February 19, 2016

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE CONTINGENCY MODELING ENHANCEMENTS CRR ALTERNATIVES DISCUSSION PAPER

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 3, 2016 Contingency Modeling Enhancements CRR Alternatives Discussion Paper (the "CRR Discussion Paper"). As a preface to the comments and questions set forth below, the Six Cities note that their comments on the CRR Discussion Paper are preliminary pending review of the results of the prototype analysis the ISO has promised to post on February 24th.

The Six Cities generally support the concept of adjusting the CRR model to reflect the impacts of adopting preventive-corrective constraints under the Contingency Modeling Enhancements initiative. The Six Cities strongly prefer the alternatives for adjusting the CRR model that pair the impacts of preventive-corrective constraints with the affected CRRs, *i.e.*, Option 3(c) or Option 2(c). Of those two options, Option 3(c) appears most likely to minimize the risk that implementation of preventive-corrective constraints may result in a positively valued CRR turning into a liability.

The Six Cities oppose Options 2(a), 2(b), 3(a) and 3(b) for adjusting the CRR model because those options will increase substantially the complexity of the CRR allocation and auction processes. The ISO acknowledged at page 47 of the June 18, 2013 Contingency Modeling Enhancements Revised Straw Proposal "that the preventive-corrective constraint will add complexity to the ISO market and market software." Modifying the CRR model to require explicit bidding for CCRRs or CRR^{kc}s, either as separate bids under Options 2(a) and 3(a) or as part of a combined bid for a CRR under Options 2(b) and 3(b), would add even more layers of complexity to implementation of the Contingency Modeling Enhancements. Such added complexities increase the risks of unintended consequences and volatility and make it more difficult for LSEs to accomplish the central purpose for CRRs, *i.e.*, effectively hedging against congestion costs to deliver energy to serve load.

The Six Cities, however, request clarification with respect to Options 2(c) and 3(c):

1) Does pro rata allocation of CCRRs (under Option 2(c)) or CRR^{kc}s (under Option 3(c)) mean, with respect to both of those options, a paired assignment of a CCRR or CRR^{kc} with a directional CRR from a specific source to a specific sink? If not, please explain what pro rata allocation of CCRR or CRR^{kc} means and provide an example showing how it would work.

2) Assuming that CRRs and CCRRs/CRR^{kc}s are paired, under either Option 2(c) or Option 3(c), could the quantity of CCRRs or CRR^{kc}s assigned exceed the quantity of CRRs for the source/sink pair?

3) How will existing Long-Term CRRs be affected?

4) How will future Long-Term CRRs be affected?

5) Will the Contingency Modeling Enhancements prototype analysis results include information on the valuation of CCRRs and CRR^{kc}s? If not, when and how will the ISO reveal how CCRRs and CRR^{kc}s can be valued?

Submitted by,

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