



CPUC Quarterly Update to the CAISO

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System Resource Adequacy Implementation

- Showing for June-Sept 2006 filed Feb (year-ahead)
- Year-ahead system showing is 90% of RAR, or 103% of an LSEs forecast load.
- Monthly showing 100% of RAR, 115% of forecast load, due 1 month ahead (June showing due May 1)
- Showing for May-Sept 2007 due Oct 31



RA Filings for 2006

- LSEs reported more resources than required (June-Oct)
- July resources 10% more than RAR
- LD contracts* are between 11 and 13% of provided resources
- Imports are about 6% of provided resources

*LD contracts do not include DWR contracts



Local Resource Adequacy Requirement

- Decision 06-06-064, Rulemaking 05-12-013 adopted Local RAR
- LSEs must procure resources in 4 Local areas: LA Basin, San Diego, SF Bay Area, Other PG&E areas (combination of 6 local areas identified in CAISO study)
- CAISO publishes a list of the qualifying capacity (generation units) located in each local area.
- Local generation must be subject to CAISO Must Offer Obligation
- LSEs Local RAR based on load shares in the IOUs service territories
- Reliability level for 2007 set at Category C (N-1-1/N-2) level recommended by CAISO



Local RAR Implementation

- Preliminary filing September 22: LSEs identify generating units within local areas they have under contract.
- Preliminary filing informs CAISO RMR procurement.
- Local RAR filing for 2007 on Oct. 31, 2006.
- No monthly filings.



Local RAR Backstop

- After Oct. 31, 2006 filing, CAISO will analyze available procurement information (Local RA filings, RMR contracts, POU procurement, etc.) to determine if local needs are met.
- If a local area deficiency is tied to an LSE, CAISO will perform backstop procurement and assign cost to the deficient LSE.
- If a local area is deficient through collective error, CAISO/CPUC will provide LSEs an opportunity to procure before CAISO backstop.

RA Implementation

D.06-07-031

- Adopts Required Elements of a Tradable Capacity Product
- Address several implementation issues



RA Proceeding Phase 2

- PHC August 29, 2006
- Commission taking comment on Phase 2 scope, due Sept 15, 2006
- Issues under consideration include:
 - Centralized Capacity Market for RA
 - LCR methodology for 2008
 - Need for Zonal RA
 - Revisions to the Planning Reserve margin
 - Multi-year RA obligations



Long-Term Procurement Proceeding (LTPP)

- R.06-02-013 opened new LTPP cycle Feb 2006
- Phase 1
 - Reviewed need for additional policies to support new generation and long-term contracts in California.
 - Problem is that new generation is not being built by market because new gen is not cost-effective compared to existing generation and requires long-term contracts to get built.
 - New mechanisms that might support new generation are being reviewed by Commission but will take time.
- Phase 2: Fall 2006
 - Will review IOUs biennial 10 year resource plans and updated procurement plans.



Results of LTPP Phase 1

Decision 06-07-029

- Adopted a cost-allocation proposal to share benefits and costs of new capacity among all benefiting customers for 10-years from online date
 - Includes direct access but excludes municipal utility loads
 - Excludes utility owned generation from cost allocation mechanism
- Required energy from new contracts be auctioned to highest bidder
- Shares the net cost of capacity (total contract cost less energy revenues) and resource adequacy credit