



Decision regarding Conditional Approval to Extend Existing RMR Contracts for 2010

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RMR contracts ensure adequate capacity and/or required services not covered by the RA contracts.

| | Contract between | Capacity | Energy | Dual Fuel | Black Start |
|-------------------------------|-------------------|----------|--------|-----------|-------------|
| RA (Resource Adequacy) | LSE and Generator | ✓ | Maybe | - | - |
| RMR (Reliability Must-Run) | ISO and Generator | ✓ | ✓ | ✓ | ✓ |

RA contracts provide for bulk of local reliability needs –
The total number of RMR contracts continues to decrease each year.

RMR designations are conditionally extended because:

- *Either*
 - RA capacity from one specific unit has not been retained by any LSE
 - **And** there is a reliability need in the local area not covered by other units retained by LSEs.

- *Or* RA capacity was procured by LSEs¹ and ISO determines that:
 - It needs certain reliability services not provided by the RA contract
 - **Or** A unit may exercise market power for energy
 - **Or** existing contractual arrangements may preclude the availability of that unit without an RMR contract

1) There will be no double payment for services provided for RMR units under an RA capacity contract.

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The RA Process follows a pre-determined timeline.

September 18 CPUC jurisdictional LSEs make preliminary RA showings

Before

September 30 Non-CPUC jurisdictional LSEs make final RA showings

Based on these RA showings, ISO management makes 2010 RMR recommendations from units currently under contract

October 1 ISO sends letters for RMR extensions or terminations to resource owners

Historically, ISO Board has authorized management to conditionally extend RMR contracts

- Provided RA showing is insufficient to meet local area needs
- Special local area reliability needs exist

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