September 8, 2015

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE COMMITMENT COST ENHANCEMENTS PHASE 3 STRAW 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 Straw Proposal, posted on August 24, 2015 ("Straw Proposal"):

<u>The Six Cities Renew Their Request for Additional Detailed Information on the Models Tested</u> - - The Six Cities' July 30, 2015 comments on the Technical Workshop requested that the ISO make available additional details concerning the test modeling conducted thus far, including the data sets (masked as necessary to preserve confidentiality of commercially sensitive information) and additional information concerning the attributes of the resources modeled in the tests, such as the type of resource, the general location (*e.g.*, in-state versus out-of-state), and the nature of the use limitations to which the resources are subject. The Six Cities' July 30th comments stated that pending review and analysis of the additional information requested, the Six Cities are not able to support either of the models discussed during the Technical Workshop or the general modeling approach. The ISO has not made the detailed information on the test modeling available thus far, and the Cities reiterate their request that the ISO make the detailed modeling information available.

<u>The ISO Should Not Foreclose the Possibility of Intra-Monthly Updates</u> - - The Six Cities support the ISO's proposal to conduct monthly updates of the opportunity cost calculations and believe that in most cases monthly updates will be adequate to maintain the opportunity cost allowances at appropriate levels. However, the Six Cities do not support the aspect of the Straw Proposal that rejects the potential for impromptu updates of the opportunity cost calculations between monthly updates. In exceptional circumstances, intra-monthly updates may be necessary to ensure efficient dispatch of use-limited resources and avoid premature exhaustion of use limitations. For example, if a resource experienced multiple failed starts within a month, there could be a significant impact on the opportunity costs for remaining starts that should be reflected prior to the next monthly update. The Six Cities reiterate their recommendation that the ISO conduct an impromptu update at the request of the Scheduling Coordinator for a use-limited resource at any time when actual dispatches or starts of the use-limited resource exceed modeled dispatches of the resource by ten percent or more or when actual dispatches or starts exceed sixty percent of the use limits allocable to the monthly period. The threshold events that would trigger the availability of an impromptu, intra-monthly update should occur rarely, if ever, such that holding open the possibility for an impromptu update under such exceptional circumstances would not impose an undue burden on the ISO.

The ISO Should Explain Why Applying a Multiplier to Reflect Future Power Prices Will Not Double Count the Effect of Anticipated Increases in Gas Prices - - The Straw Proposal includes in the formulas for estimation of future LMPs a multiplier for the impact of anticipated future power prices. In addition, the formulas incorporate the use of natural gas price futures. Because natural gas prices have a substantial impact on power prices, it would appear that incorporating both a multiplier for future power prices and gas futures would double count or compound the effect of anticipated increases in natural gas prices. The Six Cities request an explanation if the ISO does not agree that such a compounding effect may occur, or if the ISO believes that such compounding effect would not have the potential to inflate indicated opportunity costs.

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

- Basing the monthly updates of the opportunity cost calculations on actual usage of limited elements up to that point,
- 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,
- Retaining the Short-Term Use Limit Reached outage card for a transition period, which the Six Cities recommend be set at a minimum of one year to enable evaluation of the opportunity cost methodology for at least one full cycle for annual limitations, and
- Basing the opportunity cost adder for "nested" limitations on the highest opportunity cost calculated for any of the individual limitations for the period in question.

The Six Cities take no position at this time on aspects of the Straw Proposal that are not discussed above.

Submitted by,

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