

Decision on Transitional Capacity Procurement Mechanism



Keith G. Johnson
Senior Market & Product Developer



California ISO
Your Link to Power

Board of Governors Meeting
General Session
March 26 - 27, 2008

We need to update the current mechanism and have it in place by June 1.

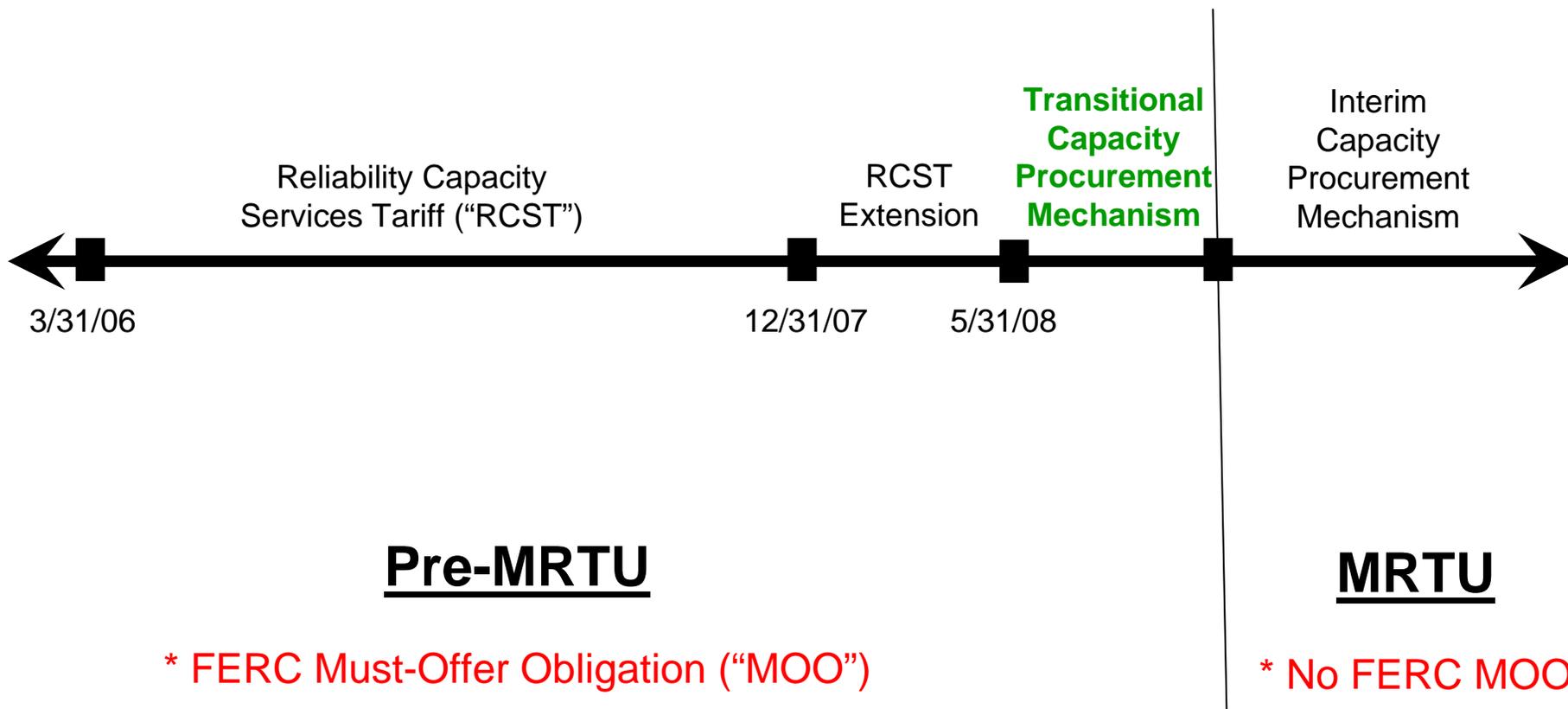
Goal today

- Board approval to make filing to amend current tariff (effective June 1, 2008 and continues up to start of MRTU)

This proposal

- Addresses FERC expectations
- Attempts to balance diverse positions
- Provides reasonable pricing

The Transitional Capacity Procurement Mechanism will fill the gap between summer and MRTU.



We have developed a mechanism that can be implemented on June 1.

Element	Current	Proposed
Capacity price	\$73/kW-year	\$86/kW-year
Daily payment	1/17 of monthly rate	1/8 of monthly rate
Minimum term	3 months	1 month
Designation process	RCST process	ICPM process
Local requirements	Not addressed	ICPM provisions
Credit in showings	Not addressed	ICPM provisions

In working with stakeholders, the most challenging issue has been price.

Process

- Feb 13 Post initial proposal
- Feb 21 Conference call
- Feb 28 Receive comments
- Mar 4 Post revised proposal
- Mar 7 Conference call

Areas of greatest concern

- Applying 10% adder to capacity price
- Increasing daily payment to 1/8
- CAISO discretion for Significant Events

Result – The updated tariff balances widely divergent views.

- 🌐 Continues current pricing methodology
- 🌐 Updates pricing
- 🌐 Increases transparency of procurement
- 🌐 Updates tariff to include latest elements

- 🌐 Ready to file, and can implement on June 1