



# Memorandum

**To:** ISO Board of Governors

**From:** Keith Casey, Vice President, Market and Infrastructure Development

**Date:** July 18, 2018

**Re:** **Decision on Interim Reliability Must Run Agreement**

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***This memorandum requires Board action.***

## EXECUTIVE SUMMARY

Management is seeking Board approval to file a limited, interim modification to the pro forma reliability must run (RMR) agreement pending the development of a more comprehensive proposed amended RMR agreement.

Currently, the ISO is engaged in a stakeholder initiative to review both the ISO's RMR authority and its capacity procurement mechanism authority. Management has targeted the March 2019 Board meeting for consideration of an updated RMR agreement and related tariff provisions for implementation in 2020. The purpose of the limited, interim modification to the current pro forma RMR agreement is to provide the ISO with the authority to terminate the interim form of agreement and immediately redesignate RMR units under the new comprehensive pro forma RMR agreement following FERC acceptance. The ISO does not have this right under the current pro forma RMR agreement.

Management is not proposing any changes to RMR rates or any other terms or conditions at this time. The interim form of the RMR agreement will not affect any RMR agreement currently in effect and the current pro forma RMR agreement will continue to apply to any RMR designations until the interim form of the RMR agreement is accepted by FERC. Management is planning to file in August and request a FERC decision in November 2018.

Management proposes the following motion:

***Moved, that the ISO Board of Governors approves the proposal to implement the interim RMR agreement proposal described in the memorandum dated July 18, 2018; and***

***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the interim RMR agreement***

***proposal described in the memorandum dated July 18, 2018, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.***

## **POSITIONS OF THE PARTIES**

At a May 30 working group meeting, the ISO announced its intent to move quickly to amend the pro forma RMR agreement in one interim respect. On June 12, the ISO posted a draft of the revised pro forma RMR agreement. Stakeholders submitted comments on June 25. Pacific Gas and Electric and the Six Cities support the proposal and offered clarifying language. Calpine expressed opposition to the proposal and suggested the ISO could negotiate the provision as part of the RMR negotiations following a new designation. The ISO held a stakeholder call on July 10 to discuss the draft language and receive stakeholder input. Notably, in response to Calpine's comments, the ISO clarified that the proposed termination is limited to the interim form of agreement. Management is currently considering stakeholder comments as a part of the tariff stakeholder process, including clarifications that respond to Calpine's concerns.

## **CONCLUSION**

Management requests the ISO Board of Governors approve the proposed interim modification to make the interim pro forma RMR agreement to be in effect until a more comprehensive updated pro forma RMR agreement is implemented.