

August 23, 2012

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING
THE REVISED DRAFT FINAL PROPOSAL ON FLEXIBLE RAMPING PRODUCTS**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following comments regarding the August 9, 2012 Revised Draft Final Proposal on Flexible Ramping Products (the "Revised Final Proposal").

The Six Cities have the following questions and/or requests for clarification concerning the Revised Final Proposal:

- 1) The discussion at the top of page 10 of the Revised Final Proposal suggests that the ISO does not intend to limit awards of Flexible Ramping Product ("FRP") to resources that have demonstrated or certified ability to supply the products. If, however, the ISO awards FRP to resources that may not have the ability to perform, how will the ISO know whether it will have sufficient capacity to satisfy the anticipated need?
- 2) The proposed use of Regulation service to provide FRP (pages 10 and 22-23 of the Revised Final Proposal) is not clear and requires further explanation.
- 3) Re the discussion at page 13 of the Revised Final Proposal concerning the FRP demand curve, it is not clear to the Cities why the ISO would procure more FRP than it requires for reliability purposes.
- 4) Re the discussion of economic buy-back of FRP awards at page 21 of the Revised Final Proposal, the Six Cities request clarification as to whether such economic buy-back is optional for the ISO, for the Seller awarded the FRP in the Day-Ahead market, or both.
- 5) Re the statement at page 39 that load with 10 minute metering will be treated as supply for cost allocation purposes, is any load eligible to install 10 minute metering, or only load following metered sub-systems?

Consistent with their previous comments, the Six Cities continue to oppose the ISO's proposal to allocate FRP costs to load (*i.e.*, the "first pie slice") based on the 10 minute change in load. The 10 minute change in load is an overly broad basis for allocating costs to load and is inconsistent with the proposed method for allocating costs to Supply resources. A substantial portion of the 10 minute change in load is reflected in the Day-Ahead schedules submitted by load and, therefore, should be accommodated in the Day-Ahead optimization of resource schedules. The initial allocation of FRP costs to load should be based on 10 minute deviations of total metered load from total physical load scheduled in the Day-Ahead market. With respect to

allocation of FRP costs within the load category, the Six Cities support the allocation of FRP costs based on gross uninstructed imbalance energy.

Submitted by

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