

March 4, 2016

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE COMMITMENT  
COST ENHANCEMENTS PHASE 3 DRAFT FINAL PROPOSAL**

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 on the ISO's Commitment Cost Enhancements Phase 3 Draft Final Proposal, posted on February 17, 2016 ("Draft Final Proposal"):

The ISO Should Provide Specific Times for Submission of Data on Use Limited Resources and for Response by the ISO - - The Six Cities are concerned with two aspects of the Draft Final Proposal that involve submission of data on Use Limited Resources and response to such submissions by the ISO. At page 21 of the Draft Final Proposal, the ISO proposes to eliminate the currently effective five-business day time for the ISO to respond to submissions of data regarding use limitations but provides no alternative response time. At pages 24-25 of the Draft Final Proposal, the ISO warns that failure to submit data regarding use limitations "allowing for sufficient time" to perform opportunity cost calculations may result in failure to calculate an opportunity cost prior to the start of the limitation horizon. However, the Draft Final Proposal provides no guidance as to what period of time would be sufficient to allow timely calculation of opportunity costs. The ISO should identify specific time periods for response to resource submissions of data on use limitations and for calculation of opportunity costs. Owners and Scheduling Coordinators for Use Limited Resources should have clear guidance for when data on use limitations must be submitted to support a timely calculation of opportunity costs, and the ISO should commit to respond by a specified time, absent exigent circumstances.

The Definition of Start in the Draft Final Proposal Appears to be Inconsistent with Existing and Proposed Tariff Language - - The Draft Final Proposal states at page 35 that the ISO recognizes a resource start when the resource reaches its minimum load. However, the definition of "Start-up" in Appendix A of the ISO Tariff and the related definitions of "On" and "Off" make no reference to Minimum Load. Section 11.8.2.1.1(e) of the Tariff provides that "[a]n actual Start-Up is detected when the relevant metered Energy in the applicable Settlement Intervals indicates the unit is Off before the time the resource is instructed to be On as specified in its Start Up Instruction and is On in the Settlement Intervals that fall within the CAISO IFM Commitment Period." In addition, in proposed draft tariff language relating to bidding rules following p-min rerates posted on February 19, 2016, the ISO proposed the following additions to and deletions from Tariff Section 11.8.3.1.1(f):

An actual Start-Up is detected when the relevant metered Energy in the applicable Settlement Intervals indicates the unit is Off before the time the resource is instructed to be On as specified in its Start Up Instruction and is On in the Settlement Intervals that fall within the CAISO RUC Commitment Period.

The ISO should apply a clear and consistent definition of “Start-up” throughout the Tariff.

The Ability to Propose Modifications to Negotiated Opportunity Costs Should Be Mutual - - At page 38 of the Draft Final Proposal, the ISO proposes to allow the ISO the right to initiate renegotiation of a negotiated Default Energy Bid. The Six Cities do not object to such a provision, but the right to initiate renegotiation should apply to the resource owner or Scheduling Coordinator as well as to the ISO.

The Six Cities Request Clarification or Modification of the ISO’s Proposal to Establish a Two-Start Per Day Minimum for Master File Characteristics - - In the discussion of Master File characteristics (Draft Final Proposal at 45-47), the ISO proposes to establish a requirement for at least two starts per day (both for market characteristics and design capability characteristics listed in the Master File) except where design capability characteristics limit starts to one per day. The Six Cities request that the ISO clarify or modify the proposed requirement for daily starts to allow one start per day (both for market characteristics and design capability characteristics listed in the Master File) where necessary to comply with air quality permit requirements. For example, the South Coast Air Quality Management District’s (“SCAQMD”) permit for one of the City of Riverside’s resources allows exclusion of data (“exclusion period”) from emissions concentration limits while the power plant exhaust emissions control systems are warming up and initiating (“start up”) and while systems are shutting down (“shutdown”). Each power plant start at the resource requires approximately 40 to 60 minutes of “out of control” time before the emission controls are online and maintaining emission output below SCAQMD requirements. Shutdown periods last approximately 15 to 25 minutes. The air permit further restricts excluded data to only 120 minutes per day; therefore, more than one start-up and shutdown cycle in any one day likely would exceed the 120 minute restriction and violate the SCAQMD permit limit. Under these circumstances, resources should be allowed to specify one start per day in the Master File both for market characteristics and design capability characteristics.

The Six Cities Support Other Elements of the Revised Straw Proposal - - The Six Cities specifically support the following aspects of the Revised Straw Proposal:

- Basing analysis of opportunity costs on 90% of limitations available at the time of the analysis, including basing the monthly updates of the opportunity cost calculations on 90% of limitations remaining after actual usage of limited elements up to that point (Draft Final Proposal at 30);
- Utilizing a future power price conversion factor that reflects anticipated decreases as well as anticipated increases in power prices (Draft Final Proposal at 30, 34);
- Allowing a priority for updates for resources that are running through use limitations faster than expected (Draft Final Proposal at 34);
- Adding the calculated opportunity costs to the otherwise applicable bid caps (after reflecting any multiplier applied to other costs) for Start-up costs, Minimum Load costs, and Default Energy Bids (Draft Final Proposal at 35-36);

- Establishing a dispute resolution process to address disagreements regarding modeled or negotiated opportunity costs (Draft Final Proposal at 36);
- Retaining the Short-Term Use Limit Reached outage card for an indefinite transition period (Draft Final Proposal at 41-42); and
- Allowing the specification of market characteristics in resource Master Files that the ISO will respect during normal operations (Draft Final Proposal at 45-47), subject to the clarification/modification discussed above.

The ISO Should Conduct Further Testing of the Opportunity Cost Model Before Seeking Board Approval - - At the February 25, 2016 stakeholder meeting on the Draft Final Proposal, representatives from PG&E and SDG&E recommended that the ISO conduct further testing of the opportunity cost model prior to seeking Board approval. The Six Cities strongly support that recommendation, especially if implementation of the opportunity cost model will be deferred beyond the Fall 2016 release, as was reported at the February 25<sup>th</sup> meeting.

Submitted by,

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