

February 25, 2015

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE ENERGY
IMBALANCE MARKET YEAR 1 ENHANCEMENTS 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 on the ISO's February 11, 2015 Energy Imbalance Market Year 1 Enhancements Draft Final Proposal (the "Final Proposal"):

Comments on Phase 1 Proposed Enhancements - - As indicated in their previous comments in this stakeholder process, the Six Cities support the following elements of the ISO's Final Proposal:

- The proposal to calculate allowed GHG bid adders on a resource-specific basis based on anticipated GHG compliance costs;
- The proposal to apply an enhanced capacity test to ensure that the overall bid range from participating resources is sufficient to meet the FMM load forecast;
- The proposal to enforce the EIM transfer limit at each intertie scheduling point rather than on a net scheduled interchange basis; and
- The proposal to reduce the number of Flexible Ramping Constraint combinations.

The discussion in the Final Proposal regarding settlement of non-participating resources, and specifically the eligibility of non-participating resources to receive payments for Bid Cost Recovery ("BCR"), is ambiguous. The Six Cities support the principle that non-participating resources in the EIM should be settled consistently with the settlement of ISO resources that self-schedule in the real-time market. The Final Proposal states that "[t]he ISO will continue to monitor, investigate, and resolve inadvertent settlement of BCR for both EIM non-participating resources and ISO resources with day-ahead awards that are not re-bid in to the real-time market." This statement does not make clear that non-participating resources in the EIM and ISO resources that self-schedule into the real-time market will not be eligible to receive payments for BCR. ISO representatives stated during the February 18, 2015 web conference on the Final Proposal that the ISO does not intend to pay BCR either to non-participating resources in the EIM or to ISO resources that self-schedule into the real-time market. The Six Cities request that the ISO clarify the Final Proposal to state explicitly the policy described in the February 18th web conference.

The Cities take no position at this time on other aspects of the ISO's Final Proposal on Phase 1 elements that are not discussed above.

Comments on Phase 2 Topics - - The ISO proposes to defer until Phase 2 of the Year 1 EIM Enhancements process two features that may affect the volume of supply available to the EIM. Previously, the ISO proposed a new rule that would require EIM Entities to allow fifteen minute bidding on EIM external interties. The ISO now proposes to address fifteen minute bidding at the EIM external interties in Phase 2. In response to previous suggestions from Southern California Edison Company (“SCE”) and the Six Cities, the ISO also proposes to defer until Phase 2 possible changes to the design for GHG compliance for EIM transfers into the ISO BAA. SCE suggested in its December 2, 2014 comments an alternative approach for GHG compliance that would avoid or minimize reductions in supply from resources outside of California available for optimization in the EIM. Both the availability of fifteen minute bidding at the EIM external interties and an alternative approach for GHG compliance that would reduce the perceived or actual compliance burden for resources providing energy for EIM imports to California could have significant impact on the volume of energy available for optimization in the EIM. The ISO should prioritize consideration of these features and move forward to address them as promptly as possible, if necessary through a separate stakeholder process focused on these features.

The Six Cities reiterate their recommendation that the ISO also include in the early stage of Phase 2 an evaluation of the impact of the EIM on convergence bidding. The Six Cities are concerned that if convergence bidding at the ISO interties is permitted to resume as of May 1, 2015, as anticipated, there is a potential that differences between the ISO Day-Ahead market and the Real-Time markets, including the EIM, may be exploited to create convergence bidding uplifts at the expense of ISO load. The Six Cities urge the ISO to take prompt action to evaluate the potential interaction of convergence bidding with the EIM design and make plans in advance to implement any measures necessary to avoid adverse impacts on uplifts.

The Cities take no position at this time on other topics the ISO plans to address in Phase 2 that are not discussed above.

Submitted by,

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