

Memorandum

To: ISO Board of Governors
From: Keith Casey, Vice President of Market & Infrastructure Development
Date: October 21, 2009
Re: **Briefing on Results of RMR Contract Process for 2009**

This memorandum does not require Board action.

At its September 11 meeting, the California Independent System Operator Corporation (ISO) Board of Governors granted Management the authority to extend through calendar year 2010 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 18, 2009. The ISO has reviewed these showings 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 the following reasons:

- (1) the capacity needed to satisfy local reliability criteria in the ISO's 2010 *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) the existence of other circumstances 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 1,014 MW of capacity under RMR contract and release 1,083 MW of RMR capacity as provided in Attachment 1. The released capacity includes South Bay Units 3 and 4 which, absent an RMR contract, are likely to be retired from service. Management notes that while these particular units are no longer needed for the specific local reliability requirements associated with RMR, the loss of these units from the generation fleet will have a negative impact on broader grid reliability because historically these units have often been called on to help manage grid events such as

wildfires and major transmission outages. For the Board's information, Attachment 2 identifies resources that have entered into black start agreements (1,748 MW of capacity) and dual fuel agreements (105 MW of capacity) for the 2010 contract year at zero capacity cost. These agreements allow the ISO to obtain black start and dual fuel capabilities from these resources and 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 9,030 MW of capacity from RMR contracts.

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

Attachment 1: 2010 RMR Contract Status

RMR Unit Extension Status				
<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>				
Owner	RMR Contract	Unit	MW²	Status
CalPeak Power – Border, LLC	Border	Border Unit	43.8	Released
CalPeak Power – El Cajon, LLC	El Cajon	El Cajon Unit	42.2	Released
CalPeak Power – Enterprise, LLC	Enterprise	Escondido Unit	45.5	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	Released
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	Extended
		South Bay, Unit 3	174	Released
		South Bay, Unit 4	221	Released
		South Bay, CT	13	Extended

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: 2010 Black Start and Dual Fuel Contract Status

Black Start Units Extension Status				
<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>				
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	Hoover		525	Extended
	Big Creek Physical Scheduling Plant		368.9	
	Barre Peaker		47	
	Center Peaker		47	
	Grapeland Peaker		46	
Cabrillo Power I, LLC	Cabrillo I	Mira Loma Peaker	46	Extended
		Encina CT	14	
Cabrillo Power II, LLC	Cabrillo II	Kearney 2A CT	14	Extended
		Kearney 2C CT	14	
		Kearney 3A CT	15	
		Kearney 3C CT	14	
		Miramar 1A	17	
Dual Fuel Agreement Unit Extension Status				
<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>				
Pacific Gas and Electric Company	Humboldt Bay	Humboldt Bay, Unit 1	52	Extended
		Humboldt Bay, Unit 2	53	