



CALIFORNIA ISO

CPUC Resource Adequacy Proceedings

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**Market Surveillance Committee Meeting
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Overview

- Background
 - CPUC Resource Adequacy Timeline
 - Continuing Issues
- Discussion/comments
 - Top Down vs. Bottom Up Issue



CPUC Resource Adequacy Timeline (*anticipated*)

- CPUC Staff Workshop report (6/05)
 - Stakeholder Comments (6/05)
- CAISO Technical Study Results (Final following stakeholder input)
 - Deliverability (Limits for Imports & gen pockets) (7/05)
 - Local LRAR (Minimum requirements for load pockets) (7/05)
- CPUC Decision (9/05)
- LSE Procurement (10/05 ->)
- CAISO tariff filing relating to RAR requirements, penalties, etc?
- RAR Requirements in Effect (6/06)
- MRTU / RUC (2/07)
- Beyond MRTU
 - ISO-run Capacity Markets? Other?



Continuing Issues

- Top Down vs. Bottom Up RAR
- Transitional Issues
 - e.g. LD contracts, pre-MRTU “must offer” requirement and dispatch process
- Role of ISO
 - Enforcing LSE/generator obligations, penalties, etc.
 - Backstop procurement through RMR-like contracts
- Pricing/Local Market Power Mitigation (Capacity)
- Post MRTU: ISO-run Capacity Market, Resource Tagging, other?



Top Down vs. Bottom Up Approaches

Both approaches:

- Based on capacity, not energy
 - Major IOUs subject to separate CPUC requirements/reviews for energy contracting/hedging
- Address issue of capacity planning and availability requirements beyond “top 10%” peak hours of month/year
- Call for resources needed for LRAR to be offered 24x7
- Recognize transitional issues (e.g. LD contracts, no RUC prior to MRTU, etc.)



Some key issues/questions

- Impact on operational reliability
 - e.g. resource availability during wide range of hours/conditions
- Ease of implementation
 - Short-term (6/06) vs. longer term
 - Enforcement/compliance/penalties?
- Effectiveness of encouraging adequate investment
- Compatibility w/future market trends/designs
 - e.g. capacity market and/or standardized capacity products
- Cost/pricing/equity issues