

Section 12

12. Creditworthiness

12.1 Credit and Minimum Participation Requirements

- (a) The creditworthiness and minimum participation requirements in this section apply to the CAISO's acceptance of any transaction in a CAISO Market, to the payment of charges pursuant to the CAISO Tariff (including the Grid Management Charge), and to establish credit limits for participation in any CAISO auction of CRRs and to CRR Holders for the holding of CRRs. Each Market Participant that has a direct financial relationship with the CAISO (including each Scheduling Coordinator, UDC, MSS, CRR Holder, or Candidate CRR Holder) shall secure its financial transactions with the CAISO (including its participation in any auction of CRRs and for the holding of CRRs) by maintaining an Unsecured Credit Limit and/or by posting Financial Security, the level of which constitutes the Market Participant's Financial Security Amount. For each Market Participant, the sum of its Unsecured Credit Limit and its Financial Security Amount shall represent its Aggregate Credit Limit. Each Market Participant shall have the responsibility to maintain an Aggregate Credit Limit that is at least equal to its Estimated Aggregate Liability.
- (b) In order to participate in the CAISO Markets, each prospective Market Participant or existing Market Participant with a direct financial relationship with the CAISO must satisfy all of the following minimum participation requirements:
 - (i) Provide the CAISO annually, as detailed in the Business Practice Manual, a certified statement executed by an officer of the prospective or existing Market Participant certifying that the prospective or existing Market Participant has met the following criteria and relevant requirements consistent with these criteria set forth in the Business Practice Manual:
 - (1) Has undergone training commensurate and proportional in sophistication, scope, and frequency to the volume of transactions and the nature and extent of the risk taken by the prospective or existing Market Participant, including but not limited to any applicable CAISO training requirements as specified in Sections 4.5.1.1.10.1 and 36.5.2;
 - (2) Has and maintains written policies, procedures, and controls approved by the appropriate officer or corporate authority of the prospective or existing Market Participant's governing body which provide an appropriate, comprehensive risk management framework that, at a minimum, clearly identifies and documents the range of risks to which the prospective or existing Market Participant is exposed, including, but not limited to, legal risk, credit risk, liquidity risk, risk of loss of financial security amounts held and invested by the CAISO, investment risk, concentration risk, default risk, operation risk, market risk, and business risk;
 - (3) To the extent the Market Participant engages in the CRR market, the Market Participant must demonstrate that it has policies in place that are consistent with generally accepted industry risk management standards;
 - (4) Has appropriate personnel resources, operating procedures and technical abilities to promptly and effectively respond to all CAISO communications and directions, including, but not limited to, the CAISO's issuance of invoices and collateral requests to the prospective or existing Market Participant; and

(5) Satisfies the requirements of Section 12.1(b)(iv).

(ii) Provide annually for CAISO review and verification, as detailed in the Business Practice Manual, the risk management policies, procedures, and controls applicable to the CRR trading activities of the prospective or existing Market Participant, if the prospective or existing Market Participant has a CRR portfolio that meets the applicable risk criterion set forth in the Business Practice Manual.

(iii) Satisfy the ~~following~~ capitalization requirement ~~ps~~:

~~(1) Pursuant to Sections 12.1 and 12.1.1, the prospective or existing Market Participant or its guarantor must have at least \$1 million in Tangible Net Worth or \$10 million in total assets, or post Financial Security of \$500,000 using one or more of the forms specified in Section 12.2 in the amounts set forth below. In the event the prospective or existing Market Participant must post Financial Security, that financial security will not be added to Market Participant's Aggregate Credit Limit and, therefore, cannot be used to meet Market Participant's minimum credit requirements to participate in a Congestion Revenue Rights auction or to offset any market obligations as reflected in Market Participant's Estimated Aggregate Liability. However, all Financial Security in any form may be used to satisfy any financial obligation of the Market Participant.~~

~~(2) \$500,000 for a prospective or existing Market Participant with fewer than six (6) months of CAISO Market activity; \$100,000 for an existing Market Participant with six (6) months or more of CAISO Market activity and whose highest Estimated Aggregate Liability for the preceding six (6) months is less than or equal to \$100,000; or \$500,000 for an existing Market Participant with six (6) months or more of market activity and whose highest Estimated Aggregate Liability for the preceding six (6) months is greater than \$100,000.~~

~~(3) The CAISO will review whether the prospective or existing Market Participant continues to satisfy the capitalization requirements set forth in Section 12.1(iii)(a). The CAISO will conduct such a review every six (6) months, when new financial statements are posted for the prospective or existing Market Participant, or when an increase in CAISO Market activity causes the Market Participant's Estimate Agreement Liability to exceed \$100,000.~~

* * * * *

Section 23

* * * * *

23.7 Use of ETC or TOR Capacity to Support a Wheeling Through Priority

A Scheduling Coordinator may use ETC or TOR capacity to support a Wheeling Through Priority. The Scheduling Coordinator may use ETC or TOR capacity for that portion of the Wheeling Through Priority from the import Scheduling Point to the export Scheduling Point that is covered by the ETC or TOR capacity the Scheduling Coordinator chooses to use. The Scheduling Coordinator must use transmission capacity on the CAISO Controlled Grid to support the balance of the Wheeling Through Priority. The Scheduling Coordinator will pay-be assessed the applicable Wheeling Through Priority charges pursuant to Section 26.1.4.5 for the MW quantity of the Wheeling Through Priority.

* * * * *

Section 28

* * * * *

28.2 Inter-SC Trades of Ancillary Services

Inter-SC Trades of Ancillary Services enable a Scheduling Coordinator to transfer any fixed quantity of Ancillary Services (MW) to another Scheduling Coordinator. An Inter-SC Trade of AS shall consist of a quantity in MWs traded between two Scheduling Coordinators for a specific hour and for a specific Ancillary Service type. The Inter-SC Trade of AS is a financial trade. The CAISO shall charge and pay-credit the two parties of the trade based on the quantity (MW) of the Ancillary Service Obligation traded times the user rate for the Ancillary Service trades for the Trading Hour. Scheduling Coordinators may submit Inter-SC Trades of Ancillary Services for Regulation Up, Regulation Down, Spinning and Non-Spinning Reserves.

28.2.1 Information Requirements

An Inter-SC Trade of Ancillary Services shall contain the following information: (i) the Scheduling Coordinator ID Code (SCID) for the Scheduling Coordinator from whom the MW amounts of Ancillary Service is traded; (ii) the SCID for the Scheduling Coordinator to whom the MW amounts of AS is traded; (iii) the type of AS being traded; (iv) the time period over which the trade will take place, including the start-date and time and the end-date and time; and the (v) quantity (MW) of the AS to be traded.

28.2.2 Validation

The CAISO's validation of Inter-SC Trades of AS will begin upon submission of an Inter-SC Trade of AS. The CAISO shall conduct a final validation for Inter-SC Trades of AS at the end of the RTM Inter-SC Trade Period. The CAISO will validate each submitted Inter-SC Trade of AS to

verify that the contents of the submission match the submittal by the counter-party Scheduling Coordinator by type (Regulation Up, Regulation Down, Spinning Reserve and Non-Spinning Reserve), quantity (MW), and time period. The CAISO will inform the submitting Scheduling Coordinators regarding the validity of a submitted trade of an AS and will allow the Scheduling Coordinator to resubmit the entire Inter-SC Trade of AS if it is not accepted. If only one of the two Scheduling Coordinators successfully submits an Inter-SC Trade of AS, the CAISO will notify both Scheduling Coordinators that the Inter-SC Trade of AS for the specific hour does not match the corresponding Inter-SC Trade of AS. If both Scheduling Coordinators successfully submit the Inter-SC Trade of AS, the CAISO will notify the Scheduling Coordinators that their Inter-SC Trade of AS for the specific hour has been accepted. An Inter-SC Trade of Ancillary Services submitted at a later time, but before the deadline for the submission of the trade for the Trading Hour, renders a previously submitted Inter-SC Trade of AS invalid if it applies to the same hour, same type of AS, and the same Scheduling Coordinators to whom and from whom the AS is traded.

28.2.3 Submission of Inter-SC Trades of Ancillary Services

Scheduling Coordinators may submit Inter-SC Trades of Ancillary Services at any time during the RTM Inter-SC Trade Period.

* * * * *

Section 29

* * * * *

29.11 Settlements and Billing for EIM Market Participants.

* * * * *

- (n) **EIM Transfers and Settlement for Contingency Reserve Obligations.** The CAISO shall allocate Operating Reserve Obligations to EIM Entity Scheduling Coordinators for EIM Transfers as follows –

- (1) EIM Entity Scheduling Coordinators will receive a payment-credit equal

to three (3) percent of the hourly MW EIM Transfer into the CAISO Balancing Authority Area multiplied by the hourly user rate for Spinning Reserves and Non-Spinning Reserves, as calculated per Section 11.10.3.3 and 11.10.4.3, respectively; and

- (2) EIM Entity Scheduling Coordinators will receive a charge equal to three (3) percent of the hourly MW EIM Transfer out of the CAISO Balancing Authority Area multiplied by the hourly user rate for Spinning Reserves and Non-Spinning Reserves, as calculated per Section 11.10.3.3 and 11.10.4.3, respectively.

* * * * *

Section 40

* * * * *

40.6.1 Day-Ahead Availability

Except as otherwise provided in Sections 40.6.1.1 and 40.6.4, Scheduling Coordinators supplying Resource Adequacy Capacity shall make such Resource Adequacy Capacity, available Day-Ahead to the CAISO as follows:

- (1) Resource Adequacy Resources physically capable of operating must submit: (a) Economic Bids for Energy and/or Self-Schedules for all their Resource Adequacy Capacity and (b) Economic Bids for Ancillary Services and/or a Submission to Self-Provide Ancillary Services in the IFM for all of their Resource Adequacy Capacity that is certified to provide Ancillary Services. For Resource Adequacy Capacity that is certified to provide Ancillary Services and is not covered by a Submission to Self-Provide Ancillary Services, the resource must submit Economic Bids for each Ancillary Service for which the resource is certified. For Resource Adequacy Capacity subject to this requirement for which no Economic Energy Bid or Self-Schedule has been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8. For Resource Adequacy

Capacity subject to this requirement for which no Economic Bids for Ancillary Services or Submissions to Self-Provide Ancillary Services have been submitted, the CAISO shall insert a Generated Bid in accordance with Section 40.6.8 for each Ancillary Service the resource is certified to provide.

- (2) Resource Adequacy Resources must be available except for limitations specified in the Master File, legal or regulatory prohibitions or as otherwise required by this CAISO Tariff or by Good Utility Practice.
- (3) Through the IFM co-optimization process, the CAISO will utilize available Resource Adequacy Capacity to provide Energy or Ancillary Services in the most efficient manner to clear the Energy market, manage congestion and procure required Ancillary Services. In so doing, the IFM will honor submitted Energy Self-Schedules of Resource Adequacy Capacity unless the CAISO is unable to satisfy one hundred percent (100%) of the Ancillary Services requirements. In such cases, the CAISO may curtail all or a portion of a submitted Energy Self-Schedule to allow Ancillary Service-certified Resource Adequacy Capacity to be used to meet the Ancillary Service requirements. The CAISO will not curtail for the purpose of meeting Ancillary Service requirements a Self-Schedule of a resource internal to a Metered Subsystem that was submitted by the Scheduling Coordinator for that Metered Subsystem. If the IFM reduces the Energy Self-Schedule of Resource Adequacy Capacity to provide an Ancillary Service, the Ancillary Service Marginal Price for that Ancillary Service will be calculated in accordance with Section 27.1.2 using the Ancillary Service Bids submitted by the Scheduling Coordinator for the Resource Adequacy Resource or inserted by the CAISO pursuant to this Section 40.6.1, and using the resource's Generated Energy Bid to determine the Resource Adequacy Resource's opportunity cost of Energy. If the Scheduling Coordinator for the Resource Adequacy Resource believes that the opportunity cost of Energy based on the Resource Adequacy Resource's Generated Energy Bid is insufficient to compensate for the

resource's actual opportunity cost, the Scheduling Coordinator may submit evidence justifying the increased amount to the CAISO and to the FERC no later than seven (7) days after the end of the month in which the submitted Energy Self-Schedule was reduced by the CAISO to provide an Ancillary Service. The CAISO will treat such information as confidential and will apply the procedures in Section 20.4 of this CAISO Tariff with regard to requests for disclosure of such information. The CAISO shall ~~credit pay~~ any higher opportunity costs approved by FERC.

- (4) A Resource Adequacy Resources must participate in the RUC to the extent that the resource has available Resource Adequacy Capacity that is not reflected in a Day-Ahead Schedule. Resource Adequacy Capacity participating in RUC will be optimized using a zero dollar (\$0/MW-hour) RUC Availability Bid.
- (5) Capacity from Resource Adequacy Resources selected in RUC will not be eligible to receive a RUC Availability Payment.

40.6.1.1 Day-Ahead Availability - Specific RA Resource Types

- (a) **Distributed Generation Facilities.** Distributed Generation Facilities shall comply with the IFM and RUC bidding requirements that apply to the same technology type of a resource connected to the CAISO Controlled Grid.
- (b) **Non-Generator Resources**
 - (1) Non-Generator Resources that do not use Regulation Energy Management shall submit:
 - (A) Economic Bids or Self-Schedules into the IFM for all RA Capacity for all hours of the month the resource is physically capable of operating; and
 - (B) \$0/MW RUC Availability Bids for all RA Capacity for all hours of the month the resource is physically capable of operating,
 - (2) Non-Generator Resources using Regulation Energy Management shall submit Economic Bids or Self-Schedules into the IFM for all RA Capacity

for Regulation for all hours of the month the resource is physically capable of operating.

(c) **Extremely Long-Start Resources.** Extremely Long-Start Resources that are Resource Adequacy Resources must make themselves available to the CAISO by complying with:

- (1) the Extremely Long-Start Commitment Process under Section 31.7 or otherwise committing the ELS Resource upon instruction from the CAISO, if physically capable; and
- (2) the applicable provisions of Section 40.6.1 regarding Day-Ahead availability for the Trading Days for which it was committed.

* * * * *

Appendix A

* * * * *

- IFM Load Uplift Obligation

The obligation of a Scheduling Coordinator ~~to pay for~~ its share of unrecovered IFM Bid Costs paid to resources through Bid Cost Recovery.

- Non-Spinning Reserve Obligation

The obligation of a Scheduling Coordinator ~~to pay for~~ its share of costs incurred by the CAISO in procuring Non-Spinning Reserve.

- Operating Reserve Obligation

The obligation of a Scheduling Coordinator ~~to pay for~~ its share of costs incurred by the CAISO in

DRAFT – For Discussion Purposes

procuring Operating Reserves.

- Regulation Up Reserve Obligation

The obligation of a Scheduling Coordinator ~~to pay for~~ its share of costs incurred by the CAISO in procuring Regulation Up Reserves.

- Settlement Statement Any one of the following: Initial Settlement Statement T+3B, Initial Settlement Statement T+9B, Recalculation Settlement Statement T+12B, Recalculation Settlement Statement T+55B, Recalculation Settlement Statement T+70B, Recalculation Settlement Statement T+9M, Recalculation Settlement Statement T+11M, Recalculation Settlement Statement T+18M, Recalculation Settlement Statement T+21M, Recalculation Settlement Statement T+24M, Recalculation Settlement Statement T+33M, Recalculation Settlement Statement T+36M, Unscheduled Reissue Recalculation Settlement Statement, or any other Recalculation Settlement Statement authorized by the CAISO Governing Board or FERC.

- Spinning Reserve Obligation

The obligation of a Scheduling Coordinator ~~to pay for~~ its share of costs incurred by the CAISO in procuring Spinning Reserve.

- Virtual Demand Bid

A Bid submitted in the DAM that, if cleared in the IFM, represents a financial commitment ~~to pay~~ for Energy at the LMP in the DAM and to receive ~~revenues-credits~~ as specified in Section 11.3.