

September 5, 2017

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE ANNUAL POLICY INITIATIVES ROADMAP PROCESS DRAFT FINAL PROPOSAL**

In response to CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following comments on CAISO's Annual Policy Initiatives Roadmap Process Draft Final Proposal posted on August 22, 2017 (the "Draft Final Proposal"):

Consistent with their August 8, 2017 comments on the Straw Proposal for this initiative, the Six Cities support the CAISO's proposed modifications to the process for developing the Annual Policy Initiatives Roadmap and believe that the revised process will provide greater transparency and more efficient use of stakeholder and CAISO resources in identifying and prioritizing desired initiatives.

The Six Cities specifically support the following elements of the Draft Final Proposal:

- a) Allowing CAISO Staff and stakeholders to propose new initiatives through submission of a template request during any time of the year (Draft Final Proposal at 4);
- b) Providing opportunities for stakeholder comments on initiatives proposed by early January and by early July of each year, followed by twice yearly updates to the Policy Initiatives Catalog in February and August, including an explanation by the CAISO for excluding proposed initiatives from the Catalog (*Id.* at 4-5);
- c) Developing both an Annual Policy Initiatives Roadmap and a three-year prospective market initiatives roadmap (*Id.* at 5-7);
- d) Including in the Draft Annual Policy Initiatives Roadmap ("Draft Roadmap") a detailed explanation of CAISO's rationale for undertaking the initiatives included in the Draft Roadmap, including CAISO's cost/benefit analyses and implementation considerations (*Id.* at 5-6);
- e) Allowing for stakeholder feedback on the Draft Roadmap (*Id.* at 7);
- f) Eliminating from both the Policy Initiatives Catalog and the process for developing the Annual Policy Initiatives Roadmap the mechanism for quantitative scoring or ranking of initiatives previously utilized in developing the Stakeholder Initiatives Catalog (*Id.* at 5, 9);

- g) Coordinating and/or aligning to the extent possible the initiatives selected for the Annual Policy Initiatives Roadmap with the goals and policy priorities reflected in the three-year roadmap (*Id.* at 6-7);
- h) Including initiatives relating to the Energy Imbalance Market (“EIM”) in the general processes for developing the Stakeholder Initiatives Catalog and the Annual Policy Initiatives Roadmap (*Id.* at 7-8).

With respect to elimination of the previously applied process of quantitatively scoring or ranking potential initiatives, the Six Cities strongly disagree with the comments by the Financial Marketers Coalition, WPTF, and XO Energy asserting that a ranking process is necessary to provide transparency. The output of a quantitative ranking process does not promote transparency, because such a process is too susceptible to manipulation and does not accurately reflect the scale of stakeholder interests. For example, Southern California Edison Company (“SCE”) and Pacific Gas and Electric Company (“PG&E”) respectively serve significant percentages of California end-use customers. If each member of WPTF submitted similar or identical rankings for initiatives on an individual basis, should the multiple rankings by individual WPTF members outweigh rankings submitted by SCE or PG&E simply by virtue of number? A quantitative ranking process suggests a false impression of precision and is less likely to contribute to transparency than carefully reasoned and articulated comments.

In response to concerns expressed by the Six Cities in their August 8, 2017 comments on the Straw Proposal regarding the characterization of initiatives as “Non-discretionary,” the Draft Final Proposal eliminates the “non-discretionary” classification and adds a new “committed” classification. The Draft Final Proposal at page 6 describes the “committed” classification as applying to initiatives “committed to during a regulatory proceeding, EIM Governing Body or Board of Governors meeting.” The Six Cities do not object to adoption of the “committed” classification and agree that it provides a better description of the origin of initiatives that arise out of regulatory proceedings or meetings of the EIM Governing Body or CAISO Board of Governors. In terms of process, however, the Six Cities remain concerned that automatically prioritizing “committed” initiatives over “discretionary” initiatives will encourage attempts by interested stakeholders or subsets of stakeholders to game the initiatives selection process by aggressively lobbying CAISO management, the EIM Governing Body, or the CAISO Board of Governors for endorsement of desired initiatives, thereby automatically elevating the priority of those initiatives over others that may offer greater benefits to the markets as a whole. To minimize the adverse effects of such efforts at gaming the prioritization process, the Six Cities recommend that classification of a proposed initiative as “committed” require a formal determination that the classification is appropriate for the initiative by the CAISO Board of Governors or by the EIM Governing Body through a process that (i) allows an opportunity for input by all interested stakeholders, and (ii) includes consideration of CAISO management’s analysis of the proposed initiative’s overall impacts on the CAISO markets (including EIM). The guiding principle for prioritization of all initiatives should be expected benefits to the overall market (including EIM) in terms of enhancements either to reliability or to market efficiency or both, and application of the “committed” classification should be consistent with that principle.

Finally, the Six Cities reiterate their request that CAISO confirm that a decision to pursue a particular initiative will not dictate the substantive outcome with respect to that initiative and specifically will not preclude a potential conclusion, after detailed analysis and consideration of stakeholder input, that the initiative should be closed without any rate design modification, tariff change, or change in operating practice. Participation by any stakeholder in the process for identifying and evaluating potential initiatives should not in any way restrict that stakeholder's subsequent positions regarding any initiative that is pursued. For initiatives that are included in the Annual Policy Initiatives Roadmap, CAISO should continue to pursue the iterative, detailed exploration of issues through the steps of CAISO's existing process that takes place once an initiative has commenced.

Submitted by,

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