

February 18, 2014

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA  
ON THE RELIABILITY SERVICES ISSUE PAPER**

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 Reliability Services Issue Paper posted by the ISO on January 28, 2014 ("the Issue Paper"):

**Less Is More** - - In the coming eighteen months, the ISO plans to implement at least four major revisions to market structures and processes, *i.e.*, 15-Minute Scheduling, the Full Network Model Expansion, the Energy Imbalance Market, and Flexible Resource Adequacy requirements. Individually, each of these initiatives could have a significant impact on market economics and operational characteristics; the collective effects of these market changes could be profound. Rather than embarking on yet another expansive initiative to revise RA requirements and processes, the Six Cities urge the ISO to approach the Reliability Services review with a more limited set of objectives than suggested in the Issue Paper. Specifically, the ISO should defer consideration of significant changes to the RA framework until there has been at least a full year of experience with the collective effects of the market design changes about to be implemented. For the near term, the ISO should focus solely on revisions to RA requirements that are essential to maintain operational reliability as the effects of the market design changes evolve.

**Comments on Specific Elements of the Issue Paper** - - To the extent the Issue Paper suggests modifications to RA requirements or processes the ISO is considering, the Six Cities offer the following reactions:

**Modification of Resource Adequacy Replacement Rules** - - The Six Cities oppose the ISO's suggestion (Issue Paper at 8) that RA replacement rules should be modified to require local or flexible capacity shown as generic system capacity to be replaced at the higher quality level during an outage rather than with an alternative generic system capacity resource. This modification would increase the burden of replacing generic system capacity and effectively would constitute an expansion of local and flexible capacity requirements. The ISO has not demonstrated that imposing such an expanded obligation is justified or necessary to maintain reliability.

**Modification of the Cure Period for RA Deficiencies** - - Whether or not the ISO develops a monthly market mechanism to address RA deficiencies due to planned and long-term forced outages (*see* Issue Paper at 14 and 16), the Six Cities oppose any reduction in the time period allowed for LSEs to cure any deficiencies in monthly RA showings. For the reasons discussed above, the ISO should defer implementation of market mechanisms for RA backstop procurement pending experience with the effects of the impending market design changes. If, however, the ISO proceeds with market mechanisms for backstop RA procurement, any such mechanisms should be strictly voluntary and should supplement, not reduce or supplant, LSE

options for curing deficiencies in RA showings. Reducing the time allowed to cure RA deficiencies effectively would make use of the market mechanism mandatory, which the Six Cities strongly oppose.

Backstop Procurement for Multi-Year RA Procurements - - The Six Cities previously have indicated that they support establishment of reasonable multi-year forward RA requirements, which should be accompanied by development of parallel multi-year RA import allocations. The Cities would support extension of the ISO's backstop procurement authority to address aggregate deficiencies in multi-year RA showings, subject to a reasonable time for LSEs to cure deficiencies prior to procurement by the ISO.

Submitted by,

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