

**Comments of the Imperial Irrigation District
to the
California Independent System Operator Corporation
April 6 Straw Proposal: Delivery of Resource Adequacy Capacity on Interties**

April 21, 2011

I. INTRODUCTION

The Imperial Irrigation District (“IID”) appreciates the opportunity to provide these comments to the California Independent System Operator Corporation’s (“CAISO”) April 6, 2011 Deliverability of Resource Adequacy Capacity on Interties Straw Proposal (“Straw Proposal”). The Straw 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 Areas (“BAA”). This 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 Straw Proposal, and seeks to clarify the short-term application of the Straw Proposal.

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.¹

IID’s first cluster of interconnection customers (“Transition Cluster”) consists of 13 generator projects constituting approximately 1300 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. It is anticipated that Generation Interconnection Agreements (“GIAs”) and Transmission Service Agreements (“TSAs”) will be tendered the

¹ Source: RETI Phase 2B Report, Table 1-1.

week of April 25, 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 Straw 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 seeks to clarify its understanding of certain elements of the Straw Proposal.

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, developers 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 developers at a competitive disadvantage within the procurement process with LSEs in the CAISO BAA.

The Straw 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 also seeks to confirm its understanding that, under the current historical methodology, the MIC at a particular branch group may be expanded by increased net schedule exports from the neighboring BA to the CAISO, assuming that the net scheduled exports to the CAISO are captured in the test hours utilized. In other words, within the two year historical snapshot an external resource that schedules at a particular branch group can increase the MIC by the virtue of its schedules during those test hours, up to the physical limitation of that branch group.

IID further 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.

It is quite possible that some generators in the current IID interconnection queue may come online in the second half of 2013. Whatever the precise commercial operation date for generators in the IID queue, the developers in the IID Transition Cluster are engaged in the procurement process with LSEs in the CAISO BAA. These developers need certainty with respect to RA in order to successfully compete for purchase power agreements. IID appreciates the efforts of the CAISO to fashion a solution to the RA counting issue and to identify expanded MICs, commencing with the 2013 RA compliance period. It is critical that the Straw Proposal address the short-term needs for expanding MIC values, in addition to a comprehensive long-term solution, to allow Imperial Valley development to move forward with some level of certainty.

IV. CONCLUSION

IID greatly appreciates the CAISO's attention to this important and necessary change to the RA MIC methodology for the interties and looks forward to working with the CAISO and stakeholders to quickly implement a solution.