

January 4, 2015

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE  
FREQUENCY RESPONSE WORKING GROUP DISCUSSION**

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 presentations from the December 14, 2015 Frequency Response Working Group Call.

After reviewing the presentations from Powerex and BPA, the Six Cities continue to believe that the use of spinning reserves is the best Phase 1 solution for meeting the ISO's frequency response obligation. As noted in the previous two rounds of comments, the Six Cities do not believe that developing a product to procure frequency response is the best path to achieve frequency response levels that comply with BAL-003-1.

Using spinning reserves to meet the frequency response obligation likely would result in only a modest incremental increase in costs overall. According to the ISO's "2014 Annual Report on Market Issues and Performance" ("2014 Annual Report"), at page 108, ancillary services amount to only 0.6% of wholesale energy costs. Approximately two-thirds of those costs are attributable to spinning reserves. *See* 2014 Annual Report at 114, Figure 5.7. Therefore, the cost of procuring additional spinning reserves to meet the frequency response obligation, if needed, is likely to be some fraction of 0.4% of total wholesale energy costs. Certainly this cost must be less than the cost of developing an entirely new product or process. However, it would be useful for the ISO to provide an estimate of how much additional spinning reserves would be necessary to ensure compliance in order to better estimate the additional incremental cost.

Powerex proposes a forward competitive solicitation process from external BAs as a potential Phase 1 approach to meeting the ISO's frequency response obligation. As discussed above, creating this new process seems unnecessary when there are already existing products that would allow the ISO to achieve frequency response levels that comply with BAL-003-1.

Further, the alternative approach proposed by Powerex does not appear to be a workable Phase 1 solution. The timeline outlined by Powerex for conducting a Phase 1 stakeholder process, estimating costs, consulting with NERC and FERC, receiving regulatory approval, and implementing the competitive solicitation process is overly ambitious and would likely prove to be problematic due to the compressed timeline. Indeed, the 10 month process outlined by Powerex would require the competitive solicitation approach to be developed, implemented, and conducted on a very accelerated basis. It fails to provide enough time to ensure that: (1) the process is enforceable; (2) the frequency response service is deliverable from another BA to the ISO; and (3) the frequency response service purchased from another BA would receive the appropriate recognition from NERC for meeting the ISO's frequency response obligation.

Adopting such a new complex approach in such a short period of time makes no sense when there already is an existing product that will result in only modest incremental costs with no additional administrative burden. In this case, the most straightforward approach – using existing spinning reserves to meet the frequency response obligation – also appears to be the best approach.

Submitted by

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