



California ISO
Your Link to Power

Amendment 60 Implementation Plan

Must Offer Commitments for Miguel and South of Lugo

April 15, 2008

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1. Introduction and Background

On November 11, 2007, the Federal Energy Regulatory Commission issued its “Order on Rehearing” in the Amendment 60 proceeding in docket ER04-835 (Rehearing Order).¹ The Rehearing Order, among other things, confirmed FERC’s earlier finding² that “Must Offer” commitments to address the Miguel constraint would be treated as zonal, rather than local, and to allocate the commitment costs accordingly. The Rehearing Order also granted the rehearing request of Southern California Edison Company (SCE), which directed the CAISO to treat Must Offer commitments for the South of Lugo constraint as zonal, rather than local, and to allocate the commitment costs accordingly.

The CAISO has modified Operating Procedure G-206³ to reflect the FERC requirement that costs associated with Must Offer commitments to address the Miguel constraint be treated as “zonal” rather than “local”. G-206 historically related to commitment of Reliability Must Run (RMR) Units for local reliability within the service territory of San Diego Gas & Electric Company (SDG&E). Since implementation of the Resource Adequacy (RA) program, G-206 was revised to apply to commitment of both RMR and RA resources for local reliability. Local commitments for RA resources are committed under the Must Offer process and the associated costs are allocated as “local” costs.

On November 29, 2007, the CAISO modified M-432A,⁴ which relates to the logging of Must Offer commitments, to comply with FERC’s directive to treat Must Offer commitments for the Miguel constraint as zonal. More recently, and as discussed in more detail below, the CAISO has now revised G-206 to differentiate between local (RMR and RA) and zonal commitments and has further clarified M-432A to implement FERC’s directives.

In light of the Rehearing Order, the CAISO has also revised Operating Procedure M-438B to update the procedures for commitment of resources to address the South of Lugo constraint. Pursuant to the Rehearing Order, costs associated with CAISO Must Offer commitments for the South of Lugo constraint will be allocated as zonal costs. There are currently no RMR resources within the SCE Service Area. The CAISO’s modifications to M-432A also clarify the zonal treatment for Must Offer commitments for the South of Lugo constraint.

¹ Order on Rehearing, 121 FERC ¶ 61,193 (2007).

² On December 27, 2006, FERC issued Opinion No. 492, 177 FERC ¶ 61,348 (2006). In Opinion No. 492, at P 31 FERC agreed with the Administrative Judge’s proposed finding that Miguel should be characterized as zonal.

³ The distribution of G-206 is restricted due to market sensitivity in accordance with criteria identified in A-03 (Determining Distribution Restrictions for CAISO Operating Procedures).

⁴ The distribution of M-432A is restricted due to market sensitivity in accordance with criteria identified in A-03 (Determining Distribution Restrictions for CAISO Operating Procedures).

2. CAISO Operations Procedural Changes within the SCE and SDG&E Service Areas

Grid Operations commits resources in the day-ahead time-frame for local and zonal requirements through RMR (local only) and Must Offer commitments (as relevant here, local and zonal) and logs the commitments consistent with the purpose of the commitment for both service areas.

a. Miguel Commitment

The CAISO has updated G-206 to address zonal requirements, in addition to local area requirements. Specifically, the CAISO has modified G-206 to indicate that Must Offer commitments to address Miguel Bank congestion must be logged as zonal.

G-206 identifies the daily local unit commitment of RMR/RA units for the SDG&E Area based on the forecasted load and ongoing clearances in the SDG&E system. Some of the units committed are RMR units while others are RA units. The RMR units are given an RMR Day-Ahead Pre-dispatch before the Day Ahead market runs. The RA units are committed Day Ahead through the Must Offer process. These commitments are logged as local commitments.

G-206 has now been updated to identify that generation required for mitigating overloads on the Miguel 500/230 kV Transformer Banks will be treated as a zonal commitment. This generation, whether it is an RMR unit or not, will be committed through the Must Offer process and be logged as needed for zonal needs for the Miguel Bank.

In the course of revising G-206, the CAISO reviewed its prior revisions to M-432A and concluded that additional revisions would be necessary to align the two procedures and for clarity. In light of these recent changes, the CAISO intends to review San Diego area commitments going back to November 29, 2007 and to revise them, as appropriate, to be consistent with the updated procedures and the FERC orders in the Amendment 60 proceeding.

The CAISO also acknowledges that it has an obligation pursuant to the FERC orders to review Must Offer commitments dating back to the effective date of the Amendment 60 FERC orders, to determine which commitments related to the Miguel constraint and reallocate commitment costs accordingly. The CAISO is unable to say, at this time, when this work will be completed.

b. South of Lugo Commitment

To date, pursuant to M438B, the merchant side of SCE commits generation for South-of-Lugo identified in G-217 and for Orange County as identified in G217 and G219.⁵ In light of the Amendment 60 orders, the CAISO has revised M438B to eliminate SCE commitment for South-of-Lugo (G217) to allow CAISO commitment. M438B has now been revised such that the merchant side of SCE will procure generation only for the local need in Orange County (G219).

⁵ The distribution of G-217 and G-219 is restricted due to market sensitivity in accordance with criteria identified in A-03 (Determining Distribution Restrictions for CAISO Operating Procedures).

Generation identified as being required for South of Lugo (G217) will be committed by the CAISO in accordance with the Must Offer process and will be logged as zonal commitments. Generation commitments will be made daily after evaluating the generation in Day Ahead schedules and any additional SCE commitments for local Orange County needs under G217 and the revised M438B. This additional generation procurement will be identified as zonal for South-of-Lugo. The CAISO has also revised M-432A to be consistent with these changes.

The CAISO intends to implement these changes as of May 1, 2008. As noted above, the CAISO acknowledges that it will have to review commitments dating back to the effective date of the FERC Orders, to determine which commitments relate to the South of Lugo constraint and reallocate commitment costs accordingly.