

Decision regarding Reliability Must Run Contracts for 2013

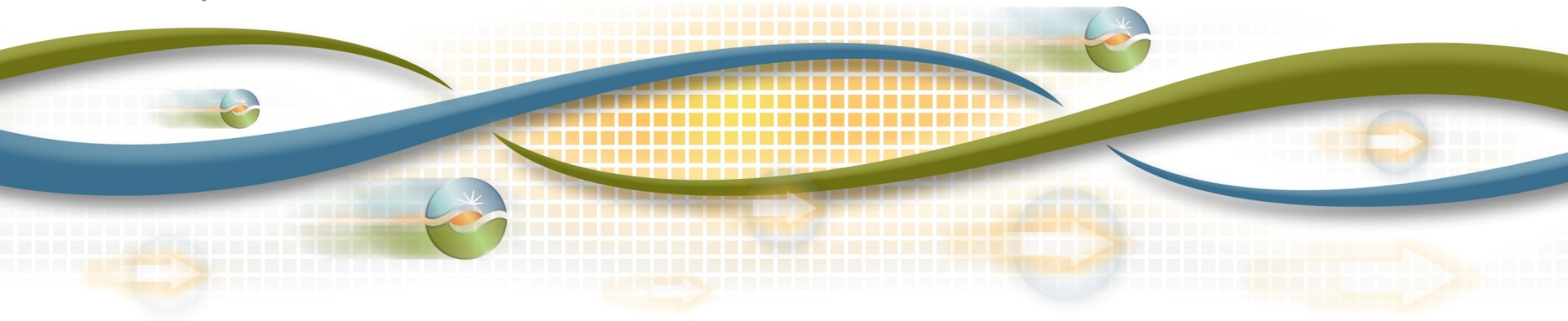
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Reliability must-run designations are conditionally extended because:

- Resource adequacy capacity from one specific unit may not be contracted by a load serving entity and there is a reliability need in the local area as determined by ISO studies.
- Resource adequacy capacity is contracted, however the ISO determines that:
 - It needs certain reliability services not provided by the resource adequacy contract
 - A unit may exercise market power for energy
 - Existing contractual arrangements may preclude the availability of that unit without a reliability must-run contract

The resource adequacy process follows a pre-determined timeline.

- On September 17, the CPUC's jurisdictional load serving entities make preliminary resource adequacy showings
- ISO Management then makes the 2013 reliability must-run recommendations from units currently under contract
- Historically, the ISO Board has authorized management to conditionally extend reliability must-run contracts due to the following:
 - The resource adequacy showing is insufficient to meet local area needs, or,
 - Special local area reliability needs exist
- On October 1, letters for reliability must-run extensions or terminations will be sent to resource owners

Authority is being sought to:

- Extend existing reliability must-run contract for 2013 conditional upon results of resource adequacy process for Oakland combustion turbines
- Negotiate and enter into an reliability must-run contract for the conversion of Huntington Beach 3 & 4 to synchronous condensers (preparation for summer 2013)