



Status Report:

California Resource Adequacy

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Overview

- Background
- Phased Development
 - Phase 1 draft decision scheduled for adoption 10/28/04
 - Phase 2 will start immediately thereafter
- Future Challenges



Background

- CAISO proposed an adequacy requirement in early 2002, but it was opposed by state agencies
- FERC's SMD proposal in July 2002 also triggered strong western opposition
- FERC deferred the CAISO proposal to provide an opportunity for California to create its own standard
- CPUC adopted a framework for a resource adequacy standard in D.04-01-050



Organization of Proceeding

- Basic Framework
 - D.04-01-050 adopted in January 2004
- Phase 1: Establish Commitment Requirements
 - March to October 2004
- Phase 2: Reporting Requirements and Penalties
 - November 2004 to June 2005
- 2nd Generation of Requirements
 - Fall 2005 to ?



Basic Framework

- Enforceable Standard version of RAR
- Applicable to all LSEs under CPUC jurisdiction (IOUs, ESPs, CCAs)
- Basic Features:
 - Metric: planning reserve margin (PRM) on summer monthly peaks
 - Benchmark: 15 to 17% PRM
- Year-ahead forward commitment to cover 90% of monthly (peak + 15 - 17% PRM)
- Phase-in to achieve 15-17% reserves by January 2008
- LSEs acquire qualifying capacity in bilateral market
- Annual compliance filing



Scope of Phase 1

- Implementation date and phase-in schedule
- Nature of the obligation
 - Cover all hours with load $> 90\%$ of monthly peak
 - Year-ahead forward commitments for May - September
- Load forecasting protocols
- Resource counting conventions
- Policy commitment to deliverability requirements



Scope of Phase 1, Cont'd

- Policy commitment to 100% Month Ahead Requirements, e.g. one month ahead must have 100% of peak plus 15-15% PRM
- Policy commitment to require resources to be available for system support



Unresolved Issues

- Should full implementation of PRM be accelerated from Jan. 2008 to June 2006
- Should the Month-Ahead requirement be year-round or just May to September?
- Should the CDWR contracts be given full value or evaluated using deliverability tests?
- What role should contracts with liquidated damages provisions play?
- Will LSEs prepare accurate load forecasts or must they be allocated historic shares of an aggregate load forecast?



Scope of Phase 2

- Development of deliverability assessment methodology for generation pockets, load pockets and imports
- Cleanup for a few remaining disputes on load forecasting and resource counting conventions
- Reporting details for annual compliance filings
- Review process for compliance filings
- Penalties and/or sanctions



Scope of Phase 2, Cont'd

- Mechanics of Month-Ahead requirements
 - When should Month-Ahead be filed?
 - Should the 100% commitment use planning conventions or scheduling conventions?
- “Must offer” contract provisions:
 - Standardized contract terms and conditions
 - CAISO protocols for dispatching resources



Future Challenges

- Implementation of first resource commitment and compliance filing cycle
- Development of improved requirements with:
 - longer forward commitment time horizons
 - Greater flexibility to LSEs to exchange capacity resources in some form of capacity market
- Creation of comparable requirements for municipal utilities
- Interface with WECC information requirements