

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE COMMITMENT COST ENHANCEMENTS PHASE 3 REVISED STRAW PROPOSAL

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 Commitment Cost Enhancements Phase 3 Revised Straw Proposal, posted on November 3, 2015 ("Revised Straw Proposal"):

The ISO Should Allow Impromptu Updates If Scheduled Updates Are Not Completed on a Monthly Basis - - The Six Cities support the ISO's proposal to conduct monthly updates of the opportunity cost calculations and, as noted below, the ISO's proposal to base the monthly updates on 90% of limitations remaining after actual usage of limited elements up to that point. If scheduled updates occur monthly and are based on 90% of remaining limitations, such scheduled updates should be adequate to maintain the opportunity cost allowances at appropriate levels. The Six Cities are concerned, however, about the suggestion in footnote 11, at page 26 of the Revised Straw Proposal, that updates may not occur monthly, depending on processing speed of the opportunity cost software and required ISO resource time. If updates are not performed on a monthly basis as a matter of routine, it is imperative that Scheduling Coordinators have the ability to request updates on a resource-specific basis if limitations are being used up more quickly than anticipated by the opportunity cost model. The ISO should commit to perform an impromptu, resource-specific update at the request of the Scheduling Coordinator for the resource if a minimum of thirty-one days has passed since the last completed monthly update and no regularly scheduled update is actively occurring or expected to commence within ten days. This approach will allow the ISO to defer regularly-scheduled updates if necessary due to resource limitations but protect Scheduling Coordinators that require an update to prevent premature exhaustion of use limitations. Premature exhaustion of use limitations not only imposes adverse effects on Scheduling Coordinators for the resources involved but also has adverse implications for reliability. In addition, the ISO should be open to reconsidering the appropriateness of impromptu updates if experience with regularly-scheduled updates, even on a monthly basis, reveals concerns with the opportunity cost calculations for specific resources.

The ISO Should Clarify That Use-Limited Resources Will Continue to Be Exempt from Bid Insertion - - The Revised Straw Proposal notes in footnote 12 on page 29 that "[o]pportunity costs due to energy related limitations are not included in generated bids as use-limited resources are exempt from bid insertion." The Six Cities request clarification that the ISO expects use-limited resources to continue to be exempt from bid insertion.

The Six Cities Support Other Elements of the Revised Straw Proposal - - The Six Cities specifically support the following aspects of the Revised Straw Proposal:

- Basing analysis of opportunity costs on 90% of limitations available at the time of the analysis, including basing the monthly updates of the opportunity cost calculations on 90% of limitations remaining after actual usage of limited elements up to that point;
- Adding the calculated opportunity costs to the otherwise applicable bid caps (after reflecting any multiplier applied to other costs) for Start-up costs, Minimum Load costs, and Default Energy Bids;
- Retaining the Short-Term Use Limit Reached outage card for an indefinite transition period;
- Utilizing a future power price conversion factor that reflects anticipated decreases as well as anticipated increases in power prices; and
- Establishing a dispute resolution process to address disagreements regarding modeled or negotiated opportunity costs.

The Six Cities take no position at this time on aspects of the Revised Straw Proposal that are not discussed above.

Submitted by,

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