

**California Department of Water Resources - State Water Project Comments
on the California Independent System Operator's
2013/2014 Transmission Planning Process and Stakeholder Meeting**

March 14, 2013

California Department of Water Resources - State Water Project (CDWR-SWP) appreciates the opportunity to provide comments regarding the 2013/2014 California Independent System Operator (CAISO) Transmission Planning Process (TPP) and February 28, 2013 stakeholder meeting. The TPP; including the roles and responsibilities of the CAISO and PTOs; must be consistent with the guiding principles of transparency, stakeholder participation, and clarity. CDWR believes the CAISO has made significant strides in applying these principles in the current TPP, however, the critical issue of non-wire- Remedial Action Schemes (RAS) to support the transmission system must be squarely addressed.

Treatment of RAS as a Non-wire Alternative

Treatment of non-wire transmission alternatives must be fairly and adequately addressed. CAISO already recognizes energy storage resources as non-wire transmission alternatives and provides a clear path toward consideration in the TPP along with a clear implementation path under the GIP process where such projects may be eligible for certain tariff-based cost recovery. CAISO also recognizes Demand Response programs as a non-wire alternative. A RAS, which is an automatic protection system designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components to maintain system reliability, also functions as a non-wire transmission alternative, which benefits CAISO by increasing certain transmission path ratings, improving state-wide transmission reliability and deliverability, including that needed to support economic and policy-driven projects. RAS mechanisms should receive comparable treatment in the planning process, including a path toward implementation if selected. It is equally important that CAISO's base plan recognize the contributions of existing RAS mechanisms, and take into account any pending retirements, since these could easily change assumptions as to existing capacity. CDWR currently participates in a RAS under a contract with PG&E which is slated to terminate in 2014. As noted below, changes in assumptions could result from the termination of this arrangement.

RAS-supported Path 66 Rating

CDWR agrees with CAISO that TPP studies must be open and transparent. Slide 8 of the February 28 presentation "Unified Planning Assumptions & Study Plan Reliability Assessment Assumptions & Methodology" included a table that identified major backbone transmission ratings in California. CDWR understands that the levels of these ratings, specifically the peak capacity rating of 4800 MW for Path 66 (N-S), are partly due to participation of CDWR's pumping and generation facilities in PG&E's RAS program under an existing contractual arrangement scheduled to expire at the end of 2014. Given that pending expiration date, CAISO should quantify the reduction in major backbone transmission ratings, such as the ratings for Path 66, which may occur if CDWR's participation in the RAS program is discontinued after 2014. Otherwise, the base assumptions may be inaccurate.

Continuation of Soon to Expire RAS

Because CDWR's participation in the RAS will terminate at end of 2014 if no other means are in place to continue and fairly compensate for RAS, and because CAISO and other entities have relied on RAS-supported path ratings in their operational, planning, and interconnection studies, it is critical that CAISO provide clear direction regarding the future of this soon to expire RAS. Any studies or

proposed projects relying on the RAS-supported Path 66 rating beyond 2014 would be problematic without a new contract or replacement mechanism through which CDWR could continue to participate in the RAS program. CDWR strongly encourages the CAISO to begin discussion on and address as early as possible the critical issue of RAS-supported major transmission paths, particularly where a RAS is scheduled to expire but could be continued if CAISO were to provide a clear implementation path.

Impact on Long-term CRRs

Long-term CRRs (LT-CRR) have a term of ten years and are allocated and awarded based on Simultaneous Feasibility Tests (SFT) to ensure that existing LT-CRRs remain feasible over their full term. In the current and previous CRR SFTs used to support LT-CRR allocations and awards, what Path 66 rating or other assumptions supported by the Path 66 rating has the CAISO applied in order to ensure that LT-CRRs will remain feasible after 2014?

Other Clarifications

The February 28 presentation included Corrective Action Plans on slide 22 with CAISO recommendations to consider feasible transmission alternatives for operational mitigation measures to the construction of transmission additions or upgrades, such as demand-side management, special protection scheme, generator curtailment, interruptible loads, storage facilities, and reactive support among other alternatives. CAISO should work to establish clear treatment for these alternatives along with RAS, including cost recovery and compensation in order to be incentivized to offer such services that provide value to transmission reliability.

CAISO should be more specific and consistent in its explanation of operational mitigation measures. If generation curtailment is envisioned, for example, what type of generation would need to be curtailed and under what circumstances? CAISO should also explain under what circumstances loads are allowed to be interrupted?

The 2013/2014 draft study plan indicated that CAISO would perform an Economic Planning Study as part of the current planning cycle to identify the above mentioned mitigation plans. If not already included, the CAISO should consider inclusion of RAS/SPS as part of the economic study analysis.

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