

August 8, 2017

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE ANNUAL POLICY  
INITIATIVES ROADMAP PROCESS STRAW 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 Straw Proposal posted on July 18, 2017 (the "Straw Proposal"):

The Six Cities very much appreciate CAISO's efforts to respond to concerns expressed by the Six Cities and other stakeholders regarding the process CAISO has utilized in previous years to establish the Annual Policy Initiatives Roadmap. The process described in the Straw Proposal seems likely to result in greater transparency and certainly will enable more efficient use of stakeholder resources.

The Six Cities specifically support the following elements of the Straw Proposal:

- a) Allowing CAISO Staff and stakeholders to propose new initiatives through submission of a template request during any time of the year (Straw Proposal at 4);
- b) Following internal CAISO review of a proposed initiative, posting of CAISO's response to the initiative request (*Id.*);
- c) Updating the Policy Initiatives Catalog twice a year (Straw Proposal at 2, 4);
- d) Developing both an Annual Policy Initiatives Roadmap and a three-year prospective market initiatives roadmap (Straw Proposal at 2, 5);
- e) 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 (Straw Proposal at 5);
- 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 (Straw Proposal at 2, 5, 7);
- g) Allowing for stakeholder feedback on the Draft Roadmap (Straw Proposal at 5);

- h) 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 (Straw Proposal at 5, 7);
- i) 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 (Straw Proposal at 7).

Notwithstanding their support for many elements of the Straw Proposal as identified above, the Six Cities have some remaining concerns about the prioritization process for initiatives, particularly with respect to the characterization of initiatives as “Non-discretionary.” It appears from the discussion at page 4 of the Straw Proposal that CAISO contemplates retaining the Non-discretionary category for initiatives as well as the “FERC-mandated” category. While placement of initiatives in the FERC-mandated category can be verified, the Straw Proposal provides no criteria for distinguishing between Non-discretionary versus Discretionary initiatives. Because Non-discretionary initiatives presumably will have priority over Discretionary initiatives, the classification process will have significant consequences as a practical matter.

In the revised process for identifying and prioritizing initiatives, the Non-discretionary category should be limited to initiatives necessary to address a substantial and time-sensitive reliability concern, and the initial issue paper or straw proposal for such an initiative, whether proposed by CAISO Staff or identified in a stakeholder request, should provide a detailed description of the reliability concern the initiative is needed to address. All other initiatives (including ones identified as desirable by CAISO Staff, the Department of Market Monitoring, or ones requested by stakeholders) should be classified as Discretionary and prioritized on the basis of expected benefits to the overall market in terms of enhancements either to reliability or to market efficiency or both, to be described in detail in CAISO’s explanation for its decision to pursue an initiative described at page 5 of the Straw Proposal. The primary considerations for prioritizing initiatives should be estimated benefits (including both magnitude and distribution of anticipated benefits) as compared with costs and impacts on complexity of market processes.

Finally, the Six Cities 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.

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