



CALIFORNIA ISO

California Independent
System Operator

Long Term Capacity Product

Market Surveillance Committee Meeting

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Problem Statement

- Debate is continuing in California regarding the design of a long-term resource adequacy program.
 - How to design requirements on load-serving entities to both stimulate competitive investment in new supply infrastructure and ensure adequate day-to-day supply availability.
 - How to define a standardized tradable product that meets LSE resource adequacy requirements.
 - Whether to create a centralized market for trading this product.
- Latest CPUC order (10/27/05) points towards a capacity-based long-term RAR, but does not formally specify a long-term solution.
- Others engaged in the debate suggest that an "energy only" RAR based on bilateral energy contracting may be superior.



Today's Agenda

- Discuss specific, salient questions related to the long-term RA debate.
- Identify additional considerations and criteria applicable to designing the optimal long-term RA program.



Questions for Discussion

MSC discussion is requested on the following questions:

- (1) How do capacity-based and energy-based RAR differ with respect to day-to-day availability obligations?
 - Does "must offer obligation" shift from supplier (capacity-based) to LSE (energy-only)?
 - Will Grid Operators have confidence in energy-only RAR?
- (2) How do import supplies work in a capacity-based RAR?
- (3) How is supplier performance enforced in a capacity-based RAR? Is discounting of eligible capacity based on forced outage rates an adequate incentive to perform?
- (4) Will CAISO back-stop procurement mechanism inevitably become the benchmark for bilateral RA contracts?