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Meeting Summary - LCR Study Advisory Group (LSAG) November 6, 2006, ISO Offices in Folsom

General Discussions and Conclusions

There was discussion about the need to have clarity on sequencing and processing of the 2007 LCR as well as 2008 LCR requirements and enforcement. The Munies will not be able to do their 2007 LCR if certain milestones are not met and they feel it is in their best interest to do these studies. Munies will have their own process about 2007 LCR requirements. An LSAG member wants LSAG to set the process so that the members can go back to their organizations and make their own studies.

There was discussion that the 2008 study will be done by June and that it will be the same timeline as last year. The conclusion was that LSAG would follow the CPUC schedule. There was also talk about having the CPUC do an updated briefing at the Stakeholder meeting.

There was discussion about some LSAG members putting together a report (white paper) that summarizes parts of the discussions in LSAG along with opinions and positions of certain LSAG members about local capacity needs.

There was discussion about LSAG's meeting notes. Few members did not feel everything is being documented.

After reviewing the meeting notes from LSAG's October 20th meeting, a few members wanted to change the sentence "LSAG did reach consensus on CAISO 2007 study results." They felt that because they could not run the exact same generation patterns, they couldn't validate the 2007 LCR Study results. The question was asked in a different way: Given the input assumptions, does LSAG think the ISO has the capability and integrity to run the study? There was a consensus that CAISO has the best available data as well as capability and integrity to run these types of studies. CAISO concurred to change the sentence from "validating the results" to "understanding the results".

There was discussion about not using the word "consensus" nor "validate" rather the majority of LSAG members agreed to use "general agreement."

Discussion on Technical Related Issues: LSAG will address during Stakeholder Meeting

LSAG discussed the table, overview below:

Issue #1: Take out the word "validate." Catalin will re-write #1

Issue #2 \$ #3: Make the language consistent from #3 into #2. There was a call for other alternatives to be presented to the stakeholder community. Most people would be reluctant to talk to stakeholders about changing it because it affects two areas (LCR and deliverability). CASIO agreed to better explain what is required and assumed in these studies. Questions have

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been raised about the timing when deliverability reports will be done vs. when the LCR study reports are done. CAISO responded that the LCR studies used the later and most up-to-date deliverability information. The ISO assumes all deliverable units (that hurt the constraint) are on line irrelevant of financial restraints/issues before and during a single contingency (B) as well a common mode outage (C5) because the study is done a year (or more) in advance before contracts are signed. Not doing so will result in one of two things a) those units will become undeliverable b) a disconnect occurs and there is greater probability that the CAISO needs to use its backstop procurement role beyond to make the two match.

Issue #4: Catalin walked LSAG through diagram. A concern about how is the PUC going to do long term procurement. Consensus has been achieved (Gary went around table).

Issue #5: Completed as is.

Issue #6: The CAISO wants it to get where LCR studies are done five years in advance and they will be included in the CAISO Transmission Expansion Plan. PTO's can do their analysis that would be inserted in the Transmission Expansion Plan.

Issue #7: It was determined that the first part is technical and the 2nd part is policy oriented. CAISO will rewrite to clarify.

Issue #8: Concerns have been expressed that load pocket are popping up and disappearing (see Big Creek/Venture in Southern California area). There was discussion about the fact that engineers use their own judgment versus exact science about the definition of load pockets, in order to make the pocket suitable for long-term contracting. Consensus has been achieved that for 2008 the same load pocket definitions will be used.

Issue #9: The CAISO will use the latest approved load forecast available. If a new forecast is used the PTO's require some time to insert the data into the base cases that would be provided to the CAISO.

Issue #10: Catalin will rewrite this to include ISO tariff and NERC compliance.

Issues: Policy Related

Questions have been raised as to why seasonal studies (Issue #2 under Policy Related) is under policy related issues and not under the technical related section. What is the technical requirement for LCR? Some feel that it is not a technical issue, since the same methodology can be used; it is assumptions (because additional clearances in the local area need to be accounted for given lighter load conditions). Some parties do not like that they have to have their generator under CAISO must-offer obligation all the time (based on "operational control issues"), it is not necessarily a cost issue. Possible answers to three questions can resolve this issue: 1. How will the CAISO adjudicate the waivers from "must offer requirements", 2. How should ESPs trade capacity during load migration for local RA – maybe in the same way they trade system RA, and/or 3. How to prepare a proper transmission model to reflect frequent transmission and generation maintenance schedules and generation emission restrictions in non-summer months. Seasonal LCR issue has been moved under technical issues to be addressed at the next stakeholder meeting.

Zonal methodology has been moved under technical issues to be addressed at the next stakeholder meeting.

Stakeholder Presentations:

(Issue #1) Gary DeShazo

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(Issue #2) Gary Chin

(Issue #3) Gary Chin

(Issue #4) Catalin Micsa

(Issue #5) Gary DeShazo

(Issue #6) Gary DeShazo

(Issue #7) Les Pereira

(Issue #8) Chifong Thomas and Brad Bentley

(Issue #9) Mark Hesters

(Issue #10) Catalin Micsa

(Issue #11) Added to the list: Zonal methodology, Ali Amirali & Katie Kaplan

(Issue #12) Added to the list: Seasonal studies, Bob Tang