

March 5, 2013

California Public Utilities Commission
Energy Division
Attn: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Re: Response of the California Independent System Operator Corporation in Support of the Bilateral Capacity Sale and Tolling Agreement Between Southern California Edison Company and BE CA LLC (Advice Letter No. 2853-E)

Dear Energy Division Tariff Unit,

Pursuant to General Rules 3.13 and 7.4.1 of the California Public Utilities Commission's ("Commission's") General Order 96-B, the California Independent System Operator Corporation ("ISO") respectfully submits this response in full support of the February 15, 2013 Southern California Edison Company ("SCE") Advice Letter No. 2853-E ("Advice Letter"), which requested the Commission's expedited approval, on or before May 9, 2013, of a bilaterally-negotiated Capacity Sale and Tolling Agreement ("BECA Contract") between SCE and BE CA LLC, a subsidiary of J.P. Morgan Ventures Energy Corporation.

As SCE noted in the Advice Letter, the Commission's approval of the BECA Contract "will eliminate the contractual barriers to the operation of synchronous condensers at Huntington Beach Generating Station Units 3 and 4." Due to the substantial uncertainty surrounding the return to service of San Onofre Nuclear Generating Station Units 2 and 3, the ISO has identified the critical need for these two synchronous condensers to be placed into service by June 1, 2013 at the Huntington Beach facility. These synchronous condensers will provide the dynamic voltage support service necessary to prevent the ISO's need to rely on an unprecedented load shedding scheme if certain transmission outages were to occur during the 2013 summer peak period in Southern California. The ISO has identified no other resource that could provide the same kind of dynamic voltage support required to avoid the risk of load-shedding this summer.

Further, the 12 generating units subject to the BECA Contract are flexible capacity resources located in the constrained LA Basin area and are critical to system reliability. The Commission and ISO have been actively engaged in developing a solution to address California's increasing need for flexible capacity resources due to the large amount of intermittent renewable resources coming online to meet California's Renewables Portfolio Standard and the potential retirement of more than 12,000 megawatts of once-through-cooled resources. The Commission's approval of the BECA Contract will allow SCE to designate these units as Resource Adequacy units, thus increasing flexibility in the constrained LA Basin.

For the foregoing reasons, the ISO respectfully requests that the Commission expeditiously issue its approval of the BECA Contract in order to allow the Huntington Beach synchronous condensers to be placed into operation by this summer.

Sincerely,

California Independent System Operator Corporation



Steve Berberich
President & Chief Executive Officer