

May 27, 2011

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
REGARDING 2011 CRR ENHANCEMENTS REVISED DRAFT FINAL 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 May 20, 2011 Revised Draft Final Proposal on 2011 CRR Enhancements (the "Draft Proposal").

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

Proposals to Improve Revenue Adequacy of CRRs - - The Draft 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 Draft 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 and the Six Cities' April 29, 2011 comments on the ISO's Straw Proposal 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, the ISO should 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.

Annual and Monthly Allocations and Auctions - - The Six Cities support the determinations in the Draft Proposal to continue to release 75% of capacity in the annual process, to not apply a global de-rate factor in the annual process, and to retain two tiers for the monthly allocation process

Multi-Period Optimization of LT CRRs - - As discussed in their March 18th comments on the Issue Paper and their April 29th comments on the Straw Proposal, 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