

September 24, 2012

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING THE  
SEPTEMBER 18, 2012 WORKSHOP DISCUSSION ON  
FLEXIBLE RAMPING PRODUCTS**

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 regarding the discussion on Flexible Ramping Products ("FRP") held during the September 18, 2012 workshop (the "Workshop Discussion").

In the Workshop Discussion, multiple representatives from a broad spectrum of stakeholder interest groups expressed concerns regarding the complexity of the proposed FRP design, the scope of the proposed changes to the IFM and RUC processes and the limited time for assessment of the implications of those changes, and the potential inefficiencies of tackling such fundamental changes to the ISO's market design before addressing the modifications that will be required to accommodate 15-minute scheduling as directed by FERC Order No. 764. In addition, the ISO's Department of Market Monitoring ("DMM") raised essentially the same issues in its September 4, 2012 comments on the Revised Draft Final Proposal. The Six Cities share the concerns that have been expressed by the DMM and other stakeholders and find the breadth of stakeholder reservations both unusual and compelling. Despite the fact that this stakeholder initiative has been pending for nearly a year, the proposal does not yet appear to be ready for prime time. The Cities do not suggest that this is attributable to any lack of effort or responsiveness on the part of the ISO Staff involved in the process. To the contrary, the complexity of the proposal reflects, at least in part, the ISO's efforts to address stakeholder suggestions. Further, the concerns regarding the potential for unintended consequences arise in part from changes in circumstances that affect the ISO's markets, including Order No. 764. Nonetheless, it is clear that there is widely-shared concern that implementation of the current FRP proposal may give rise to more problems than it solves.

The DMM's comments included several suggestions for less complex interim approaches to satisfying needs for flexible ramping requirements. In addition, there was a suggestion during the Workshop Discussion that it might be possible to implement an interim Real-Time FRP mechanism that would involve less drastic changes to the ISO's market design. The Six Cities urge the ISO to give further consideration to possibilities for interim measures that will allow more time for analysis of the consequences of, for example, integrating the IFM energy optimization and RUC.

In their August 23, 2012 Comments on the Revised Draft Final Proposal, the Six Cities raised several questions that were not covered explicitly in the Workshop Discussion. The Six Cities reiterate the following questions and/or requests for clarification and request that they be addressed in the upcoming Second Revised Draft Final Proposal:

- 1) If the ISO does not intend to limit awards of FRP to resources that have demonstrated or certified ability to supply the products and, as a result, awards

FRP to resources that may not have the ability to perform, how will the ISO know whether it will have sufficient capacity to satisfy the anticipated need?

- 2) Re the proposal to implement an FRP demand curve, it is not clear to the Cities why the ISO would procure more FRP than it requires for reliability purposes.
- 3) Does the ISO intend that economic buy-back of FRP awards would be optional for the ISO, for the Seller awarded the FRP in the Day-Ahead market, or both?
- 4) Re the statement at page 39 of the Revised Draft Final Proposal that load with 10 minute metering will be treated as supply for cost allocation purposes, is any load eligible to install 10 minute metering, or only load following metered sub-systems?

Finally, consistent with their previous comments, the Six Cities reiterate their opposition to the ISO's proposal to allocate FRP costs to load (*i.e.*, the "first pie slice") based on the 10 minute change in load. The 10 minute change in load is an overly broad basis for allocating costs to load and is inconsistent with the proposed method for allocating costs to Supply resources. As recognized in the DMM comments, a substantial portion of the 10 minute change in load is reflected in the Day-Ahead schedules submitted by load and, therefore, should be accommodated in the Day-Ahead optimization of resource schedules. The initial allocation of FRP costs to load should be based on 10 minute deviations of total metered load from total physical load scheduled in the Day-Ahead market. With respect to allocation of FRP costs within the load category, the Six Cities support the allocation of FRP costs based on gross uninstructed imbalance energy.

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