



To: ISO Operations Committee
From: Armando Perez, Vice President of Planning and Infrastructure Development
cc: ISO Board of Governors, ISO Officers
Date: December 9, 2005
Re: *California ISO 2006 Preliminary Summer Operations Assessment*

No Board action is required at this time.

The California ISO (ISO) is pleased to provide you the attached preliminary 2006 Summer Loads and Resource Assessment. This assessment forecasts the ISO Control Area's peak electricity supply and demand levels for summer 2006 under "most likely" and "adverse" system conditions. An accompanying overview of this report will be presented at the December 2005 California ISO Board of Governors Meeting.

A "most likely" system condition forecast includes expected "1-in-2" average temperatures, all major lines in service, most likely economic conditions, average forced outage rates for generation, known generation retirements (Hunters Point and Mohave units) and most likely import conditions. An "adverse" condition forecast assume a change in system conditions that would either change supply and/or demand in the range of 2500 to 3000 megawatts. Adverse events might include a change in resource conditions or "1-in-10" high temperatures or an increase in generation forced outages or transmission outages that result in limiting transmission import capacity or additional generating unit retirements, or other unforeseen events.

The ISO prepares an assessment of loads and resources before each summer season. The ISO team uses this report to prepare the control room operators for potential reliability conditions that may exist in the upcoming season. The final report, when delivered in March 2006, also meets the semi-annual reporting requirements of the Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Council (NERC).

Conclusions

The ISO forecasts that the ISO Control Area will have adequate resources available to meet both a most likely and adverse forecasted 2006 peak demand. However our greatest concern continues to be SP26, the southern sub-region within the ISO Control Area. The SP26 sub-region reserve margins are better than those forecasted in 2005, however reserve margins are expected to be marginally adequate for the most likely conditions and deficient (expected supply deficiency of approximately 1200 MW to maintain adequate reserves) for an adverse peak demand.

The CAISO and CEC have both recently completed summer 2006 Load and Resource assessments. The overall general regional conclusions of Load and Resource adequacy by the CAISO and CEC for the summer of 2006 are similar for the ISO Control Area and SP26. However, there are differences in some of the assumed import levels, available generation and load forecasts that impact the actual forecasted reserve margins. The ISO's forecasted

reserve margins are less than the CEC forecasted reserve margins. The CAISO will continue to work closely with the CEC to understand the assumptions and forecasting methodologies that are driving differences in individual numbers.