

# Memorandum

**To:** ISO Board of Governors

**From:** Gary DeShazo, Director of Regional Transmission North  
Armando Perez, Vice President of Planning & Infrastructure Development

**Date:** October 9, 2007

**Re:** *Update on Conditional Approval to Extend/Release Existing RMR Contracts for 2008*

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***This Memorandum does not require Board action.***

At the September Meeting the Board of Governors granted CAISO Management the authority to extend through calendar year 2008 the existing Reliability Must-Run (RMR) Contracts listed in Attachment 1. The decision has been made after considering capacity provided by all Load Serving Entities (LSE) through their preliminary Resource Adequacy (RA) showings reported to the CAISO on September 19, 2007.

The CAISO Management has extended through calendar year 2008 the current RMR contracts listed in Attachment 1, for the following reasons: (1) the capacity needed to satisfy the local reliability criteria in the CAISO's 2008 Local Capacity Requirement Study was not purchased through an RA contract, (2) the LSE showings indicate that a current RMR unit has been procured under a resource adequacy contract for 2008 however the CAISO Management determined that it is necessary to retain the RMR contract in order to satisfy other non-capacity requirements. These exemptions are: (a) obtaining a reliability service, such as Black Start capability or dual fuel capability, from the unit, or (b) the unit may exercise market power for energy, or (c) that contractual arrangements exist, that could reduce or otherwise jeopardizes the availability of a given resource in the absence of an RMR Contract. Where an RMR Contract augments a resource adequacy contract, the CAISO staff works with all involved stakeholders to establish rates under the applicable RMR Contract such that there will be no double payment for services provided.

CAISO Management has completed its analysis and has determined to retain 3254 MW of RMR capacity and release 45 MW of RMR capacity. Even though the reduction in MW quantity is relatively small the CAISO estimates that the fixed costs associated with retained RMR Units will be reduced by about half in comparison to the 2007 Contract Year because most of the retained RMR Units are also subject to RA contracts that compensate RMR owners for their fixed costs.<sup>1</sup> CAISO Management's decision to extend RMR Contracts for Units that also have RA contracts is based on the need to secure other reliability services, such as market power mitigation, dual fuel capability and Black Start, and to ensure continued availability of critical RMR resources needed in order to ensure reliable operation of the CAISO Controlled Grid.

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<sup>1</sup> The actual reduction of fixed costs will be determined during the annual rate update each RMR Owner is required to provide through rate filings with the Federal Energy Regulatory Commission (FERC).

## Attachment 1: 2008 RMR Contract Status

<i>Owner</i>	<i>RMR Contract</i>	<i>Unit</i>	<i>MW<sup>2</sup></i>	<i>Status</i>
<b>2008 RMR Units Extension Status</b>				
<i>RMR Contracts extended are to be effective January 1, 2008 thru December 31, 2008, unless noted otherwise</i>				
<i>Released RMR Contracts will terminate effective December 31, 2007</i>				
CalPeak Power – Border, LLC	Border	Border Unit	42	Extended
CalPeak Power – El Cajon, LLC	El Cajon	El Cajon Unit	42	Extended
CalPeak Power – Enterprise, LLC	Enterprise	Escondido Unit	42	Extended
Geysers Power Company, LLC (Calpine)	Geysers Main	Geysers Main, Units 6	40	Extended
Gilroy Energy Center, LLC (Calpine)	Gilroy EC	Feather River EC Unit	45	Extended
		Gilroy EC, Unit 1	45	
		Gilroy EC, Unit 2	45	
		Yuba City EC Unit	45	Extended
Los Medanos Energy Center, LLC (Calpine)	LMEC	Los Medanos Energy Center	556	Extended
Dynergy Oakland, LLC	Oakland	Oakland, Unit 1	55	Extended
		Oakland, Unit 2	55	
		Oakland, Unit 3	55	
Dynergy South Bay, LLC	South Bay	South Bay, Unit 1	145	Extended
		South Bay, Unit 2	149	
		South Bay, Unit 3	174	
		South Bay, Unit 4	221	
		South Bay, CT	13	
Cabrillo Power I LLC NRG	Cabrillo I	Encina Unit 1	106	Extended
		Encina Unit 2	103	
		Encina Unit 3	109	
		Encina Unit 4	299	
		Encina Unit 5	329	
		Encina CT	14	
Cabrillo Power II LLC NRG	Cabrillo II	El Cajon CT	13	Extended
		Kearny 1 CT	15	
		Kearny 2A CT	14	
		Kearny 2B CT	14	
		Kearny 2C CT	14	
		Kearny 2D CT	13	
		Kearny 3A CT	15	
		Kearny 3B CT	14	
		Kearny 3C CT	14	
		Kearny 3D CT	14	
		Miramar 1A CT	17	
		Miramar 1B CT	16	
Mirant Delta, LLC	Contra Costa	Contra Costa, Unit 4	0 <sup>3</sup>	Released
		Contra Costa, Unit 5	0 <sup>2</sup>	
Mirant Potrero, LLC	Potrero	Potrero, Unit 3	206	Extended
		Potrero, Unit 4	52	
		Potrero, Unit 5	52	
		Potrero, Unit 6	52	
Northern California Power Agency	NCPA CTs	Alameda, Unit 1	22.5	Released
		Alameda, Unit 2	22.5	

<sup>2</sup> Capacity values shown indicate the summer Maximum Net Dependable Capacity (MNDC) values for the CTs with both summer and winter MNDC values specified in the Cabrillo I, Cabrillo II, and South Bay RMR Contracts.

<sup>3</sup> Unit is a synchronous condenser.