

West Coast Power LLC

Aging Power Plant Study

CEC Docket No. 03-IEP-1

2004 Update IEPR

Sacramento, CA

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Aging Power Plant Study (APPS)

Previous WCP Comments

- Capacity Market – APPS should examine what forms of capacity market and levels of capacity compensation might be required to retain older generation
- Resource Adequacy Requirements - APPS should examine how having mandated reserve procurement levels (as a form of capacity market) will incent existing power plants to remain in the market to supply intermediate, peaking and reserve requirements
- Deliverability Standards – APPS should examine if standards for energy deliverability to load are needed to alleviate congestion and increased congestion management costs to consumers

Aging Power Plant Study (APPS)

Previous WCP Comments

- Grid Reliability - APPS should identify aging plants that have unique power deliverability and grid reliability characteristics, owing to their siting in load pockets
- Redevelopment of New Generation - APPS should endorse redevelopment at existing in-load-pocket sites as good public policy, since it avails the use of existing infrastructure
- Preference for Redevelopment of Existing Sites– APPS should identify specific aging power plant sites that produce these benefits and articulate public policy mechanism(s) to preserve these benefits
- Time is of the Essence -APPS must be expedited so that the benefits of retaining aging power plants in the California supply fleet are recognized before economic retirements ensue

Deterrents to Aging Power Plants In Operation

- Lack of Capacity Markets
- Continuation of the FERC mandated must offer mitigation
- One year term RMR contracts
- No Deliverability Standards
- Regulatory Uncertainty
- Alternate uses for property
- Uncertain recovery of major maintenance and capital investments

Support for Keeping Aging Power Plant In Operation

- Proposed capacity tagging proposal (SVMG)
- Resource Adequacy requirements appears to be accelerating and resulting reserve requirement will create a market for intermediate and peaking facilities
- Utilities procurement plans that include a short term resources that result in 3 to 5 year contracts
- Strong deliverability standards will increase value of existing capacity
- Multi-year RMR contracts would allow capital investments for major maintenance
- Existing transmission capabilities

Time is of the Essence

- Since this process began it has become even more critical for California to maintain existing generation
- CAISO 2004 Summer Assessment report issued in April indicates reliable service may be imperiled as soon as this summer
- NERC and CAISO have recently stated that load in California has increased 4% over last year
- NOAA shows that snow pack is well below normal for California and the Pacific Northwest
- Hydro flows at The Dalles this year is 74% of normal
- Stage 1 Emergency, load shedding and service interruptions have occurred this spring

Redevelopment of New Generation at Existing Sites

- California Energy Commission is only state agency that is dealing with this issue
- APPS needs to support a preference for redevelopment (repowerings) for locations identified as critical to the grid reliability and
- APPS should advocate redevelopment (repowerings) as good public policy for California
- Lower delivered cost to consumers
- Minimize environmental impacts
- Reduce pressure on stressed transmission system
- Limit exposure as a net importer of power

Resource Adequacy

- Resource Adequacy requirements currently scheduled to be phased-in by 2008 with benchmarks to be determined in the next phase of the Procurement proceeding
- Governor's Office and CPUC President Peevey have expressed concern that the 2008 Resource Adequacy phase-in schedule is too slow
- Western Power Trading Forum filed Petition for Modification at the CPUC which calls for the 15%-17% reserve margin be effective May 1, 06
- Petition also calls for requirement that utilities use best efforts to comply in 2005

Capacity Markets

- Silicon Valley Manufacturing Group led coalition of customers, generators, and ESPs are promoting a capacity tagging proposal which will be used to ensure resource adequacy
- Goal of capacity market are to always have enough supply to meet the forecasted demand on a 1 day in 10 year basis
- Consistent, transparent methodology for assessing and tracking resource adequacy (counting resources against forecasted load plus planning reserve margin) to assure adequate amounts of deliverable capacity
- Supports investment in existing and new resources with a market-based process

Deliverability Standards

- Deliverability standards are currently being developed in the Resource Adequacy workshops
- The three standards that are being proposed are:
 - Deliverability at the inter ties
 - Deliverability to the aggregate of load
 - Deliverability to the load centers
- CPUC has stated that deliverability standards will be incorporated in utilities long-term resource plans