

Memorandum

To: ISO Board of Governors
From: Keith Casey, Vice President of Market & Infrastructure Development
Date: October 25, 2012
Re: **Briefing on Results of Reliability Must-Run Contract Extensions and Negotiations for 2013**

This memorandum does not require Board action.

At its September 13-14 meeting, the ISO Board of Governors authorized Management to extend the existing reliability must-run contracts through calendar year 2013 if needed after Management's review of load serving entities' September 17, 2012 preliminary resource adequacy showings. Management has extended the reliability must-run contract with Dynegy for the Oakland units. These units are needed for the Oakland and Pittsburg-Oakland sub-areas within the Bay Area and were not included in any load serving entity's preliminary resource adequacy showing.

On a related note, Management has also extended all contracts that provide for black start and dual fuel capability for the 2013 contract year as set forth in *Attachment 1*¹.

As authorized by the Board, the ISO Management is in negotiations with AES concerning Huntington Beach units 3 and 4. If negotiations are successful, the ISO anticipates a FERC filing in late October.

¹ Dual fuel and black start agreements that are zero cost contracts do not require Board approval. Management is currently negotiating for additional zero capacity cost black start capability.

Attachment 1: 2013 Reliability Must-Run, Black Start and Dual Fuel Contract Status

RMR Units Extension Status				
<i>Any Extended RMR Contracts will be effective January 1, 2013 thru December 31, 2013</i>				
<i>Any Released RMR Contracts will be terminated effective Midnight on December 31, 2012</i>				
Owner	RMR Contract	Unit	MW ²	Status
Dynergy Oakland, LLC	Oakland	Oakland, Unit 1	55	Extended
		Oakland, Unit 2	55	
		Oakland, Unit 3	55	
Black Start Units Extension Status				
<i>Any Extended Black Start Contracts will be effective January 1, 2013 thru December 31, 2013</i>				
<i>Any Released Black Start Contracts will be terminated effective Midnight on December 31, 2012</i>				
Owner	Contract	Unit	MW ³	Status
Pacific Gas and Electric Company		Humboldt Bay, Unit 3	32.6	Extended
		Kings River Watershed II Units	298.6	Extended
		San Joaquin Watershed Units	140.0	Extended
Southern California Edison		Hoover	525	Extended
		Big Creek Physical Scheduling Plant	368.9	
		Barre Peaker	47	
		Center Peaker	47	
		Grapeland Peaker	46	
San Diego Gas & Electric		Miramar Energy Facility Unit 1	47.6	Extended
		Miramar Energy Facility Unit 2	48.6	Extended
Orange Grove Energy, L.P.		Orange Grove Unit 1	49.85	Extended
		Orange Grove Unit 2	49.85	Extended
Cabrillo Power I, LLC	Cabrillo I	Encina CT	14	Extended
Cabrillo Power II, LLC	Cabrillo II	Kearney 2A CT	14	Extended
		Kearney 2C CT	14	
		Kearney 3A CT	15	
		Kearney 3C CT	14	
		Miramar 1A	17	
Dual Fuel Agreement Units Extension Status				
<i>Any Extended Dual Fuel Contracts will be effective January 1, 2013 thru December 31, 2013</i>				
<i>Any Released Dual Fuel Contracts will be terminated effective Midnight on December 31, 2012</i>				
Owner	Contract	Unit	MW	Status
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, Unit 1	48.8	Extended
		Humboldt Bay, Unit 2	48.8	
		Humboldt Bay, Unit 3	65.1	

² Capacity values shown indicate the summer maximum net dependable capacity values for the combustion turbines.

³ Capacity values shown indicate the summer maximum net dependable capacity values for the combustion turbines with both summer and winter maximum net dependable capacity values specified in the Cabrillo I and Cabrillo II contracts.