

May 16, 2016

Via U.S. Mail and Electronic Mail

Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: edtariffunit@cpuc.ca.gov

With electronic copies to:

Eric Dupre
Analyst
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
eric.dupre@cpuc.ca.gov

Michele Kito
Supervisor, RA and Procurement Oversight
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
michele.kito@cpuc.ca.gov

Re: California Independent System Operator Corporation Comments on Draft Resolution E-4781

Dear Energy Division:

The California Independent System Operator Corporation (CAISO) submits these comments on Draft Resolution E-4781 (Draft Resolution). The Draft Resolution addresses Advice Letter 3380-E, Southern California Edison Company's (SCE) request for approval of a contract for the 54 MW Ellwood Generating Station (Ellwood) for August 2016 through May 2018 (the Ellwood Contract) and a contract for the 130 MW Mandalay Generating Station Unit 3 (Mandalay 3) for August 2016 through May 2020 (the Mandalay 3 Contract). The Draft Resolution approves the Ellwood Contract and denies the Mandalay 3 Contract on the grounds that Mandalay 3 is not needed to meet local reliability issues in 2016, 2017 or beyond.¹ The CAISO believes the Commission should approve the Mandalay 3 Contract to ensure that Mandalay 3 is available for potential midterm reliability issues in the Santa Clara sub-area.

¹ Draft Resolution, p. 12.

I. Background

The Draft Resolution correctly notes that based on the CAISO's most recent local capacity technical results, Mandalay 3 is not needed to address local capacity requirements in the Santa Clara sub-area in 2016 or 2017. The Draft Resolution notes that "nothing precludes NRG/GenOn from participating in SCE solicitations for [resource adequacy] to meet local and system needs for 2017 and beyond." However on May 12, 2016, NRG California South LP, the owner and operator of the Mandalay Generating Station, filed comments on the Draft Resolution indicating that "[w]ithout a capacity contract...there is a substantial risk that the Mandalay Generating Station (including Mandalay 3) will retire prematurely."²

II. Discussion

A. Santa Clara Sub-Area Need

The CAISO's local capacity technical study indicates potential unmet local capacity needs in the 2019-2020 time if Mandalay retires prematurely. The most recent study results show a Santa Clara area local capacity need of 227 MW in 2017, which rises to a total need of 253 MW by 2021. With the Ellwood Contract, there are sufficient available resources in the Santa Clara sub-area to address the local capacity needs in 2017. However, assuming a relatively average rate of load growth between 2017 and 2021, full effectiveness of emerging demand response resources and the return of currently unavailable local generation resources, the capability of sub-area resources to meet local capacity needs would be marginal. If the entire Mandalay Generating Station retires prematurely, Santa Clara sub-area local capacity resources would be at the very edge of meeting residual local capacity needs prior to the addition of any new resources pursuant to Decision 13-02-015. As a result, the CAISO believes the Commission should approve the Mandalay 3 Contract to ensure that adequate capacity will be available for mid-term local capacity needs in the Santa Clara sub-area.

B. Aliso Canyon Flexibility

The CAISO also notes that Mandalay 3 can provide additional flexibility to address reliability issues associated with loss of the Aliso Canyon storage facility. Mandalay 3 is served by natural gas facilities not directly impacted by the closure of Aliso Canyon. As a result, Mandalay 3 will provide additional flexibility to address electric reliability issues caused by any potential prolonged unavailability of Aliso Canyon.

III. Conclusion

Based on the foregoing, the CAISO believes that the continued availability of Mandalay 3 is important to ensuring reliability in the Santa Clara area, at least until new generation is available to meet needs identified in Commission Decision 13-02-015. The Commission should act to ensure that the Mandalay Generating Station does not retire prior to new replacement

² Comments of NRG California South LP on Draft Resolution E-4781, p. 2.

capacity coming online. The CAISO recommends that the Commission approve the Mandalay 3 Contract in order to ensure that Santa Clara sub-area capacity needs are met.

Respectfully submitted,

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Anna A. McKenna

Assistant General Counsel

Jordan Pinjuv

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

T – 916-351-4429

F – 916-608-7222

jpjuv@caiso.com

cc: Ed Randolph
Director, Energy Division