

**Comments of the Imperial Irrigation District  
to the  
California Independent System Operator Corporation  
May 5 Draft Final Proposal: Delivery of Resource Adequacy Capacity on Interties**

May 19, 2011

**I. INTRODUCTION**

The Imperial Irrigation District (“IID”) appreciates the opportunity to provide these comments to the California Independent System Operator Corporation’s (“CAISO”) May 5, 2011 Draft Final Proposal for Deliverability of Resource Adequacy Capacity on Interties (“Draft Final Proposal”). The Draft Final Proposal is intended to address a flaw in the current CAISO methodology, which unnecessarily limits the Maximum Intertie Capacity (“MIC”) available for the purpose of qualifying Resource Adequacy (“RA”) capacity imports for load serving entities (“LSEs”) within the CAISO Balancing Authority Area (“BAA”). As IID noted in its earlier comments in this initiative, the limitation on MIC at interties between the IID BAA and CAISO BAA is placing an undue economic restriction on renewable resource developers in the Imperial Valley that are seeking interconnection to IID’s transmission grid. IID, therefore, generally supports the CAISO’s efforts to correct the flaw in the MIC methodology outlined in the Draft Final Proposal, but remains concerned about the impact of the MIC limitations during the interim period while the CAISO’s proposed new methodology is being implemented.

**II. BACKGROUND**

The Imperial Valley represents one of the largest sources of renewable energy in the Southwest, and has long been considered one of the richest renewable resource areas in California, including high capacity factor geothermal resources. The Renewable Energy Transmission Initiative (“RETI”) analyzed Competitive Renewable Energy Zones (“CREZ”) to identify transmission needs to access those CREZs with the greatest likelihood of being developed. The RETI analysis identified four CREZs within Imperial Valley with significant renewable resource potential. The Imperial Valley resources identified in the RETI analysis include the following:

- 6870 MW of Solar
- 1434 MW of Geothermal
- 119 MW of Wind
- 66 MW of Biomass.<sup>1</sup>

IID’s first cluster of interconnection customers (referred to as the IID “Transition Cluster”) consists of 13 generator projects constituting approximately 1225 MW of renewable generation. In addition, IID held an open season for transmission customers to subscribe for service on the upgraded Path 42. There are currently five transmission customers participating in IID’s Path 42 open season, seeking 755 MW of available capacity. Generation Interconnection

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<sup>1</sup> Source: RETI Phase 2B Report, Table 1-1.

Agreements (“GIAs”) and Transmission Service Agreements (“TSAs”) were tendered the week of May 2, 2011. It is expected to take 30-60 days after that to finalize the GIAs and TSAs with execution of the GIAs and TSAs anticipated to be completed by mid-June.

### **III. Comments**

IID appreciates the comprehensive proposal set forth by the CAISO in the Draft Final Proposal that considers both long and short term expanded MIC calculations to better reflect actual transfer capability between the IID and the CAISO, and also reflects changing generation and transmission portfolios. Through these comments, IID expresses its support of the CAISO proposal but remains concerned about the interim period while this proposal is being implemented. Currently the three investor-owned utilities (“IOUs”) are engaged in a request for offers (“RFO”) solicitation that will result in the IOUs entering into power purchase agreements (“PPAs”) with generation projects. During this RFO process the IOUs should evaluate offers from generation projects as if the proposed MIC methodology is already in place. IID has reason to believe that the IOUs intend to evaluate offers during the RFO using the existing criteria for resource adequacy. This will result in offers from Imperial Valley generators being shut out of the current RFO process and hinder the development of renewable resources in the Imperial Valley.

As IID noted in its earlier comments, the Imperial Valley substation is one of the critical interties between the IID and CAISO BAAs. Under the CAISO’s current RA methodology, the Imperial Valley substation is assigned a MIC value of zero (0). However, based on the physical characteristics of this intertie, there should be some capacity available for import to the CAISO under peak system conditions. As a result of the MIC designation of zero (0) at the IV intertie, Imperial Valley generators wishing to import to the CAISO at this point on the system cannot provide RA capacity to LSEs in the CAISO BAA. This places these generators at a competitive disadvantage within the procurement process with LSEs in the CAISO BAA.

The Draft Final Proposal has not substantively changed from the earlier CAISO Straw Proposal. The Draft Final Proposal sets forth a long-term solution for a MIC methodology that integrates the CAISO’s Transmission Planning Process (“TPP”) and Generator Interconnection Process. IID understands that there are also other avenues that the MIC for particular intertie points may be expanded. In particular, the CAISO will establish target expanded MIC values for each intertie that would reflect deliveries from the CAISO’s base case policy-driven resource portfolio needed to meet the State mandate of 33% renewable resources by 2020. The CAISO will examine the needed MIC MW quantities to support deliverability for external resources seeking to deliver at particular interties, and the expanded MIC will be set at the greater of the current MIC value, or the portfolio-driven value, depending on the physical ability to deliver that MW value at the particular intertie pursuant to the simultaneous feasibility test employed in the current methodology.

IID supports the CAISO proposal of ensuring long-term viability of MIC values by incorporating that goal into the TPP to ensure that the total amount of RA capacity resulting from these MIC values will be available to provide imports to the CAISO to meet peak load conditions. IID does have a concern about the interim period while the new methodology is

being implemented. The three IOUs are currently going through an RFO solicitation for PPAs with renewable generation projects. Imperial Valley renewable generation projects are eager to participate in this RFO process. However, it appears as though the IOUs intend to evaluate offers received during this solicitation utilizing the current RA MIC methodology and disregard the proposed methodology that will be implemented by this proposal and will be in place by the time the PPAs become effective. IID submits that evaluation of offers using the old methodology is unreasonable and places Imperial Valley generation at a significant competitive disadvantage. Evaluating offers from Imperial Valley generation as if there is no MIC available at the IID interties ignores the physical reality of these interties and, moreover, that the CAISO has proposed a change in the MIC methodology that will be in place by 2012 – the earliest that these PPAs could be effective. Thus far, the CAISO’s initiative to change to the MIC methodology has received uniform support from the stakeholders. IID submits that any perceived RA risk by the IOUs is a fiction and should not be used as a barrier for consideration of Imperial Valley generators’ offers during the current RFO process. IID requests that in addition to adopting the proposed changes to the RA MIC methodology, the CAISO, California Public Utilities Commission, IOUs and other stakeholders work to ensure that offers received from solicitations during the current RFO process be evaluated under the RA MIC methodology that will be put in place as a result of this stakeholder initiative. To do otherwise would put Imperial Valley renewable development at risk and cause grave harm to Imperial Valley residents. In addition, it would artificially deprive ratepayers from the benefit of having access to these low cost, high value renewable resources.

#### **IV. CONCLUSION**

IID appreciates the expeditious manner that the CAISO has proceeded in addressing this important and necessary change to the RA MIC methodology for the interties. IID supports the Draft Final Proposal but also requests that the stakeholders continue to work to ensure that interim PPA solicitations that take place while the new RA MIC methodology is being implemented does not place Imperial Valley renewable generation projects at a competitive disadvantage. The development of a robust renewable energy industry is vital to the economic development of the Imperial Valley and will improve the outlook for a region of California that has long suffered from staggering unemployment and widespread poverty. It will also clearly benefit those outside of the Imperial Valley by providing access to these high quality renewable projects in advancement of the State’s mandate of 33% renewable resources by 2020.