6.31/kw-month. Resource owners may also cost justify offers above the soft offer cap.

PROPOSAL

Management proposes the following four operational improvements which comprise the CPM Enhancements Track 1 proposal.

1. Provide flexibility to the ISO to reduce the volume (MW) of significant event CPM designations when the designated capacity is committed and shown to the ISO as resource adequacy capacity.

Management proposes that the ISO be able to make mid-term significant event CPM MW award reductions if the designated capacity already is committed and shown to the ISO as resource adequacy capacity. This flexibility will allow the ISO to make a CPM designation that can volumetrically change and will allow capacity designated for significant events to participate in resource adequacy and RMR contracts and accept monthly CPM designations that may begin during the significant event CPM term.

For example, consider a resource with 100 MW of net qualifying capacity across the year. Next, consider that this particular resource has shown to the ISO 40 MW of

resource adequacy in month A and 70 MW of resource adequacy in month B. Finally, consider that the ISO wants to designate this resource for a 60 MW significant event CPM award beginning in the middle of month A. With the proposed flexibility, the ISO will be able to move forward with such a 60 MW CPM designation, because it will have the authority to decrease the CPM award from 60 MW to 30 MW in month B, corresponding to the increase in the shown resource adequacy from 40 MW to 70 MW. Without the proposed flexibility, the ISO is limited to making a CPM designation of 30 MW. The ISO already has this authority and flexibility for exceptional dispatch CPM awards.

This change will enable the ISO to take greater advantage of uncontracted capacity in a specific calendar month, even if that uncontracted volume is not available for a full 30 days, which is the minimum term of a significant event CPM designation. Without this proposed flexibility, the ISO will remain unable to make significant event CPM designations for capacity it needs immediately if such capacity would become resource adequacy, RMR, or monthly CPM capacity during the term of the CPM designation.

In addition, to help ensure that CPM designations do not hinder the fulfillment of forward resource adequacy obligations by reducing the pool of potentially available resource adequacy capacity, Management proposes to allow significant event CPM designated capacity and exceptional dispatch CPM designated capacity to take on new resource adequacy obligations after the CPM designation has been accepted. New resource adequacy obligations must be shown to the ISO as resource adequacy capacity through the regular resource adequacy showing process, and the ISO will correspondingly reduce the CPM volume to ensure there is no double counting. Non-resource adequacy commitments cannot be made after the ISO makes a CPM designation.

2. Provide flexibility to resources to accept shorter-term significant event CPM designations made to capacity that was not offered into the intra-monthly competitive solicitation process, when the designated capacity has already been committed or is unavailable to the ISO.

Under current CPM rules, the minimum term for a significant event CPM designation is 30 days. Because of this rule, a resource scheduling coordinator may have to reject a mid-month significant event CPM designation because the designated capacity has an existing commitment or is unavailable for the following month. This existing minimum term rule has prevented the ISO from accessing immediately needed and immediately available capacity.

Management proposes to grant resource scheduling coordinators the option to elect a significant event CPM designation for less than 30 days, when such designations are made to capacity not offered into the intra-monthly competitive solicitation process. This new option will allow resource scheduling coordinators with capacity unavailable to the ISO for the following month to accept mid-month shorter-term significant event CPM designations, enabling the ISO to take advantage of uncontracted capacity in a specific calendar month, even if the uncontracted volume is not available for a full 30 days. This change has the benefits of proposal (1) above, but allows for shorter terms rather than

reduced volumes and addresses commitments not currently visible to the ISO, rather than exclusively addressing commitments visible to the ISO at the time of designation.

3. Allow the ISO to meet its CPM designation reporting obligations through OASIS, which already receives CPM designation information from the ISO's CIRA application.

Today, the ISO has a tariff obligation to post a CPM designation report to its website after making CPM designations. Management proposes to allow for more efficient CPM designation reporting by posting CPM designation reports through its open access same-time information system (OASIS), which already receives CPM designation information directly from the ISO's customer interface for resource adequacy (CIRA) application. This change on its own would not require amending the tariff. As part of this streamlining effort, however, the ISO will need to slightly revise certain elements of the report that are stipulated in the existing tariff and will remove the requirement to post a market notice advising stakeholders that the report is ready. Revising the market notice requirement, however, will not impact the obligation to post the report under existing deadlines.

4. Extend the CPM designation market notice deadline from two business days to five business days.

Today, the ISO has a tariff obligation to post market notices within two business days of making a CPM designation. The two business day requirement has posed a challenge for the ISO to complete all required activities in a timely manner. Therefore, Management proposes to extend the CPM designation market notice deadline from two business days to five business days. These additional days will ensure the ISO has sufficient time to collect the information needed for the market notice, undertake the proper reviews, obtain necessary internal approvals, and issue a market notice.

STAKEHOLDER POSITIONS

Stakeholders generally supported the proposal and their feedback was pivotal in refining the CPM enhancements track 1 proposal. In particular, stakeholder feedback prompted adjustments to proposals (1) and (2) described above. Regarding proposal (1), stakeholder feedback led to the proposal allowing significant event CPM designated capacity to take on new resource adequacy obligations after the CPM designation has been accepted. Regarding proposal (2), stakeholder feedback led to modifying the proposal that resources should have the flexibility to accept shorter-term significant event CPM designations to include the clause, "at the discretion of the resource scheduling coordinator" to broaden the proposal. With this adjustment, shorter-term significant event CPM designations can avoid conflicts with capacity that is not visible to the ISO and can avoid conflicts with planned outages. Furthermore, stakeholder questions on the draft final proposal prompted ISO staff to clarify that proposal (2) is limited to significant event CPM designations made to capacity not offered into the intra-monthly competitive solicitation process.

CONCLUSION

Management requests the ISO Board of Governors approve Management's capacity procurement mechanism enhancements track 1 proposal described in this memorandum. This proposal will enable the ISO to take greater advantage of uncontracted capacity in the CPM process and improve CPM process efficiency and accuracy.