

October 3, 2018

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE LOCAL MARKET POWER  
MITIGATION 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 September 13, 2018 Local Market Power Mitigation Enhancements Issue Paper/Straw Proposal (the "Straw Proposal"):

As described at pages 4-5 of the Straw Proposal, some elements of the Straw Proposal would apply both within the ISO Balancing Authority Area ("BAA") and within the BAAs of Energy Imbalance Market ("EIM") Entities, and other elements would apply only within EIM BAAs. As described below, the Six Cities (1) support the elements of the Straw Proposal that would apply both within the ISO BAA and within EIM BAAs, and (2) take no position at this time with respect to elements of the Straw Proposal that would apply only within EIM BAAs.

The Six Cities understand that three elements of the Straw Proposal would affect market power mitigation within the ISO BAA as well as in the EIM BAAs. In the Fifteen-Minute Market, the ISO proposes to calculate competitive LMPs in each fifteen-minute market run and to eliminate the current rule that a resource mitigated in one interval is mitigated for the balance of the hour. (Straw Proposal at pages 4-5 and 10). In the five-minute Real-Time Dispatch ("RTD"), the ISO proposes to eliminate the current rule that if a resource is mitigated in the Fifteen-Minute Market, it is automatically mitigated in RTD, and to eliminate the current rule that if a resource is mitigated in the first or second five-minute interval, it will be mitigated for the remaining five-minute interval(s) in the given fifteen-minute interval. (*Id.*). Finally, because of recent episodes of volatility in same-day gas prices relative to the day-ahead gas index prices used to evaluate reference level adjustments for resources, the ISO proposes to add a manual approval process for reference level adjustment requests for the Real-Time Market. (Straw Proposal at pages 5 and 30-31). On a preliminary basis and subject to further analysis and consideration of comments, the Six Cities support these aspects of the Straw Proposal, as they would appear likely to enhance the accuracy of market power mitigation in the Real-Time Market.

At this time, the Six Cities take no position on the elements of the Straw Proposal that would apply only within EIM BAAs, including proposed revisions to the market power mitigation process to prevent flow reversal or economic displacement and to develop opportunity costs for use-limited EIM resources based on day-ahead and month-ahead futures prices at a bilateral trading hub. The Six Cities will continue to evaluate subsequent analyses,

presentations, and comments related to these aspects of the Straw Proposal and may express substantive positions on these points as this stakeholder initiative evolves.

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