



Decision on Standard Resource Adequacy Capacity Product & Resource Adequacy Must Offer Obligation

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There is significant momentum behind the development of the Standard Resource Adequacy Capacity Product.

Stakeholders

- Joint proposal submitted to the CPUC (2007)
- Letter to the Board of Governors (2007)
- Market Initiatives Roadmap (2008)

Regulatory Agencies

- FERC – Ordered ISO to implement generator performance standards
- CPUC – Resource adequacy proceeding

ISO

- Enhance grid reliability

Four principles were used in the development of these Resource Adequacy enhancements.

- Improve grid reliability
- Streamline stakeholder contracting and facilitates trading
- Meet regulatory requirements
- Allow for timely implementation

A standard capacity product is a key element in developing a centralized capacity market.

The ISO worked closely with stakeholders to develop the key elements of the proposal.

The ISO proposes to:

- Track capacity availability & provide performance incentives
- Enhance resource adequacy must offer obligation to include ancillary services
- Grandfather elements of existing contracts signed before January 1, 2009

The goal is to have the product in place for the 2010 capacity showing deadline.

March 26 Request affirmative Board decision

April File tariff language with FERC

May/June Possible FERC approval

Summer/Fall Contract negotiations

October 31 Annual resource adequacy showing

In summary, Management is requesting the Board approve this product because it:

- Facilitates contracting and trading of capacity
- Enhances grid reliability through implement of availability standards
- Facilitates MRTU optimization of energy and ancillary services
- Provides a first step in developing an efficient market for trading capacity