

May 2, 2017

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE APRIL 18, 2017
CONGESTION REVENUE RIGHTS ANALYSIS WORKING GROUP MEETING**

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 April 18, 2017 Congestion Revenue Rights Analysis Working Group ("CRR Working Group") meeting.

The Six Cities urge the ISO to prioritize and complete as quickly as possible any analysis of data the ISO considers necessary to inform further consideration of measures to address the substantial gap, currently borne by ISO load, between the auction revenues that holders of auctioned CRRs pay to acquire those CRRs and the congestion payments made to the holders of auctioned CRRs. Although presentations during the CRR Working Group meeting by representatives of financial market participants, energy marketers, and generators emphasized the benefits of a liquid CRR auction for all market participants, including load, no one has attempted to demonstrate that the asserted benefits to load are even roughly commensurate with the payments ultimately made by load to the holders of auctioned CRRs. The ISO's Department of Market Monitoring ("DMM") has demonstrated that payments to the holders of auctioned CRRs have exceeded the CRR auction revenues by more than \$560 million since 2012. Notwithstanding suggestions by representatives of marketers and financial market participants that the \$560 million payout is trivial in relation to the overall costs of serving load, it is an extremely high price tag for asserted but unquantified benefits of the CRR auction. Moreover, as noted by representatives of DMM and Pacific Gas and Electric Company at the CRR Working Group meeting, load has not been given a choice whether or not to participate in the CRR auctions; rather, load has been forced to bear the risk and the price tag for auctioned CRRs that are underfunded.

The DMM highlighted this issue and recommended an alternative method for allocating CRR revenue inadequacy two-and-one-half years ago in October of 2014 (*see* "Allocating CRR Revenue Inadequacy by Constraint to CRR Holders," October 6, 2014, at https://www.caiso.com/Documents/AllocatingCRRRevenueInadequacy-Constraint-CRRHolders_DMMWhitePaper.pdf.) It is past time for the ISO to prioritize resolution of the concern. Any analysis required to further evaluate the issue and inform potential solutions should take place as promptly as possible. To the extent possible, consideration of potential modifications to the CRR structure should proceed in parallel with data analysis. The Six Cities urge the ISO to establish an aggressive schedule to complete any necessary data analyses, to evaluate potential solutions to the issue, to present recommended modifications for approval, and

to implement approved modifications no later than the spring of 2018 (which will be approximately three-and-one-half years after DMM's identification of the issue).

Submitted by

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