

March 21, 2018

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE DAY AHEAD MARKET
ENHANCEMENTS ISSUE PAPER/STRAW PROPOSAL**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide their comments on the February 28, 2018 Day Ahead Market Enhancements Issue Paper/Straw Proposal (the "Straw Proposal"):

The Six Cities support the objectives of the Straw Proposal and generally support the three core elements of the Straw Proposal. More specifically, the Six Cities agree with the overall goal of procuring resources in the Day Ahead Market that will be better positioned to satisfy demand in the Real Time Market reliably and efficiently. See Straw Proposal at 4-5. To that end, the Six Cities support in concept the ISO's proposals to modify the Day Ahead Market to provide for 15-minute scheduling, to combine the Integrated Forward Market ("IFM") and Residual Unit Commitment ("RUC") processes, and to procure in the Day Ahead Market imbalance reserves that will have a must offer obligation to submit economic bids for the Real Time Market. The Six Cities also support in concept the proposed principles for allocating the costs for imbalance reserves to both load and resources based on contribution to the need for imbalance reserves as described at pages 22-23 of the Straw Proposal.

Notwithstanding the Six Cities' conceptual support for the core elements of the Straw Proposal, there are a number of significant questions and implementation details that require further analysis and explanation. To date, the Cities have identified the following questions and/or concerns:

(1) Should there be limitations or restrictions on the economic bids submitted in the Real Time Market by resources that receive awards for imbalance reserves in the Day Ahead Market, and, if so, how should they be crafted? If there are no limitations on economic bids to be submitted by resources that receive imbalance reserve awards, it may turn out that capacity counted on by the ISO to address Real Time needs comes only at an excessive energy cost. However, limiting the Real Time bids for such resources to the Day Ahead bid that resulted in the imbalance reserve award might preclude resources from recovering legitimate costs that increase between the submission of the Day Ahead bid and Real Time (*e.g.*, when there are substantial increases in gas costs between Day Ahead and Real Time).

(2) It appears there is substantial if not complete overlap between the imbalance reserves concept and other market design features intended to ensure the ISO's ability to meet Real Time needs, such as Flexible Ramping Product, Corrective Capacity, and Ancillary Services. (*See, e.g.*, Straw Proposal at page 20 and the presentation for the March 7, 2018 stakeholder meeting at Slides 23 and 31). How will the procurement of imbalance reserves impact or be coordinated

with the procurement of other products to avoid unnecessary procurement or imposition of duplicative costs on ratepayers?

(3) The Straw Proposal would not permit self-provision of imbalance reserves (*see* Straw Proposal at 21) but does not explain why that restriction is necessary or appropriate. The Six Cities request that the ISO explain and justify the proposal to preclude self-provision of imbalance reserves.

(4) The Straw Proposal indicates that if a resource receives an imbalance award in the Day Ahead Market, is dispatched in the Real Time Market, and does not follow the 15-minute or 5-minute dispatch instruction, it will be charged for the costs associated with the uncertainty movement allocation of the flexible reserve product but will retain the payment for the imbalance reserve award. *See* Straw Proposal at 21. This appears to be unduly lenient and could give rise to gaming.

The Six Cities look forward to exploring further the details of the ISO's Day Ahead Market Enhancements proposal.

Submitted by,

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