

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE ENERGY
IMBALANCE MARKET YEAR 1 ENHANCEMENTS WORKSHOP**

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 January 30, 2015 Technical Workshop discussion of proposed Energy Imbalance Market Year 1 Enhancements:

The Six Cities support the following elements of the ISO's EIM Year 1 Enhancements proposal as described in the January 30th presentation:

- 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 ISO stated during the January 30th workshop that it plans 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 indicated at the workshop that it will consider in 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 also urge the ISO to include in 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 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 the other aspects of the ISO's EIM Year 1 Enhancements proposal that are not discussed above.

Submitted by,

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