

# Memorandum

**To:** ISO Board of Governors

**From:** Neil Millar, Vice President of Transmission Planning and Infrastructure Development

**Date:** March 18, 2020

**Re:** **Decision on reliability must-run designations for Greenleaf II Cogen, Channel Islands Power and E.F. Oxnard Incorporated**

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

## EXECUTIVE SUMMARY

On October 3, 2019, Starwood Energy Group (SEG) submitted notice of retirement for Greenleaf II Cogen, effective December 9, 2019. On February 20, 2020, CSU Channel Islands Site Authority (CSU CISA) submitted notice of retirement for Channel Islands Power, effective March 31, 2020. On March 2, 2020, Atlantic Power Corporation (AP) submitted notice of retirement for E.F. Oxnard Incorporated, effective May 25, 2020.

The ISO's Local Capacity Technical Report for 2020 demonstrates that Greenleaf II Cogen, Channel Islands Power and E.F. Oxnard Incorporated have been and are currently required for reliable operation of the local transmission system and are needed for the ISO's local reliability in 2020. Moreover, the reliability need cannot be addressed with other alternatives in time for the 2020 calendar year.

Management therefore seeks Board approval of the designation of Greenleaf II Cogen, Channel Islands Power and E.F. Oxnard Incorporated units as reliability must-run ("RMR") resources, in order to prevent their imminent retirement. Management notes that neither the RMR designation nor the execution of an RMR agreement precludes the resources from being procured as resource adequacy resources.

Management recommends the following motion:

***Moved, that the ISO Board of Governors authorize Management to designate the Greenleaf II Cogen, Channel Islands Power and E.F. Oxnard Incorporated units for reliability must-run service contingent upon execution of a reliability must-run contract with rates, terms and conditions acceptable to Management, as described in the memorandum dated March 18, 2020.***

## DISCUSSION AND ANALYSIS

Greenleaf II Cogen was found to be required to meet the 2020 local capacity requirement in the Drum-Rio Oso sub-area of the Sierra local area. The sub-area local capacity requirement is 734 MW, and there are only 646 MW (640 MW at peak) of total available resources in the sub-area including the Greenleaf II Cogen unit. Currently the Rio Oso 230/115 kV Transformers project, which will mitigate the reliability need, is not scheduled operation until June 2022. At this time, Greenleaf II Cogen is not active in the ISO market following the termination of its Public Utility Regulatory Policies Act (PURPA) contract, and is going through the qualifying facility (QF) conversion process to become an ISO participating generator. The ISO expects the resource to sign new Interconnection, Participating Generator and Metering Agreements and complete the new resource implementation process before returning to operation as a participating generator in the ISO market.

Channel Islands Power was found to be required to meet the 2020 local capacity requirement in the Santa Clara sub-area of the Big Creek/Ventura local area. The sub-area local capacity requirement is 288 MW, and there are 250 MW of total available resources in the sub-area including the Channel Islands Power unit. A total of 195 MW (780 MWh) of new energy storage resources have been procured to meet the 38 MW shortfall in local capacity need plus the expected future retirement of Ellwood in the area, but the resources are not expected to be online until summer 2021. Currently there is no approved alternative to mitigate the need for this resource. At this time, the resource is under a resource adequacy contract until March 30, 2020; however, extension negotiations for resource adequacy capacity with the existing buyer have ended without an extension being achieved.

E.F. Oxnard Incorporated has also been found to be required to meet the 2020 local capacity requirement in the Santa Clara sub-area of the Big Creek/Ventura local area. As set out above, the sub-area local capacity requirement is 288 MW, and there are 250 MW of total available resources in the sub-area including the E.F. Oxnard International unit. A total of 195 MW (780 MWh) of new energy storage resources have been procured to meet the 38 MW shortfall in local capacity need plus the expected future retirement of Ellwood in the area but the resources are not expected to be online until the summer of 2021. Currently there is no approved alternative to mitigate the need for this resource. At this time, the resource is under a PURPA contract until May 24, 2020; however, extension negotiations for resource adequacy capacity with existing buyer have ended without an agreement. The resource first needs to go through the qualifying facility conversion process in order to become an ISO participating generator. The ISO expects the resource to sign new Participating Generator and Metering Agreements, and complete the new resource implementation process prior to becoming a participating generator in the ISO market.

In light of the reliability needs and in order to prevent imminent resource retirement, ISO Management proposes to designate Greenleaf II Cogen, Channel Islands Power and E.F. Oxnard Incorporated units as reliability must-run resource under tariff section 41. Starwood Energy Group, CSU Channel Islands Site Authority , and Atlantic Power Corporation would then be expected to develop their own proposed cost of service based *pro forma* RMR Agreement. ISO staff would then work with Starwood Energy Group, CSU Channel Islands Site Authority, and Atlantic Power Corporation to review each proposed cost of service, including any proposed capital investments. Subject to further resource adequacy showings, the RMR agreement would be executed as necessary and filed with FERC by Starwood Energy Group, CSU Channel Islands Site Authority, and Atlantic Power Corporation respectively.

## **POSITION OF PARTIES**

The ISO has presented the situation at a stakeholder meeting on March 14, 2019 where the draft 2020 and 2024 local capacity study results have been presented as well as a stakeholder call on April 10, 2019 where the final 2020 and 2024 local capacity study results have been presented.

The findings have been included in the final 2020 Local Capacity Technical Report, dated May 1, 2019, and already filed with CPUC and available on the ISO web site: <http://www.caiso.com/Documents/Final2020LocalCapacityTechnicalReport.pdf>.

Stakeholder questions and comments received during the stakeholder meeting and subsequent stakeholder call as well as written form acknowledge the local reliability need for these resources.

Written stakeholder comments received after the preparation of this memo will be discussed at the Board meeting.

## **CONCLUSION**

Management recommends and seeks the ISO Board's approval of the designation of the Greenleaf II Cogen, Channel Islands Power, and E.F. Oxnard Incorporated units as reliability must-run resources.