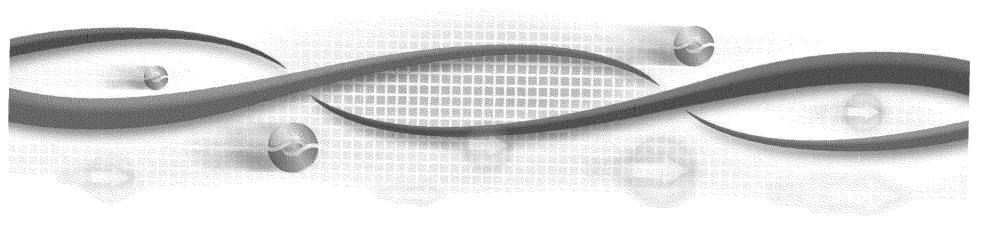


Benefits of a Multi-year Resource Adequacy Program May 20, 2014

Karl Meeusen, Ph.D., Market Design and Regulatory Policy Lead Market and Infrastructure Policy



Rapid Structural Changes are Impacting our Industry's Traditional Means of Producing and Delivering Energy

Policy and technology are driving change:

- Once Through Cooling policy to protect marine life.
- Increasing Renewable Portfolio Standard.
- Growing numbers of distributed energy resources.

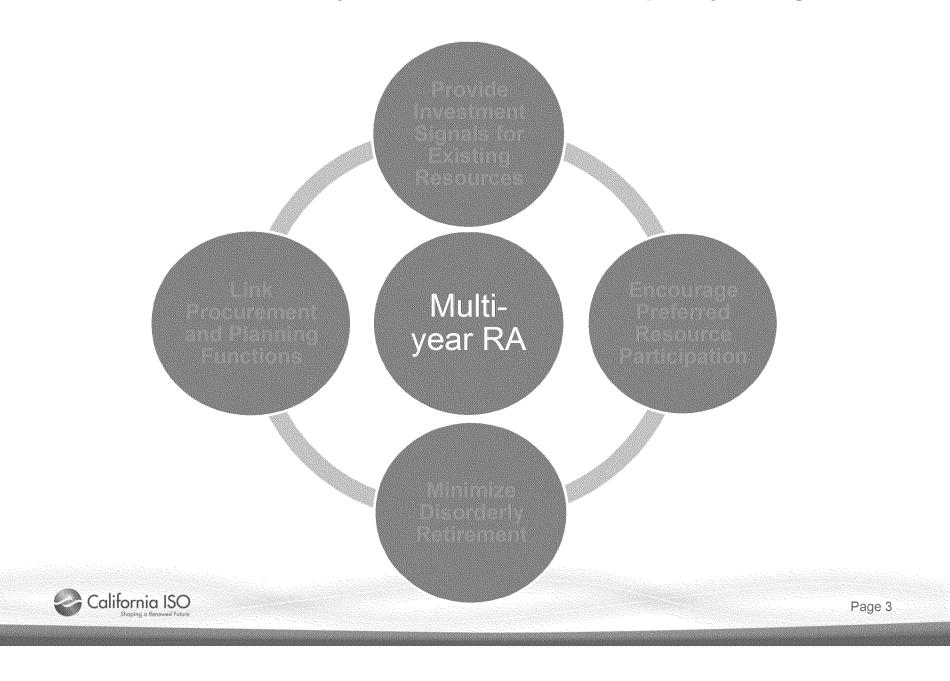
Opportunity

 Link planning and procurement functions across multiple years to address these structural changes and secure resources in the right places with the right capabilities.



Page 2

Benefits of a Multi-year Resource Adequacy Program



There are at least four benefits of a Multi-year Resource Adequacy Program

- Minimizes Disorderly Retirement
 - Better economic signals sent to market participants to encourage "efficient" retirements
- Encourages Preferred Resources
 - More time for a developer to create a program or product
 - Creates an obligation, and therefore certainty around the development of preferred resources
- Links Procurement and Planning Functions
 - More holistic and complete view of resource needs over the short and long-term horizon
- Provides Investment Signals to Existing Resources
 - Aligns capacity procurement and timing of investment decisions for existing resources- upgrades, repowers, capacity additions, flexibility

California ISO

Page 4

A multi-year requirement must include 100% forward capacity requirements for flexible resources

- The flexible requirement must be 100% into the future in order for the multi-year RA forward requirement to mitigate the risk of retirement
- The flexible resources at risk of retirement are the resources on the margin:
 - Resources with high operational costs
 - Resources that will require significant investment to remain in service
 - Generic resources that will require investment to become flexible



Page 5