6.5.2.3 Public Market Information

6.5.2.3.1 Demand Forecasts

6.5.2.3.1.1 Beginning seven (7) days prior to the target Day-Ahead Market, and updated as necessary, the CAISO will publish the CAISO Forecast of CAISO Demand.

6.5.2.3.1.2 By 6:00 p.m. the day prior to the target Day-Ahead Market, the CAISO will publish the updated CAISO Forecast of CAISO Demand.

6.5.2.3.2 Network and System Conditions

By 6:00 p.m. the day prior to the target Day-Ahead Market, the CAISO will publish known network and system conditions, including but not limited to TTC and ATC, the total capacity of inter-Balancing Authority Area Transmission Interfaces, and the available capacity.

6.5.2.3.3 Ancillary Services Requirements

By 6:00 p.m. the day prior to the target Day-Ahead Market, the CAISO will publish forecasted Ancillary Services requirements and regional constraints by AS Region.

6.5.2.3.4 Natural Gas and Greenhouse Gas Price Indices

The CAISO will publish relevant natural gas price indices and greenhouse gas price indices when available.

6.5.2.3.5 Extremely Long-Start Unit Commitment

The CAISO will communicate commitment instructions to Scheduling Coordinators for Extremely Long-Start Resources by 3:00 p.m. two (2) days in advance of the Operating Day through a secure communication system.

6.5.2.3.6 Virtual Bid Reference Prices

The CAISO will publish Virtual Bid Reference Prices prior to the applicable reference period for the Virtual Bid Reference Prices.

6.5.2.3.7 Advisory Day-Ahead Market Results

The CAISO may provide to Scheduling Coordinators through their CMRI, for advisory purposes only, their MWh RUC Schedules resulting from a preliminary run of the Day-Ahead Market that the CAISO

conducts~~run~~ two (2) days prior to the Trading Day, based on Bids as available in the CAISO Market systems at the time the CAISO conducts the preliminary Day-Ahead Market run.

7.9 Suspension or Limitation of Virtual Bidding

7.9.1 Suspension or Limitation Generally

The CAISO may suspend or limit the ability of one or more Scheduling Coordinators to submit Virtual Bids on behalf of one or more Convergence Bidding Entities for any of the reasons set forth in Section 7.9.2. The CAISO has the authority to suspend or to limit the ability of one or more Scheduling Coordinators to submit Virtual Bids on behalf of one or more Convergence Bidding Entities regardless of whether the CAISO has evidence that the virtual bidding activities that led to the suspension of limitation were the result of actions purposely or knowingly taken by Scheduling Coordinators or Convergence Bidding Entities to cause the outcomes set forth in Section 7.9.2. The CAISO may exercise its suspension or limitation authority pursuant to this Section 7.9 at specific Eligible PNodes or Eligible Aggregated PNodes, or at all Eligible PNodes or Eligible Aggregated PNodes. The CAISO may suspend or limit Virtual Bids that have already been submitted, Virtual Bids that will be submitted in the future, or both. The CAISO's authority to suspend or limit the ability of all Scheduling Coordinators to submit Virtual Bids at specific Eligible PNodes or Eligible Aggregated PNodes, or at all Eligible PNodes or Eligible Aggregated PNodes will be governed by the Market Disruption provisions of Section 7.7.15 of the CAISO Tariff and not this Section 7.9.

7.9.2 Reasons for Suspension or Limitation

The CAISO may suspend or limit the ability of one or more Scheduling Coordinators to submit Virtual Bids of the CAISO determines that virtual bidding activities of one or more Scheduling Coordinators on behalf of one or more Convergence Bidding Entities detrimentally affect System Reliability or grid operations. Virtual bidding activities can detrimentally affect System Reliability or grid operations if such activities contribute to threatened or imminent reliability conditions, including but not limited to the following circumstances:

(a) Submitted Virtual Bids create a substantial risk that the CAISO will be unable to

obtain sufficient Energy and Ancillary Services to meet Real-Time Demand and Ancillary Service requirements in the CAISO Balancing Authority Area.

(b) Submitted Virtual Bids render the CAISO Day-Ahead Market software unable to process Bids submitted into the Day-Ahead Market.

(c) Submitted Virtual Bids render the CAISO unable to achieve an alternating current (AC) solution in the Day-Ahead Market for an extended period of time.

(d) Submitted Virtual Bids detrimentally affects CAISO market efficiency[A1].

7.9.3 Procedures Regarding Suspension or Limitation

(a) Whenever practicable, prior to suspending or limiting virtual bidding, the CAISO will notify affected Scheduling Coordinators and affected Convergence Bidding Entities that the CAISO intends to suspend or limit virtual bidding and will confer and exchange information with the affected Scheduling Coordinators and affected Convergence Bidding Entities in an effort to resolve any dispute as to whether suspension or limitation of virtual bidding is warranted. In cases where taking such actions prior to suspending or limiting virtual bidding is not practicable, the CAISO will promptly notify the affected Scheduling Coordinators and affected Convergence Bidding Entities that the CAISO has suspended or limited virtual bidding, and will promptly confer and exchange information with the affected Scheduling Coordinators and affected Convergence Bidding Entities in an effort to resolve any dispute as to whether suspension or limitation of virtual bidding is warranted. Within two (2) Business Days of the notice of suspension or limitation, the CAISO will provide the affected Scheduling Coordinators and affected Convergence Bidding Entities with information justifying the decision to suspend or limit virtual bidding.

(b) Suspension or limitation of virtual bidding by the CAISO will remain in effect for ninety (90) days or any shorter time period determined by the CAISO. The

CAISO will have the authority to discontinue the suspension or limitation of virtual bidding at any time it determines such suspension or limitation is no longer appropriate.

* * * *

27.5.6 Management & Enforcement of Constraints in the CAISO Markets

The CAISO operates the CAISO Markets through the use of a market software system that utilizes various information including the Base Market Model, the State Estimator, submitted Bids including Self-Schedules, Generated Bids, and Transmission Constraints, including Nomograms and Contingencies transmission and generation Outages. The market model used in each of the CAISO Markets is derived from the most current Base Market Model available at that time. To create a more relevant time-specific network model for use in each of the CAISO Markets, the CAISO will adjust the Base Market Model to reflect Outages and derates that are known and applicable when the respective CAISO Market will operate, and to compensate for observed discrepancies between actual real-time power flows and flows calculated by the market software. Through this process the CAISO creates the market model to be used in each Day-Ahead Market and each process of the Real-Time Market. The CAISO will manage the enforcement of Transmission Constraints, including Nomograms and Contingencies, consistent with good utility practice, to ensure, to the extent possible, that the market model used in each market accurately reflects all the factors that contribute to actual Real-Time flows on the CAISO Controlled Grid and that the CAISO Market results are better aligned with actual physical conditions on the CAISO Controlled Grid. In operating the CAISO Markets, the CAISO may take the following actions so that, to the extent possible, the CAISO Market solutions are feasible, accurate, and consistent with good utility practice:

(a) The CAISO may enforce, not enforce, or adjust flow-based Transmission Constraints, including Nomograms and Contingencies, if the CAISO observes that the CAISO Markets produce or may produce results that are inconsistent with observed or reasonably anticipated conditions or infeasible market solutions either because (a) the CAISO reasonably anticipates that the CAISO Market run will identify Congestion that is unlikely to materialize in Real-Time even if the Transmission Constraint were to be ignored in all

the markets leading to Real-Time, or (b) the CAISO reasonably anticipates that the CAISO Market will fail to identify Congestion that is likely to appear in the Real-Time. The CAISO does not make such adjustments to intertie Scheduling Limits.

(b) The CAISO may enforce or not enforce Transmission Constraints, including Nomograms and Contingencies, if the CAISO has determined that non-enforcement or enforcement, respectively, of such Transmission Constraints may result in the unnecessary precommitment and scheduling of use-limited resources.

(c) The CAISO may not enforce Transmission Constraints, including Nomograms and Contingencies, if it has determined it lacks sufficient visibility to conditions on transmission facilities necessary to reliably ascertain constraint flows required for a feasible, accurate and reliable market solution.

(d) For the duration of a planned or unplanned Outage, the CAISO may create and apply alternative Transmission Constraints, including Nomograms and Contingencies, that may add to or replace certain originally defined constraints.

(e) The CAISO may adjust Transmission Constraints, including Nomograms and Contingencies, for the purpose of setting prudent operating margins consistent with good utility practice to ensure reliable operation under anticipated conditions of unpredictable and uncontrollable flow volatility consistent with the requirements of Section 7.

(f) The CAISO may adjust Transmission Constraints,[A2] including Nomograms and Contingencies, for the purpose of reserving internal transfer capability in the Day-Ahead Market or the Real-Time Market[A3], based on anticipated conditions on the natural gas delivery system, to meet incremental Energy needs[A4] in specific geographic regions of the CAISO Balancing Authority Area or to assure deliverability of Ancillary Services. The CAISO may release such reserved internal transfer capability, as necessary, based on natural gas and electric system conditions, or observed market inefficiencies[A5].

To the extent that particular Transmission Constraints, including Nomograms and Contingencies, are not enforced in the operations of the CAISO Markets, the CAISO will operate the CAISO Controlled Grid and manage any Congestion based on available information including the State Estimator solutions and available telemetry to Dispatch resources through Exceptional Dispatch to ensure the CAISO is operating the CAISO Controlled Grid consistent with the requirements of Section 7.

27.11 Natural Gas Constraint

The CAISO may enforce constraints that limit the maximum or minimum amount of natural gas that can be burned by natural gas-fired resources, based on the CAISO's anticipated limitations in applicable gas regions during specific hours. In the event the constraint is binding, the Shadow Price of the constraint will only be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices of the affected natural gas-fired resources. The Shadow Price of the constraint will not be reflected in the Marginal Cost of Congestion component of the Locational Marginal Prices for purposes of settlement of cleared Demand, Virtual Bids, or Congestion Revenue Rights. The same MCC used for settlement of Demand, Virtual Bids, or Congestion Revenue Rights is used for the calculation of the Real-Time Congestion Offset pursuant Section 11. . Any non-zero amounts that are attributable [A6] to the price differential between the resource's MCC and the MCC used for settlement of Demand, Virtual Bids, or Congestion Revenue will be allocated through Section , except that Day-Ahead settlements the difference will be allocated through the Congestion Revenue Rights Balance Account pursuant to section 11. .

* * * *

30.4.1.2 Registered Cost Methodology

(a) Under the Registered Cost methodology, the Scheduling Coordinator for a Use-Limited Resource may register values of its choosing for Start-Up Costs and/or Minimum Load Costs in the Master File subject to the maximum limit specified in Section 39.6.1.6. A Scheduling Coordinator for a Multi-Stage Generating Resource that is a Use-Limited Resource registering a Start-Up Cost must also register Transition Costs for each feasible MSG Transition, subject to the maximum limit specified in Section 39.6.1.7. For a Use-Limited Resource to be eligible for the Registered

Cost methodology there must be sufficient information in the Master File to calculate the value pursuant to the Proxy Cost methodology, which will be used to validate the specific value registered using the Registered Cost methodology. Any such values will be fixed for a minimum of 30 days in the Master File unless: (a) the resource's costs for any such value, as calculated pursuant to the Proxy Cost methodology, exceed the value registered using the Registered Cost methodology, in which case the Scheduling Coordinator may elect to switch to the Proxy Cost methodology for the balance of any 30-day period, except as set forth in Section 30.4.1.2(b); or (b) any cost registered in the Master File exceeds the maximum limit specified in Section 39.6.1.6 or Section 39.6.1.7 after this minimum 30-day period, in which case the value will be lowered to the maximum limit specified in Section 39.6.1.6 or Section 39.6.1.7. If a Multi-Stage Generating Resource elects to use the Registered Cost methodology, that election will apply to all the MSG Configurations for that resource. The cap for the Registered Cost values for each MSG Configuration will be based on the Proxy Cost values calculated for each MSG Configuration, including for each MSG Configuration that cannot be directly started, which are also subject to the maximum limits specified in Sections 39.6.1.6 and 39.6.1.7.

(b) If the alternative natural gas price set forth in Section 39.7.1.1.1.3(db) is triggered, and a Use-Limited Resource's Start-Up Costs or Minimum Load Costs calculated pursuant to the Proxy Cost methodology using the alternative gas price exceeds the value registered in the Master File, then the CAISO will switch the Use-Limited Resource to the Proxy Cost methodology. Any Use-Limited Resource switched to the Proxy Cost methodology pursuant to this Section 30.4.1.2(b) will revert to the Registered Cost methodology when the Use-Limited Resource's alternative Proxy Cost calculation no longer exceeds the value registered using the Registered Cost methodology. These determinations will be made separately for both Start-Up Costs and Minimum Load Costs. The CAISO will not make a separate determination for Transition Costs but if a Start-Up Cost is switched to the Proxy Cost methodology, the Transition Costs of the Use-Limited Resource will also be switched to the Proxy Cost methodology.

30.5 Bidding Rules

30.5.1 General Bidding Rules

[NOTE: This version of Section 30.5.1 shows in highlight pending (not yet approved) revisions in Docket ER16-1265, the PMin Rerate amendment, with a proposed effective date of May 23, 2016]

(a) All Energy and Ancillary Services Bids of each Scheduling Coordinator submitted to the DAM for the following Trading Day shall be submitted at or prior to 10:00 a.m. on the day preceding the Trading Day, but no sooner than seven (7) days prior to the Trading Day. All Energy and Ancillary Services Bids of each Scheduling Coordinator submitted to the RTM for the following Trading Day shall be submitted starting from the time of publication, at 1:00 p.m. on the day preceding the Trading Day, of DAM results for the Trading Day, and ending seventy-five (75) minutes prior to each applicable Trading Hour in the RTM. Scheduling Coordinators may submit only one set of Bids to the RTM for a given Trading Hour, which the CAISO uses for all Real-Time Market processes. The CAISO will not accept any Energy or Ancillary Services Bids for the following Trading Day between 10:00 a.m. on the day preceding the Trading Day and the publication, at 1:00 p.m. on the day preceding the Trading Day, of DAM results for the Trading Day;

(b) Bid prices submitted by a Scheduling Coordinator for Energy accepted and cleared in the IFM and scheduled in the Day-Ahead Schedule may be increased or decreased in the RTM . Bid prices for Energy submitted but not scheduled in the Day-Ahead Schedule may be increased or decreased in the RTM. Incremental Bid prices for Energy associated with Day-Ahead AS or RUC Awards in Bids submitted to the RTM may be revised. The Scheduling Coordinator may submit to the Real-Time Market new daily Start-Up Costs, Minimum Load Costs, and Transition Costs bids for resources or MSG Configuration for which the Scheduling Coordinator previously submitted Start-Up Costs, Minimum Load Costs, and Transition Costs Bids in the Day-Ahead

Market except: (1) for Trading Hours in which the resource or MSG Configuration has received a Day-Ahead Schedule or a binding RUC commitment; or (2) for Trading Hours that span the Minimum Run Time of the resource or MSG Configuration after the CAISO has committed the resource or the Scheduling Coordinator has self-committed the resource in the RTM[A7]. Scheduling Coordinators may revise ETC Self-Schedules for Supply in the RTM to the extent such a change is consistent with TRTC Instructions provided to the CAISO by the Participating TO in accordance with Section 16. Scheduling Coordinators may revise TOR Self-Schedules for Supply only in the HASP to the extent such a change is consistent with TRTC Instructions provided to the CAISO by the Non-Participating TO in accordance with Section 17. Energy associated with awarded Ancillary Services capacity cannot be offered in the Real-Time Market separate and apart from the awarded Ancillary Services capacity;

(c) Scheduling Coordinators may submit Energy, AS and RUC Bids in the DAM that are different for each Trading Hour of the Trading Day;

(d) Bids for Energy or capacity that are submitted to one CAISO Market, but are not accepted in that market are no longer a binding commitment and Scheduling Coordinators may submit Bids in a subsequent CAISO Market at a different price;

(e) The CAISO shall be entitled to take all reasonable measures to verify that Scheduling Coordinators meet the technical and financial criteria set forth in Section 4.5.1 and the accuracy of information submitted to the CAISO pursuant to this Section 30; and

(f) In order to retain the priorities specified in Section 31.4 and 34.12 for scheduled amounts in the Day-Ahead Schedule associated with ETC and TOR Self-Schedules or Self-Schedules associated with Regulatory Must-Take Generation, a Scheduling Coordinator must submit to the Real-Time Market ETC or TOR Self-Schedules, or Self-Schedules associated with Regulatory Must-Take

Generation, at or below the Day-Ahead Schedule quantities associated with the scheduled ETC, TOR or Regulatory Must-Take Generation Self-Schedules. If the Scheduling Coordinator fails to submit such Real-Time Market ETC, TOR or Regulatory Must-Take Generation Self-Schedules, the defined scheduling priorities of the ETC, TOR, or Regulatory Must-Take Generation Day-Ahead Schedule quantities may be subject to adjustment in the HASP and the Real-Time Market as further provided in Section 31.4 and 34.12 in order to meet operating conditions.

(g) For Multi-Stage Generating Resources that receive a Day-Ahead Schedule, are awarded a RUC Schedule, or receive an Ancillary Services Award the Scheduling Coordinator must submit an Energy Bid in the Real-Time Market for the same Trading Hour(s). If the Scheduling Coordinator submits an Economic Bid for such Trading Hour(s), the Economic Bid must be for either: the same MSG Configuration scheduled or awarded in the Integrated Forward Market, or the MSG Configuration committed in RUC. If the Scheduling Coordinator submits a Self-Schedule in the Real-Time Market for such Trading Hour(s), then the Energy Self-Schedule may be submitted in any registered MSG Configuration, including the MSG Configuration awarded in the Day-Ahead Market, that can support the awarded Ancillary Services (as further required by Section 8). Scheduling Coordinators for Multi-Stage Generating Resources may submit into the Real-Time Market bids from up to six (6) MSG Configurations in addition to the MSG Configuration scheduled or awarded in the Integrated Forward Market and Residual Unit Commitment, provided that the MSG Transitions between the MSG Configurations bid into the Real-Time Market are feasible and the transition from the previous Trading Hour are also feasible.

(h) For the Trading Hours that Multi-Stage Generating Resources do not have a CAISO Schedule or award from a prior CAISO Market run, the Scheduling Coordinator can submit up to six (6) MSG Configurations into the RTM.

(i) A Scheduling Coordinator cannot submit a Bid to the CAISO Markets for a MSG Configuration into which the Multi-Stage Generating Resource cannot transition due to lack of Bids for the specific Multi-Stage Generating Resource in other MSG Configurations that are required for the requisite MSG Transition.

(j) In order for Multi-Stage Generating Resource to meet any Resource Adequacy must-offer obligations, the responsible Scheduling Coordinator must submit either an Economic Bid or Self-Schedule for at least one MSG Configuration into the Day-Ahead Market and Real-Time Market that is capable of fulfilling that Resource Adequacy obligation, as feasible. The Economic Bid shall cover the entire capacity range between the maximum bid-in Energy MW and the higher of Self-Scheduled Energy MW and the Multi-Stage Generating Resource plant-level PMin as registered in the Master File.

(k) For any given Trading Hour, a Scheduling Coordinator may submit Self-Schedules and/or Submissions to Self-Provide Ancillary Services in only one MSG Configuration for each Generating Unit.

(l) In any given Trading Hour in which a Scheduling Coordinator has submitted a Self-Schedule for a Multi-Stage Generating Resource, the Scheduling Coordinator may also submit Bids for other MSG Configurations provided that they concurrently submit Bids that enable the applicable CAISO Market to transition the Multi-Stage Generating Resource to other MSG Configurations.

(m) If in any given Trading Hour the Multi-Stage Generating Resource was awarded Regulation or Operating Reserves in the IFM, any Self-Schedules or Submissions to Self-Provide Ancillary Services the Scheduling Coordinator

submits for that Multi-Stage Generating Resource in the RTM must be for the same MSG Configuration for which Regulation or Operating Reserve is Awarded in IFM for that Multi-Stage Generating Resource in that given Trading Hour.

(n) If a Multi-Stage Generating Resource has received a binding RUC Start-Up Instruction as provided in Section 31, any Self-Schedule or Submission to Self-Provide Ancillary Services in the RTM must be in the same MSG Configuration committed in RUC.

(o) If in any given Trading Hour the Multi-Stage Generating Resource is scheduled for Energy in the IFM, any Self-Schedules the Scheduling Coordinator submits for that Multi-Stage Generating Resource in the RTM must be for the same MSG Configuration for which Energy is scheduled in IFM for that Multi-Stage Generating Resource in that given Trading Hour.

(p) For a Multi-Stage Generating Resource, the Bid(s) submitted for the resource's configuration(s) shall collectively cover the entire capacity range between the maximum bid-in Energy MW and the higher of the Self-Scheduled Energy MW and the Multi-Stage Generating Resource plant-level PMin as registered in the Master File. This rule shall apply separately to the Day-Ahead Market and the Real-Time Market.

(q) A Scheduling Coordinator may submit a Self-Schedule Hourly Block for the RTM as an import to or an export from the CAISO Balancing Authority Area and may also submit Self-Scheduled Hourly Blocks for Ancillary Services imports. Such a Bid shall be for the same MWh quantity for each of the four fifteen (15)-minute intervals that make up the applicable Trading Hour.

(r) A Scheduling Coordinator may submit a Variable Energy Resource Self-Schedule for the RTM can be submitted from a Variable Energy Resource. A Scheduling Coordinator can use either the CAISO forecast for Expected Energy in the RTM or can provide its own forecast for Expected Energy pursuant to the

requirements specified in Section 4.8.2. The Scheduling Coordinator must indicate in the Master File whether it is using its own forecast or the CAISO forecast for its resource in support of the Variable Energy Self-Schedule. The Scheduling Coordinator is not required to include the same MWh quantity for each of the four fifteen (15)-minute intervals that make up the applicable Trading Hour for the Variable Energy Resource Self-Schedule include. If an external Variable Energy Resource that is not using a forecast of its output provided by the CAISO submits a Variable Energy Resource Self-Schedule and the Expected Energy is not delivered in the FMM, the Scheduling Coordinator for the Variable Energy Resource will be subject to the Decline Potential Charge as described in Section 11.31. Scheduling Coordinators for Dynamically Scheduled Variable Energy Resources that provide the CAISO with a two-hour rolling forecast with five-minute granularity can submit Variable Energy Resource Self-Schedules.

(s) Scheduling Coordinators can submit Economic Hourly Block Bids to be considered in the HASP and to be accepted as binding Schedules with the same MWh award for each of the four FMM intervals. Scheduling Coordinator can also submit Economic Hourly Block Bids for Ancillary Services. As specified in Section 11, a cleared Economic Hourly Block Bid is not eligible for Bid Cost Recovery.

(t) Scheduling Coordinators can submit Economic Hourly Block Bids with Intra-Hour Option. If accepted in the HASP, such a Bid creates a binding schedule with same MWh awards for each of the four FMM intervals. After that, the RTM can optimize such schedules for economic reasons once through an FMM during the Trading Hour. As specified in Section 11, a cleared Economic Hourly Block Bid with Intra-Hour Option is not eligible for Bid Cost Recovery.

(u) A Scheduling Coordinator submitting Bids to the RTM is not required to submit a Self-Schedule Hourly Block, a Variable Energy Resource Self-Schedule, an Economic Hourly Block Bid, or an Economic Hourly Block Bid with Intra-Hour

Option, and may instead choose to participate in the RTM through Economic Bids or Self-Schedules.

* * * *

30.11 Filings with FERC to Recover Actual Marginal Fuel Procurement Costs

If the Schedule Coordinator incurs but cannot recover through the Bid Cost Recovery process any actual marginal fuel procurement costs that exceed (i) the limit on Bids for Start-Up Costs set forth in Section 30.7.9, (ii) the limit on Bids for Minimum Load Costs set forth in Section 30.7.10, (iii) the limit[A8] on Bids for Transition Costs set forth in Section 30.4.1.1.5, (iv) the incremental fuel cost calculated under the Variable Cost Option for Default Energy Bids as set forth in Section 39.7.1.1.1, or (v) the incremental fuel cost calculated for Generated Bids as set forth in Sections 30.7.3.4, 39.7.1.1.1, and 40.6.8, the Scheduling Coordinator for the resource may seek recovery for those costs through a FERC filing made pursuant to Section 205 of the Federal Power Act. -The Scheduling Coordinator must notify the CAISO within ten (10) Business Days after the Operating Day on which the resource incurred the unrecovered costs, and must submit the filing to FERC within sixty (60) Business Days after that Trading Day. Within twenty (20) Business Days after the Scheduling Coordinator provides notice to the CAISO per this Section, the CAISO will provide the Scheduling Coordinator with a written explanation of any effect that events or circumstances in the CAISO Markets and fuel market conditions may have had on the resource's inability to recover the costs on the Trading Day.

Each filing the Scheduling Coordinator submits to FERC must include:

(1) Data supporting the Scheduling Coordinator's claim to the unrecovered costs it seeks, including Invoices [A9]for the unrecovered costs;

(2) A description of the resource's participation in any gas pooling arrangements;

(3) An explanation why recovery of the costs is justified; and

(4) A copy of the written explanation from the CAISO to the Scheduling Coordinator described above in this Section.

To the extent that FERC authorizes the Scheduling Coordinator to recover any costs pursuant to the

Scheduling Coordinator's filing, the CAISO will pay the Scheduling Coordinator any amounts the Commission deems recoverable and will allocate such amounts pursuant to section 11.14.

* * * *

31.6 Timing Of Day-Ahead Scheduling

31.6.1 Criteria For Temporary Waiver Of Timing Requirements

The CAISO may at its sole discretion implement any temporary variation or waiver of the timing requirements of this Section 31 and Section 6.5.3 (including the omission of any step) if any of the following criteria are met:

(i) such waiver or variation of timing requirements is reasonably necessary to preserve System Reliability, prevent an imminent or threatened System Emergency or to retain Operational Control over the CAISO Controlled Grid during an actual System Emergency.

(ii) because of error or delay, the CAISO requires additional time to fulfill its responsibilities;

(iii) problems with data or the processing of data cause a delay in receiving or issuing Bids or publishing information on the CAISO's secure communication system;

(iv) problems with telecommunications or computing infrastructure cause a delay in receiving or issuing Day-Ahead Schedules or publishing information on the CAISO's secure communication system;

(iv) the alternative natural gas price set forth in Section 39.7.1.1.1.3(db) is triggered.

* * * *

34.6 Short-Term Unit Commitment

Once per hour, near the top of each Trading Hour, immediately after the FMM and the RTUC for the same interval is completed the CAISO performs an approximately five (5) hour Short-Term Unit

Commitment (STUC) run using SCUC and the CAISO Forecast Of CAISO Demand to commit Medium Start Units and Short Start Units with Start-Up Times greater than the time period covered by the RTUC described in Section 34.3. In any given Trading Hour, the STUC may commit resources for the third fifteen-minute interval of the current Trading Hour and extending into the next four (4) Trading Hours. The STUC looks ahead over a period of at least three (3) hours beyond the Trading Hour for which the RTUC optimization was run. STUC ~~, and ww~~ill utilize Bids: (1) previously submitted in the RTM by the Scheduling Coordinator for that Trading Hour, or (2) the Clean Bid from the Day-Ahead Market if the resource has a Day-Ahead Schedule or received a Start-Up Instruction in RUC for the Trading Hour, or the resource has a Real-Time must-offer obligation~~available from other CAISO Markets for that Trading Hour for these additional hours~~ for that Trading Hour.~~,~~ The CAISO revises these replicated Bids each time the hourly STUC is run, to utilize the most recently available Bids. ~~,~~ Not all resources identified for need as a given STUC run will necessarily receive CAISO commitment instructions immediately, because during the Trading Day the CAISO may issue a commitment instruction to a resource only at the latest possible time that allows the resource to be ready to provide Energy when it is expected to be needed. A Start-Up Instruction produced by STUC is considered binding if the resource could not achieve the target Start-Up Time as determined in the current STUC run in a subsequent RTUC or STUC run as a result of the Start-Up Time of the resource. A Start-Up Instruction produced by STUC is considered advisory if it is not binding, such that the resource could achieve its target start time as determined in the current RTUC run in a subsequent STUC or RTUC run based on its Start-Up Time. A binding Dispatch Instruction produced by STUC that results in a change in Commitment Status will be issued, in accordance with Section 6.3, after review and acceptance of the Start-Up Instruction by the CAISO Operator. The STUC will only decommit a resource to the extent that resource's physical characteristics allow it to be cycled in the same approximately five (5) hour look-ahead time period for which it was previously committed. STUC does not produce Locational Marginal Prices for Settlement. A Day-Ahead Schedule or RUC Schedule for an MSG Configuration that is later impacted by the resource's derate or outages, will be reconsidered in the STUC process taking into consideration the impacts of the derate or outage on the available MSG Configurations.

39.7.1 Calculation Of Default Energy Bids

39.7.1.1 Variable Cost Option

For natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by adding incremental cost (comprised of incremental fuel cost plus a volumetric Grid Management Charge adder plus a greenhouse gas cost adder if applicable) with variable operation and maintenance cost, adding ten percent (10%) to the sum, and adding a Bid Adder if applicable. For non-natural gas-fueled units, the Variable Cost Option will calculate the Default Energy Bid by summing incremental fuel cost plus ten percent (10%) of fuel cost plus a Bid Adder if applicable.

39.7.1.1.1 Incremental Cost Calculations Under the Variable Cost Option

39.7.1.1.1.1 Natural Gas-Fired Resources

(a) Calculation of incremental fuel cost - For natural gas-fueled units, incremental fuel cost is calculated based on an incremental heat rate curve multiplied by the natural gas price calculated as described below.

Resource owners shall submit to the CAISO average heat rates (Btu/kWh) measured for at least two (2) and up to eleven (11) generating operating points (MW), where the first and last operating points refer to the minimum and maximum operating levels (i.e., PMin and PMax), respectively. The average heat rate curve formed by the (Btu/kWh, MW) pairs is a piece-wise linear curve between operating points, and two (2) average heat rate pairs yield one (1) incremental heat rate segment that spans two (2) consecutive operating points. The incremental heat rates (Btu/kWh) in the incremental heat rate curve are calculated by converting the average heat rates submitted by resource owners to the CAISO to requirements of heat input (Btu/h) for each of the operating points and dividing the changes in requirements of heat input from one (1) operating point to the next by the changes in MW between two (2) consecutive operating points as specified in the Business Practice Manual. For each segment representing operating levels below eighty (80) percent of the unit's PMax, the incremental heat rate is limited to the maximum of the average heat rates for the two (2) operating points used to calculate the

incremental heat rate segment.

The unit's final incremental fuel cost curve is calculated by multiplying this incremental heat rate curve by the applicable natural gas price, and then, if necessary, applying a left-to-right adjustment to ensure that the final incremental cost curve is monotonically non-decreasing. Heat rate and cost curves shall be stored, updated, and validated in the Master File.

(b) Calculation of greenhouse gas cost adder - For each natural gas-fired resource registered with the California Air Resources Board as having a greenhouse gas compliance obligation, the CAISO will calculate a greenhouse gas cost adder as the product of the resource's incremental heat rate, the greenhouse gas emissions rate authorized by the California Air Resources Board, and the applicable Greenhouse Gas Allowance Price.

(c) Calculation of volumetric Grid Management Charge adder – For each natural gas-fired resource, the CAISO will include a volumetric Grid Management Charge adder that consists of: (i) the Market Services Charge; (ii) the System Operations Charge; and (iii) the Bid Segment Fee divided by the MW in the Bid segment.

39.7.1.1.1.2 Non-Natural Gas-Fired Resources

For non-natural gas-fueled units, incremental fuel cost is calculated based on an average cost curve as described below.

Resource owners for non-natural gas-fueled units shall submit to the CAISO average fuel costs ($/MW) measured for at least two (2) and up to eleven (11) generating operating points (MW), where the first and last operating points refer to the minimum and maximum operating levels (i.e., PMin and PMax), respectively. The average cost curve formed by the ($/MWh, MW) pairs is a piece-wise linear curve between operating points, and two (2) average cost pairs yield one (1) incremental cost segment that spans two (2) consecutive operating points. For each segment representing operating levels below eighty (80) percent of the unit's PMax, the incremental cost rate is limited to the maximum of the average

cost rates for the two (2) operating points used to calculate the incremental cost segment. The unit's final incremental fuel cost curve is then adjusted, if necessary, applying a left-to-right adjustment to ensure that the final incremental cost curve is monotonically non-decreasing. Cost curves will include: (i) greenhouse gas allowance costs for each non-natural gas-fired resource registered with the California Air Resources Board as having a greenhouse gas compliance obligation, as provided to the CAISO by the Scheduling Coordinator for the resource; and (ii) a volumetric Grid Management Charge adder that consists of: (i) the Market Services Charge; (ii) the System Operations Charge; and (iii) the Bid Segment Fee divided by the MW in the Bid segment. Cost curves shall be stored, updated, and validated in the Master File.

39.7.1.1.1.3 Calculation of Natural Gas Price

(a) ~~Except as set forth in Section 39.7.1.1.1.3(b), t~~The CAISO will use different gas price indices for the Day-Ahead Market and the Real-Time Market ~~and a gas price index will be calculated using at least two prices from two or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange~~. If a gas price index is unavailable for any reason, the CAISO will use the most recent available gas price index, except as set forth in Section 39.7.1.1.1.3(d).

(b) For the Day-Ahead Market, the CAISO will calculate a gas price index based on trades for gas delivery on the following day that occur on the morning of the Day-Ahead Market. This index will be a volume-weighted average price calculated based on trades reported on the Intercontinental Exchange during its next day trading window. The CAISO will update the gas price indices between 8:00~~19:00~~ and 9~~22~~:00 Pacific Time using natural gas prices transacted ~~published on the day that is~~ one ~~two (2)~~ day~~s~~ prior to the applicable Trading Day, unless gas prices are not available ~~published~~ on that day, in which case the CAISO will use the prices it ~~the~~ most recently calculated~~published prices that are available~~.

(c~~d~~) For the Real-Time Market, a gas price index will be calculated using at least two prices from two

or more of the following publications: Natural Gas Intelligence, SNL Energy/BTU's Daily Gas Wire, Platt's Gas Daily, and the Intercontinental Exchange. tThe CAISO will update gas price indices for the Real-Time Market between the hours of 19:00 and 22:00 Pacific Time using natural gas prices published one (1) day prior to the applicable Trading Day, unless gas prices are not published on that day, in which case the CAISO will use the most recently published prices that are available.

(c) For the Real-Time Market, -the CAISO will increase the gas price calculated pursuant to Section 39.7.1.1.1.3(e) for resources receiving gas service from Southern California Gas Company and San Diego Gas and Electric Company by an adder that represents the increased Bid amount that: (1) improves the dispatch of these resources so that they more likely to be dispatched to address local needs and not system needs; (2) better accounts for systematic differences between day-ahead and same-day natural gas prices that materialize[A10]; and (3) improves ability to manage the generators gas usage within applicable gas balancing rules. The gas price index used for Commitment Costs will initially increase by 75 percent and will be capped at $2.50 plus two times the next day gas index price, approximately a 300 percent increase over current gas prices. The gas price index used for Default Energy Bids will initially increase by 25 percent and will be capped at a 100 percent increase. Upon determining that an adjustment in the gas price is necessary, the CAISO will issue a Market Notice specifying the amount of the adjustment This authority will expire on December 1, 2016[A11], unless extended pursuant to a Commission order.

~~(b) If a daily gas price reported by the Intercontinental Exchange on the morning of the Day-Ahead Market run exceeds one hundred twenty-five (125) percent of any natural gas price index calculated for the Day-Ahead Market between 19:00 and 22:00 Pacific Time on the preceding day, the CAISO will utilize the gas price reported by the Intercontinental Exchange in all CAISO cost formulas and market processes for that day's Day-Ahead Market that would normally utilize the natural gas price index calculated pursuant to this Section 39.7.1.1.1.3.~~

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39.7.1.1.3 Filings with FERC to Recover Actual Marginal Fuel Procurement Costs

A Scheduling Coordinator for a resource subject to the Variable Cost Option may seek to recover actual marginal fuel procurement costs pursuant to a filing with FERC in accordance with Section 30.11.

* * * *

39.7.2.2 Criteria

(A) Notwithstanding the provisions below, when the CAISO is enforce natural gas constraint specified in Section the CAISO may deem selected internal constraints as uncompetitive for specific days or hours based on its determination that actual electric supply conditions may be uncompetitive[A12] due ystem conditions in Southern California Gas Company and San Diego Gas and Electric Company regions.

(B) Subject to Section 39.7.3, for the DAM and RTM, a Transmission Constraint will be non-competitive only if the Transmission Constraint fails the dynamic competitive path assessment pursuant to this Section 39.7.2.2.

(a) Transmission Constraints for the DAM – As part of the MPM process associated with the DAM, the CAISO will designate a Transmission Constraint for the DAM as non-competitive when the fringe supply of counter-flow to the Transmission Constraint from all portfolios of suppliers that are not identified as potentially pivotal is less than the demand for counter-flow to the Transmission Constraint. For purposes of determining whether to designate a Transmission Constraint as non-competitive pursuant to this Section 39.7.2.2(a):

(i) Counter-flow to the Transmission Constraint means the delivery of Power from a resource to the system load distributed reference bus. If counter-flow to the Transmission Constraint is in the direction opposite to the market flow of Power to the Transmission Constraint, the counter-flow to the Transmission Constraint is calculated as the shift factor multiplied by the resource's scheduled Power. Otherwise, counter-flow to the Transmission Constraint is zero.

(ii) Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers and all internal Virtual Supply Awards not controlled by the identified potentially pivotal suppliers that

provide counter-flow to the Transmission Constraint. Available capacity reflects the highest capacity of a resource's Energy Bid adjusted for Self-Provided Ancillary Services and derates.

(iii) Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply and Virtual Supply Awards that provide counter-flow to the Transmission Constraint.

(iv) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that control the largest quantity of counter-flow supply to the Transmission Constraint.

(v) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Section 4.5.1.1.12 and all effective internal Virtual Supply Awards of the Scheduling Coordinator and/or Affiliate. Effectiveness in supplying counter-flow is determined by scaling generation capacity and/or Virtual Supply Awards by the shift factor from that location to the Transmission Constraint being tested.

(vi) A portfolio of a net seller means any portfolio that is not a portfolio of a net buyer. A portfolio of a net buyer means a portfolio for which the average daily net value of Measured Demand minus Supply over a twelve (12) month period is positive. The average daily net value is determined for each portfolio by subtracting, for each Trading Day, Supply from Measured Demand and then averaging the daily value for all Trading Days over the twelve (12) month period. The CAISO will calculate whether portfolios are portfolios of net buyers in the third month of each calendar quarter and the calculations will go into effect at the start of the next calendar quarter. The twelve (12) month period used in this calculation will be the most recent twelve (12) month period for which data is available. The specific mathematical formula used to perform this calculation will be set forth in a Business Practice Manual. Market Participants without physical resources will be deemed to be net sellers for purposes of this Section 39.7.2.2(a)(vi).

(vii) In determining which Scheduling Coordinators and/or Affiliates control the resources in the three (3) identified portfolios, the CAISO will include resources and Virtual Supply Awards directly associated with all Scheduling Coordinator ID Codes associated with the Scheduling Coordinators and/or Affiliates, as well as all resources that the Scheduling Coordinators and/or

Affiliates control pursuant to Resource Control Agreements registered with the CAISO as set forth Section 4.5.1.1.13. Resources identified pursuant to Resource Control Agreements will only be assigned to the portfolio of the Scheduling Coordinator that has control of the resource or whose Affiliate has control of the resource pursuant to the Resource Control Agreements.

(b) Transmission Constraints for the RTM – As part of the MPM processes associated with the RTM, the CAISO will designate a Transmission Constraint for the RTM as non-competitive when the sum of the supply of counter-flow from all portfolios of potentially pivotal suppliers to the Transmission Constraint and the fringe supply of counter-flow to the Transmission Constraint from all portfolios of suppliers that are not identified as potentially pivotal is less than the demand for counter-flow to the Transmission Constraint. For purposes of determining whether to designate a Transmission Constraint as non-competitive pursuant to this Section 39.7.2.2(b):

(i) Counter-flow to the Transmission Constraint has the meaning set forth in Section 39.7.2.2(a)(i).

(ii) Supply of counter-flow from all portfolios of potentially pivotal suppliers to the Transmission Constraint means the minimum available capacity from internal resources controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. The minimum available capacity for the current market interval will reflect the greatest amount of capacity that can be physically withheld. The minimum available capacity is the lowest output level the resource could achieve in the current market interval given its dispatch in the last market interval and limiting factors including Minimum Load, Ramp Rate, Self-Provided Ancillary Services, Ancillary Service Awards (in the Real-Time Market only), and derates.

(iii) Potentially pivotal suppliers mean the three (3) portfolios of net sellers that control the largest quantity of counter-flow supply to the Transmission Constraint that can be withheld. Counter-flow supply to the Transmission Constraint that can be withheld reflects the difference between the highest capacity and the lowest capacity of a resource's Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute FMM interval (taking into account the

Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM, or adjusted for Ancillary Service Awards and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of sixty (60) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval of the FMM. In determining whether to designate a Transmission Constraint as non-competitive for the RTM, counter-flow supply to the Transmission Constraint that can be withheld also reflects the PMin of each Short Start Unit with a Start-Up Time of fifteen (15) minutes or less that was off-line in the immediately preceding fifteen (15) minute interval.

(iv) Portfolio means the effective available internal generation capacity under the control of the Scheduling Coordinator and/or Affiliate determined pursuant to Sections 4.5.1.1.12 and 39.7.2.2(a)(vii). Effectiveness in supplying counter-flow is determined by scaling generation capacity by the shift factor from that location to the Transmission Constraint being tested.

(v) A portfolio of a net seller has the meaning set forth in Section 39.7.2.2(a)(vi).

(vi) Fringe supply of counter-flow to the Transmission Constraint means all available capacity from internal resources not controlled by the identified potentially pivotal suppliers that provide counter-flow to the Transmission Constraint. Available capacity reflects the highest capacity of a resource's Energy Bid (not taking into account the Ramp Rate of the resource), measured from the Dispatch Operating Point for the resource in the immediately preceding fifteen (15) minute interval of the FMM (taking into account the Ramp Rate of the resource), adjusted for Self-Provided Ancillary Services and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM, or adjusted for Ancillary Service Awards and derates in determining whether to designate a Transmission Constraint as non-competitive for the RTM.

(vii) Demand for counter-flow to the Transmission Constraint means all internal dispatched Supply that provides counter-flow to the Transmission Constraint.

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40.6.3 Additional Availability Requirements For Resources that are Not Long-Start Resources or Extremely Long Start ~~Short Start~~ Units

A resource that is not a Long-Start or Extremely Long Start ~~Short Start~~ Unit that is a Resource Adequacy Resource and that does not have an IFM Schedule or a RUC Schedule for any of its capacity for a given Trading Hour is required to participate in the Real Time Market in accordance with Section 40.6.2. Such a resource that is also a Use-Limited Resource subject to Section 40.6.4 is required, consistent with their applicable use plan, to submit Economic Bids or Self Schedules for Resource Adequacy Capacity into the Real Time Market.

The CAISO may waive these availability obligations for a resource that is not a Long-Start or Extremely Long Start~~Short Start~~ Unit that does not have an IFM Schedule or a RUC Schedule based on the procedure to be published on the CAISO Website.

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40.6.8 Use Of Generated Bids

Prior to completion of the Day-Ahead Market, the CAISO will determine if Resource Adequacy Capacity subject to the requirements of Sections 40.5.1 or 40.6.1 and for which the CAISO has not received notification of an Outage has not been reflected in a Bid and will insert a Generated Bid for such capacity into the CAISO Day-Ahead Market. Prior to running the Real-Time Market, the CAISO will determine if Resource Adequacy Capacity subject to the requirements of Section 40.6.2 and for which the CAISO has not received notification of an Outage has not been reflected in a Bid and will insert a Generated Bid for such capacity into the Real-Time Market. If a Scheduling Coordinator for an RA Resource submits a partial bid for the resource's RA Capacity, the CAISO will insert a Generated Bid only for the remaining RA Capacity. In addition, the CAISO will determine if all dispatchable Resource Adequacy Capacity from Short Start Units, not otherwise selected in the IFM or RUC, is reflected in a Bid into the Real-Time Market and will insert a Generated Bid for any remaining dispatchable Resource Adequacy Capacity for which the CAISO has not received notification of an Outage. As provided in the Business Practice Manuals, a Generated Bid for Energy will be calculated and will include: (i) a greenhouse gas cost adder for a resource registered with the California Air Resources Board as having a greenhouse gas

compliance obligation; and (ii) a volumetric Grid Management Charge adder that consists of: (i) the Market Services Charge; (ii) the System Operations Charge; and (iii) the Bid Segment Fee divided by the MW in the Bid segment. A Generated Bid for Ancillary Services will equal zero dollars ($0/MW-hour). Notwithstanding any of the provisions of Section 40.6.8 set forth above, the CAISO will not insert any Bid in the Real-Time Market required under this Section 40 for a Resource Adequacy Resource that is a Use-Limited Resource unless the resource submits an Energy Bid and fails to submit an Ancillary Service Bid.

40.6.8.1 Generated Bids for NRS-RA Resources

Generated Bids to be submitted by the CAISO pursuant to Section 40.6.8 for non-Resource-Specific System Resources that provide Resource Adequacy capacity shall be calculated in accordance with this Section.

40.6.8.1.1 Calculation Options for Generated Bids

The Scheduling Coordinator for each non-Resource Specific System Resource that provides Resource Adequacy Capacity shall select the price taker option, LMP-based option, or negotiated price option as the methodology for calculating the Generated Bids to be submitted by the CAISO under Section 40.6.8 for both the DAM and RTMs. If no selection is made, the CAISO will apply the price taker option to calculate the Generated Bids. For the first ninety (90) days after a resource becomes a non-Resource-Specific System Resource, the calculation of Generated Bids for Resource Adequacy capacity is limited to the price taker option or negotiated price option.

40.6.8.1.2 Price Taker Option

The price taker option is a Generated Bid of $0/MWh plus the CAISO's estimate of the applicable grid management charge per MWh based on the gross amount of MWh scheduled in the DAM and RTM.

40.6.8.1.3 LMP-Based Option

The LMP-based option calculates the Generated Bid as the weighted average of the lowest quartile of LMPs, at the Intertie point designated for the non-Resource-Specific System Resource's Resource Adequacy Capacity in the Supply Plan, during periods in which the resource was dispatched in the preceding ninety (90) days for which LMPs that have passed the price validation and correction process

set forth in Section 35 are available. The weighted average will be calculated based on the quantities Dispatched within each segment of the Generated Bid curve. Each Bid segment created under the LMP-based option for Generated Bids will be subject to a feasibility test, as set forth in a Business Practice Manual, to determine whether there are a sufficient number of data points to allow for the calculation of an LMP-based Generated Bid. The feasibility test is designed to avoid excessive volatility of the Generated Bid under the LMP-based option that could result when calculated based on a relatively small number of prices. If the Scheduling Coordinator for the non-Resource Specific System Resource elects the LMP-based method, it must additionally select either the price-taker method or the negotiated-rate method as the alternative calculation method for the Generated Bids in the event that the feasibility test fails for the LMP-based method.

40.6.8.1.4 Negotiated Price Option

Under the negotiated price option, a Scheduling Coordinator shall submit a proposed Generated Bid along with supporting information and documentation as described in a Business Practice Manual. Within ten (10) Business Days of receipt, the CAISO or an Independent Entity selected by the CAISO will provide a written response. If the CAISO or Independent Entity accepts the proposed Generated Bid, it will become effective within three (3) Business Days from the date of acceptance by the CAISO and remain in effect until: (1) the Generated Bid is modified by FERC; (2) the Generated Bid is modified by mutual agreement of the CAISO and the Scheduling Coordinator; or (3) the Generated Bid expires, is terminated or is modified pursuant to any agreed upon term or condition or pertinent FERC order.

If the CAISO or Independent Entity selected by the CAISO does not accept the proposed Generated Bid, the CAISO or Independent Entity selected by the CAISO and the Scheduling Coordinator shall enter a period of good faith negotiations that terminates sixty (60) days following the date of submission of a proposed Generated Bid by a Scheduling Coordinator. If at any time during this period, the CAISO or Independent Entity selected by the CAISO and the Scheduling Coordinator agree upon the Generated Bid, it will be become effective within three (3) Business Days of the date of agreement and remain in effect until: (1) the Generated Bid is modified by FERC; (2) the Generated Bid is modified by mutual

agreement of the CAISO and the Scheduling Coordinator; or (3) the Generated Bid expires, is terminated or is modified pursuant to any agreed upon term or condition or pertinent FERC order.

If by the end of the sixty (60) day period the CAISO or Independent Entity selected by the CAISO and the Scheduling Coordinator fail to agree on the Generated Bid to be used under the negotiated price option, the Scheduling Coordinator has the right to file a proposed Generated Bid with FERC pursuant to Section 205 of the Federal Power Act.

During the sixty (60) day period following the submission of a proposed negotiated Generated Bid by a Scheduling Coordinator, and pending FERC's acceptance in cases where the CAISO or Independent Entity selected by the CAISO fail to agree on the Generated Bid for use under the negotiated price option and the Scheduling Coordinator filed a proposed Generated Bid with FERC pursuant to Section 205 of the Federal Power Act, the Scheduling Coordinator has the option of electing to use any of the other options available pursuant to this Section.

The CAISO shall make an informational filing with FERC of any Generated Bids negotiated pursuant to this Section no later than seven (7) days after the end of the month in which the Generated Bids were established.

40.6.8.1.5 Partial Bids

If a Scheduling Coordinator for a non-Resource-Specific System Resource that provides Resource Adequacy Capacity submits a bid for a MW quantity less than the Resource Adequacy Capacity identified in the resource's Supply Plan, the CAISO will insert a Generated Bid only for the remaining Resource Adequacy Capacity by extending the last segment of the resource's bid curve to the full quantity (MWh) of the Resource Adequacy obligation.

40.6.8.1.6 Subset-of-Hours Contracts

The CAISO will submit Generated Bids for non-Resource-Specific System Resources that provide Resource Adequacy Capacity subject to a Subset-of-Hours Contract during only those hours in which the resource is contractually obligated to make the Resource Adequacy Capacity available and the CAISO has not received either notification of an Outage or a Bid for such capacity. If the Scheduling Coordinator

for the non-Resource Specific System Resource submits a Bid for part of the Resource Adequacy Capacity subject to a Subset-of-Hours Contract for any hour the resource is contractually obligated to provide the Resource Adequacy Capacity, the CAISO will insert a Generated Bid only for the remaining Resource Adequacy Capacity. Non-Resource-Specific System Resources that provide Resource Adequacy Capacity subject to a Subset-of-Hours Contract must meet the technical interface specifications and submit contractual information as required by a Business Practice Manual.

40.6.8.1.7 Filings with FERC to Recover Actual Marginal Fuel Procurement Costs

A Scheduling Coordinator for a resource subject to a Generated Bid may seek to recover actual marginal fuel procurement costs pursuant to a filing with FERC in accordance with Section 30.11.

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