

October 27, 2015

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
REGARDING THE REVISED STRAW PROPOSAL FOR
REACTIVE POWER REQUIREMENTS AND FINANCIAL COMPENSATION**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit their comments regarding the Revised Straw Proposal issued on October 8, 2015 in the Reactive Power Requirements and Financial Compensation stakeholder initiative (the "Revised Straw Proposal").

First, for the reasons expressed in their earlier comments and in the Revised Straw Proposal, the Six Cities do not support the adoption of capability payments for supplying reactive power capability. Thus, the Six Cities support the ISO's decision not to adopt a new capability payment structure for reactive power compensation. The Six Cities continue to support production payments in situations where a resource is instructed to produce reactive power outside of standard design ranges.

The proposal to create a new Exceptional Dispatch category – the "Reactive Power Exceptional Dispatch" category – and provision payment structure for certain resources¹ that are needed for and directed by the ISO to produce reactive power may be a reasonable way to approach compensation for resources that do produce reactive power, but have operating characteristics that do not fit within the existing compensation structure. The Six Cities understand that the ISO is proposing to establish the compensation for this category based on the costs to provide the reactive power in response to a dispatch order, including the costs of real power consumed to produce the reactive power and start-up and minimum load costs (including fuel, variable operations and maintenance, and other opportunity costs). (See Revised Straw Proposal at 13.) However, the proposal to create a new Exceptional Dispatch category requires additional key details, and the Cities thus neither support nor oppose the proposal at this time, because the proposal raises a number of questions:

- How would the ISO propose to identify the circumstances in which to issue an Exceptional Dispatch to provide reactive power?
- What duration would apply to a Reactive Power Exceptional Dispatch?
- If the Exceptional Dispatch classification applies to the dispatched resource for a set period of time (such as 30 days), would the ISO compensate the resource only for the hours within the time period when reactive power is actually supplied? Or would the compensation apply for the full period of time? In short, how will the ISO ensure that the payment structure is not effectively a capability payment for the Exceptional Dispatch period?

¹ The Revised Straw Proposal identifies such resources as, for example, thermal units with a clutch that can operate in synchronous condenser mode, certain small thermal units, solar arrays at night or under cloud cover, and wind turbines operating at below maximum output. (See Revised Straw Proposal at 13.)

- What controls will be utilized by the ISO to ensure that reactive power is not over-procured?
- Has the ISO studied or evaluated the anticipated magnitude of the costs that will be incurred based on the new Exceptional Dispatch category or performed an assessment of the expected frequency with which the ISO will exercise its Exceptional Dispatch authority to address reactive power needs?

The Six Cities request additional details regarding the proposed Reactive Power Exceptional Dispatch category in the next iteration of the ISO's proposal in this proceeding and will provide further comments when the proposal is more fully defined.

Submitted by,

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