

January 15, 2016

**COMMENTS ON BEHALF OF
THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA
ON THE ISSUE PAPER FOR
TWO-TIER ALLOCATION OF REAL-TIME BID COST RECOVERY UPLIFT**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") hereby comment on the Issue Paper addressing Two-Tier Allocation of Real-Time Bid Cost Recovery ("BCR") Uplift.

The Six Cities observe that Real-Time BCR uplift comprises a significant portion of uplift costs generally (*see* Issue Paper at 5) and urge the ISO to continue its efforts to reduce these uplift costs. With respect to cost allocation, the Six Cities support transitioning to a two-tiered methodology that would more closely align the cost allocation approach used for Real-Time BCR uplift with the cause of the uplift. While there may be a variety of factors that could contribute to Real-Time BCR uplift, the ISO and stakeholders should strive to identify a more accurate allocation approach than is used currently (*i.e.*, a broad allocation to measured demand).

In considering alternatives to the existing single-tier allocation methodology, however, the Six Cities are concerned that reliance on the information and options in the ISO's October 9, 2008 Issue Paper may not provide a complete analysis of the implications of using either of the two options under current conditions. In particular, changes to the resource mix within the ISO over the past seven years may render the assessments in the 2008 Issue Paper outdated. For example, the increase in renewable generation in recent years may be an important factor in evaluating the cause of and considering alternatives to the existing allocation for Real-Time BCR uplift.

For this reason, the Six Cities support continued consideration of this issue by the ISO and stakeholders and request that the ISO further assess both of the options discussed in the 2008 Issue Paper under current market conditions and rules and provide stakeholders with information regarding the applicable rates and anticipated magnitude of assessments under both of the Option 1 and Option 2 scenarios.

Submitted by,

Margaret E. McNaul
Thompson Coburn LLP
1909 K Street N.W., Suite 600
Washington, D.C. 20006-1167
mmcnaul@thompsoncoburn.com
202-585-6900

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