May 7, 2015

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE CALIFORNIA ON THE BIDDING RULES ENHANCEMENTS FERC ORDER NO. 809 ISSUES

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 questions regarding the Bidding Rules Enhancements Straw Proposal ("Straw Proposal") as it relates to FERC Order No. 809, FERC's rule addressing changes to gas scheduling practices. The Six Cities comments focus on the three alternatives proposed by the ISO for modifying the timing of the day-ahead market processes.

Alternative 1: Move the timing of the ISO's day-ahead market timelines to earlier in the day (*e.g.* 7 a.m. – 10 a.m. PT) so that the generators know their electric dispatch obligations before the day-ahead timely nomination cycle for gas scheduling.

In its Straw Proposal, the ISO states that Alternative 1 "aligns the intent of FERC Order 809 to provide generators with an understanding of their electric dispatch obligations before obtaining gas scheduling." The Six Cities agree that these benefits could be realized with the implementation of Alternative 1, but only if the timeline for gas trading occurs after day-ahead schedules are published. If and only if such changes occur can the Six Cities consider Alternative 1. Indeed, should there be a shift in the gas trading timeline so that gas trading occurs after day-ahead schedules are published, the Six Cities would need to re-examine Alternative 1.

Alterative 2: Maintain the ISO's current timing for the day-ahead scheduling process on the grounds that obtaining gas scheduling on the pipelines serving California generators is not a problem and it is sufficient to know electric dispatch obligations at the time of the day-ahead evening nomination cycle.

Assuming that the gas trading timeline does not change, the Six Cities support Alternative 2 as the only viable alternative for the timing of the ISO's day-ahead market processes. Currently, gas trading is largely complete by approximately 7:30 am for the next day. By that time, gas supplies have diminished, as most trading has been completed and traders have taken their positions. Further, under Alternative 2, there is sufficient time to include the observed gas price in the economic bids for the next day prior to the 10:00 am closing of the day-ahead market. Alternative 2 also would allow the ISO to maintain the manual gas price spike process, although this would require the publication of awards to be delayed.

While the Six Cities support Alternative 2, this alternative is not without problems. As noted above, under the current timing, generators must predict gas requirements for the next day, causing the incurrence of extra costs when predictions of next-day gas requirements are incorrect. Generators will continue to incur such extra costs should the status quo continue.

However, Alternative 2 is still preferable to Alternative 1 due to the timing issues presented by Alternative 1, described above.

Alternative 3: Move the timing of the ISO's day ahead market timelines to later in the day (*e.g.* noon to 3:00 p.m. PT), so that gas-fired resources learn their day-ahead dispatch obligations after the timely nomination and use the evening nomination cycle at 4:00 p.m. PT to address any fuel scheduling imbalances.

The Six Cities do not support Alternative 3. First, Alternative 3 does not reflect the intent of Order No. 809. Second, Alternative 3 only will work if the trading timelines are moved back from the current timelines. If they stay as they are, the Six Cities would be required to add additional shifts for pre-schedulers. Third, the Six Cities also believe that moving the timing of the ISO's day-ahead market timelines to later in the day would result in issues with tagging timelines. Therefore, the Six Cities do not see Alternative 3 as a possible option and urge the ISO to remove this option from consideration.

Submitted by,

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