

From: ISO Help Desk Requests
Sent: Friday, July 20, 2001 10:59 PM
To: ISO Market Participants
Subject: CAISOMarket Notice on Must-Offer Obligation

Market Participants:

The following Market Notice addresses ISO Tariff requirements governing mandatory notice to the ISO prior to taking generating units offline and also sets forth basic responsibilities of Scheduling Coordinators and Generating Units regarding the FERC must-offer obligation.

MARKET NOTICE

In Re: Generator Status Change and Reporting Requirements

This Market Notice reminds Market Participants of existing ISO Tariff requirements governing notice to the ISO of generating unit changes in operating status, and particularly the process that must be followed as generating units go offline and come back online. ISO Operators and Generation Dispatchers have observed that some Generators and Scheduling Coordinators are failing to provide the mandatory notice to the ISO prior to taking generating units offline.

I. General Obligation to Report Status Change to the ISO

The ISO reminds all Market Participants to comply with ISO Tariff Dispatch Protocol Section 3.7.1, which provides:

"Each Generator shall immediately inform the ISO, through its respective SC, of any change or potential change in the current status of any Generating Units that are under the Dispatch control of the ISO. This will include, but not be limited to, any change in status of equipment that could affect the maximum output of a Generating Unit. The minimum load of a Generating Unit, the ability of a Generating Unit to operate with automatic voltage regulation, operating of the PSSs (whether in or out of service), the availability of a Generating Unit governor, or a Generating Unit's ability to provide Ancillary Services as required, Each Generator shall immediately report to the ISO, through its SC any actual or potential concerns or problems that it may have with respect to Generating Unit direct digital control equipment, Generating Unit voltage control equipment, or any other equipment that may impact the reliable operation of the ISO Controlled Grid."

Notification after the Hour Ahead Market closes should be directed to the ISO Generation Dispatcher at (916) 351-2488.

II. Specific Obligations Regarding the Federal Energy Regulatory Commission's Must-Offer Obligation

A. The Must-Offer Obligation

The must-offer obligation requires those generators with PGAs, as well as non-public utility generators in California selling into ISO markets using the ISO's transmission lines, other than hydroelectric generating units, to offer to the ISO all of their available capacity in real time during all hours if such capacity is not already scheduled to run under bilateral agreements, needed to support native load or committed to provide Ancillary Services. This means generators must offer all of their available capacity in real time in all hours.

B. Units with Long Start-Up Times and/or High Operational Costs

In filings at FERC and in communications to Market Participants, the ISO has acknowledged the particular problems of compliance with the must-offer obligation for Generating Units with long start-up times and high operational costs that may not be recovered during period of relatively low Energy prices. The ISO is working on a solution and until that time the following procedure applies to all generating units subject to the must-offer obligation.

C. Interim Operating Procedure

As an interim measure, the ISO is granting, when possible, on a first come/first served basis, temporary waiver from the must-offer obligation. Generating units that receive such temporary waiver will not be deemed in violation of the must-offer obligation so long as the temporary waiver is in place. The temporary waiver is always subject to termination upon notice by the ISO and such notice will provide the time at which a generating unit must reinitiate compliance with the must-offer obligation.

The granting by the ISO of a temporary waiver is wholly discretionary on the part of the ISO and is subject to the following terms and conditions:

1. The Scheduling Coordinator must request a temporary waiver from the ISO Generation Dispatcher: (1) by 1500 hours of the day proceeding the Operating Day for which the temporary waiver is sought, or (2) two (2) hours immediately following the close of the Day Ahead Market in the day proceeding the Operating Day for which the temporary waiver is

sought.

2. Any temporary waiver from the must-offer obligation is subject to unit recall by the ISO Generation Dispatcher upon notice. Such notice will be issued as far in advance as possible, and under no circumstances less than the period of time equivalent to the start-up time for that unit as specified in that unit's PGA Schedule 1.

3. Prior to separating the generating unit from the Grid, the Scheduling Coordinator must contact the ISO Generation Dispatcher one (1) hour before the start of the requested temporary waiver to receive final approval and verification that system conditions permit such a waiver be granted and that the generating unit may be taken offline or otherwise put into an operating status in which the unit can not comply with the must-offer obligation to offer all available capacity in real time in all hours.

4. When the ISO Generation Dispatcher contacts a Scheduling Coordinator to provide notice that a temporary waiver will end, such communication from the ISO is NOT a Dispatch Instruction and is only a notice of the pending termination of the temporary waiver.

5. The ISO will not pay any start-up costs associated with a generating unit going offline or coming back online in association with a temporary waiver.

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