

**COMMENTS ON BEHALF OF  
THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA  
ON THE DRAFT 2015 STAKEHOLDER INITIATIVES CATALOG**

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 "Draft 2015 Stakeholder Initiatives Catalog" (the "Draft Catalog").<sup>1</sup>

**1. Review of Convergence Bidding Uplift Allocation  
(Draft Catalog at §§ 1.3 and 7.4)**

Under current tariff provisions, all uplifts associated with convergence bidding are allocated to Measured Demand. Convergence bidding uplifts have imposed several hundred million dollars in costs on LSEs within the ISO. To comport with the cost causation principle, such uplifts must be allocated in proportion to the benefits of convergence bidding. The ISO should maintain the stakeholder initiative described at Section 7.4 and conduct a comprehensive evaluation of the costs and benefits associated with convergence bidding and implement a method or methods for allocating the costs of convergence bidding to the entities that benefit from convergence bidding. While the ISO states that the "Full Network Model Expansion" initiative may mitigate the magnitude of convergence bidding uplift (*see* Draft Stakeholder Catalog at 11), minimizing the uplift charges and allocating them in a manner consistent with cost causation are two separate issues. The Six Cities urge the ISO not to conflate the two and presume that the flawed allocation will be addressed by modeling changes that may minimize these charges. The ISO should proceed with changes to the allocation methodology; if the uplift is minimized as a result of implementing the full network model expansion, then all parties will benefit from the reduced charges.

**2. Mitigation of Transmission Cost Increases (Draft Catalog at § 9.2)**

The ISO's access charges continue to escalate. While the Six Cities support enhancement of the transmission infrastructure as necessary to accommodate integration and delivery of resources to meet Renewable Portfolio Standards and maintain reliability, the ISO should strive to avoid unnecessary increases in transmission costs. The ISO should proceed with a stakeholder initiative to identify measures that could mitigate increases in transmission costs without adversely affecting necessary grid enhancements. As discussed in Section 9.2 of the Draft Catalog, potential mitigation measures that should be considered may include, but should not necessarily be limited to (i) establishing requirements for transmission developers to disclose in the competitive solicitation process any incentives that the developer intends to seek from FERC (if a petition for such incentives has not previously been filed) and

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<sup>1</sup> The Six Cities note that the ISO has established a bifurcated comment period for this stakeholder process. The comments due today are intended to address (1) questions and/or clarifications regarding initiatives listed in the Draft Catalog; (2) proposed initiatives not listed in the Draft Catalog; and (3) suggested deletions to initiatives listed in the Draft Catalog, including additional deletions and the continued inclusion of ISO-proposed deletions. These comments are largely intended to clarify the Cities' positions on several of the proposed initiatives. The Six Cities reserve for further comment the proposed ranking of 2015 initiatives, on which the ISO requests comments by December 5th.

(ii) providing the ISO with documentation comparing the estimated cost of the transmission project with and without the incentives. If doing so would expedite consideration of this issue, measures related to the competitive solicitation process could be incorporated into the stakeholder proceeding for Competitive Solicitation Process Enhancements, which is ongoing (despite the absence of an “I” in the proceeding’s description), but in the early stages. (See Draft Catalog at § 10.5.) The Six Cities observe that cost mitigation measures could be among those designated as one of the “other issues” addressed in Section 5.2 of the ISO’s “Competitive Solicitation Process Enhancements Status Update/Issue Paper” posted on October 7, 2014. As with the listed issues, cost mitigation measures may require “comprehensive stakeholder consultation.” (See Status Update/Issue Paper at 11.) Cost mitigation measures likely fit well alongside the listed topics. (See Status Update/Issue Paper at 12.)

In the event that the ISO prefers to utilize a stand-alone stakeholder proceeding for this topic, which would include consideration of broad approaches to mitigating transmission cost increases, including (but not limited to) any necessary modifications to the competitive solicitation process, then there may be merit to including the proposed stakeholder proceeding for Deliverability Network Upgrade Planning Criteria described at Section 13.19 of the Draft Catalog. Although the ISO currently proposes to delete this proposed proceeding, evaluating whether unneeded network upgrades are being constructed and, if so, addressing that issue, is among the topics that could be considered as one way to mitigate transmission cost increases.

### **3. Maximum Import Capability (Draft Catalog at § 10.7)**

The Six Cities do not oppose reviewing the ISO’s current methodology for determining Maximum Import Capability (“MIC”) through a future stakeholder proceeding (as discussed in Section 10.7.1), provided that any subsequent stakeholder process(es) not presume that any changes must be made and, in the event that the existing methodology is modified, that priority for certain pre-Resource Adequacy import commitments, Existing Transmission Contracts, and Transmission Ownership Rights (and any extensions or renewals thereof) be preserved.

The Six Cities strongly support the initiative proposed in Section 10.7.3, which addresses the allocation of MIC among load-serving entities to address concerns about overly small, non-viable allocations with limited utility being made based on load share. The Six Cities urge the ISO to expedite review of this issue, which should be considered in a stand-alone stakeholder process apart from general modifications to the MIC methodology covered in Section 10.7.1. In the Six Cities’ view, addressing this topic as a stand-alone proceeding will ensure that its consideration is not unduly delayed by broader methodological considerations.

### **4. Protocol(s) for Simulation and Testing (Draft Catalog at § 13.16)**

The Six Cities oppose the deletion of their previously-proposed initiative to develop standard protocols and parameters for testing and/or simulation of market bid/offer/take patterns for any market design change, change in modeling, or new product prior to implementation of the design change, modeling change, or product. Although the ISO conducts testing and simulations for some design or model changes or new products, it does not do so through an open process in all cases, and the Cities are not aware of any defined criteria for when testing and simulations are conducted or what protocols are applied. Establishing standard criteria, protocols, and parameters for testing and/or simulation would

improve transparency in the ISO's markets and provide a systematic process for evaluating anticipated impacts of market modifications. According to the Draft Catalog, the ISO perceives this issue as one of process improvement rather than market design. (See Draft Catalog at 54.) The Six Cities believe that this issue has tangible market design and efficiency implications and are unaware of any proposal by the ISO to implement the process improvements sought by the Cities.

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