

Memorandum

To: ISO Board of Governors

From: Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer

Date: February 9, 2012

Re: Regulatory Update

This memorandum does not require Board action.

Regulatory Highlights

- **Generator interconnection process phase 2 (ER12-502)**

On January 30, 2012, FERC conditionally accepted the ISO's generator interconnection process phase 2 tariff amendment. The ISO Board approved the generator interconnection process phase 2 proposal on August 25, and the ISO filed its tariff amendment on November 30. The tariff amendment introduced 18 improvements to the process. FERC's order accepted 17 of the 18 items, including:

- Commencement of network upgrade repayment when certain milestones are met, including commercial operation of the generating phase and placement in service of the network upgrades corresponding to the phase; and
- A downsizing provision permitting a customer to downsize its generation project MW capacity by five percent for any reason, but FERC required the ISO to set out "objective criteria" to be applied for requests greater than five percent to be included in a further compliance filing to be submitted February 29.

FERC rejected a proposal that would allow participating transmission owners to recover abandoned plant costs through the ISO's transmission access charge. FERC stated that it would continue to require case-by-case consideration of requests for abandoned plant recovery.

Responsible attorney: Bill Di Capo

- **Petition for capacity payment mechanism designation (ER12-897)**

On January 25, 2012, the ISO submitted a petition requesting that FERC waive applicable tariff provisions to prevent the retirement in 2012 of the Sutter Energy Center, an existing flexible, combined cycle facility owned by Calpine Corporation. The plant is needed to support the reliable operation of the ISO grid in 2017 and beyond. Calpine submitted a request for capacity payment mechanism designation of the Sutter plant for 2012 and stated that absent a capacity procurement mechanism designation, the plant will retire as soon as May 2012. The ISO requested that FERC issue an order by March 29, 2012 to allow timely designation of the Sutter plant as a capacity procurement mechanism resource during 2012, thereby avoiding closure of the facility.

In its petition, the ISO explained that the California electric grid is undergoing a significant transformation. Under environmental regulations dictating the elimination of once-through cooling technology at coastal power plants, 12,079 megawatts (MW) of generation resources are at risk of retirement over the next eight years. The ISO anticipates that retirements of the once-through cooling resources will create a capacity gap of more than 3,500 MW needed to serve load in the ISO's balancing authority area as early as the end of 2017, and the ISO projects this capacity gap to grow to 4,600 MW by 2020. The ISO's analyses identifying this capacity gap take into account new capacity additions, most of which will be variable resources.. If the Sutter plant retires, the capacity gap identified by the ISO will grow by an additional 525 MW, thereby aggravating an already challenging situation.

Responsible attorneys: Anthony Ivancovich and Anna McKenna

- **Valley Electric transition agreement (ER12-84)**

On October 14, 2011 the ISO filed with FERC a transition agreement between the ISO and Valley Electric Association, Inc. The transition agreement is designed to implement the principles agreed to by the parties and approved by the Board at its August meeting. The agreement sets forth the terms and conditions under which Valley Electric will make the transition from the NV Energy balancing authority area to the ISO balancing authority area. FERC approved the transition agreement as filed effective December 15, 2011, with Chairman Wellinghoff indicating his support by statements made at FERC's open meeting held on the same day. With Valley Electric as part of the ISO balancing authority area, the ISO will be able to achieve efficiencies in providing renewable resources in the Valley Electric service area to California and will be able to enhance the regional transmission grid. Valley Electric will become the first ISO participating transmission owner, utility distribution company, and load serving entity located primarily outside of California. The ISO and Valley Electric have commenced the transition in order to complete all of the activities necessary to transition Valley Electric to the ISO balancing authority area effective January 1, 2013, the targeted transition date.

Responsible attorney: John Anders

Federal Energy Regulatory Commission and related Court of Appeals matters

Tariff amendments and orders

- **Multi-stage generating resource enhancements (ER12-992)**

On February 3, 2012, the ISO filed a tariff amendment to implement a number of enhancements to its existing multi-stage generating resource functionality. Since implementation of the multi-stage generating resource functionality, the ISO and its stakeholders have identified several opportunities for improvements to the market rules that address various stakeholder concerns and issues identified by the ISO. These changes will provide greater flexibility to multi-stage generating resources and allow such resources to participate in the ISO market more economically, allow for more efficient real-time dispatch, and aid in the reliable operation of the ISO grid.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Flexible ramping constraint (ER12-50)**

On October 7, 2011, the ISO filed a proposed tariff amendment to increase the ISO's ability to utilize resources' ramping capability in order to increase operational flexibility to address ramp constrained conditions. The ISO proposed to implement a new flexible ramping constraint in the market optimization in all the real-time pre-dispatch runs. Under the flexible ramping constraint, unit commitment and dispatch will ensure the availability of a pre-specified quantity of upward-ramping capability requirement in the hour-ahead scheduling process, short-term unit commitment process, real-time unit commitment, and real-time dispatch. Enforcement of this constraint creates an opportunity cost for resources that participate in relieving the constraint. Therefore, the ISO proposed compensation based on the opportunity cost of the marginal resource relieving the constraint.

Some generators protested the filing, seeking more robust market products and compensation for the provision of such services. Load serving entities protested the allocation of such costs to load serving entities alone. On December 12, 2011, the Commission issued an order accepting the tariff filing but set compensation and cost allocation issues for hearing and settlement discussions. FERC agreed that the ISO's proposal may provide dispatch flexibility to address potential reliability and operational issues. However, FERC was not satisfied that the ISO had provided sufficient information to conclude that the proposed compensation and cost allocation was just and reasonable. A settlement conference was held on January 31. The next settlement conference will be held on February 28, 2012, in Folsom.

Responsible attorneys: Anna McKenna and David Zlotlow

- **Demand response compensation final rule (RM17-001, ER11-4100, and D.C. Circuit Case No. 11-1486)**

On March 15, 2011, FERC issued a final rule (Order 745) attempting to establish a standardized approach for compensation and cost allocation for certain demand resources in ISO and RTO markets. On April 14, 2011, the ISO filed a motion for clarification that the ISO's default load adjustment mechanism associated with the ISO's proxy demand resource tariff amendment previously filed and approved was not impacted by the order and, in the alternative, requested rehearing. On July 22, 2011, the ISO submitted its compliance filing to implement the "net benefits test" imposed by the order, but maintained the default load adjustment. In accordance with the net benefits test, the ISO will undertake each month an analysis based on historical data and the ISO's previous year's supply curve to identify a price threshold. As filed, the ISO proposed to implement the net benefits test as a bid threshold for demand response resources such that bids below the threshold would not be considered in ISO's markets. The ISO's compliance filing was approved in part and rejected in part in a December 15, 2011 order. FERC accepted the ISO's net benefits test but rejected the ISO's proposal to implement the net benefits test as a bidding threshold, below which demand response bids would not be considered at all. FERC clarified in its order on rehearing (Order 745-A) also issued on December 15, 2011, that Order 745 did not dictate how bids below the threshold should be considered and settled and ordered the ISO to continue to treat such bids in accordance with the preexisting tariff provisions. FERC also concluded that the ISO's default load adjustment mechanism was not consistent with Order 745. The ISO subsequently filed a request for rehearing of the order on compliance on January 17, 2012 with respect to FERC's rejection of the default loss adjustment, the mechanism that prevents double payment for the same load curtailment and which was previously approved by FERC in compliance with Order 719. This mechanism is integral to the CPUC's wholesale demand response related rulemakings. In addition, the ISO filed a petition with the Court of Appeals for the District of Columbia Circuit on December 27, 2011 of the Order 745 and Order 745-A.

Responsible attorneys: John Anders, Sidney Davies and Dan Shonkwiler

- **Regulation energy management tariff amendment (ER11-4353)**

The ISO filed amendments to its tariff to allow greater participation by non-generator resources in the ISO's ancillary services market. Non-generator resources are resources that can operate as generation or load, or both. These resources have the capability to be dispatched to any operating level within their operating range but are subject to constraints with respect to the amount of energy they can generate or curtail. Examples of these resources include battery storage, flywheels and dispatchable demand response. At its February 2011 meeting, the Board authorized the ISO to implement regulation energy management, which will allow non-generator resources to bid their capacity more effectively into the ISO's regulation markets. The ISO conducted a stakeholder process during the second quarter of 2011 and filed a tariff amendment on August 22, 2011. On November 30, 2011, FERC issued an order

accepting the ISO's tariff revisions. The ISO continues to work with market participants on implementation challenges. In order to address these issues and conduct a market simulation, on February 3, 2012, the ISO filed a request to defer the effective date of the tariff provisions from April 10, 2012, the ISO spring release, until on or after November 27, 2012, the ISO's fall release.

Responsible attorney: Andrew Ulmer

Penalty allocation procedures (ER12-760)

On January 4, 2012, the ISO filed a tariff amendment to establish the procedures the ISO will follow when seeking FERC approval to allocate to one or more market participants the cost of any penalty imposed on the ISO. Consistent with FERC guidance in this area, the amendment establishes a direct allocation process for cases where the ISO seeks approval to allocate the cost of a reliability standards penalty to a particular market participant or participants found responsible for the underlying violation, as well as an indirect allocation process for cases where the ISO seeks approval to allocate to market participants in general the cost of a reliability standards penalty that is not attributable to a particular market participant or the cost of any other penalty imposed by FERC or another regulatory body. No protests have been filed to the ISO's filing. One market participant filed a set of comments proposing to revise the title of the proposed tariff subsection. The ISO filed an answer to this comment on January 27, 2012, arguing that the change should not be adopted because the proposed change would render the title inaccurate.

Responsible attorney: Burton Gross

- **Operations and maintenance cost adder (ER12-806)**

On January 13, 2012, the ISO filed a tariff amendment to update the default operations and maintenance adders that are used to calculate minimum load costs and default energy bids. Currently, the tariff provides two default values; \$4.00 per MWh for combustion turbines and \$2.00 per MWh for all other resources. The tariff proposes to replace the two default values with 10 default values to capture differences in costs by technology as well as fuel type. The new values range from \$0 (for wind, for example) up to \$5.00 per MWh for biomass. No adverse comments were filed in response to this tariff amendment filing.

Responsible attorney: Sidney Davies

- **Outage information sharing with natural gas utilities (ER12-278)**

On October 31, 2011, the ISO filed a tariff amendment to permit the ISO to share generation and transmission outage information pursuant to a non-disclosure agreement with natural gas utilities in order to minimize risk to the reliable operations of the grid. Information sharing will allow the ISO and natural gas utilities to manage gas pipeline testing and maintenance as well as gas supply curtailments and shortages, while ensuring sufficient gas supplies for reliable operation of the grid. The Board authorized the filing of

this amendment at its October 27, 2011 meeting. On December 8, 2011, FERC accepted the tariff amendment as filed.

Responsible attorney: Sidney Davies

- **Capacity procurement mechanism (ER11-2256)**

On December 23, 2011, the ISO filed an offer of settlement that resolves all of the outstanding issues related to the tariff amendment and FERC order that address implementation of the capacity procurement mechanism and retention of market mitigation measures applicable to exceptional dispatches. The fixed rate for the capacity procurement mechanism will increase from \$55.00/ kW-year to \$67.50/kW-year for two years and to \$70.88/kW-year for an additional two years, and the settlement provisions will be in effect for four years. The offer of settlement was unopposed, and no protests or comments have been filed.

Responsible attorney: Beth Ann Burns

- **Interconnection requirements for asynchronous generating facilities (ER10-1706 and D.C. Circuit case no. 12-1027)**

The ISO filed a tariff amendment on July 2, 2010 to revise interconnection requirements applicable to large asynchronous generating facilities seeking to interconnect to the ISO grid. Among other requirements, the tariff amendments required wind and solar photovoltaic interconnection customers to provide reactive power capability and maintain automatic voltage regulation controls. The proposed amendments also required these resources to have the capability to curtail their output in increments of five MWs or less. On August 31, 2010, FERC issued an order accepting in part and rejecting in part the ISO's tariff amendments. The ISO's proposed reactive power, voltage control and power management requirements were among the requirements FERC rejected. The ISO filed a request for rehearing of FERC's order. On November 17, 2011, FERC denied the ISO's request for rehearing but directed FERC staff to hold a technical conference to examine whether to reconsider or modify the reactive power provisions set forth in FERC Order No. 661-A that apply to wind resources. Currently, these requirements only allow a system operator to require a wind resource to provide reactive support based on a need demonstrated by an interconnection system impact study. On January 13, 2012, the ISO filed a petition for review of FERC's orders with the United States Court of Appeals for the District of Columbia Circuit (Case No. 12-1027).

Responsible attorneys: Andrew Ulmer and Dan Shonkwiler

- **Revised transmission planning process (ER11-2705)**

On February 1, 2012, FERC issued an order on the ISO's December 2, 2011 compliance filing. FERC found that the ISO's tariff provisions appropriately distinguished projects that solve a reliability need or maintain long-term congestion revenue right feasibility and also provide additional economic benefits consistent with FERC directives. FERC also found that the proposed tariff provisions appropriately clarified how any additional economic or public policy benefits would be measured. FERC also approved the ISO's proposed tariff provisions setting forth the criteria for determining when a reliability or long-term congestion revenue right transmission project provides additional economic and public policy benefits and, thus, would be subject to the tariff provisions applicable to policy or economic projects. FERC found that the ISO made a reasonable and practical distinction by establishing that a reliability or long-term congestion revenue right project will be open for competitive solicitation as a policy project if the project is found to be consistent with the criteria set forth in section 24.4.6.6 of the tariff or otherwise resolves or reduces the need for an identified policy-driven project. FERC also found that the ISO's tariff revisions established an acceptable threshold for measuring the additional economic benefits by specifying that if the economic benefits of a reliability or long-term congestion revenue right project are equal to or greater than 10 percent of the costs of the project, the project will be treated be open to competitive solicitation as an economic project. FERC found that the 10 percent threshold strikes an appropriate balance between requiring projects with additional benefits to fall outside of the reliability or long-term congestion revenue right feasibility categories, while at the same time not forcing projects with inconsequential benefits to be subject to open bidding. FERC rejected the proposal to limit the applicability of the new tariff provisions to projects eligible for cost recovery under the ISO's high voltage transmission access charge (*i.e.*, those of 200kV and above).

Responsible attorneys: Judi Sanders and Anthony Ivancovich

Rulemakings and related proceedings

- **Order 755 - Regulation compensation rulemaking (RM-11-7)**

At its October 2011 meeting, FERC adopted a final rule in its notice of proposed rulemaking addressing frequency regulation compensation. The order finds that current compensation methods for regulation service in RTO and ISO markets fail to acknowledge the inherently greater amount of regulation service being provided by faster-ramping resources and that some RTO and ISO practices result in economically inefficient dispatch of frequency regulation resources. The final rule provides that ISOs and RTOs must provide a two part payment for regulation service: (1) a capacity payment which reflects the marginal unit's opportunity costs; and (2) a performance payment that accounts for the accuracy of a resource's response to a control signal. The final rule requires ISOs and RTOs to submit a compliance filing in April of 2012 and implement the requirements of the order by October 2012. The ISO is conducting a stakeholder process to address compliance with Order 755 and intends to present its compliance proposal to the Board in March 2012.

Responsible attorneys: Andrew Ulmer and Anna McKenna

- **Market surveillance and analysis rulemaking (RM11-17)**

On October 20, 2011, FERC issued a notice of proposed rulemaking, that includes a proposed a new requirement for independent system operators and regional transmission organizations to stream market data directly to FERC on an ongoing basis. The intent of creating such a requirement is to facilitate “the Commission’s development and evaluation of its policies and regulations” and to “enhance Commission efforts to detect anticompetitive or manipulative behavior, or ineffective market rules, thereby helping to ensure just and reasonable rates.” The data that would be provided under the proposed rule is already data that FERC can receive upon request. Under the rule, FERC would begin receiving it automatically. On January 25, 2012, the California ISO joined joint comments that were submitted by the ISO/RTO Council (IRC). The IRC comments support the proposal that FERC receive market data on a continuous basis. The comments instead focused on some of the technical and logistical issues involved with provision of the data. These issues involved questions such as whether the data should be provided in XML format, whether the data files should be provided by secure file transfer protocol, and how corrections to data should be made.

Responsible attorney: David Zlotlow

Regulatory contracts filings and orders

- **C-Solar interconnection agreement (ER12-556)**

On January 30, 2012, the ISO received an order accepting the non-conforming pro forma large generator interconnection agreement between the ISO, San Diego Gas & Electric Company and CSolar and Tenaska Solar Management LLC. This LGIA pertains to a two phase solar photovoltaic power plant. The two phases (CSolar IV South, consisting of 130 MW and CSolar IV East, consisting of 70 MW) are part of a project known as the Imperial Solar Energy Center, located near El Centro, California and interconnecting to SDG&E’s Imperial Valley substation. The LGIA is non-conforming because it contains a partial termination provision that permits the interconnection customer to elect to partially terminate a phase of the generating facility in exchange for payment of a partial termination charge. The basis for including the partial termination provision is that the network upgrades include upgrades extending into the neighboring Southern California Edison service territory which require extended construction time to complete and would not be placed in service until 2016 or later. This agreement is the fourth non-conforming pro forma LGIA which has included the partial termination provision.

Responsible attorney: Bill Di Capo

- **Amendment to Palo Verde LLC interconnection agreement (ER12-788)**

On January 9, 2012, the ISO filed an amendment to the large generator interconnection agreement entered into by the ISO, Southern California Edison and Palo Verde Solar II, LLC (Palo Verde LGIA). The amendment amends a non conforming LGIA previously entered into by the parties for a 1000 MW solar facility known as the Blythe Solar Power Project. The purpose of the amendment is to provide an extension of time to the interconnection customer to submit to the ISO a partial termination charge security that is required in order for the interconnection customer to make certain generating units eligible for partial termination. The extension period is 90 days, requiring the interconnection customer to tender partial termination charge security by April 7, 2012.

Responsible attorney: Bill Di Capo

- **Desert Star Energy Center (ER12-988 and ER12-989)**

On February 3, 2012, the ISO and the San Diego Gas and Electric Company filed a large generator interconnection agreement with respect to the Desert Star Energy Center generating facility owned by SDG&E (formerly owned by Sempra Generation and known as the Eldorado Combined Cycle generating facility). The ISO and SDG&E filed this conforming LGIA to seek Commission confirmation that the ISO is the appropriate party from whom SDG&E should receive interconnection service. The ISO and SDG&E seek confirmation that the Merchant substation facilities should be characterized as integrated network transmission facilities following the reconfiguration of the Merchant substation that will transition the facilities from the Nevada Power Company balancing authority area to the ISO balancing authority area. Specifically, the ISO believes that the SDG&E's facilities at the Merchant substation may appropriately be considered an extension of the Eldorado substation, which is a network facility under the ISO's operational control, such that SDG&E should be required to turn over operational control of its facilities at the Merchant substation to the ISO. With the facilities under ISO operational control, the ISO could more efficiently administer the large number of interconnection requests in the area. It is anticipated the Merchant substation will transition into the ISO balancing authority area in April, and the ISO and SDG&E have requested an effective date of April 4, 2012 to meet this timeline.

Responsible attorney: John Anders

- **Interconnected control area operating agreement with the Salt River Project (ER12-381)**

On November 10, 2011, the ISO filed an amendment to the interconnected control area operating agreement between the ISO and the Salt River Project Agricultural Improvement and Power District (SRP). The ISO entered into this amendment to revise the existing agreement between the ISO and SRP to incorporate provisions necessary to implement pseudo-ties consistent with the ISO's dynamic transfer policy recently approved by FERC. A resource that operates pursuant to a pseudo-tie is treated virtually as if it is physically located within the ISO balancing authority area. Specifically, resources owned by Sempra

Generation and LS Power interconnected with SRP at the Hassayampa switchyard are interested in delivering energy and ancillary services to the ISO via a pseudo-tie. FERC accepted the amendment effective November 12, 2011 as filed.

Responsible attorney: John Anders

- **Metered subsystem agreement with the NPCA (ER12-352)**

On November 2, 2011, the ISO filed an amendment to the metered subsystem agreement with the Northern California Power Agency (NCPA). This agreement governs the relationship between the ISO and the municipal utilities served by NCPA. The amended agreement provides for changes to recognize the ISO grid management charge structure effective January 1, 2012 and changes necessary to incorporate external resources' hour-ahead scheduling and associated operational adjustments as part of NCPA's load following portfolio, as well as updating of other administrative matters. This amendment was approved by FERC effective January 1, 2012.

Responsible attorney: John Anders

Report filings

- **Market disruption reports (ER06-615)**

A market disruption is an action or event that causes a failure of an ISO market, related to system operation issues or system emergencies. The ISO reports these market disruptions to FERC on a monthly basis. On December 15, 2011 and January 13, 2012, the ISO submitted its monthly report of market disruptions that occurred October 16 through November 15, 2011 and November 16, 2011 through December 16, 2011. Section 7.7.15 of the tariff authorizes the ISO to take one or more of a number of specified actions in the event of a market disruption, to prevent a market disruption, or to minimize the extent of a market disruption.

Responsible attorney: Anna McKenna

- **Exceptional dispatch reports (ER08-1178)**

The ISO submits two types of monthly exceptional dispatch reports to FERC. On December 15, 2011 and January 13, 2011, the ISO submitted transactional data including incremental and decremental MW volume, duration and location for exceptional dispatches occurring during the months of September and October, 2011, respectively. On December 30, 2011 and January 30, 2012, the ISO submitted MW hour data and cost data for exceptional dispatches occurring during the months of September and October 2011, respectively. An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside of the operation of the ISO market to address operational needs that cannot be address by the ISO market.

Responsible attorney: Sidney Davies

- **2011 annual demand response report (ER06-615)**

On January 17, the ISO submitted its 2011 fifth annual demand response report evaluating demand response participation in the ISO. Because there are now multiple demand response provider participants, the ISO provided aggregated data in the report and did not have to include a confidential and public (redacted) version of the report. The ISO has three demand response participants: one participating load provider, the California Department of Water Resources State Water Project, and two proxy demand resource providers, Pacific Gas and Electric Company and San Diego Gas and Electric Company. For the period January 1, 2011 to November 30, 2011, the ISO reported a modest increase of 107 MW in demand response to the hourly average non-spinning reserve, which is 12.6 percent of the ISO need for 2011, up from 12.0 percent in 2011. This is an increase in participation since the initial 2007 reporting year when participation was 10.5 percent of hourly average non-spinning reserve.

Responsible attorney: Bill Di Capo

Other FERC matters

- **Petition to distribute rules of conduct penalty proceeds (ER12-77)**

The ISO's rules of conduct (section 37 of the ISO tariff) provide the ISO authority to penalize market participants for violations of pre-defined rules. The tariff requires the ISO to place all penalty proceeds into a trust account and for each calendar year allocate those proceeds to market participants that had no violations in that year. The tariff requires the ISO to receive permission from FERC before making such disbursement. The ISO collected \$47,000 in penalties for 2010. Of that total, \$46,000 was for eight different violations of the requirement to provide a timely explanation of a forced outage (section 37.4.1). The other \$1,000 comprised two violations of availability reporting requirements (section 37.4.3). On October 13, 2011, the ISO filed for permission to distribute the penalty proceeds from 2010. On January 6, 2012, the Commission granted the ISO authority to make the requested distribution.

Responsible attorney: David Zlotlow

California Public Utilities Commission matters

- **Fire Safety Rulemaking (Rulemaking 08-11-005)**

At its January 12, 2012 meeting, the CPUC approved Decision 12-01-032 to adopt rules relating to the safety of electric utility and communications infrastructure provider facilities. The ISO participated in the underlying proceedings to describe its inspection and maintenance program that includes performance standards to ensure high quality, safe, and reliable electric service. The standards adopted by the ISO are set forth in Appendix C of the Transmission Control Agreement, a FERC jurisdictional regulatory contract. Among other issues, CPUC Decision 12-01-032 adopts a consensus proposal to amend CPUC General Order 165 to require utilities to prepare and follow procedures

for conducting inspections and maintenance activities for transmission lines and maintain records of inspection and maintenance activities. These proposed changes, however, do not prescribe specific inspection and maintenance activities or conflict with the Transmission Control Agreement or the ISO's currently adopted inspection and maintenance standards that govern electric transmission facilities under the ISO's operational control.

Responsible attorney: Andrew Ulmer

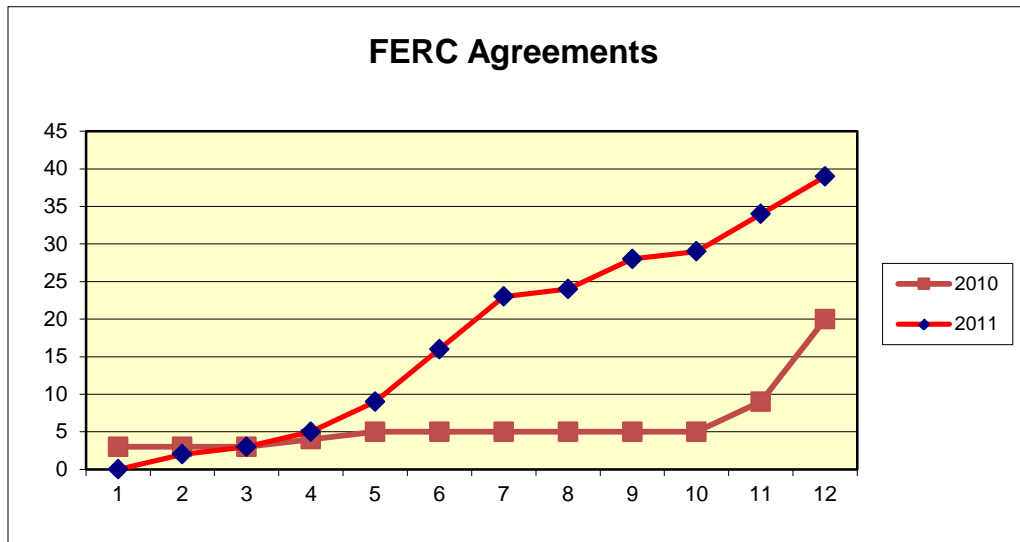
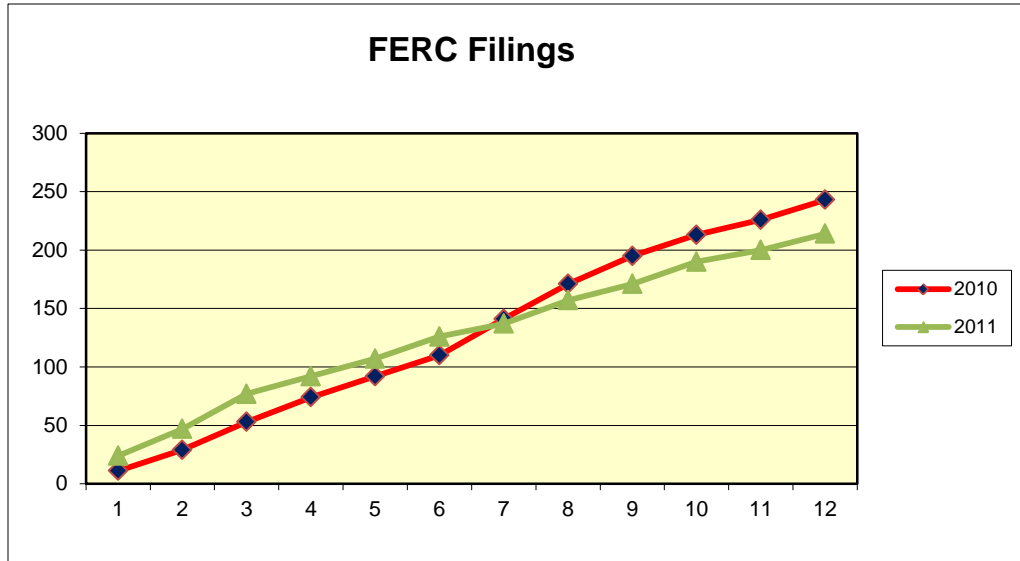
- **Flexible capacity procurement requirement (R.11-10-023)**

In order to maintain an effective resource adequacy program, the ISO submitted its proposal to the CPUC to establish a flexible capacity procurement requirement for the 2013 resource adequacy compliance year. The ISO proposes that the CPUC take the following action:

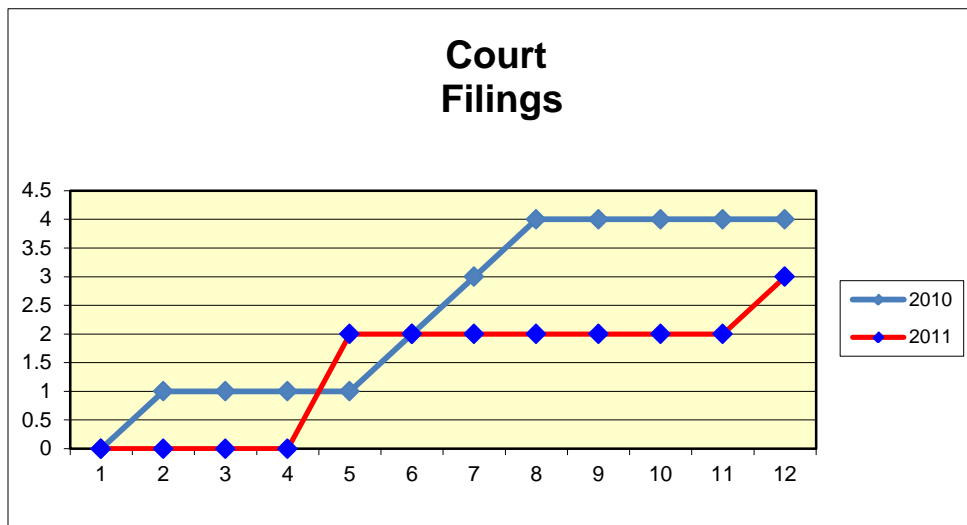
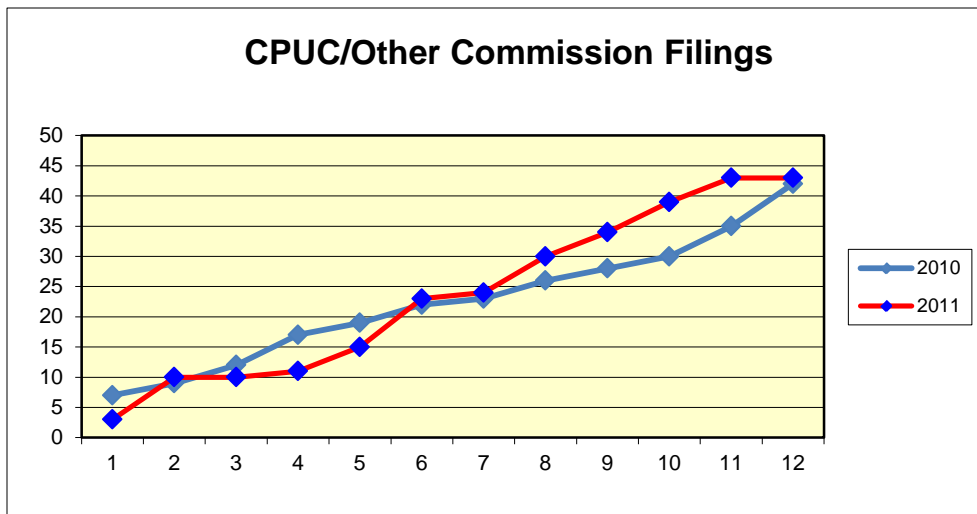
- Incorporate flexible capacity procurement targets into the resource adequacy program to ensure sufficient flexible capacity is procured for 2013 that has a regulation and load-following capability and can respond accurately to ISO dispatch instructions.
- Set the 2013 flexible capacity requirements to levels that will maintain the regulation, load-following, and maximum ramping attributes of the 2012 resource adequacy fleet. The ISO will work with the parties to the proceeding to refine the analytical methods for determining flexible capacity requirements that will be used in subsequent years.
- Identify the capability for all resources to meet the flexible capacity targets so that entities will know how each resource will count when performing procurement. This is similar to identifying the net qualifying capacity prior to each resource adequacy compliance year.
- Combine the resource adequacy showings of the load serving entities for 2013 to determine if, for the procured resource adequacy capacity, all three flexible capacity targets have been met -- regulation, load-following capability, and maximum ramping.
- Conduct a stakeholder initiative to consider tariff modifications necessary to support the flexible capacity procurement requirement, including establishing a new ISO backstop procurement mechanism in the event of a procurement shortfall.
- Extend the current year-ahead resource adequacy showing from five summer months to all 12 months in order to facilitate a more meaningful assessment of the flexible attributes of the resource adequacy fleet in the shoulder months.

Responsible attorney: Beth Ann Burns

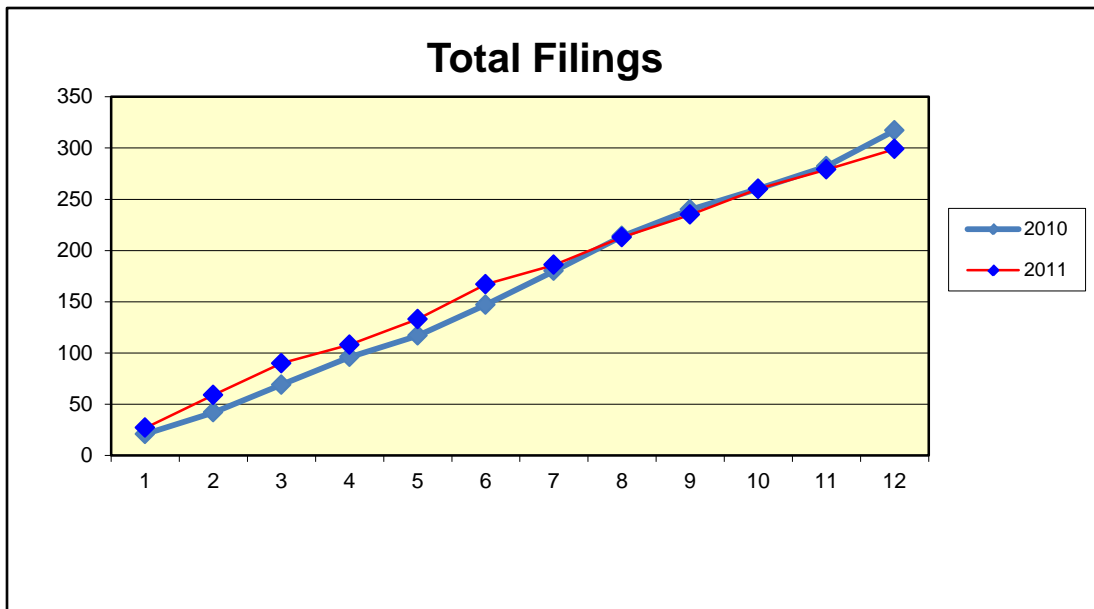
Regulatory Filings 2011 Cumulative Charts



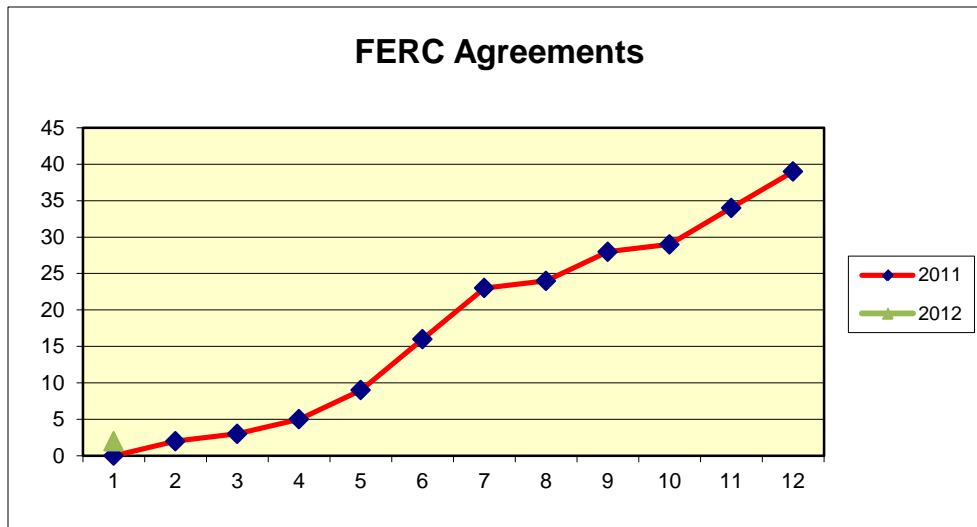
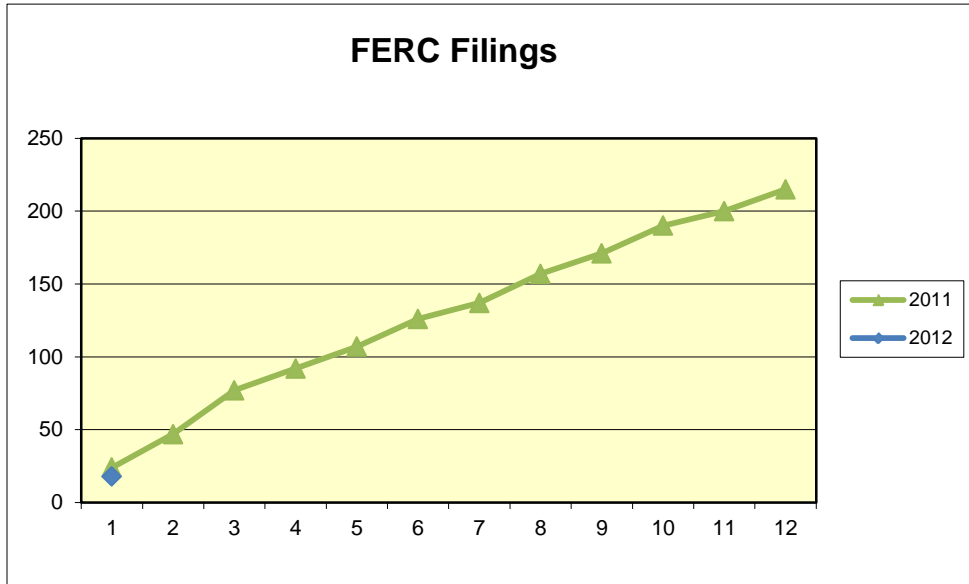
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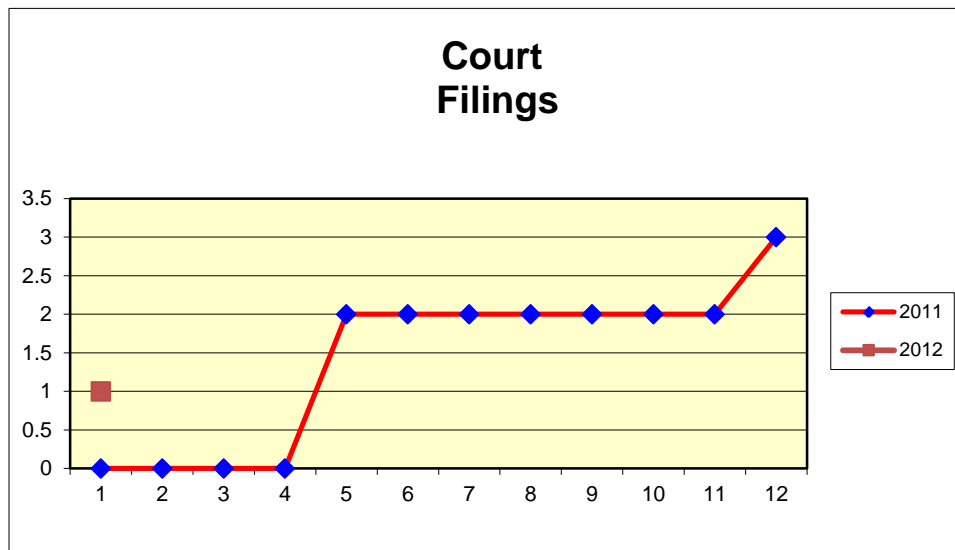
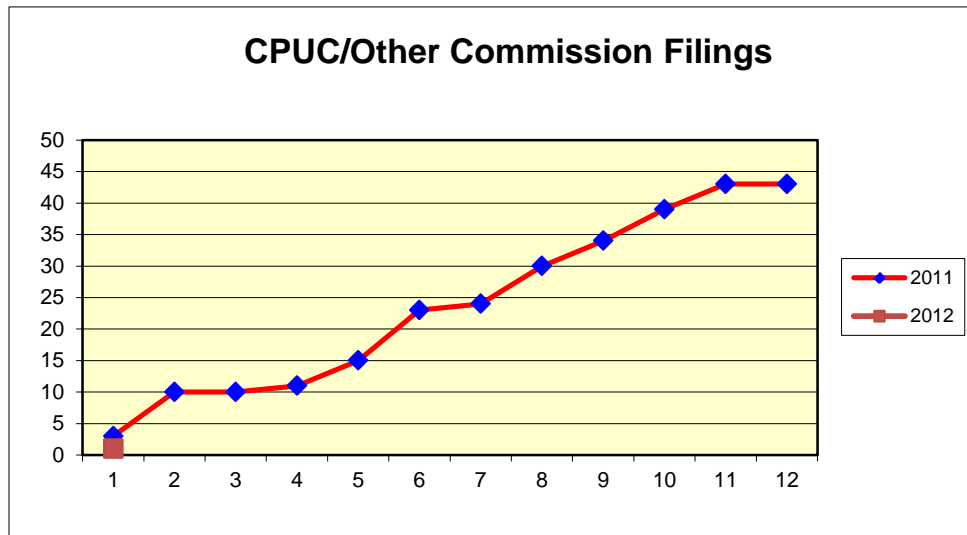
Regulatory Filings 2011 Cumulative Charts



Regulatory Filings 2012 Cumulative Charts through January



Regulatory Filings 2012 Cumulative Charts through January



**Regulatory Filings
2012 Cumulative Charts through January**

