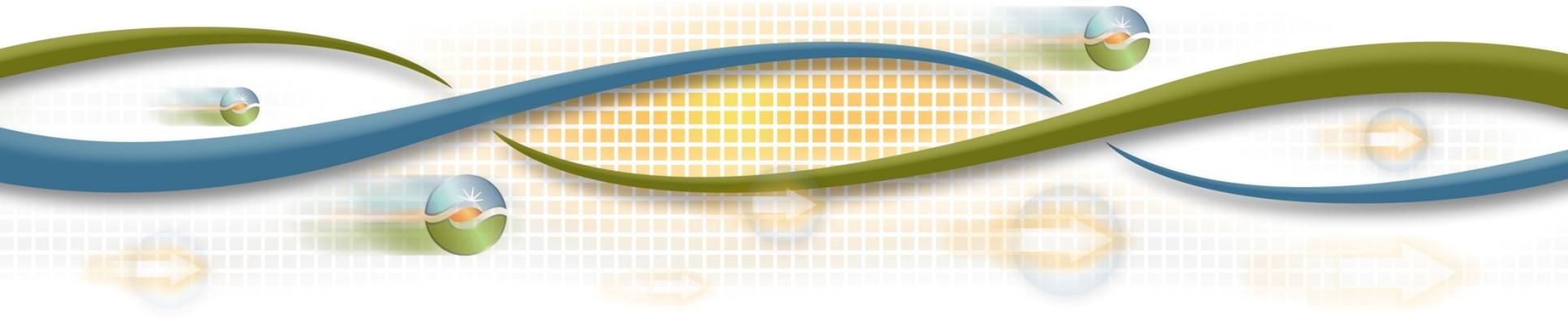




Decision on conditional approval to extend existing reliability must-run contracts for 2018

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Management is requesting conditional approval to extend reliability must-run contracts for 2018.

- 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, if the ISO determines that:
 - It needs certain reliability services not provided by the resource adequacy contract;
 - A unit may exercise market power for energy; or
 - Existing contractual arrangements may preclude the availability of that unit without an reliability must-run contract.

The resource adequacy process follows a pre-determined timeline:

- September 15, CPUC jurisdictional load serving entities make preliminary resource adequacy showings
- ISO management makes 2018 RMR recommendations for units currently under contract
 - Oakland units 1-3
 - Huntington Beach synchronous condensers 3-4
- ISO Board authorizes management to conditionally extend necessary existing reliability must-run contracts
- October 1 letters for RMR extensions or terminations are sent to resource owners (after the showings are known).

Authority is being sought to:

- Extend existing reliability must-run contract for 2018 conditional upon results of resource adequacy showings process for the Oakland combustion turbines
- The RMR contract for the Huntington Beach synchronous condensers 3-4 is being terminated primarily due to the additions to the grid of Santiago and San Luis Rey synchronous condensers
- Management will report back the results of the reliability must-run contract extensions at the November Board meeting.