

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE DRAFT 2017
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 comments on the ISO's draft 2017 Stakeholder Initiatives Catalog posted on September 15, 2016 (the "Draft 2017 Catalog"):

Item 12.1 CRR Market versus Auction - - The issue described in Item 12.1 should be re-classified as a non-discretionary initiative and pursued as soon as possible. As described at page 7 of the Draft 2017 Catalog, non-discretionary initiatives "address significant . . . market efficiency issues." The ISO's Department of Market Monitoring has documented and explained in detail that the current design of the ISO's CRR auction process has resulted in revenue deficiencies averaging approximately \$130 million per year from 2012 through 2015 at the expense of LSEs in the ISO area. *See* DMM's 2015 Annual Report on Market Issues and Performance at 182-190. To place that amount in perspective, the ISO's quarterly reports quantifying Energy Imbalance Market benefits estimated gross 2015 EIM benefits to ISO market participants of approximately \$12.7 million. Thus, the average annual costs to ISO LSEs resulting from the design of the CRR auction process have been more than ten times the estimated EIM benefits to ISO market participants in 2015. Clearly the CRR auction design issue qualifies as a significant market efficiency issue, and addressing that issue should be classified as non-discretionary and assigned a correspondingly high priority for prompt action (*i.e.*, prioritized ahead of discretionary initiatives).

Item 12.9 CRR Revenue Inadequacy - - The Six Cities request clarification of this item. It is not clear from the description whether this item coincides with Item 12.1 or is simply related to Item 12.1. If the two items overlap completely, the Cities recommend combining them into one non-discretionary initiative as discussed above. If, however, Item 12.9 includes issues that are not encompassed within Item 12.1, the Cities recommend that the ISO evaluate whether it would be most efficient and effective to address the related issues as part of the same non-discretionary initiative described in Item 12.1 or to address separately issues covered by Item 12.9. The Six Cities emphasize that the issue described under Item 12.1 should be covered by a non-discretionary initiative to be commenced as promptly as possible.

Item 16.6 Multi-Year Import Allocation Process - - The Six Cities oppose deletion of this item from the catalog. The basis for the proposed deletion is deferral of multi-year Resource Adequacy procurement requirements by the California Public Utilities Commission. Procurement of long-term capacity resources, however, offers benefits to the ISO BAA whether or not multi-year RA showings are required, and the absence of multi-year import allocations creates unnecessary and undesirable uncertainties with respect to the valuation of long-term resources. To support long-term capacity procurement, even if not required by the CPUC's RA

program, the ISO should move forward to develop and make available multi-year import allocations.

Item 5.5 Transmission Access Charge Options and Item 5.6 Review Transmission Access Charge Billing Determinant - - The Six Cities request clarification of the scope of the two items described in 5.5 and 5.6. The description under Item 5.6 appears to be within the scope of issues being considered under Item 5.5. The Six Cities understand that the topic heading of Item 5.6 covers a different in-progress initiative, *i.e.*, whether TAC billing determinants should be reduced by subtracting the amount of energy produced by local distributed generation. The Six Cities further understand that the ISO recently decided to defer further consideration of whether the TAC should apply to energy produced by local distributed generation pending comprehensive review of the TAC billing determinants structure. It appears, therefore, that the description currently included under Item 5.6 should be transferred to Item 5.5, and that the topic heading currently labeled as Item 5.6 should be classified as a discretionary new initiative to encompass an overall review of the TAC billing determinants structure.

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