

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide written comments on the Clean Energy and Pollution Reduction Act Senate Bill 350 (SB350) Study initiative posted on April 25, 2016.

Please submit comments to regionalintegration@caiso.com by close of business
June 22, 2016

Materials related to this study are available on the ISO website at:

<http://www.caiso.com/informed/Pages/RegionalEnergyMarket/BenefitsofaRegionalEnergyMarket.aspx>

Please use the following template to comment on the key topics addressed in the workshop.

<p>1. Are any of the study results presented at the stakeholder workshop unclear, or in need of additional explanation in the study’s final report?</p>
<p>Comment:</p>
<p>2. Please organize comments on the study on the following topic areas:</p> <ul style="list-style-type: none"> a. The 50% renewable portfolios in 2030 b. The assumed regional market footprint in 2020 and 2030 c. The electricity system (production simulation) modeling d. The reliability benefits and integration of renewable energy resources e. The economic analysis f. The environmental and environmental justice analysis
<p>Comment:</p> <p>a) The Six Cities have no comments at this time with respect to this topic area.</p> <p>b) It is reasonable to assume that a regional market in 2020 would consist of the current CAISO BAA and the two PacifiCorp BAAs. With respect to the assumed regional market footprint in 2030, it would be helpful to see the results of sensitivity analyses estimating benefits if only one or more subsets of the entities assumed in the 2030 studies were to participate in the regional market. For example, what would be the impact on the benefits analyses if Wyoming utilities did not participate in the regional ISO in 2030?</p> <p>c) (i) The Six Cities believe that the estimated transmission costs reflected in the 2030 Scenario 3 Case are likely to be understated by significant amounts. Sensitivity analyses reflecting the potential for significantly higher transmission costs should be performed for Scenario 3.</p> <p>(ii) Discussion during the May 25, 2016 meeting indicated that both the E3 and Brattle analyses assumed that the output of fossil-fueled resources could be reduced to zero. That assumption seems inconsistent with repeated statements by the CAISO regarding the need for resources that can provide reliable and responsive flexible ramping capacity. The validity of the assumption that output of fossil-fueled resources can be reduced to zero affects the production cost analysis and the environmental benefits analysis as well as the other analyses (e.g., ratepayer impacts and impacts on disadvantaged communities) that rely on the production cost and environmental study results. Sensitivity analyses should explore the impacts on estimated benefits of assuming that some amount of fossil-fueled resources must be committed to address ramping needs.</p>

d) In the Second Revised Straw Proposal on Regional Resource Adequacy, the CAISO proposes to allocate Maximum Import Capability (“MIC”) on a sub-regional basis, based on the sub-regions the CAISO proposes to adopt as part of its proposal for the Regional Transmission Access Charge methodology. It appears to the Six Cities that the MIC allocation methodology could affect the ability of BAAs participating in the regional market to rely on resources located in other sub-regions or outside the regional market footprint for RA purposes. The Six Cities request an analysis and explanation of how a sub-regional approach for allocating MIC would affect assumptions in the SB 350 studies relating to California’s ability to rely on out-of-state renewable resources for RA purposes and the related estimates of reliability cost impacts.

3. Other

Comment:

Development of a Comprehensive Regionalization Proposal and Appropriate Sequencing of Related Initiatives - - The results of the SB 350 benefits analyses as presented in the May 24-25 meetings compel a reevaluation of the approach to regionalization followed by the CAISO thus far. The CAISO has pursued a number of stakeholder initiatives in parallel and under accelerated schedules in order to facilitate integration of the CAISO and PacifiCorp BAAs beginning in 2020. The results of the SB 350 studies demonstrate that there is no justification for making critical policy determinations in a hasty, piecemeal, and uncoordinated fashion.

At this time, parallel processes are under way to develop policy proposals for a regional Transmission Access Charge methodology, a regional Resource Adequacy framework, and a governance structure for a regional ISO. Evaluation of another critical policy - - implementation of California’s Greenhouse Gas reduction program in the context of a regional ISO - - has not yet begun. The CAISO has pointed to the need for policy direction from FERC on the regional TAC, regional RA, and governance by the end of this year to facilitate review by PacifiCorp’s state regulators during 2017 so as to support integration of the PacifiCorp BAAs with the CAISO BAA by 2020. As a result of the accelerated schedules for these critical policy developments, key elements (for example, the Transmission Planning Process for the regional TAC and the metrics for a methodology to establish a regional Planning Reserve Margin for the regional RA framework) will be deferred. There will be limited or no time to consider how elements of the various policy determinations may interact with one another. Perhaps most importantly, there will be no ability for the regional governance entity or entities to provide input on the regional TAC and regional RA proposals prior to seeking guidance from FERC on those proposals.

The SB 350 study results do not support a rush to accomplish integration of the CAISO

and PacifiCorp BAAs by 2020. The study results show that benefits to California from integrating the PacifiCorp BAAs in 2020 will be approximately \$16 million, a *de minimis* figure in the context of the overall CAISO markets, unless PacifiCorp pays a load ratio share of the Grid Management Charge. But at the June 16, 2016 workshop on the GMC, a PacifiCorp representative stated that it would not realize sufficient benefits to its customers in 2020 to justify paying a load ratio share of the GMC. Hasty, incomplete, and uncoordinated development of policies for regional integration creates risks of adverse unintended consequences and waste of CAISO, stakeholder, and regulatory resources that far outweigh any expected benefits in 2020 from integrating the CAISO and PacifiCorp BAAs.

The SB 350 study results for 2030, however, based on expanded regional integration, identify the potential for more significant benefits to California. The Six Cities support further efforts to accomplish regional integration on a broad basis that will result in equitable sharing of benefits among all participants. To that end, the Six Cities support a sequenced and comprehensive approach to the development of necessary policies, beginning with development and implementation of a governance framework. With input from the regional governing entity or entities, development of complete policies for the regional TAC (including the Transmission Planning Process), regional RA rules (including, among other necessary components, the methodology for determining the regional PRM), and implementation of California's GHG objectives in the context of a regional ISO should follow. The goal should be to develop a coordinated and comprehensive proposal for regional integration that will have broad support not only among stakeholders in the CAISO and PacifiCorp BAAs but also among stakeholders in BAAs throughout the western region.