

November 14, 2019

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA,
BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
ON PROPOSED REVISION REQUEST 1203**

In accordance with the Business Practice Manual (“BPM”) Change Management Process, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the “Six Cities”) provide their comments in response to Proposed Revision Request (“PRR”) 1203, titled “Commitment cost default energy bid enhancements BPM changes.” Through PRR 1203, the CAISO proposes revisions to the Market Instruments BPM that it states are intended to add functionality to make Reference Level Change Requests and to redefine Proxy Costs and Default Bids through the Commitment Cost and Default Energy Bid initiative. Through these revisions, the CAISO proposes to add an Attachment O, which provides information on Reference Level Change Requests. The Six Cities comments are limited to the CAISO’s proposed Attachment O.

First, in Section O.1 of Attachment O, Reference Level Change Requests, the CAISO proposes to include the following language regarding non-compliance charges associated with an Operation Flow Order (“OFO”):

On days when the gas system is constrained, the local distribution company, interstate or intra-state gas pipeline operator may invoke an Operation Flow Order (OFO) or issue other instructions restricting use of gas imbalance services. The non-compliance charge associated with the specific level of flow order can be included in the fuel cost component of automated Reference Level Change Request submitted after the last standard gas nomination cycle for the remaining hours of the same day real-time market. The resource must retain evidence showing notice of fuel transport flow orders (e.g. OFO or Emergency Flow Order) and associated imbalance charges.

See Attachment O at 3. The Six Cities request clarification with regard to the implementation of the non-compliance fee discussed in Section O.1. It is the Six Cities’ understanding that, if an OFO is issued, the Scheduling Coordinator may not know that it would be charged a non-compliance fee until the day after the OFO is invoked. When this non-compliance charge is added to the fuel cost component of the automated Reference Level Change Request, the additional charge would result in a charge above the reasonableness threshold that would need to be mitigated downward. The Six Cities request clarification as to how the OFO non-compliance charges are included in the reference level adjustments, including an example of how the adjustment and non-compliance charge would be calculated and whether it is separate from the 110% or 125% volatility scalar.

Second, it is also unclear whether adding the non-compliance charge to the fuel cost component results in an improper double charge. In the event there’s a Stage 3 OFO, the gas price will normally already have a penalty baked into the cost of gas. It appears that adding the non-compliance charge to the fuel cost component of the automated Reference Level Change Request

would then result in a double charge for penalty costs. The Six Cities request that the CAISO explain how the non-compliance charge does not result in double counting penalty costs.

Finally, Section O.1 states that “[t]he Scheduling Coordinator must have contemporaneously available documentation at the time of making a Reference Level Change Request,” which “must justify an increase in expected fuel or fuel-equivalent costs compared to the costs used by the CAISO to calculate Reference Levels,” and “show that the price of fuel is based on next-day procurement for the day-ahead market and same-day or next-day procurement for the real-time market and must reflect prudent procurement practices.” *See* Attachment O at 3. The Six Cities request clarification as to what the CAISO means by use of the term “prudent procurement practices.” Because fuel can be purchased on either the day-ahead market or the real-time market based on various factors at a given time, it is not clear to the Six Cities that procurement based on either timing would be considered imprudent. The Six Cities request that the CAISO provide additional information as to what would be considered prudent and imprudent procurement practices.

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