Decision On Adopting the Use of Local Capacity Reliability Study Criteria as the Local Area Reliability Criteria for Reliability Must Run Contracts



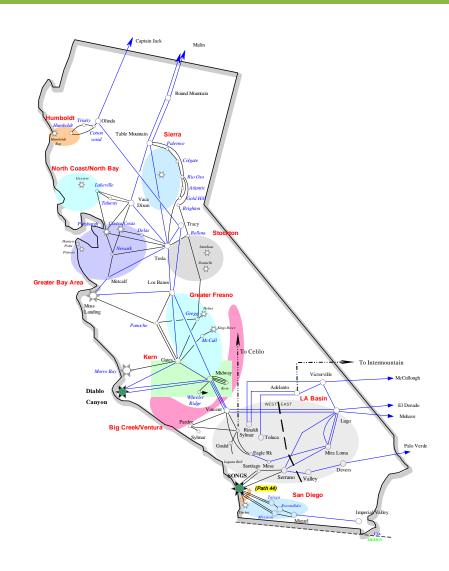
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A Local Capacity Requirement (LCR) study defines

- Specific areas within the CAISO Controlled Grid that have limited import capability
- The generation capacity (MW) necessary to mitigate the local reliability problems in those areas





Key differences between LCR and RMR criteria are.....

LCR Studies

- RMR (backstop procurement) Studies
- Supports CPUC RA requirements
- Comprehensive study criteria encompasses NERC reliability standards
- RA procurement costs borne by Load Serving Entity

- Supports CAISO RMR designations
- Small subset of NERC reliability standards
- Backstop procurement costs borne by Participating Transmission Owner



The CAISO proposal responds to a FERC directive regarding these criteria by

- Using LCR study criteria for both RA and backstop procurement purposes
- Addressing cost allocation issues in the stakeholder process currently underway for a new backstop procurement mechanism

