

March 1, 2018

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE
EIM GHG ENHANCEMENTS 2nd 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") provide the following comments regarding the February 16, 2018 EIM Greenhouse Gas Enhancements 2nd Revised Draft Final Proposal (the "2nd Revised Proposal"):

The 2nd Revised Proposal abandons the ISO's previous proposal to implement a two-pass optimization for EIM transactions due to concerns that the two-pass approach would create undesirable bidding incentives. As the Six Cities understand the 2nd Revised Proposal, EIM participating resources that wish to be considered for delivery into California (including non-emitting resources) would submit positive GHG bid prices, and the ISO would limit the GHG bid quantity for an EIM participating resource to the MW value between the EIM participating resource's base schedule and the resource's upper economic level. The minimum GHG bid adder would be a "secondary emission rate" to be calculated by the ISO or the California Air Resources Board ("ARB"). The 2nd Revised Proposal appears to contemplate that the ARB will establish the methodology for determining the secondary emissions rate, and the ISO will perform the calculations on a periodic basis (perhaps quarterly). The Six Cities' understanding is that application of the secondary emissions rate to non-emitting EIM participating resources is intended to estimate the GHG impacts of "secondary dispatch" of emitting resources in EIM BAAs to backfill energy from non-emitting resources that is deemed delivered to California. According to ISO representatives at the February 22, 2018 stakeholder conference on the 2nd Revised Proposal, the ISO has not yet received any reaction to the proposal from the ARB.

The Six Cities are not able to provide substantive comments on the 2nd Revised Proposal at this time, because the Proposal is entirely conceptual and incomplete. For example, the methodology for calculating the secondary emissions rate, which is perhaps the most important feature of the Proposal, has not yet been defined. The Proposal has not been developed in sufficient detail to enable a full evaluation of the potential effects of the proposed approach on the EIM market and market participants either within or outside of California.

However, notwithstanding the fact that critical elements of the Proposal remain undefined, the schedule at page 11 of the 2nd Revised Proposal indicates that the ISO plans to present the Proposal to the EIM Governing Body for its decision at the EIM Governing Body's April 24, 2018 meeting. The schedule also suggests that the ISO is not planning for any further rounds of stakeholder comments.

The review process and schedule contemplated by the ISO for this initiative will not provide a meaningful opportunity for stakeholder review and input. Stakeholders cannot evaluate effectively a proposal for which important elements are undefined. The ISO should revise the schedule for the initiative to allow stakeholders adequate time to review and comment on the

ISO's proposed approach after the ISO has presented a fully developed proposal, including (but not limited to) the methodology for determining the secondary emissions rate.

Submitted by,

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