

# Stakeholder Comment

## Subject: 2010 California ISO Transmission Plan Draft

Submitted by	Company	Date Submitted
<i>Steve Zaminski</i>	<i>Startrans IO, LLC</i>	<i>March 02, 2010</i>

Startrans IO, LLC (Startrans) is pleased to submit comments on the California Independent System Operator (“CAISO”) 2010 Draft Transmission Study Plan (“Draft Transmission Plan”) in response to the February 12, 2010 Unified Planning Assumptions Stakeholder Meeting

### **A. Executive Summary**

Startrans, a Participating Transmission Owner (“PTO”) in the CAISO, submitted two reliability projects during the Transmission Planning Request Window which closed on November 30, 2009.

These two projects are:

- a. Sierra Peakers Project, and
- b. Standard Oil Peaker Project

In its Draft Transmission Plan, the CAISO staff proposes to reject both of these projects, essentially for the same reason, namely that these projects are generation projects and not transmission projects. However, this rationale runs counter to clear language in the CAISO Tariff (“Tariff”) which allows Market Participants to propose generation alternatives to remediate transmission reliability issues. This authority is found in Section 24.2.1 of the Tariff.

As discussed below, the two projects offered by Startrans resolve persistent reliability concerns at critical points in the transmission system. Both would relieve NERC violation conditions and both occur in areas where traditional transmission facilities are unlikely to be sited or constructed in the near future. Accordingly, Startrans requests that its two peaker reliability projects be included in the adopted 2010 Transmission Plan.

The following is a description of the proposed projects, a recital of the CAISO response and comments and questions regarding that response.

### **B. Sierra Peakers Project**

#### *Project Description*

The Sierra Region of Northern California suffers from a reliability deficiency that has existed for the last three years. The CAISO Preliminary Results and Recommendations of CAISO's 2010 Transmission Plan – Economic Planning Study released on September 15, 2009 did not outline any proposed solutions to eliminate this deficiency. Therefore, Startrans proposed an efficient, reliable, timely and cost-effective timely solution that will solve the reliability deficiency by summer 2011.

The solution entails the installation of two gas turbines to provide the reliability needed to meet to NERC Reliability Standards. Pursuant to Section 24.2.1 of the Tariff, Startrans is submitting this peaker project as a transmission alternative.

The Sierra Region of Northern California encompasses the area north-east of Sacramento and the surrounding areas. Peak load is approximately 2,200 MW and is served through:

- multiple transmission lines that import energy from other regions, and
- hydro and cogeneration facilities in the area.

The transmission system into the Sierra Region is weak and cannot supply all the demand. As a result a minimum amount of generation within the Sierra Region's boundaries is needed to serve load and maintain reliability.

The amount of local resources required is calculated by the CAISO as part of it Local Capacity Requirement (LCR), issued every year. CAISO puts estimated peak load at 2,200MW while there is only about 1,800 MW of generation capacity available to serve that load. The transmission system into Sierra Region must be able deliver the difference between 1,800 MW and 2,200 MW. CAISO has indicated that the Sierra Region is a reliability deficient area and needs approximately 100 MW more supply in order to comply with NERC (N-1) reliability criteria.

The area has been deficient for the last three years and to correct this deficiency either generation needs to be built within Sierra Region or the transmission into the Sierra Region needs to be upgraded.

Startrans is proposing to enhance reliability by building two 50 MW peakers located at strategic locations within the Sierra Region. They can be operational by summer 2011. This project resolves the category "B" NERC reliability violation for the Sierra Region by eliminating the LCR deficiency. In addition, this project will significantly reduce the LCR requirement for Category C.

Startrans performed a reliability analysis by adding a 100 MW of peaking generation capacity at the Formica 115 kV substation. The resulting line flow on

Rio Oso – Atlantic 230 kV was lowered to 100%. The contingency was then replaced to show normal conditions. No normal overloads were observed.

The Sierra Peaker Project assumes the Atlantic 115 kV conversion project is completed. If the Formica substation cannot be expanded to include the new project, an alternative interconnection point would be the Formica – Pleasant Grove 115 kV line. The proposed project site is in an industrial area of West Roseville/Lincoln, CA near the Thunder Valley Casino and the Ultra Creek Rocklin generator.

In summary, the reliability analysis indicates the Sierra Peakers Project:

1. Increases load serving capabilities in the Sierra Region by 100 MW
2. Eliminates the deficiency in meeting NERC Reliability Category level “B” currently at 102 MW
3. Reduces the deficiency in meeting NERC Reliability Category level “C” by more than 102 MW
4. Provides Additional reliability services such as reactive support, quick-start capability, operating reserves and additional capacity.

*CAISO Response:*

“This is a generation resource project that was proposed in order to solve reliability problems and achieve an LCR deficiency reduction. However, it was not submitted as an alternative to transmission. Although this project directly competes with the new Rio Oso-Pleasant Grove 115 kV line, the CAISO’s transmission access charge (TAC) provides for rate recovery of transmission assets, but not generation assets. Accordingly, this project is being recommended for rejection. CAISO suggests that this project be submitted in the generation interconnection process. The new Rio Oso-Pleasant Grove 115 kV line along with other alternatives to this plan will be assessed further and included in the next annual ISO transmission plan”<sup>1</sup>.

*Startrans’ comments and questions:*

- Does the new Rio Oso – Pleasant Grove 115 kv project that was identified in the September 15, 2009 serve as an alternative solution to the LCR Deficiency?

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<sup>1</sup> 2010 California ISO Transmission Plan Draft, p. 126.

- Does CAISO agree that its transmission plans indicate that the Sierra Region has been deficient for the last three years?
- Startrans claims authority to submit this project as an alternative to transmission pursuant to Section 24.2.1 of the CAISO Tariff, (see discussion below)

### **C. Standard Oil Project**

#### *Project Description*

The second project submitted on November 30, 2009 was also in response to the Preliminary Results and Recommendations of CAISO's 2010 Transmission Plan – Economic Planning Study released on September 15, 2009, which shows significant NERC level B violation on the EL Sobrante – Standard oil 115 kV line with no proposed plans to mitigate this violation. Startrans offers this solution which, consistent with the CAISO Tariff, allows generation to be presented as a solution to a reliability and transmission problem.

The project is located in a load pocket east of San Francisco in the City of Richmond, California. The grid between the El Sobrante and Standard oil 115kv system does not comply with NERC reliability standards. The Standard Oil radial system has not met in local capacity needs for years. Startrans is proposing to resolve this deficiency by constructing and operating one 50 MW peaker plant. Startrans, currently a PTO, intends to add this project in the CAISO grid, consistent with CAISO Tariff.

The area of north Richmond is a load center with heavy industrial load including demand from refineries. The area is served by 115kv system and relies on two Chevron-owned peakers to meet portion of the load.

Under N-1 conditions and the unavailability of one Chevron-owned peaker, the Sobrante – Standard Oil #1 115 kV line was overloaded to 149% of the emergency rating. This confirms CAISO's conclusion that there is a category B overload

A 50 MW peaker added to Standard Oil 115 kV substation results in line flow on Sobrante – Standard Oil #1 115 kV being reduced to 96% of the emergency rating. The contingency was then replaced to show normal conditions. No normal overloads were observed.

This reliability analysis indicates that the Standard Oil Peaker project:

1. Eliminates the existing NERC level B violation
2. Results in cost savings by post-poning or eliminating transmission upgrades
3. Reduces congestion into the area
4. Provides regulation and operating reserve benefits
5. Provides power quality benefits
6. Reduces costs due to distribution losses
7. Reduces capacity payments since the project will be a “rate-based” assets
8. Provides additional benefits such as quick start capability and reliable resource during super peaks

*CAISO Response:*

“The Standard Oil Peaker project is a generation project for which can be submitted through an alternative channel, the LGIP. This is a generation resource project that was proposed in order to solve reliability problems. However, it was not submitted as an alternative to transmission. Although this project directly competes with the San Pablo/Point Pinole 115 kV voltage support project, the CAISO’s TAC provides for rate recovery of transmission assets, but not generation assets. Accordingly, this project is being recommended for rejection”.

*Startrans’ comments:*

Section 24.2.1 of the CAISO Tariff states a PTO with a Service Territory must “identify the need for any transmission additions or upgrades required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards.” And “in making this determination, the CAISO, in coordination with each Participating TO with a Service Territory and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades such as acceleration or expansion of existing projects, Demand-side management, Remedial Action Schemes, appropriate Generation, interruptible Loads or reactive support.” (emphasis added)

It is clear to Startrans that the PTO with a Service Territory has the obligation to identify the need for transmission upgrades by conducting reliability analysis and identifying violations of reliability criteria. However, as indicated in Section 24.2.1, CAISO, PTOs and Market Participants must consider the lower cost alternatives. If the PTO with Service Territory identifies the need and proposes a plan to mitigate the need, what other alternatives can the CAISO evaluate if no other Market Participants are allowed to submit alternative solutions?

Section 24.1.2 states that PTOs with a Service Territory shall provide the CAISO and other Market Participants with all information relating to the studies performed. In addition, Section 24.1.2 defines who should propose reliability solutions and states: “Project Sponsors and other Market Participants shall be free to propose any transmission upgrades or additions deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards.”

Startrans understands that it, as a market participant and a PTO, can propose projects that address reliability problem. Startrans’s proposal was submitted after several years of continuous reliability violations pointed out by both CAISO and the local utilities.

Startrans believes that the local utilities’ lack of responsiveness in fixing these reliability problems is an indication that they are not interested in these projects.

Startrans as a PTO should be allowed to propose reliability projects, in accordance with the Tariff. The two projects proposed by Startrans should be evaluated as cost-effective solutions to persistent reliability concerns and included in the final 2010 Transmission Plan.

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