



111 Woodmere Road, Suite 190, Folsom, CA 95630
Office: 916-608-9060 Fax: 916-608-9861

Deliverability of Resource Adequacy Capacity on Interties Initiative

Comments of 8minutenergy Renewables on Draft Final Proposal

May 19th, 2011

8minutenergy Renewables (8minutenergy) appreciates the opportunity to submit these comments on the CAISO's Draft Final Proposal (Proposal) for the Deliverability of Resource Adequacy Capacity on Interties initiative, and the discussion on the May stakeholder conference call to discuss the Proposal. 8minutenergy continues to strongly support the CAISO's initiative.

8minutenergy, in partnership with Gestamp Solar, is developing 355 MW of solar-energy projects in the Imperial Irrigation District (IID) area. The Commercial Operation Dates (CODs) for the first of these projects is late 2013, and the others will follow soon afterward. To meet these near-term CODs, 8minutenergy (like other IID-area developers) has been seeking Power Purchase Agreements (PPAs) with CAISO-area buyers.

Lack of a clear means to obtain Resource Adequacy (RA) deliverability status for imports from IID, given the current historical basis for determining intertie Maximum Import Capability (MIC), has been a significant impediment in PPA negotiations. CAISO Management, to its credit, has already approved (in its 2010/2011 Transmission Plan) the need to upgrade Path 42 (the SCE intertie), with a third transformer at Miguel Substation (downstream of the SDG&E intertie) identified in the Plan as a "Category 2" upgrade that will be considered further in the 2011/2012 planning process.

The current initiative should remove that impediment in the longer term, by identifying needed upgrades and providing a basis for MIC assignments/increases for interties that currently have low or zero MICs due to low or zero historical flows into the CAISO.

However, this framework must be implemented quickly in order to support PPA completion for the first of the projects coming out of IID. The current MIC values for CAISO-IID interties (502 for the SCE intertie, and zero for the SDG&E intertie) will support only a fraction of the resources under development in the IID area, and developers need an indication now of likely MIC values with the current transmission facilities, and the expansions already approved, in order to secure the PPAs that will allow their projects to move forward on the current schedule.

(8minutenergy notes that the 502 MW MIC for the SCE-IID intertie that is shown in CAISO 2011 RA listings (<http://www.caiso.com/27c6/27c675b81c230.pdf>) is significantly less than the 600 MW value figure quoted in the Proposal, at p.10. The latter value is the same as the OTC in the 2011 listings, and the Proposal may have mistakenly picked up that value as the MIC.)

In addition, we continue to question the CAISO's refusal in the Proposal to consider "reallocation" of MIC capability between interties that feed into common transmission paths, even when some of the capability at some of those interties may not be fully utilized.

Each of these points is discussed further below.

Implementation timing: The Proposal maintains the CAISO's previous plan to implement the new methodology for the 2013 RA compliance year, i.e.:

- In the 2011/2012 Transmission Planning Process (TPP), continue the CAISO's practice in the 2010/2011 TPP of constructing multiple alternative renewable-energy portfolios to meet the 33% RPS requirement;
- Use the assumptions in those portfolios about imports from CAISO interties to determine the MIC values needed to support RA deliverability at those interties;
- Compare the required deliverability levels with the MICs that can be supported with existing intertie facilities; and
- Determine needed transmission upgrades, where the intertie facilities are insufficient to provide the required deliverability.

The "Expanded MIC" values (larger of the current historical-based or deliverability-based MIC levels) would be phased into the 13-step RA allocation process as the intertie upgrades are completed and placed into service, for use by Load-Serving Entities (LSEs) for 2013 RA counting purposes.

While this timing will physically accommodate the expected 2013 on-line dates for the first new projects in the IID area, it will not accommodate that development for commercial purposes. The CAISO has effectively already performed the above analysis and determined that the Path 42 upgrade is needed. The CAISO has enough information already to perform a Deliverability Assessment that would determine revised MIC values for the current CAISO IID intertie facilities and the SCE intertie after the Path 42 upgrade.

The CAISO's reluctance to do this work appears to be due a combination of: (1) the complexity of performing such a study (with the detailed base-case work and labor involved); and (2) a timing issue, where the Business Practice Manual (BPM) language to implement the new approach is proposed to be finalized in August, so it seems logical to then integrate the assessment into the 2011/2012 analyses that would be ongoing at around that time.

However, both of these issues could be addressed in one of two ways, months before the March 2012 finalization of the 2011/2012 transmission plan:

- ***Incorporate the deliverability assessment into the GIP Cluster 1/Cluster 2 Phase II Studies***, which are expected to be complete in late July 2011. This date is slightly before the planned August 2011 BPM completion for the new process, but (as noted above) the CAISO already has enough information to perform the needed assessment for the current IID intertie facilities and the Path 42 upgrade, so there is no need to wait until the BPM work is final. This approach would provide quicker results, without the need for a separate study.
- ***Perform the deliverability assessment right after the GIP Cluster 1/Cluster 2 Phase II Studies are complete***, using the modeling assumptions and results from those GIP studies, once the BPM work is final. This approach would not be as supportive of the current commercial PPA negotiations, because the results would be available 2-3 months later, and it would require a separate study by CAISO staff. However, it would still be far preferable to waiting 5-6 months more for anything definitive.

8minutenergy urges the CAISO to seriously consider these alternatives. Either option would provide valuable MIC information months before the Proposal framework and help facilitate rational and timely contracting between IID-area projects and CAISO-area buyers.

Reallocation of MIC capability: The CAISO has acknowledged that, where multiple interties connect to CAISO lines on a common transmission path, there is some degree of interchangeability between those MICs. In other words, the common transmission path will support some level of deliverability that can effectively be divided up between those intertie points (and internal generation flowing along that same path).

8minutenergy understands the need for stability of established values at the intertie points – in fact, we hope to rely on that principle to offer stable RA deliverability to buyers of our own project output. However, if there are any other interties flowing into the same transmission path as the IID interties (e.g., imports from Palo Verde) where the MIC values have not been fully utilized, or where they have been used to support arrangements that have expired (or will do so in the time horizon considered), then that “unused” MIC should be available for reallocation to other interties (e.g., the SCE-IID intertie) for that path.

(Note: We are using Palo Verde as an example in this discussion only because the MIC there would so obviously impact the MIC at the SCE IID intertie, since both go through the congested Devers area. This is not meant to imply that we believe that there is such excess MIC at Palo Verde, or that the same concepts would not apply to other intertie points.)

This flexibility is needed for two reasons:

- **Maximize use of system deliverability:** It makes no sense for deliverability at one intertie to remain unused while LSEs could use that deliverability to support RA showings for purchases at a different intertie. For example, it would make no sense to make an LSE buying from IID-area projects over the SCE-IID intertie to buy additional capacity elsewhere for RA purposes when there is unused MIC capability at Palo Verde.
- **Treat import suppliers without undue discrimination:** If there was unused MIC at Palo Verde but none at the SCE-IID intertie, for example, a developer of a new Arizona project would have an advantage in PPA contracting over a developer of a new IID-area project, because the buyer of the former could use that MIC to claim RA status, while buyer of the latter could not.

Thus, it is important for the CAISO to consider reallocation of available MIC capability between interties feeding a common CAISO transmission path, for both efficiency and equity reasons. 8minutenergy urges the CAISO to reconsider its position on this issue and include that change in the final proposal. We do not see the grounds for the CAISO concern that incorporating this concept into the proposed framework would “defeat the objective of getting MIC BPM provisions in place within the next few months” and would be happy to discuss the mechanics with other stakeholders and the CAISO.

Best Regards,

Martin Hermann, CEO
8minutenergy Renewables, LLC
mhermann@8minutenergy.com