

September 22, 2011

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA  
REGARDING THE REVISED STRAW PROPOSAL FOR RENEWABLES  
INTEGRATION MARKET VISION AND ROADMAP**

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 in response to the ISO's August 29, 2011 Revised Straw Proposal on Renewables Integration Market Vision and Roadmap (the "Revised Proposal").

Phased Approach and Guiding Principles - - The Six Cities generally support the phased, incremental approach recommended in the Revised Proposal and specifically support the addition of cost causation to the list of guiding principles.

Flexible Ramping as a Market Product - - The Six Cities support further consideration of Flexible Ramping as a market product and believe that it is preferable to address ramping requirements through a specifically-designed product rather than simply procuring additional non-contingent spinning reserves. The Cities support precise definition of the Flexi-ramp product in a manner that will allow peaking generation with flexible operating characteristics to participate in the Flexi-ramp product market. Further analysis and discussion are required with respect to a number of aspects of the Flexi-ramp product under consideration, and the issues are interrelated. For example, further development of details concerning procurement targets and optimization should guide the development of the method for allocating Flexi-ramp costs so as to ensure that cost allocation and cost causation for this product are aligned properly. In addition, the Six Cities agree that an effective enforcement mechanism (*i.e.*, to ensure that resources receiving payments for Flexi-ramp capability respond fully to dispatch instructions) is essential both to maintain reliability by providing the ISO the operational flexibility it requires and to ensure that transmission customers allocated the responsibility to pay for Flexi-ramp procurement receive the services for which they are paying. Further analysis also is necessary regarding the relationship between RUC and the proposed Flexi-ramp product. It would not be consistent with the cost causation principle for the zero price RUC obligation for Resource Adequacy Resources to effectively subsidize Flexi-ramp procurement. Finally, the ISO should conduct and share with stakeholders an analysis of how the proposed Flexi-ramp product will align with applicable NERC and WECC Reliability Standards. Given all of the details to be developed and evaluated, the Six Cities suggest that the ISO consider a more extended timeline for implementing a Flexi-ramp product, which also will allow the ISO and stakeholders to benefit from the experience gained through application of the Flexi-ramp constraint feature that the ISO plans to implement later this year.

Regulation Pay for Performance - - The Six Cities support the concept of incorporating a pay for performance mechanism for Regulation service.

More Granular Updating for Resource and Load Schedules - - The Revised Proposal recommends development of functionality to update Variable Energy Resource (“VER”) generation profiles either on a five-minute basis or fifteen-minute basis. As noted in the Six Cities’ July 29, 2011 Comments on the Initial Straw Proposal, all types of resources and loads should be able to schedule on the same interval basis. Therefore, if VERs outside the ISO BAA that utilize Dynamic Scheduling retain the ability to update their availability every five minutes, all internal resources and loads should have the option to adjust their schedules on the same five-minute interval basis.

Decremental Bidding from PIRP Resources - - As discussed in their September 7, 2011 Comments in response to the ISO’s August 22, 2011 Fourth Revised Straw Proposal on Renewable Integration: Market and Product Review Phase 1, the Six Cities do not support the ISO’s proposals in the Phase 1 stakeholder process to retain the PIRP indefinitely and to allow additional resources to join the PIRP. Maintaining and potentially expanding the PIRP is inconsistent with the ISO’s objectives of encouraging submission of economic bids and dispatchability of resources. The PIRP should be phased out as rapidly as feasible with appropriate transitioning or grandfathering provisions for resources that currently are in the PIRP, and it should not accept new resources, with the possible exception of resources that can demonstrate they have made substantial and irreversible financial commitments in reliance on anticipated ability to participate in the PIRP. Attempting to find ways to improve the PIRP is likely to involve a great deal of work for little, if any, benefit. If, however, the PIRP remains in place, then the Six Cities support the ISO’s proposal to allow PIRP resources to submit decremental bids and the proposed approach for incenting PIRP resources to comply with dispatch instructions in response to such bids.

Intertie Pricing - - The Revised Proposal suggests two possible approaches for addressing the persistent differences between prices for imports and exports at the interties in HASP and Real-Time Dispatch prices: (a) the NYISO approach, which the Cities understand would involve (i) paying the higher of bid or Real-Time LMP for imports only, with bid cost recovery when there is no congestion, (ii) paying at the lower of the HASP or Real-Time price for imports when there is congestion in the import direction or charging the higher of the HASP or Real-Time price for exports when there is congestion in the export direction, (iii) paying Real-Time LMP for exports or imports dec’d in HASP WITHOUT bid cost recovery; or (b) eliminating HASP for off-peak hours, *i.e.*, paying off-peak HASP schedules at the Real-Time LMPs. Although the Six Cities appreciate the ISO’s efforts to address the price differences between HASP and Real-Time, the Cities are concerned that neither of these proposals would provide price certainty to exporters in HASP or to importers with Day-ahead schedules dec’d in HASP to solve the overgeneration problems. It seems most likely that the ISO will need significant dec capability, particularly during off-peak hours and in the spring season, to manage substantial wind generation that is anticipated to come online. Failing to provide price certainty or assurance of bid cost recovery for exports or for dec’ing of imports in HASP will discourage economic bidding at the interties, potentially leading to reliability problems. The Six Cities suggest that the ISO consider a middle ground approach, *e.g.*, bid cost recovery for exports and imports that are dec’d in HASP at a minimum.

Forward Procurement of Flexible Resources - - The Six Cities recognize that there will be an on-going and growing need for resources that can meet the ISO's requirements for operational flexibility and do not oppose the ISO's recommendation to consider an approach for forward procurement of such resources. However, there is no reason why forward procurement of resources with the operating characteristics needed by the ISO could not occur within the framework of self-supply or bilateral procurement by LSEs as is currently in place for Resource Adequacy requirements. The Six Cities would vigorously oppose any move toward a mandatory, centralized market for "balancing capacity" that did not accommodate self-provision by LSEs.

Submitted by

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