

February 5, 2010

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING
STRAW PROPOSAL ON GENERATED BIDS AND OUTAGE REPORTING
FOR NRS-RA 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 January 19, 2010 Straw Proposal regarding Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources ("NRS-RA resources") and the discussion in the related stakeholder conference call on January 29th.

Generated Bids for NRS-RA Resources:

The Straw Proposal indicates at pages 4 and 7 that the process for generating bids for NRS-RA resources will honor contractual limitations on the hours when such resources are available. The Six Cities support this aspect of the Straw Proposal as well as the proposal that the functionality to insert bids on behalf of NRS-RA resources be implemented no earlier than the implementation of the SIBR release planned for Fall 2010. It should be clear that the bid generation process will recognize all contractual limitations on the availability of NRS-RA resources, including scheduling limitations and maximum energy limitations. The ISO's availability requirements accommodate limitations on resource-specific RA resources that arise from operating characteristics and regulatory restrictions. It would be unduly discriminatory to refuse to accommodate contractual limitations on the availability of NRS-RA resources. The Six Cities are encouraged that the ISO intends to expand the scope of this initiative to include the "subset-of-hours" RA contract issue as indicated in the stakeholder conference call on January 29, 2010. As discussed in that call, the Six Cities request that the ISO explicitly recognize and accommodate not only "subset-of-hours" limitations but also other contractual limitations (*e.g.*, use limitations, delivery point limitations, pre-scheduling requirements) in the proposal and conduct further detailed discussion with stakeholders to ensure that the bid generation process properly recognizes such limitations before implementation.

Outage Reporting for NRS-RA Resources:

The ISO's proposal to limit "legitimate unavailability" of NRS-RA resources to "extraordinary operational circumstances" in an adjacent or intermediate BAA is based upon unsupported assumptions, is inconsistent with other aspects of the Straw Proposal, and is inconsistent with the FERC's Order concerning application of availability requirements to NRS-RA resources. The ISO's overly restrictive views regarding the circumstances that might result in legitimate unavailability of NRS-RA resources are based upon the unsupported and counter-factual assumptions that NRS-RA resources are always available, can be scheduled with complete flexibility, and can be delivered at any tie point with the supporting system.

As an initial matter, such assumptions are inconsistent with the ISO's recognition, at pages 4 and 7 of the Straw Proposal, that some NRS-RA resources have contractual limitations with respect to the hours in which they can be scheduled. There are other contractual limitations applicable to at least some NRS-RA resources, including, for example, specified delivery points or requirements to schedule by specific times, that limit the availability of the resources. There is no justification for recognizing the impact of some contractual limitations while ignoring others. The Cities believe that such additional circumstances that might lead to unavailability of NRS-RA resources may be captured and resolved through expanded discussion relating to the "subset-of-hours" construct and might require conforming adjustments to the current Standard Capacity Product ("SCP") paradigm. For example, some NRS-RA resources have prescheduling and real time scheduling timing requirements that might not be in synchronization with the ISO's market timing. Accommodation should be made to recognize such instances through the outage reporting process and conforming changes made to the availability percent calculations. The Cities urge the ISO to provide further opportunity for such discussion.

In essence, the Straw Proposal relies upon the same assumptions about the inherent flexibility of NRS-RA resources that FERC rejected as not "grounded in any rigorous evaluation of the historic unavailability of such resources or in any other empirical process." 127 FERC ¶ 61,298 at P 26. Indeed, contrary to the assumptions in the Straw Proposal, FERC expressly noted that non-resource specific imports may be unavailable as a result of constrained generation and transmission resources beyond the interties as well as transmission outages at the interties. *Id.* at P 27. Furthermore, the assumption in the Straw Proposal that NRS-RA resources can be delivered over multiple transmission paths is inconsistent with the ISO's requirement that a Scheduling Coordinator that designates a NRS-RA resource must associate that resource with an import allocation at a specific tie point. The requirement to associate a NRS-RA resource with an import allocation at a specific tie point also would be inconsistent with any requirement that the Scheduling Coordinator for the resource attempt to make alternative transmission arrangements if the primary transmission path is unavailable or derated.

During the conference call on January 29th, ISO representatives expressed an expectation that NRS-RA resources must be available at **all times** at the point of delivery based on perceptions that inherent flexibility of NRS-RA resources in delivery from multiple resources dictates such an outcome. Such an expectation is unfounded, however, because ultimately NRS-RA resources will still need to trace back to specific generating resources and/or electric systems and transmission paths to the delivery points for daily and/or hourly scheduling and tagging purposes. Whenever there is an outage of generating resources and/or transmission paths, the supplier has the obligation to replace the lost generation and/or transmission paths to the delivery point. But it is highly unlikely that the supplier can replace the lost generation and/or transmission paths instantaneously and be able to continue to offer bids until replacement arrangements are made. Thus, accommodation must be made to recognize these operational and scheduling realities and deem such events as forced outages until replacement arrangements are made.

In fact, there will be circumstances that replacement arrangements cannot be made at all when there is no viable replacement generation and/or transmission path to the delivery point. For example, if the Pacific DC intertie is derated, then NRS-RA resources originating from the

external BA (BPA's system) are highly likely to be derated concurrently by the external BA to the delivery point (NOB). Since NOB is only a "deemed" point of delivery (there is no electric generation located at NOB or alternate transmission path that can reach NOB from the external BA) as opposed to a physical point of delivery from an electric system perspective, it is highly unlikely that the supplier in this instance can replace the derated RA capacity with other resources to the point of delivery. In such instances, the Scheduling Coordinators for the affected NRS-RA resources must be able to declare these events as forced outages.

Finally, given (1) that one of the fundamental objectives of MRTU was to eliminate infeasible schedules and (2) that submission of schedules relying upon unavailable or derated transmission paths has been considered an example of market manipulation, there is more than a little irony in the ISO's suggestion that Scheduling Coordinators for NRS-RA resources should submit bids for imports that they know cannot be received due to derates at the ties and simply rely on the ISO's software to "only procure what is feasible." At a minimum, the ISO should make clear, either in the Tariff or in the relevant Business Practice Manuals, that submission of bids for external RA resources that exceed the amount of capacity available at a tie point that has been derated is not a violation of the Conduct Rules.

Submitted by

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