

October 12, 2012

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING THE
INTEGRATED DAY-AHEAD MARKET DRAFT TECHNICAL DESCRIPTION AND
THE OCTOBER 2, 2012 WORKSHOP DISCUSSION**

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 regarding the ISO's September 28, 2012 Integrated Day-Ahead Market Draft Technical Description and the related discussion held during the October 2, 2012 workshop (the "October 2 Workshop").

The Six Cities appreciate the additional information provided by the ISO regarding the proposed Integrated Day-Ahead Market ("iDAM") design and the opportunity to participate in the October 2 Workshop. Conceptually, the iDAM design appears to offer efficiency benefits compared with the current separate IFM and RUC processes. The Cities, therefore, support further consideration and evaluation of the potential benefits of the iDAM design.

As acknowledged several times during the October 2 Workshop, however, the ISO's market design already is exceedingly complex, and the iDAM design would introduce additional complexity. The Six Cities share concerns expressed by multiple representatives from a broad spectrum of stakeholder interest groups regarding the possibilities that transition to the iDAM design may have unintended and/or unforeseen impacts on price formation and may expand opportunities for gaming or market manipulation. Accordingly, while the Six Cities support further analysis and evaluation of the iDAM design proposal, they also strongly support comments by SCE and others that there must be extensive testing of the iDAM design before it is implemented with binding economic effect. The Six Cities agree with SCE that there should be an extended simulation period, followed by sufficient time for review and analysis of the simulation results, prior to go-live implementation of the iDAM. In addition to (and perhaps prior to) interactive simulation, the Six Cities urge that the ISO test the iDAM algorithm by "re-running" the markets using historic market data and market conditions, *e.g.*, actual summer load conditions with high loads, actual spring conditions when there are many scheduled maintenance outages, actual winter conditions, *etc.*, and compare the results with the historic market outcomes under the same conditions, including identification of changes in dispatch patterns and pricing as well as impacts on various stakeholder groups. Such extensive simulation and testing is essential to minimize the potential for unintended consequences as well as to permit an evaluation of whether iDAM is likely to produce incremental benefits in terms of efficiencies sufficient to

justify the increased complexities and potential expansion of opportunities for gaming and manipulation.

Submitted by

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