

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE ON OPERATING PROCEDURE
REVISIONS TO IMPLEMENT AMENDMENT 60**

April 22, 2008

At the outset, the Six Cities note that the CAISO rejected a request by the Cities to view, subject to an appropriate confidentiality agreement, the Operating Procedures that have been in effect and the proposed revisions. The Cities' inability to review the specific revisions to the Operating Procedures that the CAISO is contemplating makes the preparation of meaningful comments difficult, if not impossible. The generalized description of the proposed revisions set forth in the CAISO's Market Notice is not an adequate substitute for an opportunity to review the text of the proposed revisions and does not provide sufficient detail to permit the Cities to evaluate either the potential impact of the proposed revisions or, more importantly, their consistency with the FERC's orders in the Amendment 60 docket.

Based upon the inappropriately limited information available to the Cities, the Cities have identified significant concerns, especially with the CAISO's apparent plan to reclassify dispatches of RMR units in prior periods based upon the proposed revisions to the Operating Procedures. The Six Cities believe that any reclassification of RMR dispatches is beyond the scope of the Amendment 60 proceeding and therefore neither required nor authorized by the FERC's orders in that docket. The Cities have not identified any directive in any of FERC's orders in the Amendment 60 docket requiring or authorizing reclassification of RMR dispatches. To the contrary, the FERC specifically stated in its November 20, 2007 "Order on Rehearing" that "[w]e do not agree that reliability costs incurred through RMR contracts and the must-offer obligation are identical. . . . [B]ecause the CAISO does not have authority to commit RMR units to address system energy needs or to manage inter-zonal congestion, the use of RMR units is limited to resolving local reliability problems. In contrast, the CAISO has no such limitation with respect to committing must-offer units and may, as it does under the incremental cost of local approach, use a local must-offer unit to resolve both local and system reliability requirements." 121 FERC ¶ 61,193 (2007) at P 31. See also November 20 Order at P 35 (" . . . MLCC costs are different from congestion costs and charges for RMR units")

Furthermore, the CAISO has not explained what data it would use to reclassify dispatches of either RMR units or Must Offer units in prior periods or how it could verify the accuracy of such data. The October 17, 2007 summary of the PricewaterhouseCoopers 2006 Operational Compliance Assessment indicates continuing problems with implementation of and/or documentation concerning the must-offer waiver process. The June 7, 2006 "CAISO Acceptance and Response Regarding PricewaterhouseCoopers, LLC Report on 'Compliance Assessment Relating to Specified Control Room Operational Processes' for 2005" suggests that similar problems occurred during 2005. The Six Cities have not been able to locate the actual PricewaterhouseCoopers reports for 2005 and 2006 on the CAISO's website and therefore are not able to assess fully the nature and scope of the implementation and data problems identified in the summary materials. At a minimum, however, the CAISO must explain what data it will

utilize in reclassifying prior period dispatches and what steps it will take to ensure that such data are reliable for the purpose used.

The description of the revision to Operating Procedure G-206 at page 3 of the CAISO's summary "Amendment 60 Implementation Plan" appears to be directly contrary to FERC's orders in the Amendment 60 docket. The Plan states, "G-206 has now been updated to identify that generation required for mitigating overloads on the Miguel 500/230 kV Transformer Banks will be treated as a zonal commitment. This generation, whether it is an RMR unit or not, will be committed through the Must Offer Process and be logged as needed for zonal needs for the Miguel Bank." (Emphasis added). However, FERC's July 8, 2004 Order in the Amendment 60 docket expressly determined at P 43 that the CAISO may commit RMR units for reasons other than local reliability concerns only after issuing a notice to market participants that a System Emergency is imminent or threatened. 108 FERC ¶ 61,022 (2004) at ¶ 43. See also portion of November 20, 2007 Order quoted above.

Submitted by,

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