

June 25, 2010

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING DRAFT FINAL PROPOSAL ON GENERATED BIDS AND OUTAGE REPORTING FOR NON-RESOURCE SPECIFIC RESOURCE ADEQUACY RESOURCES**

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 June 9, 2010 Draft Final Proposal on Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources ("Draft Final Proposal").

The Six Cities continue to support several features in the Draft Final Proposal. Specifically, the Six Cities support:

- the three proposed options for establishing generated bids, *i.e.*, (1) negotiated, (2) price taker plus GMC, or (3) LMP-based;
- establishment of separate accounts for Non-Resource Specific Resource Adequacy ("NRS-RA") Resources relating to availability payments and penalties for non-availability;
- calculation of availability for NRS-RA Resources based upon SLIC information, provided that the SLIC functionality is tested fully for this purpose and demonstrated to be workable.

The Cities appreciate the ISO's willingness to recognize that NRS-RA Resources may become unavailable due to outages of both generation and/or transmission facilities. However, the Cities request that the ISO modify the Draft Final Proposal to clarify that non-availability reports may be based upon partial derates of generation or transmission or operational balancing requirements that reduce (but do not entirely eliminate) availability of the resource. In such circumstances, the SC for the resource should be able to submit a non-availability notice for the NRS-RA capacity affected by the partial derate (*e.g.*, a proportional reduction in the amount of NRS-RA capacity expected to be available if a necessary transmission path is derated).

Although the Draft Final Proposal indicates that SLIC outage reporting will not be used for derates after the close of the day-ahead market, it appears that affected SCs may adjust schedules in the HASP to account for such derates. The ISO should clarify that any such schedule adjustments in the HASP due to derates will not cause the ISO to insert generated bids for the derated amount.

The Six Cities also support the ISO's determination in the Draft Final Proposal to recognize Sub-Set of Hours arrangements tailored to the provisions of specific contractual

arrangements for NRS-RA resources. The Six Cities request, however, that the ISO establish a stakeholder process or technical workgroup to permit stakeholders that have Sub-Set of Hours arrangements for NRS-RA resources to participate in all stages of the development and implementation of the Sub-Set of Hours bidding functionality.

The Six Cities disagree with the ISO's statement at pages 12-13 of the Draft Final Proposal that NRS-RA resources are not eligible for a grandfathering exemption from the Standard Capacity Product ("SCP") availability requirements. There is no basis in the Tariff language for that conclusion. The relevant language of Tariff section 40.9.2(2) states:

Capacity under a resource specific power supply contract that existed prior to June 28, 2009 and Resource Adequacy Capacity that was procured under a contract that was either executed or submitted to the applicable Local Regulatory Authority for approval prior to June 28, 2009, and is associated with specific Generating Units or System Resources, will not be subject to Non-Availability Charges or Availability Incentive Payments. Such contracted Resource Adequacy Capacity, except for non Resource-Specific System Resources, will be included in the development of Availability Standards and will be subject to any Outage reporting requirements necessary for this purpose. (Emphasis added).

The underlined language above would be superfluous if NRS-RA resources were not eligible for grandfathering. Furthermore, the rationale for the grandfathering exemption applies to non-resource specific resources to the same extent as resource-specific system resources, in that contractual provisions negotiated before the adoption of SCP availability standards may result in penalties.

Submitted by

Bonnie S. Blair  
Thompson Coburn LLP  
1909 K Street N.W.  
Suite 600  
Washington, D.C. 20006-1167  
[bblair@thompsoncoburn.com](mailto:bblair@thompsoncoburn.com)  
202-585-6905

Attorney for the Cities of Anaheim, Azusa,  
Banning, Colton, Pasadena, and Riverside,  
California