

2019 LCR Draft Study Results

Submitted by	Company	Date Submitted
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AES Redondo Beach, LLC (AESRB) appreciates the opportunity to comment on the California Independent System Operator (CAISO) 2019 draft Local Capacity Requirements (LCR) study results. At the April 9, 2018 stakeholder meeting, the CAISO indicated that the draft study results assume AESRB will remain in service at least through December 31, 2020. Given the challenges associated with maintaining reliability in the western Los Angeles basin, AESRB wants to make sure the CAISO is aware that the four operating units at AESRB are only contracted through December 31, 2018 and unless we can secure a contract to support continued operations beyond 2018, we will be permanently retiring all four generating units as of January 1, 2019. AESRB would prefer to continue operating until the end of 2020, but requires the certainty of a contracted source of revenue in order to remain in service.

AESRB plans to participate in the Resource Adequacy (RA) solicitation that Southern California Edison (SCE) typically launches each summer, but there is no guarantee we will be selected, especially considering that the 1,355 MW of available capacity from AESRB is restricted by 435 MW through at least October 2019 due to the NQC reduction necessitated by the ongoing work on the Mesa Loop-In transmission upgrade. AESRB views the SCE RA solicitation as its only real viable competitive procurement path as it is very unlikely we would be able to contract enough RA capacity with other potential customers at a price sufficient to cover ongoing fixed costs.

If unsuccessful in the SCE procurement process, AESRB would consider a Reliability Must Run (RMR) Agreement with the CAISO but we are concerned with the expected timing of the respective procurement schedules. SCE generally notifies the winners of their annual RA solicitation during the first week of October, however, based on past practice the CAISO makes its RMR designations by October 1. If AESRB is needed to maintain local reliability, this schedule is challenging since we will not find out if we secured a contract through the traditional competitive process until the deadline for making RMR designations for 2019 will have already passed.

Before finalizing the 2019 LCR study results, AESRB recommends that the CAISO run a scenario without the capacity of AESRB. If the results of the analysis indicate a potential local reliability problem would exist if AESRB is retired January 1, 2019, then it would be prudent for the CAISO to begin discussions with AESRB about a potential contract well before October 1, 2019. To address the uncertainty and schedule of the SCE procurement process, AESRB and CASIO could negotiate a contingent contract that would only become effective if we are not successful in the SCE procurement. This would ensure the AESRB capacity remains available for 2019 even with the current sequencing of the SCE and CAISO procurement schedules.

AESRB understands the importance of maintaining a reliable supply of electricity and will continue to work collaboratively with the CAISO to ensure any capacity necessary for local or system reliability remains in service. If CAISO studies determine that AESRB is needed beyond 2018, we have offered one potential solution for ensuring uninterrupted service from AESRB and would welcome the opportunity to discuss alternative approaches with the CAISO.