June 1, 2011

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING PRICE INCONSISTENCY CAUSED BY INTERTIE CONSTRAINTS

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 18, 2011 Draft Final Proposal on Price Inconsistency Caused by Intertie Constraints (the "Draft Proposal").

The Six Cities share the concerns expressed in most of the previously submitted comments on this subject that implementation of different LMPs for virtual and physical transactions when a physical scheduling limit constraint is binding is inconsistent with the purpose for convergence bidding and may result in anomalous or unexpected adverse results. In particular, the Cities are concerned that implementing the Draft Proposal may enable exploitation of additional price differentials that will increase uplift costs, which already are unduly burdensome, to load.

In their comments on the ISO's May 18, 2011 Revised Straw Proposal and Options for an Intermediate Term Solution on Redesign of the Real-Time Imbalance Energy Offset (the "Imbalance Energy Proposal"), the Six Cities support further consideration of a Pay as Bid option for physical intertie transactions with all virtual intertie transactions liquidated at the Real-Time price. Although that approach to curbing the increase in Real-Time Imbalance Energy Offset costs would not eliminate price inconsistencies resulting from physical scheduling constraints per se, it would address the problem of Scheduling Coordinators being paid for physical intertie transactions at prices outside the parameters of their bid curves.

Submitted by

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