

Stakeholder Comments Template

Black Start and System Restoration Phase 2

January 17, 2017 Issue Paper

| Submitted by | Company | Date Submitted |
|------------------------------|--|------------------|
| Bonnie Blair 202-585-6905 | Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities") | January 31, 2017 |

The ISO provides this template for submission of stakeholder comments on the January 17, 2017 issue paper and the discussion at the January 24 stakeholder call. The issue paper, presentation and other information related to this initiative may be found at:

http://www.caiso.com/informed/Pages/StakeholderProcesses/Blackstart_SystemRestorationPhase2.aspx

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 31, 2017**.

General Comments and Request for Information

The Issue Paper includes only limited information concerning the ISO's anticipated need for additional black start service. To better inform stakeholder analysis of the issues, the Six Cities request that the ISO provide additional information concerning (at a minimum):

- a) the magnitude of the incremental black start capability the ISO considers necessary,
- b) the number of generating units suitable for providing the incremental black start capability the ISO considers necessary, whether such units presently are certified to provide black start service, and the total MW of black start capability available from those units,
- c) any information available regarding the costs for equipment necessary to provide black start capability,
- d) the magnitude of the difference between anticipated system restoration time in the San Francisco area and anticipated restoration time in other major urban areas on the ISO system, and

- e) a summary of how black start service is procured and compensated and how related costs are allocated in other ISOs/RTOs.

Pending review of the information requested above, the Six Cities' comments on the Issue Paper are preliminary and subject to modification.

Issue Paper

1. Please comment on the process for selecting and procuring additional black start capability and the role of the ISO and investor owned utilities in the process.

Because the ISO has indicated that there is a limited number of resources that would be suitable to provide the incremental black start service, the procurement process and compensation methodology must be structured to preclude the exercise of market power. One possible approach might resemble the Competitive Solicitation Process applied to CPM designations, with a cost-based cap on the compensation. The bid cap for black start capability should be based on the capital and fixed O&M costs for equipment necessary to enable black start plus a reasonable margin. (The Six Cities note, however, that under Appendix K, Part E of the ISO Tariff, particularly sub-part E 7, the ISO has no responsibility for the costs of equipment required to secure certification to be permitted to provide Black Start capability). When the ISO requests provision of black start service to support system restoration, there should be compensation for incremental variable costs associated with that service.

2. Please comment on the appropriate cost allocation approach for incremental black start resources.

As described in the Issue Paper and during the January 24 stakeholder call, black start service is essentially local. Functionally, the capability to provide black start service appears to be most comparable to Local RA capacity or Reliability Must Run capacity. In light of the functional attributes of black start service, allocation of black start costs should be no less granular than by TAC area.