

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
ON THE COMMITMENT COST ENHANCEMENTS 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 on the ISO's Commitment Cost Enhancements Phase 2 Straw Proposal, posted on October 29, 2014:

Definition of Use-Limited Resource: The Six Cities recommend the following modification to the new definition of Use-Limited Resource proposed at page 7 of the Straw Proposal.

A resource with non-economic and non-contractual limitations the CAISO optimization cannot model but for the inclusion of opportunity cost adders. Limitations may include environmental, regulatory, or operational restrictions, as approved by the CAISO or Local Regulatory Authority.

The additional language at the end of the definition is necessary and appropriate to recognize use limitations that are, or may be, established by Local Regulatory Authorities.

Update to the Opportunity Cost Model: The Straw Proposal indicates at page 24 that the ISO generally plans to consider updates to the opportunity cost model on a quarterly basis. The Six Cities do not oppose a quarterly update interval as a general matter but urge the ISO to be open to updating the model more frequently or on an *ad hoc* basis if there is evidence that the model is producing anomalous results due to significant changes in input factors or system conditions. There should be no *a priori* limitations on updates to the model.

Updating of Default O&M Costs: The Six Cities support a review of the default variable O&M costs to evaluate whether updating is appropriate to more closely match current costs. A reasonable first step in such an analysis would be assembly and publication for stakeholder review of current costs for the components originally included in the default O&M allowance.

Commitment Costs for Multi-Stage Generating Resources: The Six Cities support allowing major maintenance adders for all configurations for MSG facilities. In addition, GHG allowances should apply for all startable configurations and for increasing transitions between configurations.

Submitted by,

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