

AES Alamitos
AES Huntington Beach
AES Redondo Beach

CEC APPS Workshop II
June 9, 2004



Summary

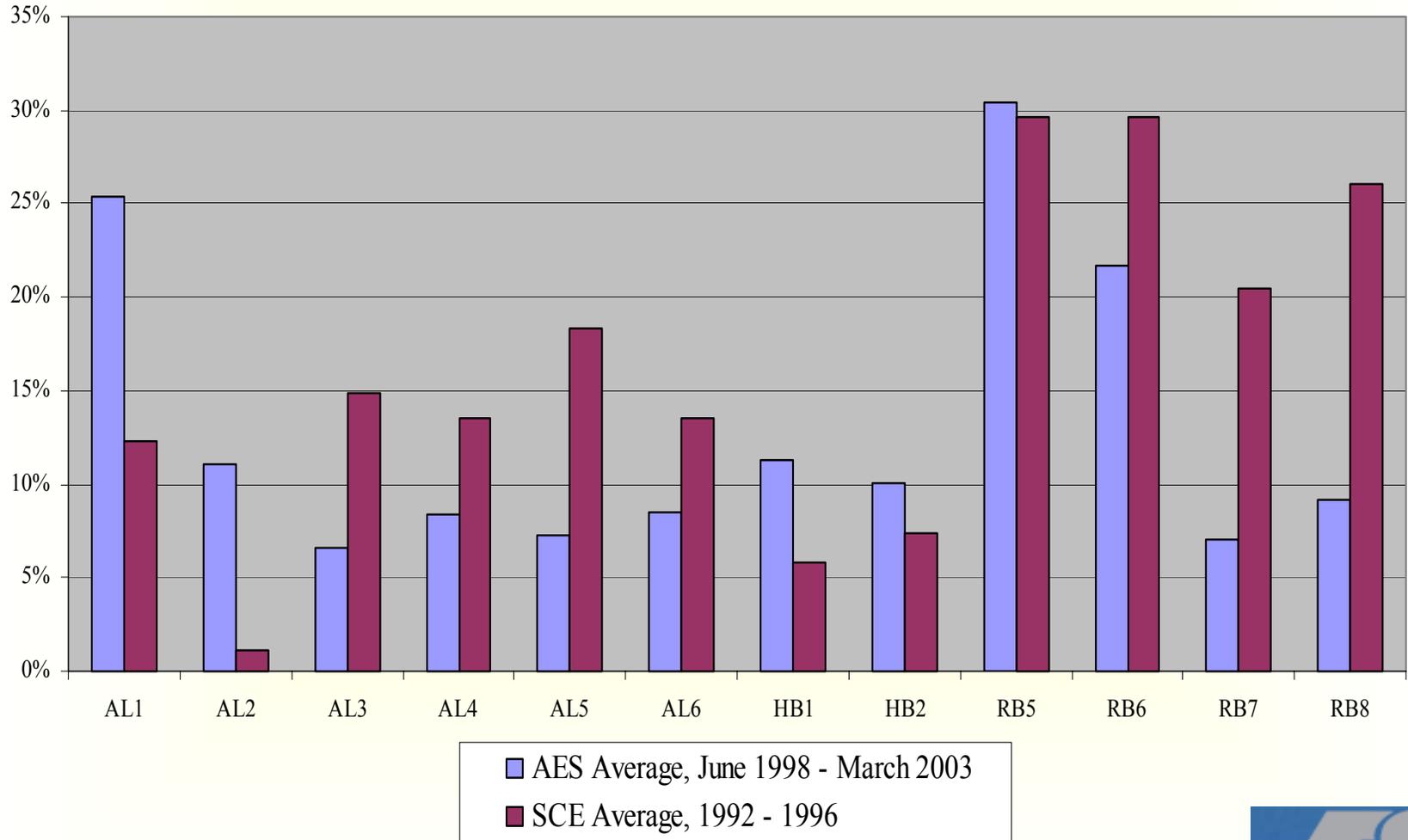
- ❑ AES in California
- ❑ Market Issues
- ❑ Operational Issues

AES in California

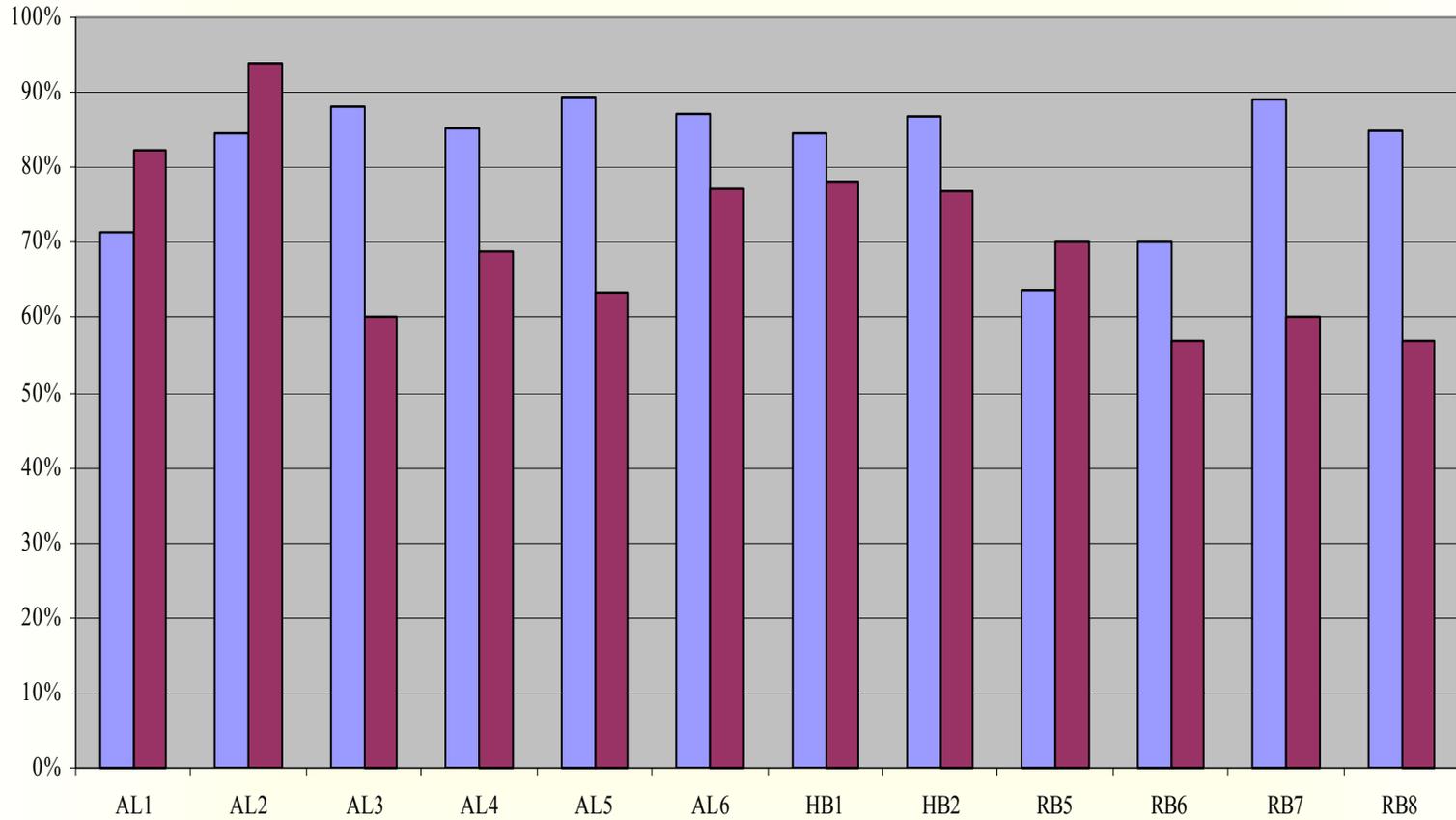
- ❑ AES Placerita in 1989
- ❑ 3 gas-fired stations in 1998
- ❑ 2 biomass facilities in 2001
- ❑ Added 450 MW in 2003
- ❑ State-of-the art emission control equipment
- ❑ Capital projects
- ❑ All output contracted out on LT/MT basis
- ❑ Improved Reliability, Availability, Efficiency



Equivalent Forced Outage Factor, %



Equivalent Availability Factor, %



■ AES Average, June 1998-March 2003
■ SCE Average, 1992-1996



Market/Policy Issues

- ❑ AES assets in California are contracted out for the immediate future, but we agree with our fellow generators that market signals/incentives must be in place to ensure adequate supplies going forward
- ❑ Resource Adequacy Requirements, Capacity Market, LMP will all send appropriate economic signals to both existing/aging generation as well as new construction
- ❑ Healthy competition among electricity providers will produce lower prices, improve service and more choices for California consumers
- ❑ Regulatory certainty complemented by the appropriate market structure will encourage private sector investment in new power generation as well as modernization of existing units
- ❑ Core/Non-Core is a win-win solution for all



Operational Issues

- ❑ Load cycling vs. the designed Base-load operation mode results in:
 - ❑ Significant increase in wear and tear
 - ❑ Higher O&M costs
 - ❑ Low Efficiency
 - ❑ Possibly reduced Availability
 - ❑ Unfavorable Environmental Performance

- ❑ e.g., a 480MW unit parked at 70 MW min load for an entire day coupled with extreme ramping instructions

Conclusion

- ❑ AES agrees in principle with the objectives and methodology proposed by CEC staff
- ❑ Aging Power Plants continue to provide a valuable service
- ❑ Competition and adequate market structure are key
- ❑ AES existing portfolio is contracted out, but we maintain interest in growing our generation portfolio
- ❑ Hope that time and effort put into this study benefit the people of California and the industry in general

