April 29, 2011

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING 2011 CRR ENHANCEMENTS STRAW PROPOSAL**

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 in response to the ISO's April 15, 2011 Straw Proposal on 2011 CRR Enhancements (the "Straw Proposal").

Establishment of Working Group to Address Load Migration Issues - - The Six Cities support the Straw Proposal's recommendation to establish a working group to address issues relating to load migration, including CRR tracking concerns.

Proposals to Improve Revenue Adequacy of CRRs - - The Straw Proposal includes several proposed modifications to the CRR release process with the objective of improving the revenue adequacy of CRRs. In general, the Six Cities agree that enhancing revenue adequacy is a desirable goal. The Cities, however, do not support all aspects of the proposed modifications to enhance revenue adequacy.

The Straw Proposal carries forward the ISO's proposal, initially suggested in the March 4, 2011 Issue Paper, to base the amount of CRRs to be released for interties on analysis of historical data on Operating Transfer Capability ("OTC") for each interface. The Six Cities' March 18, 2011 comments on the Issue Paper requested that the ISO provide an up-to-date analysis of the anticipated effects of the OTC approach on the amounts of CRRs expected to be released at the interties. The ISO has not published such an analysis.

The Six Cities March 18th comments also questioned whether adoption of the proposed OTC method will result in a substantial improvement in overall revenue adequacy for CRRs. From the data released by the ISO, it appears that revenue inadequacy primarily is a result of transmission outages. While the OTC approach might reflect more accurately the effects of planned outages and thereby result in some improvement in revenue adequacy, it seems unlikely that it would capture fully or systematically the effects of forced outages. As an alternative (or in addition), the ISO could consider requesting permission from FERC to relax the full funding requirement, at least for allocated CRRs, where revenue inadequacy results from a forced outage. The relaxation of the full funding requirement, however, should be limited to the specific CRRs affected by the forced outage, and the funding shortfall should not be recovered from other CRR holders or from load in general. Such an approach would approximate in the CRR context the effects of a forced transmission outage on firm physical transmission rights. The Six Cities do not support general relaxation of the full funding requirement for CRRs or recovery of CRR funding shortfalls from CRR holders in general.

Consistent with their general support for the effort to improve revenue adequacy of CRRs, the Six Cities are open to further consideration of localized derate factors. However, before expressing a definitive position, the Cities request that the ISO provide additional detail on how localized derate factors would be developed and applied.

The Six Cities oppose any reduction in the amount of CRRs distributed through the annual process. As noted during the April 22nd stakeholder conference call, reducing the amount of CRRs available through the annual process would reduce the ability of LSEs to nominate CRRs through the Priority Nomination Process.

Combination of Tier 1 and Tier 2 Monthly Allocation - - The Six Cities do not oppose combination of the Tier 1 and Tier 2 monthly allocations, so long as the total eligible nomination percentages for allocated CRRs remain the same (*i.e.*, up to 100% of the Seasonal Eligible Quantities or Monthly Eligible Quantities, as applicable, for the combined allocation tiers).

Multi-Period Optimization of LT CRRs - - As discussed in their March 18th comments on the Issue Paper, the Six Cities support development of multi-period optimization for LT CRRs. The LT CRR process as currently structured does not provide sufficient assurance that LT CRRs will be available beyond the initial ten year period to support long-term resource commitments. Under the current LT CRR nomination rules, LSEs are not able to secure LT CRRs to replace CRRs that will expire subsequent to the initial ten year period or have assurance that they will be permitted to extend LT CRRs that currently are in place. This uncertainty with respect to continued availability of LT CRRs beyond the initial allocation period is an obstacle to long-term resource procurement and is inconsistent with FERC's Order No. 681 requirement that long-term firm transmission rights be available to support long-term power supply commitments. The Six Cities understand that the ISO plans to address Multi-Period Optimization of LT CRRs in a subsequent stakeholder process to begin this summer.

Flexible Term Lengths for LT CRRs - - The Six Cities also support further consideration and analysis of flexible term lengths for LT CRRs in the next round of the CRR stakeholder process.

Submitted by

Bonnie S. Blair
Thompson Coburn LLP
1909 K Street N.W.
Suite 600
Washington, D.C. 20006-1167
bblair@thompsoncoburn.com
202-585-6905

Attorney for the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California