



# Memorandum

**To:** ISO Board of Governors

**From:** Nancy Saracino, Vice President, General Counsel and Corporate Secretary

**Date:** September 2, 2009

**Re:** *Decision on conditional approval to extend existing RMR contracts for 2010*

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*This memorandum requires Board action.*

## EXECUTIVE SUMMARY

California Independent System Operator Corporation (ISO) Management requests that the ISO Board of Governors (Board) grant Management the authority to extend, through calendar year 2010, the existing reliability must-run (RMR) contracts listed in *Attachment 1*.

Management will exercise this authority under the following conditions.

- A load serving entity does not purchase the capacity needed to satisfy local reliability criteria in the ISO 2010 *Local Capacity Technical Analysis* through a resource adequacy contract; or
- The load serving entity does purchase the capacity under a resource adequacy contract, but Management needs to retain the RMR contract to:
  1. Obtain from the unit a reliability service, such as black start dual fuel capability;
  2. Exercise local market power; or
  3. Protect availability of a given resource that could be jeopardized or reduced without an RMR contract.

Where an RMR contract augments a resource adequacy contract, Management will ensure that any fixed cost recovery will compensate the RMR owner only for the incremental costs of providing RMR services. This will guarantee the RMR owner is not paid twice for its capacity.

## **Motion**

***Moved, that the ISO Board of Governors authorizes Management to extend the RMR contracts for any of the RMR Units listed on Attachment 1, consistent with the criteria described in the memorandum dated September 2, 2009.***

## **DISCUSSION AND ANALYSIS**

Management requests authority to extend only the existing RMR contracts (up to 2097 MW of capacity) listed in *Attachment 1*. *Attachment 2* identifies resources that do not require Board approval as they currently have black start (1748 MW of capacity) and dual fuel (105 MW of capacity) agreements at zero capacity cost, which the ISO may also extend for the 2010 contract year. Later, if Management finds that more resources, not identified on *Attachment 1*, are needed for RMR service, Management will seek further Board approval to enter into RMR contracts to ensure all local capacity requirements are met.

Under long-established provisions of the RMR contract, each October 1, the ISO must notify an RMR resource owner that the ISO wishes to extend the existing RMR contract from January 1 through December 31 of the following year. If the RMR contract is not extended by this date, the RMR unit may not be designated again for one full year unless:

- The unit is needed due to extended outage of another unit or a transmission element not known at the time of the RMR contract expiration; or
- The unit is selected through a competitive process in which the unit owner participated.

Because the California Public Utilities Commission (CPUC) aims to coordinate and reduce the number of ISO RMR designations, it requires its jurisdictional load serving entities to provide a preliminary resource adequacy showing to the ISO by September 18, 2009. This preliminary information will include any generating unit listed in *Attachment 1*, all local capacity area resources, and any other resource adequacy resource procured at that time. These showings are preliminary because the CPUC jurisdictional load serving entities have until October 29 to submit their final year-ahead resource adequacy showings. These final showings must demonstrate compliance with all CPUC imposed year-ahead procurement targets (100% local capacity area resources and 90% of the load serving entities demand forecast and reserve margin for the months May through September).

The ISO also requires that all non-CPUC jurisdictional load serving entities provide the ISO with a year-ahead showing by September 30. Once the jurisdictional and non-jurisdictional load serving entity information is received, the ISO can then assess the aggregate portfolio in order to ensure they are adequate to meet all local capacity requirement needs and avoid unnecessary RMR designations.

## Attachment 1: 2010 RMR Contract Status

<b>RMR Unit Extension Status</b>				
<i>Any Extended RMR Contracts will be effective January 1, 2010 thru December 31, 2010</i>				
<i>Any Released RMR Contracts will be terminated effective Midnight on December 31, 2009</i>				
<b>Owner</b>	<b>RMR Contract</b>	<b>Unit</b>	<b>MW<sup>1</sup></b>	<b>Status</b>
CalPeak Power – Border, LLC	Border	Border Unit	43.8	Unknown
CalPeak Power – El Cajon, LLC	El Cajon	El Cajon Unit	42.2	Unknown
CalPeak Power – Enterprise, LLC	Enterprise	Escondido Unit	45.5	Unknown
Gilroy Energy Center, LLC (Calpine)	Gilroy EC	Feather River EC Unit	45	Unknown
		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	Unknown
Mirant Potrero, LLC	Potrero	Potrero, Unit 3	206	Unknown
		Potrero, Unit 4	52	
		Potrero, Unit 5	52	
		Potrero, Unit 6	52	
Dynergy Oakland, LLC	Oakland	Oakland, Unit 1	55	Unknown
		Oakland, Unit 2	55	
		Oakland, Unit 3	55	
Dynergy South Bay, LLC	South Bay	South Bay, Unit 1	145	Unknown
		South Bay, Unit 2	149	
		South Bay, Unit 3	174	
		South Bay, Unit 4	221	
		South Bay, CT	13	

<sup>1</sup> 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: 2010 Black Start and Dual Fuel Contract Status

<b>Black Start Units Extension Status</b>				
<i>Any Extended Black Start Contracts will be effective January 1, 2010 thru December 31, 2010</i>				
<i>Any Released Black Start Contracts will be terminated effective Midnight on December 31, 2009</i>				
<b>Owner</b>	<b>Contract</b>	<b>Unit</b>	<b>MW<sup>2</sup></b>	<b>Status</b>
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, MEPP 2	15	Unknown
		Humboldt Bay, MEPP 3	15	
	Kings River WS	Kings River Watershed II Units	335.8	Unknown
	San Joaquin WS	San Joaquin Watershed Units	214.7	Unknown
Southern California Edison		Hoover	525	Unknown
		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	Unknown
Cabrillo Power II, LLC	Cabrillo II	Kearney 2A CT	14	Unknown
		Kearney 2C CT	14	
		Kearney 3A CT	15	
		Kearney 3C CT	14	
		Miramar 1A	17	
<b>Dual Fuel Agreement Unit Extension Status</b>				
<i>Any Extended Dual Fuel Contracts will be effective January 1, 2010 thru December 31, 2010</i>				
<i>Any Released Dual Fuel Contracts will be terminated effective Midnight on December 31, 2009</i>				
<b>Owner</b>	<b>Contract</b>	<b>Unit</b>	<b>MW</b>	<b>Status</b>
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, Unit 1	52	Unknown
		Humboldt Bay, Unit 2	53	

<sup>2</sup> 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.