

Memorandum

To: ISO Board of Governors
From: Jim Detmers, Vice President, Operations
Gregory Van Pelt, Manager of Outage Management
Date: May 13, 2008
Re: *Decision on Outage and Availability Reporting*

This memorandum requires Board action

EXECUTIVE SUMMARY

Management requests that the Board approve a tariff amendment that would refine the requirements for reporting outage and availability information for generating units. These changes are intended to reduce the burden on market participants without materially compromising the information available to CAISO operators.

Just over eighteen months ago, the Board approved a tariff amendment that clarified requirements for reporting generator outages and availability. During the stakeholder process leading to that amendment, the CAISO pledged to stakeholders that it would revisit these requirements after the CAISO and market participants gained experience operating under them. Recently, the CAISO reviewed these requirements, compliance with them, and requests to revise the requirements. Based on this review, the CAISO began a stakeholder process in February of 2008 to consider potential changes.

In the 2006 stakeholder process, the CAISO expressed its goal as striking a reasonable balance between several factors:

- The reliability and market benefits of prompt, accurate, and detailed Outage and availability reporting,
- The burden on Market Participants of making such reports,
- The need to enforce reporting requirements and the associated exposure of market participants to applicable penalties, and
- The capabilities of reporting processes, systems, or applications.

The most recent stakeholder process on this subject began with market participants expressing concern about their ability to meet current reporting timelines, coupled with a request to increase the megawatt threshold for availability changes requiring a report. The CAISO was concerned that increasing the

reporting threshold would also increase uncertainty about unknown outages, which would adversely impact reliability, or costs (by causing the CAISO to procure additional Operating Reserves), or both. But the CAISO explored other potential refinements to the requirements in an effort to retain the balance described above. Ultimately, the CAISO agreed with stakeholders to recommend a tariff amendment to

- Lengthen the time to report changes in availability from 30 minutes to 60,
- Allow one late report per calendar month with no penalty and a second with a warning letter, and
- Make conforming changes to the requirement that generators report on the circumstances of forced outages.

Management recommends that the Board approve these refinements, as detailed below.

MOTION

Moved, that the ISO Board of Governors approves the refinements to outage and availability reporting requirements as described in the memorandum dated May 13, 2008; 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 refinements to outage and availability reporting requirements.

PROPOSED REFINEMENTS

Availability Reporting Timeline

Management proposes extending the time for reporting changes in the maximum output capability of generating units from 30 minutes to 60 minutes. Several market participants claimed that it was challenging to comply with the current requirement to report changes of availability within 30 minutes of discovery, and asked the CAISO to consider extending the deadline for such reports. Following unexpected equipment failures, market participants must assess the cause and source, contain the dynamic aspects of the failure, and then respond by re-dispatching their portfolio or acquiring replacement energy. Given these requirements, it can be burdensome to consistently satisfy the 30 minute deadline for submitting reports to CAISO. For this reason, several market participants asked the CAISO to extend the deadline for reporting the availability change from 30 minutes to 60.

Management believes that extending the reporting requirement from 30 minutes to 60 will pose no threat to reliability. Most changes in availability are currently reported in less than 30 minutes, and management expects this would remain the case notwithstanding the change. Several stakeholders supported this proposed change and none opposed it.

Allowances for Infrequent Late Reports

Management proposes to allow one late report per month, and reduce the penalty for a second late report in the same month to a warning letter. The Tariff currently requires that the CAISO Department of Market Monitoring (DMM) investigate and impose sanctions when reports are not submitted in a timely manner. In recognition of the occasional late report, the Tariff provides a one reprieve from sanctions per rolling 12-month period. Market participants appreciate the reprieve, but requested that the CAISO expand it from one per rolling 12-month period to one per calendar month (per resource ID). Management believes that the benefits of scrupulous enforcement of the deadlines, though there are some, are outweighed by the burden that the investigation process imposes on both market participants and DMM. A second late report within a calendar month would be classified as a violation and the CAISO DMM would send a warning letter. The third and any subsequent late reports in a calendar month would likewise be classified as violations, and would incur sanctions for each instance as detailed in the CAISO Tariff.

Additional Conforming Changes

Management proposes changing the deadline for submitting a Forced Outage Report, which is currently due two days after discovery of the change in unit availability, to two days after the market participant submits its availability report to the CAISO. The Tariff currently provides that when a large change in availability stems from a Forced Outage, the Market Participant must submit two reports to the ISO: (1) an availability report within 30 minutes of discovery of the change in availability, and (2) a Forced Outage Report – which is a more detailed, follow-up report – within two days of discovery of a change in availability. The proposed change in allowances for infrequent late reports prompts the need for a conforming change in the timing for the more detailed Forced Outage Report. The two-day clock currently starts on discovery of the event. Under this scenario, a market participant that fails to submit an availability report could avail itself of a monthly allowance for a late report. Without this conforming change, however, it nevertheless would be subject to sanction for failing to meet the two-day reporting window for the Forced Outage Report. This refinement retains the requirement to provide to the CAISO the Availability Change report and the Forced Outage Report, but achieves the intended relief for the occasional late report.

In addition, Management proposes a clerical amendment to the currently effective tariff to conform to a refinement that the Board approved earlier for the MRTU tariff. The Board agreed to eliminate the Forced Outage Report for small units (less than 40 MW), but did so at a time when MRTU was expected to become effective before summer. Now that the currently effective tariff will remain in effect through the summer, this change should be included in the current tariff as well.

Effective Date

Some Market Participants requested the earliest possible effectiveness of new requirements noting that peak summer loads are accompanied by a similar peak in workload and activity. Management agrees and will request from FERC a waiver of the usual 60-day advance notice requirement for effectiveness.

STAKEHOLDER PROCESS

The CAISO conducted an iterative stakeholder process that included publishing documents for stakeholder review and discussion, conducting conference calls to discuss the issues identified, soliciting and posting written comments from stakeholder, and independently analyzing the merits of the issues raised.

- The CAISO published an Issues Identification Paper on February 20, 2008
- The CAISO hosted a Stakeholder Conference Call on March 5, 2008
- The CAISO published a revised Issue Identification Paper on March 28, 2008
- The CAISO hosted a Second Stakeholder Conference April 7, 2008
- The CAISO published its proposal on May 7, 2008
- The CAISO posted proposed Tariff language May 7, 2008
- The CAISO hosted a Stakeholder Conference call regarding tariff language May 16, 2008

Thirty seven stakeholders participated on the March 5, 2008 conference call, including generators, the CPUC, load-serving entities, municipal utilities, investor-owned utilities, and consultants. Twenty one participated in the April 7, 2008 conference call representing the same segments. Eight parties submitted written comments, including joint comments by some. A matrix summarizing stakeholder comments is included as Attachment A.

MANAGEMENT RECOMMENDATION

Management recommends that the Board approve this proposal and authorize the CAISO to file the associated tariff changes with FERC.