

September 24, 2015

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA
ON THE ENERGY IMBALANCE MARKET YEAR 1 ENHANCEMENTS PHASE 2
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 regarding the ISO's September 8, 2015 Energy Imbalance Market Year 1 Enhancements Phase 2 Draft Final Proposal (the "Draft Final Proposal"):

The Six Cities support the ISO's proposal to defer, pending additional collection and evaluation of information, consideration of (1) potential revision of the EIM transmission design, (2) flow entitlements for base schedules and day-ahead schedules, (3) compensation for third parties that make capacity available for EIM transfers, and (4) possible changes in the greenhouse gas design.

With respect to the revised method for allocation of congestion rents associated with EIM transactions included in the Draft Final Proposal, the Cities have reviewed the comments submitted by Southern California Edison Company ("SCE"). SCE has identified three potential concerns with the proposed method for allocation of congestion rents. First, SCE raises the possibility that the revised allocation method may give rise to revenue shortfalls for the ISO and questions how any such revenue shortfall would be addressed. Second, SCE identifies the potential that allocation of all congestion rents to the EIM Entity that manages an EIM Transfer Limit may create incentives for the EIM Entity to release less than the full amount of available transmission capacity if congestion revenues would exceed the incremental energy revenue it would receive from its own generation in the absence of congestion. Third, SCE questions whether the general intent of the proposed congestion rents allocation method is to provide congestion revenues to the entity responsible for the costs of the associated transmission and, if so, how it would be implemented to accomplish that objective.

The concerns and questions identified by SCE merit thorough and careful consideration. The Six Cities join SCE in requesting that the ISO evaluate these issues fully and address the potential negative impacts summarized above and described more fully in the SCE comments.

The Six Cities take no position at this time with respect to other topics discussed in the Draft Final Proposal.

Submitted by

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