October 23, 2013

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON ADDITIONS TO THE DRAFT 2013 STAKEHOLDER INITIATIVES CATALOG

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 suggestions for additions to the draft 2013 Stakeholder Initiatives Catalog posted by the ISO on October 4, 2013 ("the 2013 Catalog"):

<u>Multi-Year RA Import Allocation</u> - - The 2012 Stakeholder Initiatives Catalog included an initiative to develop multi-year RA import allocations, and the Six Cities and several other stakeholders ranked this as a high priority initiative. Subsequently, the ISO incorporated consideration of a Multi-Year RA Import Allocation under the initiative for a Multi-Year Forward Reliability Capacity Pricing Mechanism. The draft 2013 Catalog does not include any specific reference to a Multi-Year RA Import Allocation initiative, either as a separate initiative or as an element of the Joint Reliability Framework topic (Item 8.2), under which the ISO proposes to address multi-year capacity procurement.

The Six Cities urge the ISO to include consideration of Multi-Year RA Import Allocation, either as an explicit element of the Joint Reliability Framework initiative or as a separate, stand-alone initiative. Permitting multi-year RA import allocations will facilitate forward contracting by LSEs for renewable resources and flexible capacity resources located outside the ISO's Balancing Authority Area ("BAA") and bring more parity with similar resources internal to the ISO's BAA. This should increase the pool of external resources available to provide operational flexibility needed to manage the grid more effectively while achieving the state's Renewable Portfolio Standard goals and improve grid reliability. By providing greater assurance that external resources will be deliverable for RA purposes, forward contracts for external RA resources should be both more desirable and easier to administer, as well as involving less risk both for the external resource and for the purchasing LSE.

<u>Mitigation of Transmission Cost Increases</u> - - The ISO's access charges are escalating at a staggering rate. While the Six Cities support enhancement of the transmission infrastructure as necessary to accommodate integration and delivery of resources to meet Renewable Portfolio Standards and maintain reliability, the ISO should strive to avoid unnecessary increases in transmission costs. The ISO should establish as soon as possible a broadly-defined stakeholder initiative to identify measures that could mitigate increases in transmission costs without adversely affecting necessary grid enhancements. Among other potential mitigation measures, the ISO should consider requiring transmission developers to disclose in the competitive solicitation process any incentives that the developer intends to seek from the FERC (if a petition for such incentives has not previously been filed) and to provide the ISO with documentation comparing the estimated cost of the transmission project with and without the incentives.

<u>Review of Convergence Bidding Uplift Allocation</u> - - Under current tariff provisions, all uplifts associated with convergence bidding are allocated to Measured Demand. Convergence bidding uplifts have imposed several hundred million dollars in costs on LSEs within the ISO. To comport with the

cost causation principle, such uplifts must be allocated in proportion to the benefits of convergence bidding. The ISO should establish as soon as possible a stakeholder initiative to conduct a comprehensive evaluation of the costs and benefits associated with convergence bidding and to implement a method or methods for allocating the costs of convergence bidding to the entities that benefit from convergence bidding. Alternatively, this topic could be included in a more comprehensive review of ISO cost allocation methods to consider whether all cost allocation methods comport with the cost causation principle. Although the draft 2013 Catalog indicates in Item 13.2 that the ISO plans to delete the Cost Allocation Overall Market Review, the Six Cities challenge that suggestion and intend to submit comments opposing deletion of that topic in the next round of comments scheduled for November 22.

Protocol(s) for Simulation and Testing of New Models, Design Changes, or Products - - The Six Cities recommend that the ISO establish an initiative to develop standard protocols and parameters for testing and/or simulation of market bid/offer/take patterns for any market design change, change in modeling, or new product prior to implementation of the design change, modeling change, or product. Although the ISO conducts testing and simulations for some design or model changes or new products, it does not do so through an open process in all cases, and the Cities are not aware of any defined criteria for when testing and simulations are conducted or what protocols are applied. Establishing standard criteria, protocols, and parameters for testing and/or simulation would improve transparency in the ISO's markets and provide a systematic process for evaluating anticipated impacts of market modifications.

Submitted by,

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