

September 9, 2015

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE  
RELIABILITY SERVICES INITIATIVE - PHASE 2 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 regarding the ISO's August 19, 2015 Reliability Services Initiative – Phase 2 Straw Proposal ("Straw Proposal"):

The Proposed "Same Category or Better" Substitution Standard for Flexible RA Resources on Planned Outages Is Inconsistent with the Outcome of Reliability Services Initiative Phase 1 - - Contrary to the statements in the Straw Proposal at pages 4 and 10, applying a "same Category or better" requirement to resources substituting for Flexible RA resources on planned outages is not consistent with the proposed rule (still pending before the FERC) applicable to substitution for Flexible RA resources on forced outages. In the Reliability Services Initiative Phase 1 ("RSI 1"), the ISO initially proposed to apply a "same Category or better" requirement to resources substituting for Flexible RA resources on forced outages. The Six Cities challenged restrictions on substitution based solely on pre-defined categories in RSI 1 as unduly restrictive and unreasonably burdensome. As the Six Cities emphasized in multiple sets of comments in the RSI 1 stakeholder proceeding, replacement and substitution rules for RA resources should not impose eligibility requirements more stringent than necessary for the replacement or substitution period or more onerous than the eligibility requirements for the capacity subject to replacement or substitution. A Category 1 Flexible RA resource must be able to start up at least twice a day to be designated for a month. But if a designated Category 1 Flexible RA resource is subject to an outage (either planned or forced) for a week during a month, a use-limited resource with 15 allowed start-ups (as well as sufficient energy availability) should be eligible to serve as a substitute or replacement resource for the seven-day outage.

In response to the Six Cities' comments in the RSI 1 stakeholder process, the ISO ultimately agreed that a resource would be eligible to provide substitute Flexible RA capacity if it can comply with the must-offer requirements applicable to the resource on outage. See the ISO's Matrix of Comments and Responses regarding the Second Straw Proposal in RSI 1 and Section 9.2.5 of the ISO's Draft Final Proposal Addendum in RSI 1. Section 40.9.3.6.1(e)(2) of the proposed Tariff amendments pending before the FERC in Docket No. ER15-1825-000 states that the ISO will grant a request to provide substitute capacity for a Flexible RA Resource on a forced outage if

the alternate resource has adequate deliverable capacity to provide the RA Substitute Capacity, meets the applicable requirements in Sections 40.9.3.6.1(e) and 40.9.3.6(b), and is capable of meeting the must-offer obligation in Section 40.10.6 applicable to the highest quality Flexible Capacity Category for the MWs of the Flexible RA Capacity commitments of the resource on outage and the alternate resource.

See also page 55 of the ISO's Transmittal Letter in Docket No. ER15-1825-000.

Thus, the pending RSI 1 Tariff provisions would not impose a "same Category or better" requirement on substitutes for Flexible RA capacity on forced outages. The substitution rules for planned outages of Flexible RA capacity should track the Tariff language filed in Docket No. ER15-1825-000 and simply require that a substitute resource be "capable of meeting the must-offer obligation in Section 40.10.6 applicable to the highest quality Flexible Capacity Category for the MWs of the Flexible RA Capacity commitments of the resource on outage and the alternate resource."

Further Explanation and Justification Are Necessary Regarding the ISO's Proposed Treatment of Combined Flexible RA Resources - - The Straw Proposal discusses at page 19 the need for the ISO to develop rules to apply the Resource Adequacy Availability Incentive Mechanism ("RAAIM") to combination Flexible RA resources (*i.e.*, resource pairs made up of two resources that do not have the attributes necessary to meet the must-offer requirements for a particular Flexible RA Category on an individual basis but can do so on a combined basis.) The Six Cities do not understand why any special rules are necessary to apply the RAAIM to combined Flexible RA resources. The RAAIM evaluation is based on a monthly assessment of bid submission during the relevant must-offer time periods. Under the must-offer requirements applicable to combined Flexible RA resources submitted in Docket No. ER14-2574 and accepted by the FERC, the bid submissions for a combined Flexible RA resource pair must be made by one of the resources in the pair for any given day. Because the RAAIM evaluation is retrospective, the ISO should have no difficulty verifying that one of the two resources in a Flexible RA combination submitted economic bids during the required hours for each day. The Six Cities, therefore, request a detailed explanation from the ISO as to why any special approach is needed to apply the RAAIM to combination Flexible RA resources.

As acknowledged by the ISO's representative during the August 26<sup>th</sup> meeting on the Straw Proposal, the Straw Proposal essentially would eliminate the combined Flexible RA resource concept and replace it with a "limited exception" from monthly start requirements. The ISO's representative expressed the ISO's view that the proposed "limited exception" would offer LSEs the same functionality as the ability to form a combined Flexible RA resource. From the description of the proposed exception at pages 19-20 of the Straw Proposal, it is not evident that the exception approach would provide the same functionality as the ability to designate a combined Flexible RA resource.

The Straw Proposal at page 19 describes the exception as allowing "one flexible capacity resource per LSE that does not meet the monthly start limitations for a given category to be shown in a higher flexible capacity category." Thus, the exception would apply to only one resource per LSE. Although the combined Flexible RA resource concept allows only two resources per combination, there is no restriction on the number of combined resource pairs an individual LSE could utilize. In addition, the exception as described would be applicable only for resources with start limitations. However, the combined Flexible RA resource approach would allow combination resources to address not only start limitations but also other types of limitations, such as run hour restrictions. The new exception described in the Straw Proposal would be narrower than the combined Flexible RA resource approach in at least the two respects described above.

Furthermore, the Straw Proposal does not explicitly state that an LSE could change the resource using the exception within a month, as suggested by the ISO's representative at the August 26<sup>th</sup> meeting, so long as only one resource at a time was using the exception. To the contrary, the Straw Proposal indicates at page 20 that substitute capacity would have to be provided by twenty-two days prior to the RA month. The Six Cities request clarification as to how the "one exception at a time" principle would be applied and how an LSE could change the resource receiving the exception on an intra-monthly basis, if indeed, that is what the ISO proposes.

The Six Cities also have concerns with the discussion at page 19 of the Straw Proposal regarding calculation of opportunity costs for the resource using the exception. It is not clear why the calculation of opportunity costs should be tied to the Flexible RA category for which a use-limited resource is shown. Basing the opportunity cost calculation on the Flexible RA category for which a resource is shown could result in either an overstatement or understatement of opportunity costs. In addition, the statement on page 19 of the Straw Proposal that if an excepted resource reached its use limitation, it still would be subject to RAAIM availability charges is inconsistent with the ISO's proposal in Commitment Cost Enhancements Phase 3 that a use-limited resource will not be subject to RAAIM charges once use limits are reached.

For all of the reasons discussed above, the Six Cities are not persuaded that the new exception discussed at pages 19-20 of the Straw Proposal is either necessary or workable. The combined Flexible RA concept is straightforward, and there is no apparent reason why the RAAIM cannot simply be applied to any combined Flexible RA resource pairs based on the submission of economic bids by one or the other resource in the pair, per day, during the required hours.

The Effect of Masterfile Changes on Eligibility to Provide Flexible RA Capacity Should Be Clarified - - At pages 17-18, the Straw Proposal discusses situations in which resources submit changes to their Masterfile information that affect the resources' eligibility to provide Flexible RA capacity under a particular Flexible RA Category. For example, as noted above, Category 1 Flexible RA resources must be able to start up at least twice per day. If the Masterfile for a resource is changed to indicate that the resource is able to start only once per day, then the resource would no longer meet the eligibility criteria for Category 1. When such a change to the Masterfile occurs, the ISO proposes to treat the resource as unavailable and subject to RAAIM non-availability charges unless eligible substitute capacity is provided. Treating a non-eligible resource as unavailable for RAAIM purposes appears reasonable in principle, but the proposed rule should be clarified to recognize and explicitly allow appropriate opportunities to satisfy the availability criteria in alternative ways.

Taking the example described in the Straw Proposal, it would be appropriate to treat as unavailable for RAAIM purposes a resource designated for Category 1 Flexible RA capacity if the Masterfile is changed to reduce allowable starts from two per day to one per day, absent the provision of qualified substitute capacity. However, other types of Masterfile changes (for example, reducing total starts allowed in a month) could be addressed by pairing the resource having the Masterfile change with another resource such that the resource pair can satisfy the eligibility criteria for the Flexible RA category on a combined basis. Similarly, if the Masterfile change occurs during the middle of a month, any resource that is able to satisfy the must-offer

requirements for the remainder of the month should be eligible to provide substitute capacity for the rest of the month, as discussed in the first section of these comments.

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