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Comments of the Small Publicly Owned Utility Coalition on the Flexible Resource Adequacy Criteria and Must Offer Obligation - Phase 2 Straw Proposal

Submitted by	Company	Date Submitted
<i>Dan Griffiths 916-471-9518</i>	<i>Small Publicly Owned Utility Coalition</i>	<i>January 6, 2016</i>

The Small Publicly Owned Utility Coalition (“Small POU Coalition”) respectfully submits the following comments regarding the ISO’s Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2 Straw Proposal (“FRACMOO2 Straw Proposal”), released December 11, 2015.

The Small POU Coalition is an ad hoc coalition of small publicly owned utilities (“POUs”) in California. The Small POU Coalition currently includes the Cities of Rancho Cucamonga, Moreno Valley, Corona, Colton, Needles, Cerritos, and Victorville, Eastside Power Authority, Pittsburg Power Company, and the Power & Water Resources Pooling Authority. Most of these POU’s formed in the last two decades, following deregulation and the California Energy Crisis. POU’s in the Small POU Coalition have a substantially smaller load and administrative capacity in comparison to many of the other utilities within California– some members in the Small POU Coalition have a peak load less than 10 Megawatts (“MW”). Though smaller in size, the Small POU Coalition members serve a diverse array of agricultural, commercial, industrial, and residential customers throughout California.

I. Resource Adequacy Showing Requirements for Small LSEs

The Small POU Coalition thanks the ISO for the inclusion of Section 5.5 into the Straw Proposal, which addresses resource adequacy (“RA”) showing requirements for small Load Serving Entities (“LSEs”). The Small POU Coalition agrees that RA showings for local and flexible capacity needed additional clarity, and appreciates the explanation provided in the FRACMOO2 Straw Proposal. The Small POU Coalition also supports the ISO’s proposal to allow an LSE with a monthly RA requirement for a specific month and specific RA product (system, local, or flexible) to show zero MW for that RA product. Presently, some LSEs have to over-procure RA product in months when their RA showing requirements are at levels less than the commercially tradable amount of 1 MW.

The Small POU Coalition does ask for a minor revision to the FRACMOO2 Straw Proposal, and requests that this revision be included in the forthcoming Revised Straw Proposal, scheduled for release on February 11, 2016. The existing FRACMOO2 Straw Proposal states that LSEs with a peak demand of greater than 1 MW but with an RA product requirement of less than 1 MW for a specific month are allowed to show zero for that month:

The ISO proposes to allow an LSE *with a measured peak demand of greater than one MW but with a monthly RA requirement for a specific month and a specific RA product (i.e. system, local, or flexible capacity) less than one MW* to show zero MW for the monthly RA showing for that RA product.¹

However, an example in the FRACMOO2 Straw Proposal has tied permission to show zero to peak load rather than the monthly RA requirement:

To be clear, the ISO is not saying the LSE would not have an RA showing requirement. For example, a small LSE may have a *peak load* of 2.5 MW in June, but only .75 in January through May. This LSE could show zero MW for RA for January through May but would have to provide a showing of 2.5 MW for June.² [*Id.*, emphasis added]

The Small POU Coalition asks that this example be modified in Revised Straw Proposal to better reflect the applicability of the proposal to RA rather than peak load. For instance, the example could highlight an LSE with a peak load of greater 1 MW and with a system, flexible, or local RA requirement below 1 MW in January through May, but above 1 MW in June. Under this arrangement, an LSE would show zero for that RA product in January through May, but not in June.

Further, as discussed in two recent FERC Orders,³ the Small POU Coalition believes that a further examination of RA requirements for small LSEs is needed. Presently, the tariff section addressing applicability for RA showings – mentioned in Section 5.5 of the Straw Proposal – is unnecessarily stringent and only applies if metered peak demand does not exceed 1 MW for *each of the twelve months* in the year. The FRACMOO2 Straw Proposal acknowledges that peak load for a small LSE could be high for a single month, but much lower for the greater portion of the year (see example above). The Small POU Coalition requests that the ISO evaluate this tariff requirement in the forthcoming Revised Straw Proposal.

Lastly, the Small POU Coalition understands that, as directed in the recent FERC Orders, the forthcoming Reliability Services Initiative Phase 2 (“RSI2”) Draft Final Proposal (scheduled for January 7, 2016) may contain additional discussion on RA issues for small LSEs, such as cost caps and improvements to information submission verification.⁴ To the extent that any of those issues are not addressed in the forthcoming RSI2 Draft Final Proposal, the Small POU Coalition asks that they be addressed within the FRACMOO2 Revised Straw Proposal.

II. Conclusion

The Small POU Coalition appreciates the opportunity to provide comments on the December 11, 2015

¹ FRACMOO2 Straw Proposal at 23 (emphasis added).

² *Id.* (emphasis added)

³ See 153 FERC ¶ 61225, at 10-11 (Nov. 19, 2015) (encouraging the ISO to consider “mechanisms to address the potential for disparate treatment for different sized utilities”); see also 153 FERC ¶ 61226, at 9 (Nov. 19, 2015) (same language).

⁴ See *id.* (suggesting the Reliability Services Initiative as a forum for addressing issues related to disparate treatment).

Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2 Straw Proposal, and thanks the ISO for its review and consideration of these comments.

Respectfully submitted,

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/s/ Dan Griffiths

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