

***Stakeholder Comments***  
***Proposed Policy-Driven Elements in Imperial Valley Area***  
***with Capital Costs of Less Than \$50 Million***  
***November 29, 2012***

No	Submitter (Name & Company)	Comment Submitted	ISO Response
1	Chifong Thomas, BrightSource Energy, Inc.	<p>While BSE commends the CAISO for identifying and moving forward with policy-driven elements under the CAISO Tariff, BSE does have a few concerns about the process, including how this policy-driven element was chosen above others and whether interconnection customers in the CAISO queue in other geographic will be negatively impacted vis-à-vis those interconnecting in the geographic region to be served by the proposed policy upgrade. BSE would also like additional information concerning the scope and impact of the proposed project. [1]</p> <p>Throughout the CAISO's Stakeholder Process on Deliverability of Resource Adequacy Capacity on Interties, BSE sought to ensure that the current projects already in the CAISO queue would not be discriminated against or placed at a disadvantage due to the integration of resources in the IID service territory. The CAISO assured stakeholders that projects in the CAISO generation queue would not be disadvantaged due to the deliverability of imports; however, recent evidence has called that conclusion into doubt, and BSE continues to be concerned about this issue. [2]</p> <p>Although this stakeholder process focuses on policy-driven transmission upgrades that will be placed under CAISO operational control, the same concerns exist. BSE would like assurances from the CAISO that the</p>	<p><b>[Paragraph 3]</b></p> <ul style="list-style-type: none"> <li>- The proposed policy elements are expected to facilitate access to the ISO grid for renewable generation in the Imperial Valley, consistent with the policy direction from the CPUC and CEC.</li> <li>- These elements will be competitively procured, so the ISO does not see that construction resources utilized to build them should be an impediment to construction activities elsewhere in the ISO footprint.</li> </ul> <p><b>[Paragraph 4]</b></p> <ul style="list-style-type: none"> <li>- The policy direction regarding Imperial Valley was referenced in the ISO's paper dated November 20, 2012, citing both the initial CPUC Assigned Commissioner Ruling in 2011 and the May 16, 2012 letter from the CPUC and CEC. The facility is a network facility by virtue of the connection through to IID.</li> </ul>

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		<p>construction of these upgrades will not delay the interconnection or deliverability of projects already in the queue. As the CAISO is well aware, projects in the queue are experiencing lengthy transmission delays, the CAISO consistently informs projects that planned CODs and delivery dates cannot be met. The CAISO should explain what efforts it is undertaking to ensure that projects in other area are interconnected and deliverable in a more timely fashion, and that the interconnection customers in this geographic region are not being unduly advantaged in terms of both cost and schedule. <b>[3]</b></p> <p>Moreover, in the conference call on this issue, stakeholders asked the CAISO to justify why it was choosing this element as a policy upgrade – rather than a generator interconnection process-driven upgrade – as opposed to other transmission upgrades that are being funded by generators in Clusters 3 &amp; 4 and before. The CAISO did not sufficiently explain why this element qualifies as a policy upgrade, while other similarly-situated transmission elements do not. Thus, BSE would appreciate further explanation by the CAISO on this point before determining whether it is able to support the policy driven upgrade. <b>[4]</b></p> <p><b>[Paragraph numbering added]</b></p>	
2	Randy Keller, CalEnergy	<p>CalEnergy Operating Corporation (CalEnergy) appreciates the opportunity to comment on the CAISO’s Proposed Policy-Driven Elements in Imperial Valley Area with Capital Costs of Less than \$50 Million as communicated in the November 20, 2012 Market and Infrastructure Development paper and</p>	<ul style="list-style-type: none"> <li>- The ISO is committed to working with IID and the CPUC to ensure that any changes to the 1400 MW import capability currently preserved in transmission planning processes are appropriately managed. Some explanation is necessary as adjustments may be necessary in the future. The 1400 MW import capability currently preserved in transmission planning processes through input from the CPUC to</li> </ul>

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	<p>further described in the November 29, 2012 Stakeholder call. While this policy-driven transmission project reflects a tremendous effort of collaborative work across multiple balancing authorities to support development of renewable generation from the Imperial Valley in order to meet the 33% RPS requirement, CalEnergy is concerned that this transmission project erroneously reduces the maximum import capacity (MIC) of 1,400 MW assigned to the Imperial Valley Balancing Authority and circumvents the intended CPUC recommendation in the 2011 RPS solicitation.</p> <p>Once built by the Imperial Irrigation District (IID), as it is uniquely qualified<sup>1</sup>, the proposed collector substation and a one mile 230 kV transmission line connected to the Imperial Valley Substation will become owned by the IID as a Partial Participating Transmission Owner (PPTO) under the CAISO tariff. Citing the need to expedite in order to achieve PPA and LGIA milestones, the first project of 150 MW is permitted to interconnect because these facilities would become a network facility within the CAISO balancing authority area. However, the remaining capacity of approx. 450 – 600 MW, without expansion, would come under IID control and support renewable generation and interconnection from the IID balancing authority.</p> <p>CalEnergy fully supports CAISO’s resolve to provide additional transmission reinforcements into the Imperial Valley to enable importing of</p>	<p>support development in the Imperial Valley is part of the total amount set out in the CPUC-identified portfolio amount for the Imperial Valley. This is currently 2100 MW as per the base portfolio provided on May 16, 2012. These elements provide an alternative way for generation in the Imperial Valley to advance, as the original framework was not, on its own, achieving the desired objectives. As new generation connects to this or other ISO facilities, the ISO expects that the 1400 MW would be reduced once 700 MW has connected as we would otherwise be planning for more generation than in the CPUC portfolio. If more than 700 MW proceeds by directly connecting to ISO controlled facilities (either existing ISO controlled facilities or the proposed elements) then less than 1400 MW import is required to meet the remainder of the CPUC portfolio amount for the Imperial Valley area.</p>
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<sup>1</sup> Imperial Irrigation District announced in public session of its December 3, 2012 board meeting, “that it is almost impossible for anyone else to build this”, citing ROW procurement, the permitting process, and IID infrastructure already in place.

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		renewable energy to the CAISO grid, but cautions that these efforts and facilities must not reduce the MIC intended for importing renewable generation directly from the IID balancing authority. CalEnergy opposes any CAISO network facility within the IID “area” that reduces the 1,400 MIC value.	
3	Jamie Abury, Imperial Irrigation District	<p>IID supports the CAISO Proposal. IID commends the CAISO for working with IID to fashion a cost-effective solution that will enable the interconnection and delivery of significant renewable resources within the Imperial Valley that will deliver to retail sellers within the CAISO Balancing Authority Area (BAA) and contribute to meeting the Renewable Portfolio Standard mandated under state law.</p> <p>Numerous questions were raised on the stakeholder call of November 29, 2012 (November 29<sup>th</sup> Call) with respect to nature of and the development status of the proposed facilities. As IID indicated on the stakeholder call, IID has the ability to serve as the lead agency for the purposes of review under the California Environmental Quality Act. The proposed facilities are located within the IID retail service area, although they are proposed to ultimately become part of the CAISO Controlled Grid. Rights of way for the facilities as configured have been acquired and permits to construct have been issued.</p> <p>IID desires to work with the CAISO to clarify how interconnection of generation facilities to the proposed policy-driven upgrades, as well as interconnection of other resources in the Imperial Valley but directly</p>	<ul style="list-style-type: none"> <li>- The ISO is pleased with the coordination with IID that enabled these elements to be identified and moved forward. As noted in response to CalEnergy (above) the ISO is committed to working with IID and the CPUC if generation development leads to the perception that adjustments should be needed to the 1400 MW amount being preserved for future import from IID in the planning process.</li> </ul>

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		<p>connected to the CAISO BAA, will affect the Maximum Import Capability (MIC) calculation. This issue was raised by stakeholders on the November 29<sup>th</sup> Call. As the CAISO is aware, IID has an aggressive transmission development plan, included in the California Transmission Planning Group statewide plan, which include: (1) Path 42 230kV upgrades; and (2) the 230kV “S” Line upgrade, which will increase transfer capability from the Imperial Valley Substation to the El Centro Switching Station. IID wants to ensure that moving forward with the Proposal will not jeopardize appropriate MIC availability for additional resources that will interconnect directly to the IID BAA.</p> <p>IID appreciates the work the CAISO has done to move the proposed policy-driven upgrades forward, and supports the proposal. IID looks forward to working with the CAISO so that delivery of renewable resources from the Imperial Valley can be maximized.</p>	
4	Karen Shea, Southern California Edison	<p><b><u>Confirmation of Transfer and Dependencies</u></b> SCE appreciates the CAISO's confirmation during the stakeholder call that the proposed policy-driven elements in the Imperial Irrigation District (IID) being considered for approval by CAISO management would be network facilities and turned over to CAISO operational control.<sup>2</sup> After the project is turned over to CAISO control, the project would be eligible for TAC recovery and CAISO customers will begin paying for it through TAC rates. During the stakeholder call, the CAISO indicated that it would be asking the Project Sponsor to complete the project by the end of 2013 because of</p>	<p><b><u>Confirmation of Transfer and Dependencies</u></b></p> <ul style="list-style-type: none"> <li>- The ISO will keep stakeholders informed through the competitive solicitation process of any material changes.</li> </ul> <p><b><u>Formal Agreements between CAISO and IID Should Be Pursued</u></b></p> <ul style="list-style-type: none"> <li>- The ISO will explore the need for formal agreements as the Phase 3 competitive solicitation process evolves.</li> </ul>

<sup>2</sup> Also, during the stakeholder call the CAISO confirmed that the Project Sponsor would be required to become a PTO and enter into the TCA.

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	<p>generator contract requirements.</p> <p>The CAISO explained in its paper and during the stakeholder call that this project is dependent on the development of an IID project which the CAISO expects to be completed about the time when the CAISO project is completed. When this happens, the proposed policy-driven elements will be network facilities (please also see footnote 2 of the CAISO's paper). In the event there is an update to the understanding described in this section, SCE requests the CAISO please provide any updates to stakeholders.</p> <p><b><u>Formal Agreements between CAISO and IID Should Be Pursued</u></b> On the stakeholder call, the CAISO confirmed that the CAISO-proposed project under \$50 million is comprised of: 1) a new collector station outside of the Imperial Valley Substation, and 2) a new 230 line from Imperial Valley Substation (SDG&amp;E) terminating at the collector station just outside of the Imperial Valley Substation. The CAISO explained that once this project is complete, it would be turned over to the CAISO when the elements become network facilities. In order for the CAISO's proposed project to be classified as network facilities, the costs of which CAISO customers pay for through TAC rates, the CAISO indicated that IID must complete its side of the project on its own system. The CAISO's paper states, "The ISO... has been advised that IID plans to upgrade the IID IV-</p>	<p><b><u>Identification of Backstop</u></b></p> <ul style="list-style-type: none"> <li>- Due to the nature of the project extending into IID's distribution service area, it is not clear at this time if there is in fact a backup PTO.</li> <li>- If there is a need for a backstop PTO, the elements' connection into the Imperial Valley substation would suggest that SDG&amp;E could be the backup PTO but the ISO has not fully explored this issue; the ISO does not see a basis for other PTOs to be considered.</li> </ul> <p><b><u>Project Description</u></b></p> <ul style="list-style-type: none"> <li>- More details about the specific capabilities of the project will be provided in the competitive solicitation process on details about the facilities. The single-line diagram included in the November 20 paper identifies the bulk components under ISO or IID operational control.</li> </ul> <p><b><u>Description of Elements in the Cost Estimate</u></b></p> <ul style="list-style-type: none"> <li>- The ISO does not intend to provide a more detailed breakdown of the cost estimate provided in the November 20 paper. The ISO considers total planning estimate costs used by the ISO or by a PTO to be public information, and in this case used publicly available per unit cost information supplied by the PTOs, plus a healthy contingency, to ensure that the \$50 million management approval threshold wasn't exceeded when the elements are approved. Given the method of calculating the costs and the</li> </ul>
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	<p>EL Centro line (the “S” line) to enhance its ownership rights at the IV substation. The ISO has reviewed such plans from IID.”<sup>3</sup></p> <p>During the stakeholder call, the CAISO indicated that it is looking at possibly putting agreements in place to ensure that the projects on both sides are progressing. SCE recommends that the CAISO develop and formalize an arrangement with IID to ensure that the construction and development of the IID project is synchronized with the construction and development of the CAISO identified policy-driven element in question. It is important that both projects are moving forward on a common path. As mentioned above, in order for the proposed policy-driven projects to receive TAC recovery, the facilities must be network facilities and transferred to the CAISO control. Formalizing these agreements is an important step toward ensuring that project expenditures will be made on an appropriate timetable and the projects on both sides will be completed on a common path. It will also assure the CAISO and its stakeholders that some controls are in place.</p> <p><b><u>Identification of Backstop</u></b></p> <p>During the stakeholder call SCE asked who, if anyone, would have an obligation to backstop the project if the project is abandoned or if a winning bidder is not selected in the solicitation. Section 24.6 Obligation to Construct Transmission Projects of the CAISO Tariff states “A Participating TO in whose PTO Service Territory or footprint either terminus of the element or elements being upgraded or added is located shall be obligated</p>	<p>limited use of the cost estimate, the ISO does not consider additional analysis to be warranted.</p> <p><b><u>Additional Support of Need Should Be Provided</u></b></p> <p>Regarding: “ SCE requests that the CAISO provide the proposed operating date for the collector substation project and additional information regarding why that operating date needs to be met in order for the generation projects to meet their schedule(s)“:</p> <ul style="list-style-type: none"> <li>- In service dates for several projects in the area are in the 2013 and 2014 time frame. Their motivation to meet their targeted in service dates included PPA provisions and tax credit issues that threatened the otherwise viability of the projects.</li> </ul> <p>Regarding “SCE requests the CAISO to clarify if the justification for the collector substation project is to meet the results and identified priorities of the CPUC pursuant to the May 16, 2012 letter from the CPUC and CEC to the CAISO (i.e., support 1400 MW of IID area renewable energy to the CAISO grid), support the overall objective of meeting California’s 33% RPS goals, and/or another policy objective“:</p> <ul style="list-style-type: none"> <li>- Yes. These elements extend further into the Imperial Valley, and assist in supporting renewable generation development northeast of the IID West Side Main canal, which could otherwise be jeopardized by challenges associated with multiple crossings and concern for coordinated system development.</li> </ul>
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<sup>3</sup> Please see, 3 Proposed Project, page 4.



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	<p>to construct all regional transmission additions and upgrade elements included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations". However, it is unclear from the CAISO's paper as to in which PTO service territory the proposed project is to be located. In response to SCE's question, the CAISO indicated that it would need to determine who could be directed to backstop the project if and when it was abandoned. SCE believes the backstop question needs to be addressed prior to the CAISO reviewing this proposed project with its Board. Therefore, SCE requests that the CAISO indicate who, if any entity is responsible for backstopping this project prior to the December CAISO Board meeting.</p> <p><b><u>Project Description</u></b>  SCE understands the CAISO is proposing a project under \$50 million which is comprised of: 1) a new collector station outside of the Imperial Valley and 2) a new 230 line from Imperial Valley (SDG&amp;E) terminating at the collector station in Imperial Valley. However, we would appreciate additional clarification.</p> <p>SCE understands that before the CAISO-proposed project is complete, it would be a gen-tie until IID completes the S line upgrades and the project would become network.<sup>4</sup> Also, during the stakeholder call, the CAISO</p>	
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<sup>4</sup> As clarified during the stakeholder call, when and if the facility is a gen-tie, it would not receive TAC recovery.



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	<p>outlined alternative constructs<sup>5</sup> for the IID project; however, it is unclear what project is being pursued. SCE would appreciate more clarity as to how the policy project plus IID's project will be incorporated with the existing system after the proposed project is constructed. To that end, SCE requests that a before-and-after description of the affected transmission facilities be provided to obtain a clearer understanding of how the project would be incorporated.</p> <p><b><u>Description of Elements in the Cost Estimate</u></b>  CAISO has indicated that the cost estimate of the project is under \$25 million. Some permits may have been secured; it was unclear on the call. It would be helpful, in order to better understand the basis of this estimate, if the CAISO were to provide a description of the elements included in its cost estimate.</p> <p><b><u>Additional Support of Need Should Be Provided</u></b>  Section 24.4.10 of the CAISO Tariff states "CAISO management may expedite approval of a project or element ahead of the approval process for other projects or elements with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the project or elements ahead of the schedule established in the Business Practice Manual; (2) there is a high degree of certainty that approval of the upgrade or addition will not conflict with other projects or elements being considered in Phase 2; and (3) the</p>	
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<sup>5</sup> During the stakeholder call the CAISO indicated that IID could choose to terminate the S line or a rebuild that was on again, off again – if they do move forward, the CAISO would expect to see the rebuilt circuit terminated. The CAISO also indicated that IID has considered a double circuit rebuild for the S line.

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	<p>need to accelerate a project or element is driven by the CAISO's study process or by external circumstances." Based on the CAISO's proposal, it is not clear from the proposal that there is an "urgent" need for approval of the collector substation.</p> <p>The CAISO's proposal states that "The ISO understands that several generation projects in this area must move forward on an expedited basis in order to achieve PPA and LGIA milestones, and in some circumstances, procure financing. If the proposed policy-driven element is approved on the same time schedule as other projects that cost \$50 million or less, these milestones likely cannot be met." It is not clear from the proposal how much time these generation projects have to meet their milestones (i.e., it isn't clear why the CAISO's proposed collector substation is an urgent project that must proceed ahead of the schedule established in the BPM). <b>SCE requests that the CAISO provide the proposed operating date for the collector substation project and additional information regarding why that operating date needs to be met in order for the generation projects to meet their schedule(s). [Emphasis added]</b></p> <p>Regarding the need for the project, it is not clear from the proposal what section of the CAISO tariff supports the recommendation of the collector substation as a policy project. Section 24.4.6.6 (Policy Driven Elements) includes a section (b) criteria which says "the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes." The CAISO's proposal references a May 16, 2012, letter from the CPUC and CEC that</p>	
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	<p>accompanied the renewable portfolios submitted to the ISO, which recommended “that the ISO evaluate additional transmission reinforcements into the Imperial Irrigation District (IID) region needed to enable the delivery of at least 1400 MW of renewable energy to the ISO grid” (page 3). In addition, the CAISO’s proposal states that CAISO “has identified the need for a policy-driven transmission element in the Imperial Valley area to support development of renewable generation in the area in order to meet the 33% RPS requirement” (page 3). <b>SCE requests the CAISO to clarify if the justification for the collector substation project is to meet the results and identified priorities of the CPUC pursuant to the May 16, 2012 letter from the CPUC and CEC to the CAISO (i.e., support 1400 MW of IID area renewable energy to the CAISO grid), support the overall objective of meeting California’s 33% RPS goals, and/or another policy objective. [Emphasis added]</b></p>	
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