

Memorandum

To: ISO Board of Governors

From: Gary DeShazo, Director of Regional Transmission North
Laura Manz, Vice President of Market & Infrastructure Development

Date: October 20, 2008

Re: *Briefing on Results of RMR Contract Process for 2009*

This memorandum does not require Board action.

At its September 9 meeting, the California Independent System Operator Corporation (the ISO) Board of Governors granted Management the authority to extend through calendar year 2009 the existing Reliability Must-Run (RMR) contracts upon Management's review of load serving entities' preliminary resource adequacy showings. Load serving entities submitted their showings to the ISO on September 19, 2008. The ISO has reviewed these submittals and exercised its discretion to extend certain RMR contracts identified in *Attachment 1*.

Management's decision to extend certain of the current RMR contracts is based on one of the following reasons:

- (1) the capacity needed to satisfy the local reliability criteria in the ISO's 2009 *Local Capacity Requirement Study* was not purchased through a resource adequacy contract; or
- (2) although the capacity is under a resource adequacy contract, Management determined that it is necessary to retain the RMR contract due to:
 - (a) the need to obtain a reliability service, such as black start capability or dual fuel capability, from the unit; or
 - (b) the ability of the unit to exercise local market power; or
 - (c) that other circumstances exist that could reduce or otherwise jeopardize the availability of a given resource in the absence of an RMR contract.

Where an RMR contract augments a resource adequacy contract, Management ensures that any fixed cost recovery under the RMR contract compensates the RMR owner only for the incremental costs of providing RMR services, thus ensuring the RMR owner is not paid twice for its capacity.

In summary, Management has completed its analysis and determined to retain 2242 MW of capacity under RMR contract and release 40 MW of RMR capacity as provided in *Attachment 1*. For the Board's information, *Attachment 2* identifies resources that have entered into black start (1674 MW of capacity) and dual fuel (1051 MW of capacity)

agreements at zero capacity cost that the ISO has extended for the 2009 contract year. These agreements allow the ISO to retain black start and dual fuel capabilities from these resources thereby allowing the ISO to terminate RMR agreements.¹ Depending on the final resource adequacy showings, the ISO may be able to terminate some additional RMR contracts by mutual agreement, provided the RMR owners are willing to enter black start or dual fuel agreements, if necessary and appropriate.

Since inception of the resource adequacy program in 2006, the ISO has been able to release more than 7,800 MW of capacity from RMR contracts.

¹ Zero cost dual fuel and black start agreements do not require Board approval.

Attachment 1: 2009 RMR Contract Status

RMR Unit Extension Status				
<i>Extended RMR Contracts are effective January 1, 2009 thru December 31, 2009</i>				
<i>Released RMR Contracts terminated effective Midnight on December 31, 2008</i>				
Owner	RMR Contract	Unit	MW²	Status
CalPeak Power – Border, LLC	Border	Border Unit	43.8	Extended
CalPeak Power – El Cajon, LLC	El Cajon	El Cajon Unit	42.2	Extended
CalPeak Power – Enterprise, LLC	Enterprise	Escondido Unit	45.5	Extended
Geysers Power Company, LLC (Calpine)	Geysers Main	Geysers Main, Units 6	40	Released
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	
Los Medanos Energy Center, LLC (Calpine)	LMEC	Los Medanos Energy Center	556	Extended
Mirant Potrero, LLC	Potrero	Potrero, Unit 3	206	Extended
		Potrero, Unit 4	52	
		Potrero, Unit 5	52	
		Potrero, Unit 6	52	
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 II LLC (NRG)	Cabrillo II	Kearny 2A CT	14	Extended
		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	

² Capacity values shown indicate the summer maximum net dependable capacity (MNDC) values for the combustion turbines with both summer and winter MNDC values specified in the Cabrillo I, Cabrillo II, and South Bay RMR contracts.

Attachment 2: 2009 Black Start and Dual Fuel Contract Status

Black Start Units Extension Status				
<i>Extended Black Start Contracts are to be effective January 1, 2009 thru December 31, 2009</i>				
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, MEPP 2	15	Extended
		Humboldt Bay, MEPP 3	15	
	Kings River WS	Kings River Watershed II Units	335.8	Extended
	San Joaquin WS	San Joaquin Watershed Units	214.7	Extended
Southern California Edison ³		Hoover	525	Extended
		Big Creek Physical Scheduling Plant	368.9	
		Barre Peaker	47	
		Center Peaker	47	
		Grapeland Peaker	46	
	Mira Loma Peaker	46		
Cabrillo Power I, LLC	Cabrillo I	Encina CT	14	Extended
Dual Fuel Agreement Unit Extension Status				
<i>Extended Dual Fuel Contracts are to be effective January 1, 2009 thru December 31, 2009</i>				
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, Unit 1	52	Extended
		Humboldt Bay, Unit 2	53	
Cabrillo Power I LLC	Cabrillo I	Encina Unit 1	106	Extended
		Encina Unit 2	103	
		Encina Unit 3	109	
		Encina Unit 4	299	
		Encina Unit 5	329	

³ Attachment 1 to the August 29, 2008 Board of Governors memorandum on RMR extension inadvertently omitted reference to the Southern California Edison black start agreements.