

August 15, 2017

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA ON CAISO'S COMMITMENT COST  
AND DEFAULT ENERGY BID ENHANCEMENTS REVISED STRAW PROPOSAL  
AND TECHNICAL WORKSHOP**

In response to CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide the following comments on the August 2, 2017 Revised Straw Proposal ("Revised Straw Proposal") and the August 3, 2017 Technical Workshop ("Workshop") on Commitment Cost and Default Energy Bid Enhancements:

Use of Average Minimum Load Cost Bid During RTUC - - The Six Cities support CAISO's proposal to use an average of a supplier's Minimum Load Cost bids during the RTUC process that resulted in a binding commitment. (Revised Straw Proposal at 49).

BCR Based on Proxy Costs for Hours in Which No Minimum Load Cost is Bid - - The Six Cities support CAISO's proposal to settle BCR based on a resource's proxy costs for hours when a resource has been committed within the optimization window but did not submit a Minimum Load Cost bid. (Revised Straw Proposal at 50).

Cap on Market-Based Commitment Cost Components at 300% of Proxy Costs - - The Six Cities continue to be concerned that allowing bids for market-based commitment cost components up to 300% of proxy costs may lead to excessive commitment costs. Allowing market-based bids up to 200% of proxy costs would be more appropriate.

Allowing Risk Margin for Non-Compliance with OFOs in Reference Level Adjustment Requests - - The Six Cities support CAISO's proposal to consider, subject to conditions, risk margins for non-compliance with OFOs in connection with requests for reference level adjustments. (Workshop Presentation Slides 42 and 43).

Intra-day Revision of Start-up Cost Bids - - During the Workshop, CAISO explained that it proposes to maintain Start-up Cost bids as a daily value, because the hourly bids for Minimum Load Costs will drive the commitment optimization. However, CAISO also stated during the Workshop that bids for Start-up Costs could be revised within a day, and that the revised bid amount would become the daily value for the remainder of the day. Subject to the ability to revise bids for Start-up Costs intra-day, the Six Cities do not oppose treatment of Start-up Cost bids as daily values.

Use of 8:30 a.m. Gas Trade Data to Update Reference Costs - - The Six Cities continue to support the proposal by the Department of Market Monitoring to continue use of 8:30 a.m. gas trade data to update reference costs, as this may reduce the need for suppliers to submit requests for resource-specific reference level adjustments. The Six Cities do not understand CAISO's resistance to retaining this currently-effective feature of the market design. The reference cost

updates based on 8:30 a.m. gas trade data obviously can be implemented, because they are occurring today. They should remain in place.

Consideration of Fuel Procurement Practices in Negotiated Reference Levels - - The Six Cities support CAISO's proposal to allow consideration of fuel procurement practices or challenges in development of negotiated reference levels. (Revised Straw Proposal at 56).

Documentation for Reference Level Adjustments - - The Six Cities remain concerned that the proposed requirement for 5-10 price quotes to support a request for a reference level adjustment (Revised Straw Proposal at 83) may be unattainable in some circumstances. If a request for a reference level adjustment must be submitted during a time when there is limited liquidity in the gas markets, it may not be possible to obtain a minimum of 5 price quotes. The Six Cities request that CAISO allow documentation of good faith efforts to obtain a minimum of 5 price quotes to satisfy the requirements for supporting documentation for a reference level adjustment request.

No Position at This Time with Respect to Other Aspects of the Revised Straw Proposal - - The Six Cities very much appreciate CAISO's efforts to respond to stakeholder input in this initiative process and the development of the Technical Appendices to the Straw Proposal and the examples discussed in the Workshop. The Six Cities also appreciate and support CAISO's efforts to move forward expeditiously to allow increased bidding flexibility for commitment costs while protecting the market against exercise of market power. Nonetheless, there has been only limited time to evaluate the extensive material included in the Revised Straw Proposal and the Workshop presentation materials, and the Six Cities are not able to express a position at this time with respect to all aspects of the Revised Straw Proposal.

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