

Meeting Notes Summary – LSAG Stakeholder Meeting December 6, 2006, ISO Offices in Folsom

Gary DeShazo: LCR Study Advisory Group: Introduction

Calendar: Stakeholder meeting in late March to present draft 2008 LCR results.

LSAG will continue through 2007 to refine the existing methodology and discuss any new methodology for studies beyond 2008. CAISO has received positive feedback needed in order to reach consensus on any future changes, including methodology.

Under the CAISO transmission expansion plan: 5 years of LCR analysis so the PTO's have enough time to make the decision to procure generation or build infrastructure.

Comments need to be forwarded to the CAISO by December 15 in order to finalize the 2008 LCR input and assumptions as well as the methodology.

The 2007 timeline seems like a reasonable way to get through technical analysis; most people are interested in interaction between this schedule and PUC. PUC already outlined its final decision to deliver the report, scoping memo PUC laid out a timeline for May.

The CAISO did not start with the LSAG or stakeholders meetings earlier in the year because of other corporate work with higher priority. The three LSAG meetings helped the CAISO go through the LCR technical issues in order to confirm that the process it went through in 2007 will be a good starting point for 2008 LCR studies.

Zonal requirement concerns have been raised. The stakeholders would like to know if there are any zonal requirements and how much – mainly to create clear record for the CPUC to impose them for 2008 procurement year. CAISO will continue to publish the zonal requirements based on its own methodology. LSAG plans to reach general agreement on the current methodology or a new methodology.

Catalin Micsa: CAISO Standards including NERC & WECC Standards

Described the criteria used as well as the methodology. This is consistent with how the CAISO operates the system and it makes sure that a year ahead there is enough resources to meet the NERC approved standards. If LCR criteria was different then the CAISO will still operate the same way but will not have assurance a year ahead of time that enough resources will be available. Consensus has been reached among all LSAG members on interpretations of NERC standards.

Garry Chinn: LCR Study Advisory Group: What is an Applicable Rating?

Described the difference between the planners view and the operators view regarding applicable rating used, due to the fact that LCR studies rely on both NERC/WECC Planning Standards and MORC (Minimum Operating Reliability Criteria). The only difference is that path ratings are

enforced in MORC and included in the LCR studies. Currently path ratings are not included in the Applicable Rating definition per NERC. To the extent CAISO wishes to include path rating in the Applicable Rating definition, then it should clearly state so. Furthermore, it might be necessary to include the path rating in future transmission-planning process, which currently may not be done consistently among PTOs.

Garry Chinn: LCR Study Advisory Group: Deliverability of Generation and Imports (in to the control area)

Explained that the 2007 LCR studies are aligned with the deliverability studies and they protect the deliverability of generation as well as allocated imports into the control area. Current proposal is to continue to do so for the 2008 LCR studies.

If the deliverability is not protected then LCR could decrease in some local areas with a few consequences like: potential higher CAISO year ahead-backstop procurement, potential use of non-RA resources to protect for the same problems in real-time or potential for load drop if needed resources retire before could be called upon (real-time).

Brad Bentley & Chifong's Thomas: LCR Study Adviosry Group: Definition of Load Pockets

Described the pros and cons of the two methods in defining a load pocket. Mainly because there is no change in system configuration, majority LSAG members agree that for 2008 the existing fix boundary approach will be used. Main message of the presentation - the contracts need to be flexible (maybe not on terms as much as on length). Future changes are better captured by long-term LCR studies. CAISO will publish a 3-year and 5-year out study in the next few days.

Les Pereira: LCR Study Advisory Group: Transparency in Operation Solution

Described the consensus achieved in LSAG regarding transparency of operating procedures as well as the entire study approach and real-time enforcement.

Mark Hesters: LCR Study Advisory Group: Load Forecast

Described the most up do date load forecast data available to be used in the 2008 LCR studies. The PTO takes the CEC load forecast and spreads it into a bus-bar configuration in order for the CAISO to be able to run studies.

Katie Kaplan & Ali Amirali: LCR Study Advisory Group: Zonal studies

A clear record of zonal need and study approach to be made and filed at the CPUC. Currently the ISO has been relying on must offer. The future question is how will the CAISO meet reliability with no must offer and no zonal requirements? The group needs to compile all the info, bring the information to the larger stakeholder community and decide on the next steps.

The CAISO has published its methodology as well as the numbers last year for 2007. The CAISO intends to file the same methodology and updated numbers with the CPUC for the 2008 studies.

Bob Tang: LCR Study Advisory Group: Temporal and Seasonal Nature of LCR Requirements

Described in general terms that LCR requirements are in part a function of load, transmission (import and export) and local generation. Demonstrate the load and LCR requirement relationship by using his consultant analysis at LA Basin assuming perfect system condition. This is clearly one issue that is probably as much technical as it is policy. It was mentioned that to the extent the reliability is not implicated, then there should not be imposition of RA_MOO on LCR resources under MRTU. Trying to balance the need between revenue adequacy with the need to assure that the units are available where and when needed. Also trying to balance the exact technical needs with the study and regulatory expectations of enforcement. In order to run technical studies “transmission maintenance” needs to be taken in consideration under the study assumptions. This could result in a cap in doing transmission maintenance, which is against today’s FERC approved practice at the CAISO (up to 15 months in advance first come first served with no limit on the transmission or generation maintenance as long as reliability can be maintained).

Catalin Micsa: LCR Study Advisory Group: 2008 CAISO Back Stop Procurement

Described that we all need to work together on a new CAISO backstop procurement mechanism to be used in 2008. This means we have to start in early 2007. Since the only existing back stop procurement mechanism for 2008 timeframe that the CAISO has at this time is RMR, the CAISO proposes to change its Board Approved criteria with a new Board Approved criteria that is identical with the LCR criteria. This will be the 2008 backstop unless something else comes in. The RMR tariff language gives the CAISO the right to RMR resources for any reliability driven problems (not limited to local areas). The CAISO will be doing only one study based on the existing LCR criteria. Later in the year a full showing is made by LSE’s based on the same criteria. If there is any deficiency the ISO will use the new backstop procurement mechanism if available. If it is not available then the ISO will use the RMR contract. There were concerns about timing issues and RMR contract language that needs to be revisited at the beginning of the 2007 year to assure proper allocation of costs in 2008.

Gary DeShazo: Conclusion: Questions/Comments

The LSAG is the group that will look at probabilistic analyses approach as well. LSAG has limited life span; it needs to discuss the existing methodology and any new LCR methodology. LSAG has been a great group and should continue through the first quarter of 07’ with stakeholder meetings once a month or every other month. Zonal methodology will also be discussed in future LSAG meetings.

The stakeholders were asked to submit any comments and ideas to BPMComments@casio.com for the LSAG’s review. They were asked to submit them by December 12, the morning of our last meeting.

The white paper is a munie paper (for right now until LSAG decides whether to adopt it or not).