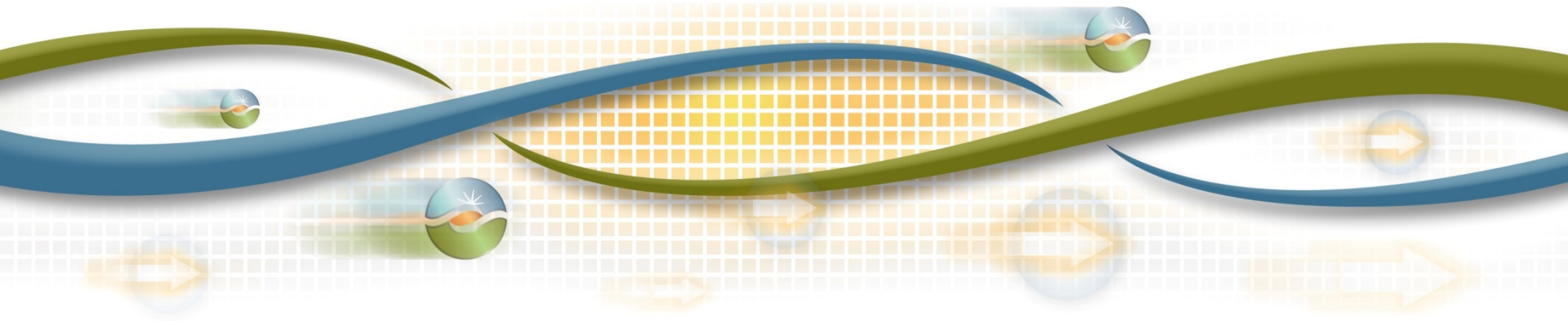


Decision on conditional approval to extend existing reliability must-run contracts for 2014

Neil Millar
Executive Director of Infrastructure Development

Board of Governors Meeting
General Session
September 12, 2013



Reliability must-run designations are conditionally extended because:

- Resource adequacy capacity from one specific unit may not be contracted by a load serving entity and there is a reliability need in the local area as determined by ISO studies.
- Resource adequacy capacity is contracted, however the ISO determines that:
 - It needs certain reliability services not provided by the resource adequacy contract
 - A unit may exercise market power for energy
 - Existing contractual arrangements may preclude the availability of that unit without a reliability must-run contract

The resource adequacy process follows a pre-determined timeline:

- September 17, CPUC jurisdictional load serving entities make preliminary resource adequacy showings
- ISO management makes 2014 RMR recommendations from units currently under contract
 - Oakland units 1-3
 - Huntington Beach synchronous condensers 3-4
- ISO Board authorizes ISO management to conditionally extend the reliability must-run contracts
- October 1 letters for RMR extensions or terminations are sent to resource owners (after the showings are known).

Authority is being sought to:

- Extend existing reliability must-run contract for 2014 conditional upon results of resource adequacy showings process for Oakland combustion turbines and the Huntington Beach 3 & 4 synchronous condensers
- Management will report back the results of the reliability must-run contract extensions at the November Board meeting.