

*September 3, 2015*

**Comments of the California Municipal Utilities Association (CMUA)  
*California ISO Presentation on  
Flexible Resource Adequacy Criteria Must Offer Obligation Phase 2***

CMUA submits these comments on the presentation and other materials provided by the CAISO, including the presentation of Southern California Edison (“SCE”) on proposal on the Flexible Resource Adequacy Criteria Must Offer Obligation Phase 2 (“FRACMOO 2”). At this early stage when there is not a Straw Proposal, CMUA will focus on high level matters that should affect the overall trajectory of this initiative.

CMUA has the following observations:

- Whatever the attractiveness for use in the 20% or 33% scenarios, a 50% scenario requires reexamination of issues from first principles, including the concept of “net load” which treats certain non-dispatchable resources as must run. The addition of new resources provides the opportunity to avoid commercial disruption and provide every resource the reasonable expectation that they should be part of the solution to ensure grid reliability and market stability.
- The CAISO should first examine its current tools in the marketplace, including improved intertie market functionality for both imports and exports, energy price mechanisms, and existing and, if necessary, new market products that will help resolve operational concerns.
- We do have concerns about treating overgeneration as a reliability issue. It is a procurement issue. While CAISO must operate the system with the resources available to it, overgeneration problems should be solved in the first instance through commercial arrangements and through energy price signals.

CMUA believes SCE’s presentation has attractive elements. In particular, the multi-dimensional test appears to be an effective mechanism to ensure that the CAISO will meet its reliability needs with minimal changes to the interim product. CMUA members share SCE’s concern that the focus on self-scheduling will not eliminate the practice, and that alternatives such as price floor bidding likely will be functionally similar. We believe, however, that self-scheduled and economically bid resources will respond to persistently low price signals, particularly if day-ahead market and real time market modeling are in alignment. Further, consistent with the above-principles, the RA framework should not be disrupted needlessly to force solutions to overgeneration that are best deal with in procurement proceedings.

In summary, CMUA urges the CAISO to take a step back and reassess its direction and incrementally build off of current programs and market products. Further, the SCE presentation looks like a reasonable starting point for further discussion and exploration.

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