



News Release

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ISO Board approves rule to keep needed flexible generation capacity from prematurely retiring

FOLSOM, Calif. – The California Independent System Operator Corporation (ISO) Board of Governors approved a proposed rule at its meeting today that makes sure the ISO has the ability to keep existing flexible power plants from prematurely retiring if they are found to be needed for reliability in future years.

The need for the ISO to address this issue was highlighted earlier this year when the owners of the Sutter Energy Center informed the ISO it had not been able to secure a power contract and would have to shut down the plant. The ISO analyzed the situation and found the 525 megawatt (MW) plant would be needed for grid reliability in the 2017-2018 period. The California Public Utilities Commission did require utilities to enter into power contracts with the Sutter Energy Center for 2012. The situation, however, did identify a needed enhancement to the ISO tariff as it currently only provides for capacity compensation under specific circumstances to resources determined to be needed in the next operating year.

Today's approved at-risk of retirement provision allows the ISO to contract for capacity determined to be needed for reliability reasons two to five years in the future. The price for the capacity is based on the resource's going forward costs. The ISO would only use the special designation after the plant operator has made a good faith effort to secure a utility contract.

The resource adequacy program administered by the California Public Utilities Commission (CPUC) is the primary way of ensuring that utilities contract in advance for their future wholesale power needs. The ISO has been actively working with the CPUC to incorporate flexible (fast ramping), local capacity into its resource adequacy and long-term procurement requirements.

"The ISO has worked hard to develop a backstop mechanism that preserves flexible and local capacity needed to reliably operate the grid while not undermining the CPUC resource adequacy requirements," said Keith Casey, Vice President, Market and Infrastructure Development. "While stakeholders have widely varying positions on the provision's details, we worked hard to draft a balanced mechanism."

This backstop procurement provision provides a financial bridge that helps ensure that resources without power contracts that are needed in the future remain economically viable. Details of this proposal can be found at: <http://www.caiso.com/informed/Pages/BoardCommittees/Default.aspx> and <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleCapacityProcurement.aspx>.

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The California ISO operates the state's wholesale transmission grid, providing open and non-discriminatory access supported by a competitive energy market and comprehensive planning efforts. Partnering with about a hundred client organizations, the nonprofit public benefit corporation is dedicated to the continual development and reliable operation of a modern grid that operates for the benefit of consumers. The ISO bulk power market allocates space on transmission lines, maintains operating reserves and matches supply with demand.