California ISO
Shaping a Renewed Future

Decision on Dispatch Priority of Operating Reserves

Nancy Traweek
Director, System Operations

Board of Governors Meeting
General Session
May 16-17, 2012

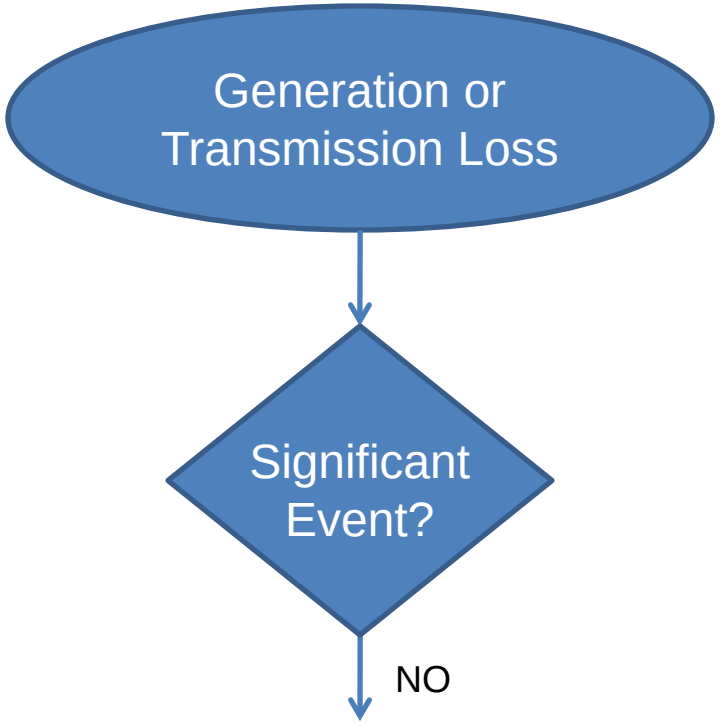
Current contingency limits quick response under certain conditions.

- Current contingency dispatch optimizes energy and operating reserves
- Energy bids response requirements less than operating reserve
- Current tariff authority for optimized contingency dispatch

Background – Contingency Events

- Operating reserves procured day ahead to ensure sufficient resource capacity available for recovery of a contingency event
- Contingency events occur upon real time loss of generation or transmission
- Resources are typically increased to recover from events
- NERC standards require recovery in 15 minutes for some events

Recovery from a non-significant contingency event.

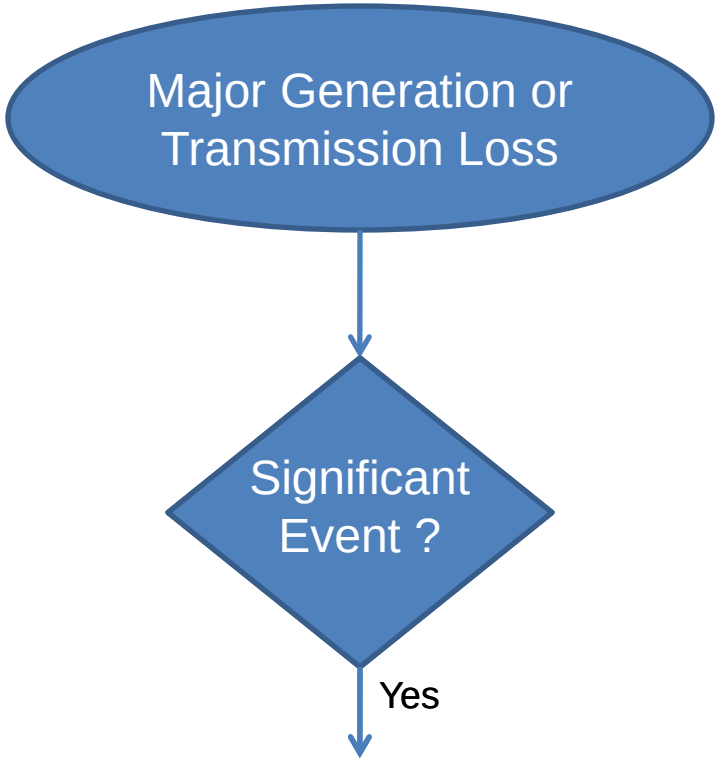


Display dispatches economically

- ✓ Energy bids
- ✓ Operating Reserves

Bid Type	MW	$
Inc Bid	100	$5
Inc Bid	25	$5
Reserves	25	$10
Reserves	50	$10
Inc Bid	100	$15
Reserves	300	$25
Dec Bid	-100	$30
Total	500	$25

Recovery from a significant contingency event.



Displays operating reserves in merit order first , incremental energy bids only

Bid Type	MW	$
Reserves	25	$10
Reserves	300	$25
Reserves	100	$30
Reserves	75	$30
Total Reserves	500	$30
Inc Bid	100	$5
Inc Bid	25	$5
Inc Bid	100	$15
Total Incremental Energy	225	$15

Management recommends Board approval of the proposal.

- Stakeholder Feedback
  - Stakeholder process conducted
  - Stakeholders generally supportive
  - ISO agreed to monitor, report back

- Benefits
  - Faster resource response
  - Avoids decremental dispatches
  - Prioritizes operating reserve resources
  - Mitigates potential violation fines