

January 30, 2023

Mary Leslie, Chair
Governors, California ISO Board of Governors

Robert Kondziolka, Chair
Members, Western Energy Imbalance Market Governing Body

**Re: Transmission Service and Market Scheduling Priorities Phase 2 Final Proposal
Western EIM Governing Body Market Expert Opinion**

Dear Chair Leslie and Chair Kondziolka, Governors, and Governing Body Members:

On behalf of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the “Six Cities”), this correspondence addresses the Opinion of Susan L. Pope, WEIM Governing Body Market Expert, on the Phase 2 Final Proposal in the Transmission Service and Market Scheduling Priorities (“TSMSP”) initiative (the “Opinion”).¹ Although the Six Cities support or do not oppose the elements of the TSMSP Final Proposal, the Six Cities write to express concern with the Opinion’s apparent recommendation to substantively revise the Final Proposal as a part of the EIM Governing Body and ISO Board of Governors’ deliberative processes this week.

The Six Cities acknowledge the thorough review of the TSMSP Final Proposal by the Market Expert that is provided in the Opinion. There are several elements of the Opinion with which the Six Cities specifically concur, including the Market Expert’s observations regarding whether the Wheeling Access Charge accurately reflects the value of wheeling reservations² and the potential for wheeling priority to be transferred via third party contracts to entities that do not have load-serving obligations.³ The Six Cities agree that implementation of these policies and other elements of the Final Proposal should be carefully monitored to ensure that load-serving entities in the ISO and external to the ISO footprint have access to the ISO transmission system on a fair and non-discriminatory basis, consistent with the Federal Energy Regulatory Commission’s open access policies.⁴

¹ Although dated January 24, 2023, it appears that the Opinion was publicly posted on January 27th.

² See, e.g., Opinion at 5, 7 (explaining that “ATC wheeling through reservations awarded through the proposed monthly reservation process might in some instances have a market value greater than their cost” and observing that circumstances could arise where “the value of wheeling through reservations substantially exceeds the WAC.”)

³ See *generally* Opinion at 5-7 (discussing the potential for unintended consequences that could arise despite the requirements in the Final Proposal for high priority wheeling service to be backed by firm power supply arrangements needed to serve load).

⁴ See Final Proposal at 6 (reiterating the ISO’s commitment to “monitoring the effectiveness of the design, and based on operational experience, evolving the design through an open and transparent stakeholder process.”)

While recommending advisory approval of the Final Proposal to the EIM Governing Body, the Opinion also includes “recommended conditions to be included in advisory approval” in the form of seven “suggestions to California ISO staff in their approval of the Final Proposal.”⁵ These recommendations include substantive changes to and clarifications of various policy elements of the Final Proposal, including suggestions to

(1) eliminate a modification included in the final proposal whereby a party with a wheeling through reservation could reduce the number of reserved hours following receipt of the reservation; (2) substantially clarify how the reservation process for wheeling through ATC will address multi-month requests; (3) modify the proposal to accept daily wheeling through reservations that would be feasible in the absence of CPM; (4) modify the proposal so as to progressively release TRM capacity reserved for uncertainty as the degree of uncertainty diminishes moving toward real-time; (5) modify the proposal to ensure that monthly adjustments to TRM cannot degrade existing wheeling through reservations; (6) modify the proposal to limit the use of unreserved monthly wheeling through ATC to support LSE contracts at T-30; and (7) explain the conditions under which it is reasonable for load conformance to cause the pro-rating of existing wheeling through reservations and modify the proposal to align with these conditions.⁶

The Six Cities may support or would not oppose several of these recommendations, including those where further clarification or explanation is sought (such as nos. 2 and 7). However, the Six Cities do oppose recommendation nos. 3 and 6, which are two of the recommendations that would, if adopted, result in material changes to the Final Proposal. While the Six Cities do not oppose stakeholdering these potential changes in a future initiative, the Six Cities respectfully urge the EIM Governing Body and the ISO Board of Governors to refrain from directing substantive changes to the Final Proposal as conditions of approval at this time.

The Final Proposal reflects a careful balancing of stakeholder perspectives. It is likely that few stakeholders—both internal and external to the ISO—are conclusively satisfied with each and every element, but the Six Cities are hopeful that most stakeholders can view the Final Proposal as representing an incremental improvement over the status quo and a constructive step forward in resolving the difficult and challenging issues around wheeling access to and priorities on the ISO system following the heat events of August 2020. For these reasons, the Six Cities request that the EIM Governing Body approve the TSMSP Final Proposal on an advisory basis, and that the ISO Board of Governors approve the Final Proposal, subject to a commitment by the ISO to engage in ongoing monitoring of the proposal’s elements upon implementation. In the event that the EIM Governing Body and Board of Governors determine that the recommended conditions in the Opinion merit further consideration, then the Six Cities request that such recommendations be taken up in a future stakeholder process.

⁵ See Opinion at 14.

⁶ *Id.*

Please do not hesitate to contact the undersigned counsel for the Six Cities with any questions regarding this correspondence.

Very truly yours,

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