

justification and refund.

39.3 Negative Decremental Energy Bids.

Negative decremental Energy bids into the ISO Markets less than -\$30/MWh (minus thirty dollars per MWh) shall not be eligible to set any Market Clearing Price and, if Dispatched, shall be paid as bid. If the ISO Dispatches a bid below -\$30/MWh, the supplier must submit a detailed breakdown of the component costs justifying the bid to the ISO and to the Federal Energy Regulatory Commission no later than seven (7) days after the end of the month in which the bid was submitted. The ISO will treat such information as confidential and will apply the procedures in Section 20.4 of this ISO Tariff with regard to requests for disclosure of such information. The ISO shall pay suppliers for amounts in excess of -\$30/MWh after those amounts have been justified.

ARTICLE V – RESOURCE ADEQUACY

40 RESOURCE ADEQUACY.

40.1 Must-Offer Obligations.

This Section 40 applies to all Scheduling Coordinators representing Load Serving Entities serving retail Load within the ISO Control Area. For purposes of this Section 40 of the ISO Tariff, Load Serving Entity

is defined as: (1) any entity serving retail Load under the jurisdiction of the California Public Utilities Commission (hereinafter "CPUC"), including an Electrical corporation under section 218 of the California Public Utilities Code (hereinafter "PUC"), an Electric service provider under section 218.3 of the PUC, and a Community choice aggregator under section 331.1 of the PUC (hereinafter collectively "CPUC Load Serving Entities"); and (2) all entities serving retail Load in the ISO Control Area not within the jurisdiction of the CPUC including: (i) a local publicly owned electric utility under section 9604 of the PUC; (ii) the State Water Resources Development System commonly known as the State Water Project; and (iii) any Federal entities, including but not limited to Federal Power Marketing Authorities, that serve retail Load (hereafter collectively "non-CPUC Load Serving Entities"). Load Serving Entity shall not include customer generation located on the customer's site or providing electric service through arrangements authorized by Section 218 of the PUC, if the customer generation, or the Load it serves, meets one of the following criteria: (i) it takes standby service from the electrical corporation on a commission-approved rate schedule that provides for adequate backup planning and operating reserves for the standby customer class; (ii) it is not physically interconnected to the electric transmission or distribution grid, so that if the customer generation fails, backup electricity is not supplied from the electricity grid; or (iii) there is physical assurance that the Load served by the customer generation will be curtailed concurrently and commensurately with an outage of the customer generation.

40.2 Submission of Annual and Monthly Resource Adequacy Plan.

40.2.1 Annual Resource Adequacy Plan.

Each Scheduling Coordinator for a Load Serving Entity serving Load within the ISO Control Area must provide the ISO with an annual Resource Adequacy Plan, ~~however, Scheduling Coordinators representing a Load Serving Entity with an MSS Agreement shall submit the information required by this section pursuant to the terms and formal standards set forth in the MSS Agreement.~~ The annual Resource Adequacy Plan provided to the ISO by Scheduling Coordinators for the CPUC Load Serving Entity or Entities for whom they schedule Demand within the ISO Control Area shall be submitted on the schedule and in the form approved by the CPUC. The annual Resource Adequacy Plan provided to the ISO by Scheduling Coordinators for the non-CPUC Load Serving Entity or Entities for whom they schedule Demand within the ISO Control Area, ~~except Load Serving Entities with an MSS Agreement,~~ shall be submitted no later than ~~October 25th~~ of each year and in the form set forth on the ISO Website. Other than for good cause, the form of the Resource Adequacy Plan and the date for submission for the CPUC Load Serving Entities and the Non-CPUC Load Serving Entities should be identical. The annual Resource Adequacy Plan must identify the Resource Adequacy Resources that will be relied upon to satisfy the Planning Reserve Margin under Section 40.4, or portion thereof as established by the CPUC or applicable Local Regulatory Authority, and must apply the Net Qualifying Capacity requirements of Section 40.5.2.

40.2.2 Monthly Resource Adequacy Plan.

Each Scheduling Coordinator for a Load Serving Entity serving Load within the ISO Control Area must provide the ISO with a monthly Resource Adequacy Plan, ~~however, (1) Scheduling Coordinators representing a Load Serving Entity with an MSS Agreement shall submit the information required by this section pursuant to the terms and formal standards set forth in the MSS Agreement and (2) Scheduling Coordinators for a Load Serving Entity serving Load within the ISO Control Area in a forecasted peak amount of less than (1) MW on average per day over the compliance year may notify the ISO that the Load Serving Entity's annual Resource Adequacy Plan pursuant to Section 40.2.1 will constitute its monthly Resource Adequacy Plan under this section for each month of the following compliance year.~~

The monthly Resource Adequacy Plan provided to the ISO by Scheduling Coordinators for the CPUC Load Serving Entity or Entities for whom they schedule Demand within the ISO Control Area shall be submitted on the schedule and in the form approved by the CPUC. The monthly Resource Adequacy Plan provided to the ISO by Scheduling Coordinators for the non-CPUC Load Serving Entity or Entities for whom they schedule Demand within the ISO Control Area ~~except for Load Serving Entities with an MSS Agreement~~ shall be submitted no later than on the last business day of the second month prior to the compliance month (e.g., March 31 for May) and in the form set forth on the ISO's Website. Other than for good cause, the form of the Resource Adequacy Plan and the date for submission for the CPUC Load Serving Entities and the Non-CPUC Load Serving Entities should be identical. The monthly Resource Adequacy Plan must identify the Resource Adequacy Resources that will be relied upon to satisfy the Planning Reserve Margin under Section 40.4 for the relevant reporting month and must apply the Net Qualifying Capacity requirements of Section 40.5.2.

40.2.3 Resource Adequacy Plan Compliance.

The ISO will evaluate whether each monthly Resource Adequacy Plan submitted by a Scheduling Coordinator on behalf of a Load Serving Entity serving Load within the ISO Control Area satisfies the Load Serving Entity's obligation to procure sufficient Net Qualifying Capacity to comply with its Planning Reserve Margin under Section 40.4. If a Scheduling Coordinator for a Load Serving Entity submits a Resource Adequacy Plan that the ISO identifies as not demonstrating compliance with Resource Adequacy rules adopted by the CPUC or other Local Regulatory Authority, as applicable, the ISO will ~~within 10 business days~~ first notify the relevant Scheduling Coordinator, or in the case of a mismatch between Resource Adequacy Plan(s) and Supply Plan(s), the relevant Scheduling Coordinators ~~in~~ an attempt to resolve the issue. If this process does not resolve the ISO's concern, the ISO will notify the CPUC or other appropriate Local Regulatory Authority of the potential deficiency. To the extent that the CPUC or other appropriate Local Regulatory Authority allows Load Serving Entities under its jurisdiction to cure the identified deficiency or determines that no deficiency exists, the Scheduling Coordinator shall inform the ISO at least 10 days before the effective month. If the deficiency is not resolved prior to the 10th day before the effective month, the ISO will use the information contained in the Supply Plan to set

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
FERC ELECTRIC TARIFF
THIRD REPLACEMENT VOLUME NO. 1

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Resource Adequacy Resources' obligations under this section of the ISO Tariff for the applicable reporting month.

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40.2.4 Reporting of Enforcement Actions.

To the extent that the CPUC or other Local Regulatory Authority has not adopted rules allowing public access to records or information regarding action taken for violations of its Resource Adequacy policies and rules, the Scheduling Coordinator for each Load Serving Entity serving Load in the ISO Control Area notified of a potential failure to comply by the ISO and not resolved under 40.2.3 must report to the ISO within thirty (30) days of any action taken by the appropriate Local Regulatory Authority in response to the deficiency notification.

40.2.5 Compliance with Submission Obligation.

Scheduling Coordinators representing Load Serving Entities Serving Load in the ISO Control Area that fail to provide the ISO with annual or monthly Resource Adequacy Plans as set forth in this ISO Tariff shall be subject to Section 37.6.1 of the ISO Tariff.

40.3 Demand Forecasts.

The ~~annual and~~ monthly Resource Adequacy Plan must include a Demand Forecast as follows:

- a. For CPUC Load Serving Entities, the Demand Forecast shall be the Demand Forecast required by the CPUC. ~~To the extent the ISO has not received a CPUC Load Serving Entity's load forecast through the CPUC's Resource Adequacy process, the Scheduling Coordinators for the CPUC Load Serving Entities must provide to the ISO a copy of the Demand Forecast that they provided to the CPUC and CEC, subject to the confidentiality terms established by the CPUC in its proceeding.~~
- b. For non-CPUC Load Serving Entities, the Demand Forecast shall be the Demand Forecast required by the applicable Local Regulatory Authority. Scheduling Coordinators for non-CPUC Load Serving Entities must provide data and/or supporting information, as requested by the ISO, for the Demand Forecasts required by this Section for each represented non-CPUC Load Serving Entity.
- c. If the CPUC or other Local Regulatory Authority has not established a requirement to prepare a Demand Forecast, the Scheduling Coordinator for the Load Serving Entity shall prepare and provide the ISO with a Demand Forecast that shall be the Load Serving Entity's monthly non-coincident peak Demand Forecast for its Service Area, for its MSS area, or in each Service Area of an Original Participating TO in which the Load Serving Entity serves Load, unless the Load Serving Entity agrees to utilize a coincident peak determination provided by the California Energy Commission for such Load Serving Entity. Scheduling Coordinators for Load Serving Entities covered by this subsection must provide data and/or supporting information, as requested by the ISO, for the Demand Forecasts required by this Section for each represented Load Serving Entity.

For Load Serving Entities that are local publicly owned electric utilities as defined in Section 9604 of the PUC, the Demand Forecasts required by this Section 40.3 should be consistent with Section 9620(a) of the PUC, as it may be amended from time to time, requiring that such Load Serving Entities meet their

Planning Reserve Margin, peak demand, and operating reserves.

40.4 Planning Reserve Margin.

The monthly Resource Adequacy Plan must include a level of Resource Adequacy Capacity sufficient to meet 100% of the Demand Forecast in Section 40.3 plus a Planning Reserve Margin as follows:

- a. For Scheduling Coordinators representing CPUC Load Serving Entities, the Planning Reserve Margin shall be that adopted by the CPUC.
- b. For Scheduling Coordinators representing non-CPUC Load Serving Entities, the Planning Reserve Margin shall be that adopted by the appropriate Local Regulatory Authority.
- c. For Scheduling Coordinators representing Load Serving Entities for which the CPUC or other Local Regulatory Authority has not established a Planning Reserve Margin ~~as of May 31, 2006~~, the Planning Reserve Margin shall be ~~(1) for compliance months June through September 2006~~ ~~the Planning Reserve Margin provided by the Load Serving Entity to accommodate any~~ ~~processes to approve the Planning Reserve Margin that may be pending before the applicable~~ ~~Local Regulatory Authority and (2) thereafter~~ no less than 115% of the peak hour of the month in the Demand Forecast set forth in Section 40.3.

40.5 Determination of Resource Adequacy Capacity.

Resource Adequacy Capacity shall be the quantity of capacity in MWs from a resource listed in a Resource Adequacy Plan. Resource Adequacy Capacity cannot exceed a resource's Net Qualifying Capacity.

40.5.1 Qualifying Capacity.

Qualifying Capacity is the capacity from a resource prior to application of the Net Capacity provisions of Section 40.5.2. The criteria for determining the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity from eligible resource types may be established by the CPUC or other applicable Local Regulatory Authority and provided to the ISO. ~~For~~

~~compliance months June through September 2006; the criteria for determining the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity from eligible resource types may be provided by the Load Serving Entity to accommodate any processes to approve the Qualifying Capacity criteria that may be pending before the applicable Local Regulatory Authority.~~

Only if such criteria are not provided by the CPUC or other Local Regulatory Authority ~~by August 31, 2006 for compliance month October 2006,~~ then Section 40.13 will apply. The ISO shall use the criteria provided by the CPUC, other Local Regulatory Authority or, if necessary, Section 40.13, to determine and verify, if necessary, the Qualifying Capacity of all resources listed in a Resource Adequacy Plan; however, to the extent a resource is listed by one or more Scheduling Coordinators in their respective Resource Adequacy Plans, which apply the criteria of more than one regulatory entity that leads to conflicting Qualifying Capacity values for that resource, the ISO will apply the respective Qualifying Capacity formulas applicable for each Load Serving Entity.

40.5.2 Net Qualifying Capacity.

Net Qualifying Capacity is Qualifying Capacity, determined under the criteria provided by the CPUC or other Local Regulatory Authority or, if such criteria is not provided by the CPUC or Local Regulatory Authority, under Section 40.13 of this ISO Tariff, reduced, as applicable, based on: (1) testing and verification or (2) deliverability restrictions. The Net Qualifying Capacity determination shall be made by the ISO pursuant to the provisions of this ISO Tariff. The ISO shall produce a report, posted to the ISO Website and updated from time to time, setting forth the Net Qualifying Capacity of Participating Generators. All other resources may be included in the report under this Section upon their request. Any disputes as to the ISO's determination regarding Net Qualifying Capacity shall be subject to the ISO's alternative dispute resolution procedures.

40.5.2.1 Deliverability Within the ISO Control Area.

In order to determine Net Qualifying Capacity from a Generating Unit, the ISO will determine that the Generating Unit is able to serve the aggregate of Load by means of a deliverability analysis. The deliverability analysis ~~will be performed annually and~~ shall focus on peak Demand conditions. The ISO will review its input assumptions and draft results with Market Participants before completing its determination. The ISO will coordinate with the CPUC and other Local Regulatory Authorities so that the ~~results of the~~ deliverability analysis can be ~~incorporated in~~ ~~annual and monthly~~ Resource Adequacy Plans. ~~The results of the ISO's 2006 deliverability analysis shall be effective for a period no shorter than compliance year 2007.~~ To the extent the deliverability analysis shows that the Qualifying Capacity of a Generating Unit is not deliverable to the aggregate of Load under the conditions studied, the Qualifying Capacity of the Generating Unit will be reduced on a MW basis for the capacity that is undeliverable.

40.5.2.2 Deliverability of Imports.

This Section 40.5.2.2 shall apply only to Resource Adequacy Plans covering the period through December 31, 2007, unless superseded earlier by alternative ISO Tariff provisions. Total import capacity will be assigned to Load Serving Entities serving Load in the ISO Control Area and other Market Participants, if applicable, for 2007 as described by the following sequence of steps.

1. Step 1: The ISO shall establish for 2007 for each branch group the total import capacity values for the ISO Control Area, and will post those values on the ISO Website by July 1, 2006.
2. Step 2: For each branch group, the total capacity established in Step 1 will be reduced by subtracting the import capacity associated with (i) Existing Transmission and (ii) encumbrances and transmission ownership rights. Existing Contracts and encumbrances and transmission ownership rights therefore shall be reserved for holders of such commitments as part of the deliverability study and will not be subject to allocation under this Section.
3. Step 3: From the amount of import capacity remaining on each branch group determined in Step 2 above, Load Serving Entities serving Load within the ISO Control Area will receive, to the extent feasible, an allocation on a particular branch group selected by the Load Serving Entity equal to each entity's resource commitments from outside the ISO Control Area, as of March 10, 2006, the terms of which runs through at least calendar year 2007. The branch group shall be selected by the Load Serving Entity based on the primary branch group upon which the energy or capacity from the particular resource commitment from outside the ISO Control Area has been historically scheduled or, for a resource commitment without a scheduling history, the primary branch group upon which the energy or capacity from the particular resource commitment from outside the ISO Control Area is anticipated to be scheduled. To the extent a particular branch group is over requested, such that the MWs represented in all requested resource commitments utilizing the branch group exceed the branch group's remaining import capacity, the requested resource commitment MW quantities will be allocated available capacity based on the "Import Capacity Load Share" ratio of each Load Serving Entity submitting such resource commitments. To the extent this initial allocation has not fully assigned the total import capacity of a particular branch

group to the requested resource commitments, the remaining capacity will be allocated until fully exhausted based on the Import Capacity Load Share ratio of each Load Serving Entity whose submitted resource commitment has not been fully satisfied.

- a. Import Capacity Load Share is each Load Serving Entity's proportionate share of the forecasted 2007 coincident peak Load for the ISO Control Area relative to the total coincident peak Load of all Load Serving Entities that have not had their request for import capacity for a resource commitment on a particular branch group fully satisfied. The proportionate share of the forecasted 2007 peak Load for the ISO Control Area for each Load Serving Entity is the "Coincident Load Share," as determined by the California Energy Commission.
 - b. The ISO will notify the Scheduling Coordinator for each Load Serving Entity of the Load Serving Entity's Coincident Load Share. The ISO will further notify the Scheduling Coordinator for each Load Serving Entity of the amount of, and branch group on which, import capacity has been allocated to the Load Serving Entity pursuant to this Step 3. The import capacity allocated pursuant to this Step 3 shall be referred to as "Commitment Import Capacity."
4. Step 4: To the extent import capacity remains unallocated following Steps 1-3 above, the ISO will publish on its Website remaining aggregate import capacity, the identity of the branch groups with available capacity, and the MW quantity remaining on each such branch group. The remaining aggregate import capacity will be allocated to Load Serving Entities serving Load within the ISO Control Area through their Scheduling Coordinators based on each Load Serving Entity's Coincident Load Share. The quantity of import capacity allocated to a Load Serving Entity under this paragraph is that entity's "Remainder Import Capacity." This Step 4 does not allocate import capacity on a specific branch group, but rather allocates aggregate import capacity.
5. Step 5: Load Serving Entities shall be allowed to trade some or all of their Remainder Import Capacity or Commitment Import Capacity to any other Load Serving Entity or Market Participant during a period of time established by ISO Market Notice. The ISO will accept trades among

LSEs and Market Participants only, to the extent such trades are reported to the ISO in a manner established by ISO Market Notice.

6. Step 6: Three business days after the close of the trading period set forth in Step 5 above, the Scheduling Coordinator for each Load Serving Entity or Market Participant shall notify the ISO of its request to allocate its post-trading Remainder Import Capacity on a MW per available branch group basis. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests for Remainder Import Capacity on that branch group will be allocated based on the ratio of each Load Serving Entity's Import Capacity Load Share, as used in Step 3. A Market Participant without a Coincident Load Share will be assigned the Coincident Load Share equal to the average Coincident Load Share of those Load Serving Entities from which it received Remainder Import Capacity. The ISO will notify each Scheduling Coordinator for Load Serving Entities or Market Participants of their accepted allocation under this Step 6.
7. Step 7: Following Step 6, the ISO will publish on its Website remaining aggregate import capacity, if any, the identity of the branch groups with available capacity, and the MW quantity remaining on each such branch group. To the extent import capacity remains unallocated, in the time period and manner established by ISO Market Notice, all Load Serving Entities or Market Participants shall notify the ISO of their requests to allocate any remaining Remainder Import Capacity on a MW per available branch group basis. The ISO will honor the requests to the extent a branch group has not been over requested. If a branch group is over requested, the requests on that branch group will be allocated based on the ratio of each Load Serving Entity or Market Participant's Import Capacity Load Share, as used in Steps 3 and 6. The ISO will notify each Scheduling Coordinator for a Load Serving Entity or Market Participant of the Load Serving Entity or Market Participant's accepted allocation under this Step 7. No further iterations will be permitted.

This multi-step allocation of total import capacity does not guarantee or result in any actual transmission service being allocated and is only used for determining the maximum import capacity that can be

credited towards satisfying ~~the Planning Reserve Margin of a Load Serving Entity under this Section 40.~~

Upon the request of the ISO, Scheduling Coordinators must provide the ISO with information on existing import contracts and any trades or sales of their load share allocation. ~~To the extent that the ISO's review of Resource Adequacy Plans identifies reliance upon imports that exceed the import capacity allocated to the Load Serving Entity under this section,~~ the ISO will inform the CPUC or ~~appropriate~~ Local Regulatory Authority of ~~any~~ Resource Adequacy Plan submitted by a Scheduling Coordinator for a Load Serving Entity under their respective jurisdiction that exceeds its allocation of import capacity.

40.6 Submission of Supply Plans.

Scheduling Coordinators representing Resource Adequacy Resources supplying Resource Adequacy Capacity shall provide the ISO with annual and monthly Supply Plans; ~~however, Scheduling Coordinators for resources listed on schedule 14 of an MSS Agreement need not submit a Supply Plan, unless any capacity from such Schedule 14 resources has been sold to any Load Serving Entity other than the MSS Operator that owns or controls the resource.~~ The annual Supply Plan shall be provided by September 30th of each year. The monthly Supply Plan shall be provided on the last business day of the second month prior to the compliance month (e.g., March 31 for May). Both the annual and monthly Supply Plans shall be provided in the form set forth on the ISO's Website, listing their commitments to provide Resource Adequacy Capacity to any Load Serving Entity or Entities for the reporting period.

40.6.1 Compliance with Supply Plan Obligation.

Scheduling Coordinators representing Resource Adequacy Resources supplying Resource Adequacy Capacity that fail to provide the ISO with annual or monthly Supply Plans as set forth in this ISO Tariff shall be subject to Section 37.6.1 of the ISO Tariff.

40.6A Availability of Resource Adequacy Resources.

40.6A.1 Applicability.

The requirements of Section 40.6A shall apply to all Resource Adequacy Resources identified on the Resource Adequacy Plans submitted by Scheduling Coordinators for Load Serving Entities serving Load in the ISO Control Area other than Resource Adequacy Resources identified exclusively on the Resource Adequacy Plans of (i) Load Serving Entities that have entered into a Metered Subsystem Agreement with the ISO and (ii) the State Water Project.

40.6A.2 Available Generation.

For the purposes of Section 40.6A, a Resource Adequacy Resources' "Available Generation" shall be: (a) the Resource Adequacy Capacity of a Generating Unit, other than a Hydroelectric facility or a QF that is still under a power purchase agreement with a host utility, System Unit that has contracted to supply Resource Adequacy Capacity to a non-MSS Load Serving Entity serving Load with the ISO Control Area, adjusted for any outages or reductions in capacity reported to the ISO in accordance with this ISO Tariff, (b) minus the unit's scheduled operating level as identified in the ISO's Final Hour-Ahead Schedule, (c) minus the unit's capacity committed to provide Ancillary Services to the ISO either through the ISO's Ancillary Services market or through self-provision by a Scheduling Coordinator, and (d) minus the capacity of the unit committed to deliver Energy or provide Operating Reserve to the Resource Adequacy Resources' Generator's Native Load.

~~In the case where the Resource Adequacy Resource is a System Resource, and to the extent the CPUC or other Local Regulatory Authority has imposed an obligation that System Resources relied upon by Load Serving Entities within their jurisdiction to meet Resource Adequacy requirements must be available to the ISO, the Available Generation of the System Resource shall be the Resource Adequacy Capacity of the System Resource adjusted for any outages or reductions in capacity reported to the ISO in accordance with this ISO Tariff, (b) minus the total amount of the System Resource's actual energy scheduled on the specific intertie of the import Resource Adequacy Capacity, as identified in the ISO's Final Hour-Ahead Schedules, and (c) minus the amount of the System Resource's commitments on the~~

~~specific intent of the import Resource Adequacy Capacity to provide Ancillary Services to the ISO either through the ISO's Ancillary Services market or through self-provision by a Scheduling Coordinator. The Available Generation of the System Resource shall never be less than zero.~~

40.6A.3 Reporting Requirements for Non-Participating Generators.

So that the ISO may determine the Available Generation of Resource Adequacy Resources, Resource Adequacy Resources ~~other than non-resource specific System Resources and Qualifying Facilities (QFs) with effective contracts under the Public Utilities Regulatory Policies Act~~ that are not Participating Generators shall be required to file with the ISO: (i) the Generating Unit's minimum operating level; (ii) the Generating Unit's maximum operating level; and (iii) the Generating Unit's ramp rates at all operating levels; and (iv) such other information the ISO determines is necessary to determine available generation and to dispatch Resource Adequacy Resources. In addition, Resource Adequacy Resources that are not Participating Generators must, consistent with the notification obligations of Participating Generators and in order to comply with the intent of this Section 40.6A, notify the ISO, as soon as practicable, of any Planned Maintenance Outages, Forced Outages, Force Majeure Event outages or any other reductions in their maximum operating levels or Resource Adequacy Capacity during the relevant month.

40.6A.4 Obligation to Offer Available Capacity.

Except as set forth in Sections 40.6A.5 and 40.6A.6, all Resource Adequacy Resources shall offer to sell in the ISO's Real Time Market for Imbalance Energy, in all hours, all their Available Generation as defined in Section 40.6A.2 and any other Available Generation beyond its Resource Adequacy Capacity shall be subject to the FERC must-offer obligation as set forth in Section 40.7. The Resource Adequacy Resource shall make available to the ISO Real Time Market all Resource Adequacy Capacity that is not subject to an outage or is otherwise participating in the ISO Market or included on a self-schedule.

~~Notwithstanding the foregoing, a Resource Adequacy Resource that is a Participating Intermittent Resource satisfies its obligation to offer Available Generation under this Section by scheduling in accordance with Appendix Q of the ISO Tariff.~~

40.6A.5 Submission of Bids and Applicability of the Proxy Price.

For each Operating Hour, ~~the Scheduling Coordinator for the~~ Resource Adequacy Resource shall submit Supplemental Energy bids for all of their Available Generation to the ISO in accordance with Section 34.2. In addition, the ISO shall calculate for each gas-fired Resource Adequacy Resource (other than gas-fired Resource Adequacy Resources which are also System Resources), in accordance with Section 40.10.1, a Proxy Price for Energy.

If a ~~Scheduling Coordinator for the~~ Resource Adequacy Resource fails to submit a Supplemental Energy bid for any portion of its Available Generation for any Dispatch Interval, the un-bid quantity of the Resource Adequacy Resource's Available Generation will be deemed by the ISO to be bid at the Resource Adequacy Resource's Proxy Price if (i) the Resource Adequacy Resource is a gas-fired Generating Unit and (ii) the Resource Adequacy Resource has provided the ISO with adequate data in compliance with Section 40.6A.3 for the applicable Generating Unit. For all other Resource Adequacy Resources that are Generating Units, the un-bid quantity of the Resource Adequacy Resources' Available Generation will be deemed by the ISO to be bid and settled in accordance with Section 11.2. In order to dispatch resources providing Imbalance Energy in proper merit order the ISO will insert this un-bid quantity into the Resource Adequacy Resource's Supplemental Energy bid curve above any lower-priced segments of the bid curve and below any higher-priced segments of the bid curve as necessary to maintain a non-decreasing bid curve over the entire range of the Resource Adequacy Resources' Available Generation.

40.6A.6 Resource Adequacy Resource Obligation Process.

Resource Adequacy Resources may seek a waiver of the obligation to offer all Available Generation, as set forth in Section 40.6A.4 of this ISO Tariff, for one or more of their units. All Resource Adequacy Resources obligated under their respective Resource Adequacy Plans that have not submitted Day-Ahead Energy Schedules will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all Available Generation. If conditions permit, the ISO may, at its sole discretion, grant waivers and allow a Resource Adequacy Resource to remove one or more Generating Units from service and, in doing so, the ISO will first grant waivers to FERC Must-Offer Generators, on a non-discriminatory basis, that are not also Resource Adequacy Resources, and then, if permissible, the ISO may grant waivers to Resource Adequacy Resources ~~or resources designated as RCSI~~ on a non-discriminatory basis.

The hours for which waivers are not granted shall constitute Waiver Denial Periods. A Waiver Denial Period shall be extended as necessary to accommodate the unit minimum up and down times. Units shall be on-line in real time during Waiver Denial Periods, or they will be in violation of the availability. Exceptions shall be allowed for verified forced outages or as otherwise set forth in Section 40.6A.5. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). ~~To the extent conditions permit, the ISO will revoke the waivers of Resource Adequacy Resources and RCSI resources prior to revoking the waivers of FERC Must-Offer Generators.~~

The ISO shall inform a Resource Adequacy Resource that its Waiver request has been approved, disapproved or revoked, and shall provide the Resource Adequacy Resource with the reason(s) for the decision, which reasons shall be non-discriminatory apart from the status of whether the unit is a Resource Adequacy Resource. The ISO will: (1) notify Resource Adequacy Resources of the ISO decisions on pending Waiver requests received no later than 10:00 a.m. (beginning of Hour Ending 11) no later than 11:30 a.m. (middle of Hour Ending 12) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 11:30 a.m. on the following day, notify Resource

Adequacy Resources of the ISO decisions on Waiver requests that were submitted to the ISO after 10:00 a.m. (beginning of Hour Ending 11) on the day before; (3) end Waiver Denial Periods at any time; (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to the time a unit would be required to be on-line generating at its Pmin; and (5) revoke a waiver denial for a Short-Start Resource Adequacy Resource at any time and such revocation will be communicated via a ISO real-time dispatch or unit commitment instruction.

40.6A.7 Penalties for Non-Compliance.

In addition to any other penalty or settlement consequence of a failure of a unit to operate in accordance with a ISO operating order, the failure of a ~~Scheduling Coordinator for a~~ Resource Adequacy Resource to make ~~the Resource Adequacy Resource~~ available to the ISO in accordance with the requirements of Section 40 of this ISO Tariff or to operate the Resource Adequacy Resource by placing it online or in a manner consistent with a submitted Supplemental Energy bid or Proxy Price Energy Bid shall ~~result in~~ ~~that Scheduling Coordinator~~ being subject to the sanctions set forth in Section 37.2 of the ISO Tariff.

40.6B Recovery of Minimum Load Costs By Resource Adequacy Resources.

40.6B.1 Eligibility.

Except as set forth below, Resource Adequacy Resources that are Generating Units and System Units for which the MSS Operator has contracted to supply Resource Adequacy Capacity to another entity shall be eligible to recover Un-Recovered Minimum Load Costs during Waiver Denial Periods. Units from Resource Adequacy Resources that incur Minimum Load Costs during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a Resource Adequacy Resource has a Final Hour-Ahead Energy Schedule, the Resource Adequacy Resource shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on a 10-minute Settlement Interval basis, a Resource Adequacy Resource generating at minimum load in compliance with the supply obligation, produces a quantity of Energy that varies from its minimum operating level by more than the Tolerance Band, the Resource Adequacy Resource shall not be eligible to recover Minimum Load Costs for any such Settlement Intervals during hours within a Waiver Denial Period. When, on a Settlement Interval basis, a Resource Adequacy Resource produces a quantity of

Energy above minimum load due to an ISO Dispatch Instruction, the Resource Adequacy Resource shall recover its Un-Recovered Minimum Load Costs as set forth in this Section and its bid costs, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall guarantee recovery of the Minimum Load Costs of an otherwise eligible Resource Adequacy Resource for each Settlement Interval during hours within a Waiver Denial Period as follows: (1) First, ISO will pre-dispatch for real time the minimum load Energy from Resource Adequacy Resources that have been denied waivers for each hour within a Waiver Denial Period; (2) This minimum load Energy will be accounted as Instructed Imbalance Energy for each Settlement Interval within the relevant hour and be settled at the Resource-Specific Settlement Interval Ex Post Price; (3) To the extent the Instructed Imbalance Energy payments are not sufficient to cover the generator's Minimum Load Cost as defined in Section 40.6B.3 of this ISO Tariff, the generator will also receive an uplift payment for its Un-Recovered Minimum Load Cost compensation for the relevant eligible Settlement Intervals of hours during the Waiver Denial Period that the unit runs at minimum load in compliance with the Resource Adequacy offer obligation; and (4) To the extent the Generator is dispatched for real time Imbalance Energy above its minimum load for any Dispatch Interval within an hour during the Waiver Denial Period, the Generator will be eligible for Bid Cost Recovery, as set forth in Section 11.2.4.1.1.1.

40.6B.2 Payments for Imbalance Energy above the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.

When, on a Settlement Interval basis, a Resource Adequacy Resource's Generating Unit or System Units for which the MSS Operator has contracted to supply Resource Adequacy Capacity to another entity produces a quantity of Energy above the unit's minimum operating level due to an ISO Dispatch Instruction, the Resource Adequacy Resource shall recover Un-Recovered Minimum Load Costs as set forth in Section 40.6B.1 and its bid costs, based on the ISO's instruction, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band.

40.6B.3 Payments for Imbalance Energy for the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.

Resource Adequacy Resources operating at or near its operating level during a Waiver Denial Period either: (1) without a forward Schedule for its minimum operating level Energy or (2) with a Schedule to a special-purpose Demand ID for the sole purpose of Scheduling the minimum operating level Energy shall be paid its Un-Recovered Minimum Load Costs subject to eligibility as set forth in Section 40.6B.1 and not be paid an additional amount by the ISO for Energy actually delivered.

40.6B.4 Un-Recovered Minimum Load Costs.

The Un-Recovered Minimum Load Costs for each hour of Waiver Denial Period shall be calculated as the difference between: (1) a resource's Minimum Load Costs as calculated in this Section for the same Settlement Interval and (2) the Imbalance Energy payment for a resource's minimum load energy in the Settlement Interval. If the Imbalance Energy payment for minimum load energy exceeds the Minimum Load Costs, then there are no Un-Recovered Minimum Load Costs. The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: (1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 40.10) at the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC and the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Resource Adequacy Resource is not served from one of those three Service Areas; and (2) the product of the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC; and \$6.00/MWh.

40.6B.5 Allocation of Un-Recovered Minimum Load Costs.

For each Settlement Interval, the ISO shall determine that the Un-Recovered Minimum Load Costs for

Resource Adequacy Resources, as applicable, for each unit operating during a Waiver Denial Period are due to (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements.

For each such month, the ISO shall sum the Un-Recovered Minimum Load Costs and shall allocate those costs as follows:

(1) if the Generating Unit or System Unit for which the MSS Operator has contracted to supply Resource Adequacy Capacity to another entity was operating to meet local reliability requirements, the incremental locational cost shall be allocated to the Participating TO in whose PTO Service Territory the unit is located, or, where the unit is located outside the PTO Service Territory of any Participating TO, to the Participating TO or Participating TOs whose PTO Service Territory or Territories are contiguous to the Service Area in which the Generating Unit or System Unit is located, in proportion to the benefits that each such Participating TO receives, as determined by the ISO. Where the costs allocated under this section are allocated to two or more Participating TOs, the ISO shall file the allocation under Section 205 of the Federal Power Act. For the purposes of this section, the incremental locational cost shall be the additional costs associated with committing and operating a particular unit or units to meet a local reliability requirement over the costs of a less expensive unit or units that would have been committed and operated absent the local reliability requirement. If a unit is committed in real-time for local reliability, its Un-Recovered Minimum Load costs shall be considered incremental locational costs. Costs allocated under this part (1) shall be considered Reliability Services Costs.

(2) if the Generating Unit or System Unit for which the MSS Operator has contracted to supply Resource Adequacy Capacity to another entity was operating due to Inter-Zonal Congestion, the Un-Recovered Minimum Load Costs shall be allocated on a monthly basis to each Scheduling Coordinator in the constrained Zone based on the ratio of that Scheduling Coordinator's monthly Demand to the sum of all Scheduling Coordinator's monthly Demand in that Zone;

(3) if the Generating Unit or System Unit for which the MSS Operator has contracted to supply Resource Adequacy Capacity to another entity was operating to satisfy an ISO Control Area-wide need, the ISO shall allocate the Un-Recovered Minimum Load Costs in the following way:

- a. first, to the monthly absolute total of all Net Negative Uninstructed Deviation (determined for each Settlement Interval based on Final Hour-Ahead Schedules) at a per-MWh rate that shall not exceed a figure that is determined by dividing the total Un-Recovered Minimum Load Cost in that month by the sum of the minimum loads for Generating Units operating under Waiver Denial Periods in that month;
- b. finally, all remaining costs not allocated per (a) shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's monthly Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the monthly sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

40.6B.6 Payment of Available Capacity under the Resource Adequacy Obligation.

Available Generation of Resource Adequacy Resources that is required to be offered to the Real Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Un-Recovered Minimum Load Cost compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period that the unit generated above minimum load in compliance with ISO Dispatch Instructions.

40.7 FERC Must-Offer Obligations.

40.7.1 Applicability.

The requirements of Section 40.7 shall apply to (a) all Participating Generators, and (b) all persons,

regardless of whether the person is a "public utility" as defined in Section 201 of the Federal Power Act, that own or control one or more non-hydroelectric Generating Units or System Units or System Resources located in California from which energy or capacity is either: (i) sold through any market operated by the ISO, or (ii) transmitted over the ISO Controlled Grid. Each person described in this Section 40.7.1 is referred to in the ISO Tariff as a "FERC Must-Offer Generator." ~~provided that such person with Eligible Capacity designated as RCST shall not be considered a FERC Must-Offer Generator to the extent, and for the term, of the RCST designation.~~ The requirements of this Section 40.7 shall apply to all non-hydroelectric Generating Units located in California that are owned or controlled by a FERC Must-Offer Generator.

40.7.2 Available Generation.

For the purposes of Section 40.7, a FERC Must-Offer Generator's "Available Generation" from a non-hydroelectric Generating Unit shall be: (a) the Generating Unit's maximum operating level adjusted for any outages or reductions in capacity reported to the ISO in accordance with Section 9.3.9 or 40.7.3 and for any limitations on the Generating Unit's operation under applicable law, including contractual obligations, which shall be reported to the ISO, (b) minus the Generating Unit's scheduled operating level as identified in the ISO's Final Hour-Ahead Schedule, (c) minus the Generating Unit's or System Unit's capacity committed to provide Ancillary Services to the ISO either through the ISO's Ancillary Services market or through self-provision by a Scheduling Coordinator, and (d) minus the capacity of the Generating Unit committed to deliver Energy or provide Operating Reserve to the FERC Must-Offer Generator's Native Load.

40.7.3 Reporting Requirements for Non-Participating Generators.

So that the ISO may determine the Available Generation of all FERC Must-Offer Generators, FERC Must-Offer Generators that are not Participating Generators shall be required to file with the ISO, for each non-hydroelectric Generating Unit located in California they own or control: (i) the Generating Unit's minimum operating level; (ii) the Generating Unit's maximum operating level; and (iii) the Generating Unit's ramp rates at all operating levels; and (iv) such other information the ISO determines is necessary to determine

available generation and to dispatch FERC Must-Offer Generators. In addition, FERC Must-Offer Generators that are not Participating Generators must, consistent with the notification obligations of Participating Generators and in order to comply with the intent of this Section 40.7, notify the ISO, as soon as practicable, of any Planned Maintenance Outages, Forced Outages, Force Majeure Event outages or any other reductions in their maximum operating

levels or Resource Adequacy Capacity during the relevant month.

40.7.4 Obligation To Offer Available Generation.

Except as set forth in Sections 40.7.5 and 40.7.6, all FERC Must-Offer Generators shall offer to sell in the ISO's Real Time Market for Imbalance Energy, in all hours, all their Available Generation as defined in Section 40.7.2.

40.7.5 Submission of Bids and Applicability of the Proxy Price.

For each Operating Hour, FERC Must-Offer Generators shall submit Supplemental Energy bids for all of their Available Generation to the ISO in accordance with Section 34.2. In addition, the ISO shall calculate for each gas-fired FERC Must-Offer Generator, in accordance with Section 40.10.1, a Proxy Price for Energy.

If a FERC Must-Offer Generator fails to submit a Supplemental Energy bid for any portion of its Available Generation for any Dispatch Interval, the unbid quantity of the FERC Must-Offer Generator's Available Generation will be deemed by the ISO to be bid at the FERC Must-Offer Generator's Proxy Price for that hour if: (i) the applicable Generating Unit is a gas-fired unit and (ii) the FERC Must-Offer Generator has provided the ISO with adequate data in compliance with Sections 40.7.7 and 40.7.3 for the applicable Generating Unit. For all other Generating Units owned or controlled by a FERC Must-Offer Generator, the unbid quantity of the FERC Must-Offer Generator's Available Generation will be deemed by the ISO to be bid and settled in accordance with Section 11.2. In order to dispatch resources providing Imbalance Energy in proper merit order, the ISO will insert this unbid quantity into the FERC Must-Offer Generator's Supplemental Energy bid curve above any lower-priced segments of the bid curve and below any higher-priced segments of the bid curve as necessary to maintain a non-decreasing bid curve over the entire range of the FERC Must-Offer Generator's Available Generation.

40.7.6 FERC Must-Offer Obligation Process.

FERC Must-Offer Generators may seek a waiver of the obligation to offer all available capacity, as set forth in Section 40.7.4 of this ISO Tariff, for one or more of their Generating Units or System Units.

All FERC Must-Offer Generators obligated under the must-offer obligation that have not submitted Day-

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Ahead Energy Schedules will be deemed to have requested a waiver, either implicitly or explicitly, of the obligation to offer all Available Generation. If conditions permit, the ISO may, at its sole

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discretion, grant waivers and allow a FERC Must-Offer Generator to remove one or more Generating Units or System Units from service. In doing so, the ISO will first grant waivers to FERC Must-Offer Generators, on a non-discriminatory basis, that are not also Resource Adequacy Resources and then, if permissible, the ISO may grant waivers to Resource Adequacy Resources ~~or resources designated as RCST~~ on a non-discriminatory basis.

The hours for which waivers are not granted shall constitute Waiver Denial Periods. A Waiver Denial Period shall be extended as necessary to accommodate Generating Unit minimum up and down times. Generating Units shall be on-line in real time during Waiver Denial Periods, or they will be in violation of the must-offer obligation. Exceptions shall be allowed for verified forced outages. The ISO may revoke waivers as necessary due to outages, changes in Load forecasts, or changes in system conditions. The ISO shall determine which waiver(s) will be revoked, and shall notify the relevant Scheduling Coordinator(s). To the extent conditions permit, the ISO will revoke the waivers of Resource Adequacy Resources ~~and RCST resources~~ prior to revoking the waivers of other FERC Must-Offer Generators. The ISO shall inform a FERC Must-Offer Generator that its Waiver request has been approved, disapproved or revoked, and shall provide the FERC Must-Offer Generator with the reason(s) for the decision, which reasons shall be non-discriminatory. The ISO will: (1) notify FERC Must-Offer Generators of the ISO decisions on pending Waiver requests received no later than 10:00 a.m. (beginning of Hour Ending 11) no later than 11:30 a.m. (middle of Hour Ending 12) on the day before the operating day for which the Waivers are requested; (2) at any time but no later than 11:30 a.m. on the following day, notify FERC Must-Offer Generators of the ISO decisions on Waiver requests that were submitted to the ISO after 10:00 a.m. (beginning of Hour Ending 11) on the day before; (3) end Waiver Denial Periods at any time; and (4) revoke Waivers at any time, while making best attempts to revoke a Waiver at least 90 minutes prior to the time a unit would be required to be on-line generating at its Pmin.

40.8 Recovery of Minimum Load Costs By FERC Must-Offer Generators.

40.8.1 Eligibility.

Except as set forth below, Generating Units shall be eligible to recover Minimum Load Costs during

Waiver Denial Periods. Units from FERC Must-Offer Generators that incur Minimum Load Costs during hours for which the ISO has granted to them a waiver shall not be eligible to recover such costs for such hours. When a FERC Must-Offer Generator has a Final Hour-Ahead Energy Schedule, the FERC Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such hours within a Waiver Denial Period. When, on a 10-minute Settlement Interval basis, a FERC Must-Offer Generator generating at minimum operating level in compliance with the must-offer obligation, produces a quantity of Energy that varies from its minimum

operating level by more than the Tolerance Band, the FERC Must-Offer Generator shall not be eligible to recover Minimum Load Costs for any such Settlement Intervals during hours within a Waiver Denial Period. When, on a Settlement Interval basis, a FERC Must-Offer Generator's resource produces a quantity of Energy above minimum load due to an ISO Dispatch Instruction, the FERC Must-Offer Generator shall recover its Minimum Load Costs as set forth in this Section and its bid costs, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band. Subject to the foregoing eligibility restrictions set forth in this section, the ISO shall guarantee recovery of the Minimum Load Costs of an otherwise eligible FERC Must-Offer Generator for each Settlement Interval during hours within a Waiver Denial Period as follows: (1) First, ISO will pre-dispatch for real time the minimum load Energy from FERC Must-Offer Generators that have been denied waivers for each hour within a Waiver Denial Period; (2) This minimum load Energy will be accounted as Instructed Imbalance Energy for each Settlement Interval within the relevant hour and be settled at the Resource-Specific Settlement Interval Ex Post Price; (3) The generator's Minimum Load Cost as defined in Section 40.8.4 of this ISO Tariff, the generator will also receive a payment for its Minimum Load Cost compensation for the relevant eligible Settlement Intervals of hours during the Waiver Denial Period that the Generating Unit runs at minimum load in compliance with the must-offer obligation; and (4) To the extent the Generator is dispatched for real time Imbalance Energy above its minimum load for any Dispatch Interval within an hour during the Waiver Denial Period, the Generator will be eligible for Bid Cost Recovery, as set forth in Section 11.2.4.1.1.1.

40.8.2 Payments for Imbalance Energy Above the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.

When, on a Settlement Interval basis, a FERC Must-Offer Generator's Generating Unit produces a quantity of Energy above the Generating Unit's minimum operating level due to an ISO Dispatch Instruction, the FERC Must-Offer Generator shall recover Minimum Load Costs and its bid costs, based on the ISO's instruction, as set forth in Section 11.2.4.1.1.1, for any such Settlement Intervals during hours within a Waiver Denial Period, irrespective of deviations outside of its Tolerance Band.

40.8.3 Payments for Imbalance Energy for the Minimum Operating Level for Generating Units Eligible to Be Paid Minimum Load Costs.

A Generating Unit operating at or near its minimum operating level during a Waiver Denial Period either (1) without a forward Schedule for its minimum operating level Energy or (2) with a Schedule to a special-purpose Demand ID for the sole purpose of Scheduling the minimum operating level Energy shall be paid, in addition to being paid its Minimum Load Costs subject to eligibility as set forth in Section 40.8.1, an amount equal to the Resource Specific Settlement Interval Ex Post Price times the amount of Energy actually delivered.

40.8.4 Minimum Load Costs.

The Minimum Load Costs shall be calculated as the sum, for all eligible hours in the Waiver Denial Period and Settlement Periods in which the unit generated in response to an ISO Dispatch Instruction, of: (1) the product of the unit's average heat rate (as determined by the ISO from the data provided in accordance with Section 40.10) at the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC and the gas price determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the FERC Must-Offer Generator is not served from one of those three Service Areas; and (2) the product of the unit's relevant minimum operating level or Dispatchable minimum operating level as set forth in the ISO Master File or as amended through notification to the ISO via SLIC; and \$6.00/MWh.

40.8.5 [Not Used]

40.8.6 Allocation of Minimum Load Costs.

For each Settlement Interval, the ISO shall determine that the Minimum Load Costs for each FERC Must Offer Generator unit operating during a Waiver Denial Period are due to (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each such month, the ISO shall sum the Settlement Interval Minimum Load Costs and shall allocate those costs as follows:

- (1) if the Generating Unit was operating to meet local reliability requirements, the incremental locational cost shall be allocated to the Participating TO in whose PTO Service Territory the Generating Unit is located, or, where the Generating Unit is located outside the PTO Service Territory of any Participating TO, to the Participating TO or Participating TOs whose PTO Service Territory or Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Participating TO receives, as determined by the ISO. Where the costs allocated under this section are allocated to two or more Participating TOs, the ISO shall file the allocation under Section 205 of the Federal Power Act. For the purposes of this section, the incremental locational cost shall be the additional costs associated with committing and operating a particular unit or units to meet a local reliability requirement over the costs of a less expensive unit or units that would have been committed and operated absent the local reliability requirement. If a unit is committed in real-time for local reliability, its Minimum Load costs shall be considered incremental locational costs. Costs allocated under this part (1) shall be considered Reliability Services Costs.
- (2) if the Generating Unit was operating due to Zonal requirements, the Minimum Load Costs shall be allocated on a monthly basis to each Scheduling Coordinator in the constrained Zone based on the ratio of that Scheduling Coordinator's monthly Demand to the sum of all Scheduling Coordinator's monthly Demand in that Zone;

- (3) if the Generating Unit was operating to satisfy an ISO Control Area-wide need, the ISO shall allocate the Minimum Load Costs in the following way:
- a. first, to the monthly absolute total of all Net Negative Uninstructed Deviation (determined for each Settlement Interval based on Final Hour-Ahead Schedules) at a per-MWh rate that shall not exceed a figure that is determined by dividing the total Minimum Load Cost in that month by the sum of the minimum loads for Generating Units operating under Waiver Denial Periods in that month;
 - b. finally, all remaining costs not allocated per (a) shall be allocated to each Scheduling Coordinator in proportion to the sum of that Scheduling Coordinator's monthly Control Area Gross Load and Demand within California outside the ISO Control Area that is served by exports to the monthly sum of the ISO Control Area Gross Load and the projected Demand within California outside the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators.

40.8.7 Payment Of Available Generation Under The FERC Must-Offer Obligation.

Available Generation that is required to be offered to the Real-Time Market, if dispatched by the ISO, shall be settled as follows: the actual amount of the dispatched Energy shall be settled at the applicable Instructed Imbalance Energy Market Clearing Price. Minimum Load Cost compensation shall be paid for all otherwise eligible hours within the Waiver Denial Period, as defined in Section 40.8.1, that the unit generated Energy above minimum operating level in compliance with ISO Dispatch Instructions.

40.9 Criteria for Issuing Must-Offer Waivers.

The ISO shall grant waivers so as to: (1) provide sufficient on-line generating capacity to meet operating reserve requirements; and (2) account for other physical operating constraints, including Generating Unit or System Unit minimum up and down times. Subject to the exceptions for Short Start Resource Adequacy Resources as identified in this ISO Tariff, the ISO shall grant, deny or revoke waivers using a security-constrained unit commitment software application to minimize start-up and Minimum Load Costs.

40.10 Requirement of FERC Must-Offer Generators to File Heat Rate and Emissions Rate Data.

Resource Adequacy Resources and FERC Must-Offer Generators, as defined in this ISO Tariff, that own or control gas-fired Generating Units or System Units must file with the ISO and the FERC, on a confidential basis, the heat rates and emissions rates for each gas-fired Generating Unit or System Unit that they own or control. Heat rate and emissions rate data shall be provided in the format specified by the ISO as posted on the ISO Website. Heat rate data provided to comply with this requirement shall not include start-up or minimum load fuel costs. Resource Adequacy Resources and FERC Must-Offer Generators must also file periodic updates of this data upon the direction of either FERC or the ISO. The ISO will treat the information provided to the ISO in accordance with this section as confidential and will apply the procedures in Section 20.4 of this ISO Tariff with regard to requests for disclosure of such information.

40.10.1 Calculation of the Proxy Price.

The ISO shall calculate each day separate Proxy Prices for each gas-fired Generating Unit or System Unit owned or controlled by a Resource Adequacy Resource or FERC Must-Offer Generator by applying the filed heat rates for those Generating Units or System Units to a daily proxy figure for natural gas costs with an additional \$6.00/MWh allowed for operations and maintenance expenses. The proxy figures for natural gas costs shall be based on the most recent data available and shall be posted on the ISO Website by 8:00 AM on the day prior to which the figures will be used for calculation of the Proxy Price.

40.11 Emissions Costs.

40.11.1 Obligation to Pay Emissions Cost Charges.

Each Scheduling Coordinator shall be obligated to pay a charge which will be used to pay the verified Emissions Costs incurred by a Resource Adequacy Resource or FERC Must-Offer Generator as a direct result of an ISO Dispatch Instruction, in accordance with this Section 40. The ISO shall levy this administrative charge (the "Emissions Cost Charge") each month, against all Scheduling Coordinators based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California

outside of the ISO Control Area that is served by exports from the ISO Control Area. Scheduling Coordinators shall make payment for all Emissions Cost Charges in accordance with the ISO Payments Calendar.

40.11.2 Emissions Cost Trust Account.

All Emissions Cost Charges received by the ISO shall be deposited in the Emissions Cost Trust Account. The Emissions Cost Trust Account shall be an interest-bearing account separate from all other accounts maintained by the ISO, and no other funds shall be commingled in it at any time.

40.11.3 Rate For the Emissions Cost Charge.

The rate at which the ISO will assess the Emissions Cost Charge shall be at the projected annual total of all Emissions Costs incurred by Resource Adequacy Resources and FERC Must-Offer Generators as a direct result of ISO Dispatch Instruction, adjusted for interest projected to be earned on the monies in the Emissions Cost Trust Account, divided by the sum of the Control Area Gross Load and the projected Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area of all Scheduling Coordinators for the applicable year ("Emissions Cost Demand"). The initial rate for the Emissions Cost Charge, and all subsequent rates for the Emissions Cost Charge, shall be posted on the ISO Website.

40.11.4 Adjustment of the Rate For the Emissions Cost Charge.

The ISO may adjust the rate at which the ISO will assess the Emissions Cost Charge on a monthly basis, as necessary, to reflect the net effect of the following:

- (a) the difference, if any, between actual Emissions Cost Demand and projected Emissions Cost Demand;
- (b) the difference, if any, between the projections of the Emissions Costs incurred by Resource Adequacy Resources or FERC Must-Offer Generators as a direct result of ISO Dispatch Instructions and the actual Emissions Costs incurred by Resource Adequacy Resources or FERC Must-Offer Generators as a direct result of ISO Dispatch Instructions as invoiced to the ISO and verified in accordance with this Section 40.11; and
- (c) the difference, if any, between actual and projected interest earned on funds in the Emissions Cost Trust Account.

The adjusted rate at which the ISO will assess the Emissions Cost Charge shall take effect on a prospective basis on the first day of the next calendar month. The ISO shall publish all data and

calculations used by the ISO as a basis for such an adjustment on the ISO Website at least five (5) days in advance of the date on which the new rate shall go into effect.

40.11.5 Credits and Debits of Emissions Cost Charges Collected from Scheduling Coordinators.

In addition to the surcharges or credits permitted under Section 11.6.3.3 of this ISO Tariff, the ISO may credit or debit, as appropriate, the account of a Scheduling Coordinator for any over- or under-assessment of Emissions Cost Charges that the ISO determines occurred due to the error, omission, or miscalculation by the ISO or the Scheduling Coordinator.

40.11.6 Submission of Emissions Cost Invoices.

Scheduling Coordinators for Resource Adequacy Resources or FERC Must-Offer Generators that incur Emissions Costs as a direct result of an ISO Dispatch Instruction may submit to the ISO an invoice in the form specified on the ISO Website (the "Emissions Cost Invoice") for the recovery of such Emissions Costs. Emissions Cost Invoices shall not include any Emissions Costs specified in an RMR Contract for a unit owned or controlled by a FERC Must-Offer Generator. All Emissions Cost Invoices must include a copy of all final invoice statements from air quality districts demonstrating the Emissions Costs incurred by the applicable Generating Unit or System Unit, and such other information as the ISO may reasonably require to verify the Emissions Costs incurred as a direct result of an ISO Dispatch Instruction.

40.11.7 Payment of Emissions Cost Invoices.

The ISO shall pay Scheduling Coordinators for all Emissions Costs submitted in an Emissions Cost Invoice and demonstrated to be a direct result of an ISO Dispatch Instruction. If the Emissions Costs indicated in the applicable air quality districts' final invoice statements include emissions produced by operation not resulting from ISO Dispatch Instructions, the ISO shall pay an amount equal to Emissions Costs multiplied by the ratio of the MWh associated with ISO Dispatch Instruction to the total MWh associated with such Emissions Costs. The ISO shall pay Emissions Cost Invoices each month in accordance with the ISO Payments Calendar from the funds available in the Emissions Cost Trust Account. To the extent there are insufficient funds available in Emissions Cost Trust Account in any

month to pay all Emissions Costs submitted in an Emissions Cost Invoice and demonstrated to be a direct result of an ISO Dispatch Instruction, the ISO shall make pro rata payment of such Emissions Costs and shall adjust the rate at which the ISO will assess the Emissions Cost Charge in accordance with Section 40.11.4. Any outstanding Emissions Costs owed from previous months will be paid in the order of the month in which such costs were invoiced to the ISO. The ISO's obligation to pay Emissions Costs is limited to the obligation to pay Emissions Cost Charges received. All disputes concerning payment of Emissions Cost Invoices shall be subject to ISO ADR Procedures, in accordance with Section 13 of this ISO Tariff.

40.12 Start-Up Costs.

40.12.1 Obligation to Pay Start-Up Cost Charges.

Each Scheduling Coordinator shall be obligated to pay a charge which will be used to pay the verified Start-Up Costs incurred by a Resource Adequacy Resource or FERC Must-Offer Generator as a direct result of an ISO Dispatch Instruction, in accordance with this Section 40.12. Such Start-Up Costs shall include (1) fuel and (2) auxiliary power. The ISO shall levy this charge (the "Start-Up Cost Charge"), each month, against all Scheduling Coordinators based upon each Scheduling Coordinator's Control Area Gross Load and Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area. Scheduling Coordinators shall make payment for all Start-Up Cost Charges in accordance with the ISO Payments Calendar.

40.12.2 Start-Up Cost Trust Account.

All Start-Up Cost Charges received by the ISO shall be deposited in the Start-Up Cost Trust Account. The Start-Up Cost Trust Account shall be an interest-bearing account separate from all other accounts maintained by the ISO, and no other funds shall be commingled in it at any time.

40.12.3 Rate For the Start-Up Cost Charge.

The rate at which the ISO will assess the Start-Up Cost Charge shall be at the projected annual total of all Start-Up Costs incurred by Resource Adequacy Resource or FERC Must-Offer Generators as a direct result of ISO Dispatch Instruction, adjusted for interest projected to be earned on the monies in the Start-Up Cost Trust Account, divided by the sum

of the Control Area Gross Load and the projected Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area ("Start-Up Cost Demand"). The initial rate for the Start-Up Cost Charge, and all subsequent rates for the Start-Up Cost Charge, shall be posted on the ISO Website.

40.12.4 Adjustment of the Rate For the Start-Up Cost Charge.

The ISO may adjust the rate at which the ISO will assess the Start-Up Cost Charge on a monthly basis, as necessary, to reflect the net effect of the following:

- (a) the difference, if any, between actual Start-Up Cost Demand and projected Start-Up Cost Demand;
- (b) the difference, if any, between the projections of the Start-Up Costs incurred by FERC Must-Offer Generators as a direct result of ISO Dispatch Instructions and the actual Start-Up Costs incurred by Resource Adequacy Resource or FERC Must-Offer Generators as a direct result of ISO Dispatch Instructions as invoiced to the ISO and verified in accordance with this Section 40.12; and
- (c) the difference, if any, between actual and projected interest earned on funds in the Start-Up Cost Trust Account.

The adjusted rate at which the ISO will assess the Start-Up Cost Charge shall take effect on a prospective basis on the first day of the next calendar month. The ISO shall publish all data and calculations used by the ISO as a basis for such an adjustment on the ISO Website at least five (5) days in advance of the date on which the new rate shall go into effect.

40.12.5 Credits and Debits of Start-Up Cost Charges Collected from Scheduling Coordinators.

In addition to the surcharges or credits permitted under Section 11.6.3.3 of this ISO Tariff, the ISO may credit or debit, as appropriate, the account of a Scheduling Coordinator for any over- or under-assessment of Start-Up Cost Charges that the ISO determines occurred due to the error, omission, or miscalculation by the ISO or the Scheduling Coordinator.

40.12.6 Submission of Start-Up Cost Invoices.

Scheduling Coordinators for Resource Adequacy Resources or FERC Must-Offer Generators that incur Start-Up Costs as a direct result of an ISO Dispatch Instruction or if the ISO revokes a waiver from compliance with the FERC must-offer obligation while the unit is off-line in accordance with Section 40.6A.6 or 40.7.6 of this ISO Tariff, and Scheduling Coordinators for Generating Units or System Units operating under Condition 2 of the relevant RMR Contract which are called out-of-market in accordance with Section 11.2.4.2 of this ISO Tariff may submit to the ISO an invoice in the form specified on the ISO Website (the "Start-Up Cost Invoice") for the recovery of such Start-Up Costs. Such Start-Up Costs shall not exceed the costs which would be incurred within the start-up time for a unit specified in Schedule 1 of the Participating Generator Agreement. Start-Up Cost Invoices shall use the applicable proxy figure for natural gas costs as determined by Equation C1-8 (Gas) of the Schedules to the Reliability Must-Run Contract for the relevant Service Area (San Diego Gas & Electric Company, Southern California Gas Company, or Pacific Gas and Electric Company), or, if the Resource Adequacy Resource or FERC Must-Offer Generator is not served from one of those three Service Areas, from the nearest of those three Service Areas. Start-Up Cost Invoices shall specify the amount of auxiliary power used during the start-up and the actual price paid for that power. Start-Up Cost Invoices shall not include any Start-Up Costs specified in an RMR Contract for a unit owned or controlled by a FERC Must-Offer Generator.

40.12.7 Payment of Start-Up Cost Invoices.

The ISO shall pay Scheduling Coordinators for all Start-Up Costs submitted in a Start-Up Cost Invoice and demonstrated to be a direct result of an ISO Dispatch Instruction. The ISO shall pay such Start-Up Cost Invoices each month in accordance with the ISO Payments Calendar from the funds available in the Start-Up Cost Trust Account. To the extent there are insufficient funds available in the Start-Up Cost Trust Account in any month to pay all Start-Up Costs submitted in a Start-Up Cost Invoice and demonstrated to be a direct result of an ISO Dispatch Instruction, the ISO shall make pro rata payment of such Start-Up Costs and shall adjust the rate at which the ISO will assess the Start-Up Cost Charge in accordance with Section 40.12.4. Any outstanding Start-Up Costs owed from previous months will be paid in the order of the month in which such costs were invoiced to the ISO. The ISO's obligation to pay

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Start-Up Costs is limited to the obligation to pay Start-Up Cost Charges received. All disputes concerning

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payment of Start-Up Cost Invoices shall be subject to ISO ADR Procedures, in accordance with Section 13 of this ISO Tariff.

40.13 ISO Default Qualifying Capacity Criteria.

40.13.1 Applicability.

The criteria in Section 40.13 shall apply only where a Local Regulatory Authority does not establish criteria to determine the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity for such eligible resource types.

40.13.2 Nuclear and Thermal.

Nuclear and thermal units, other than Qualifying Facilities ("QFs") with effective contracts under the Public Utility Regulatory Policies Act addressed in Section 40.13.8 below, must be a Participating Generator or a System Unit. The Qualifying Capacity of nuclear and thermal units, other than Qualifying Facilities addressed in Section 40.13.8, will be based on net dependable capacity defined by North American Electric Reliability Council ("NERC") Generating Availability Data System ("GADS") information.

40.13.3 Hydro.

Hydro units, other than QFs with contracts under the Public Utility Regulatory Policies Act, must be either Participating Generators or System Units. The Qualifying Capacity of a pond or pumped storage hydro unit, other than a QF, will be determined based on net dependable capacity defined by NERC GADS minus variable head de-rate based on an average dry year reservoir level. The Qualifying Capacity of a pond or pumped storage hydro unit that is a QF will be determined based on historic performance during the Standard Offer 1 peak hours of noon to 6:00 p.m., using a three-year rolling average.

The Qualifying Capacity of all run-of-river hydro units, including QFs, will be based on net dependable capacity defined by NERC GADS minus an average dry year conveyance flow, stream flow, or canal head de-rate. As used in this section, average dry year reflects a one-in-five year dry hydro scenario (for example, using the 4th driest year from the last 20 years on record).

40.13.4 Unit-Specific Contracts.

Unit-specific contracts with Participating Generators or System Units will qualify as Resource Adequacy capacity subject to the verification that the total MW quantity of all contracts from a specific unit do not exceed the total Net Qualifying Capacity (MW) consistent with the Net Qualifying Capacity determination for that unit.

40.13.5 Contracts with Liquidated Damage Provisions.

Firm energy contracts with liquidated damages provisions, as generally reflected in Service Schedule C of the Western Systems Power Pool Agreement or the Firm LD product of the Edison Electric Institute pro forma agreement, or any other similar firm energy contract that does not require the seller to source the energy from a particular unit, and specifies a delivery point internal to the ISO Control Area entered into before October 27, 2005 shall be eligible to count as Qualifying Capacity until the end of 2008. A Scheduling Coordinator, however, cannot have more than 75% of its portfolio of Qualifying Capacity met by contracts with liquidated damage provisions for 2006. This percentage will be reduced to 50% for 2007 and 25% for 2008.

40.13.6 Wind and Solar.

As used in this Section, wind units are those wind Generating Units without backup sources of generation and solar units are those solar Generating Units without backup sources of generation. Wind and Solar units, other than QFs with effective contracts under the Public Utility Regulatory Policies Act, must be participants in the ISO's Participating Intermittent Resource Program ("PIRP").

The Qualifying Capacity of all wind or solar units, including QFs, will be based on their monthly historic performance during the Standard Offer 1 peak hours of noon to 6:00 p.m., using a three-year rolling average. New wind and solar generators which do not have three years of historic performance data will be assigned a default Qualifying Capacity for each year of the missing historical performance as follows: the Qualifying Capacity of another solar or wind generator with historic data located in the same weather regime with similar technology adjusted for the nameplate capacity ratio of the new generator and the similarly situated proxy generator. The supporting data and the sample Qualifying Capacity calculation will be submitted to the ISO for approval as part of the facilities PIRP program application.

The default Qualifying Capacity values will be replaced on a year by year basis with actual performance data as the data becomes available to form a three year rolling average.

40.13.7 Geothermal.

Geothermal units, other than QFs addressed in Section 40.13.8, must be Participating Generators or System Units. The Qualifying Capacity of geothermal units, other than QFs addressed in Section 40.13.8, will be based on NERC GAD net dependable capacity minus a de-rate for steam field degradation.

40.13.8 Treatment of Qualifying Capacity for QFs.

QFs must be Participating Generators (signed a Participating Generator or QF Participating Generator Agreement) or System Units, unless they have a PURPA contract. Except for hydro, wind, and solar QFs addressed pursuant to Sections 40.13.3 and 40.13.6 above, the Qualifying Capacity of QFs under PURPA contracts, will be based on historic monthly generation output during Standard Offer 1 peak hours of noon to 6:00 p.m. (net behind the meter loads) during a three-year rolling average.

40.13.9 Participating Load Resources.

The Qualifying Capacity of Participating Load shall be the average reduction in demand for over a three-year period on a per dispatch basis or, if the Participating Load does not have three years of performance history, based on comparable evaluation data using similar programs. Participating Load resources must be available at least 48 hours and if the Participating Load can only be dispatched for a maximum of two hours per event, than only 0.89% of a Scheduling Coordinator's portfolio may be made up of such Participating Load.

40.13.10 Jointly-Owned Facilities.

A jointly-owned facility must be either a Participating Generator or a System Unit. The Qualifying Capacity for the entire facility will be determined based on the type of resource as described elsewhere in this Section. In addition, the Scheduling Coordinator must provide the ISO with a demonstration of its entitlement to the output of the jointly-owned facility's Qualified Capacity and an explanation of how that entitlement may change if the facility's output is restricted.

40.13.11 Facilities Under Construction.

The Qualifying Capacity for facilities under construction will be determined based on the type of resource as described elsewhere in this Section. In addition, the facility must have been in commercial operation for no less than one month to be eligible to be included as a Resource Adequacy Resource in a Scheduling Coordinator's monthly plan.

40.13.12 System Resources.

40.13.12.1 Dynamically Scheduled System Resources.

Dynamically Scheduled System Resources shall be treated similar to resources within the ISO Control Area, except with respect to the deliverability screen under Section 40.5.2.1. However, eligibility as a Resource Adequacy Resource is contingent upon a showing by the Scheduling Coordinator that the Dynamically Scheduled System Resource has secured transmission through any intervening Control Areas for the operating hours that cannot be curtailed for economic reasons or bumped by higher priority transmission and that the Load Serving Entity upon which the Scheduling Coordinator is scheduling Demand has an allocation of import capacity at the import Scheduling Point under Section 40.5.2.2 of the ISO Tariff that is not less than the Resource Adequacy Capacity provided by the Dynamically Scheduled System Resource.

40.13.12.2 Non-Dynamically Scheduled System Resources.

For Non-Dynamically Scheduled System Resources, the Scheduling Coordinator must demonstrate that the Load Serving Entity upon which the Scheduling Coordinator is scheduling Demand has an allocation of import allocation at the Import Scheduling Point under Section 40.5.2.2 of the ISO Tariff that is not less than the Resource Adequacy Capacity from the Non-Dynamically Scheduled System Resource. Eligibility as Resource Adequacy Capacity would be contingent upon a showing ~~by the Scheduling Coordinator of the System Resource that it has secured transmission through any intervening Control Areas for the operating hours that cannot be curtailed for economic reasons or bumped by higher priority transmission.~~

With respect to Non-Dynamically Scheduled System Resources, any inter-temporal constraints such as multi-hour run blocks, must be explicitly identified in the monthly Resource Adequacy Plan, and no

constraints may be imposed beyond those explicitly stated in the plan.

40.14 Capacity Payments Under the FERC Must-Offer Obligation.

As set forth in this Section, Generating Units of FERC Must-Offer Generators that are eligible to recover Minimum Load Costs pursuant to Section 40.8 and that comply with such notice requirements, if any, as may be imposed by FERC for a particular period of time shall also be eligible to recover a Must-Offer Capacity Payment during Waiver Denial Periods, in addition to such Minimum Load Costs, provided the Generating Unit does not have an RMR contract, is not a Resource Adequacy Resource and is not designated as RCST. The Must-Offer Capacity Payment shall equal $1/17^{\text{th}}$ of the Monthly RCST Charge as specified in Schedule 6 of Appendix F per megawatt for each day of the Waiver Denial Period, adjusted pro rata for any hours of that day in which the Generating Unit was ineligible for the recovery of Minimum Load Costs. For any Trading Day of a calendar month, if the sum of (i) total Must-Offer Capacity Payments that a FERC Must-Offer Generator has received for a Generating Unit under this Section 43.9 during that month, (ii) the total Imbalance Energy payments received when that Generating Unit is running at minimum load, and (iii) the Frequently Mitigated Adder under Section 34.1.2.1.1 during the calendar month, exceeds the Qualifying Capacity times the maximum Monthly RCST Charge (established in Schedule 6 of Appendix F) reduced by the Monthly PER (established in Schedule 6 of Appendix F), the FERC Must-Offer Generator shall not be eligible to receive Must-Offer Capacity Payments or the Frequently Mitigated Adder under Section 34.1.2.1.1 for that Generating Unit for that Trading Day, nor for any other Trading Day in the remainder of the calendar month (but shall continue to recover Minimum Load Costs and imbalance Energy payments). This Section 40.14 shall expire at midnight on the earlier of December 31, 2007 or the date immediately before the MRTU goes into effect.

40.14.1 Allocation of Must-Offer Capacity Payments

The ISO shall determine whether the Must-Offer Capacity Payment costs for each FERC Must-Offer Generator Generating Unit operating during a waiver denial period are due to (1) local reliability requirements, (2) zonal requirements, or (3) Control Area-wide requirements. For each month, the ISO shall sum the Must-Offer Capacity Payments costs and shall allocate those costs as follows:

- (1) if the Generating Unit was operating to meet local reliability requirements, the Must-Offer Capacity Payment costs shall be considered incremental locational costs and shall be allocated in accordance with Section 40.8.6 (1);
- (2) if the Generating Unit was operating due to Zonal requirements, the Must-Offer Capacity Payment costs shall be allocated in accordance with Section 40.8.6 (2)
- (3) if the Generating Unit was operating to satisfy an ISO Control Area-wide need, the Must-Offer Capacity Payment costs shall be allocated in accordance with Section 40.8.6 (3)

40.15 Must-Offer Reporting Requirements

Sections 40.15 through 40.15.4 shall expire at midnight on the earlier of December 31, 2007, or the date immediately before the MRTU goes into effect.

40.15.1 Must-Offer Waiver Denial Report

The ISO shall publish a Must-Offer Waiver Denial Report ("MOWD Report") on the ISO Website on a weekly basis and shall provide a market notice of its availability. The MOWD Report shall indicate the category of the must-offer waiver denial, i.e., local, zonal or system, and the amount of megawatts involved in each category. On a daily basis, thirty (30) days after the Trade Day, the ISO will publish on OASIS the allocation of Un-Recovered Minimum Load Costs for RCST and Resource Adequacy Resources and Minimum Load Costs for FERC Must-Offer Generators.

40.15.2 Monthly Minimum Load Cost Report

On a monthly basis, thirty (30) days after the Trade Day, the ISO will publish on ISO Website the monthly allocation of Un-Recovered Minimum Load Costs for RCST and Resource Adequacy Resources, Minimum Load Costs for FERC Must-Offer Generators.

40.15.3 Multiple Denial of FERC Must-Offer Waivers

If the ISO issues a denial of must-offer waivers to a FERC Must-Offer Generator on four separate days in any calendar year, the ISO shall evaluate whether a Significant Event has occurred that warrants designation of the FERC Must-Offer Generator to provide service under the RCST ("MOWD Evaluation").

The ISO shall conduct a MOWD Evaluation after every four separate days on which the ISO denies a must-offer waiver request for such a FERC Must-Offer Generator.

40.15.4 Significant Event/Repeat Waiver Denial Report

The ISO shall publish the results of its assessment of the MOWD Evaluation ("Significant Event/Repeat MOWD Report"), including an explanation of its decision whether to designate FERC Must-Offer Generator capacity as RCST, on the ISO Website on a weekly basis unless no Significant Events or MOWD Evaluations occurred during the week. The ISO will provide a market notice of the availability of each Significant Event/Repeat MOWD Report. The Significant Event/Repeat MOWD Report shall explain why the ISO denied the must-offer waiver request that triggered the assessment of whether a Significant Event occurred, and whether any Resource Adequacy Resources, RMR units, or resources designated to provide service under the RCST were available and called upon by the ISO prior to its denial of the FERC Must-Offer Generator's must-offer waiver request. The ISO shall also explain why Non-Generation Solutions were insufficient to prevent the use of denials of must-offer waivers for local reasons. In the event that the ISO denies a must-offer waiver request for local or system reasons that do not constitute a Significant Event or is not due to a Resource Adequacy Resource non-performance, the report shall include an explanation for such issuance and shall be signed by the ISO's Vice President of Operations.

41 Procurement of RMR.

42 Assurance of Adequate Generation and Transmission to meet Applicable Operating and Planning Reserve.

42.1 Generation Planning Reserve Criteria.

Generation planning reserve criteria shall be met as follows:

42.1.1 On an annual basis, the ISO shall prepare a forecast of weekly Generation capacity and weekly peak Demand on the ISO Controlled Grid. This forecast shall cover a period of twelve months and be posted on the WEnet and the ISO may make the forecast available in other forms at the ISO's