

**Comments of the Imperial Valley Renewable Energy Task Force
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 Valley Renewable Energy Task Force (“IV Task Force”) appreciates the opportunity to provide comments to the California Independent System Operator’s (“CAISO”) May 5, 2011 Deliverability of Resource Adequacy Capacity on Interties Draft Final Proposal (“Draft Final Proposal”). The Draft Final Proposal is intended to address a flaw in the current CAISO methodology limiting some new resources in neighboring Balancing Authority Areas (“BAA”), such as those being proposed for development within the Imperial Irrigation District (“IID”) BAA, from providing Resource Adequacy (“RA”) capacity to load serving entities (“LSEs”) within the CAISO BAA. As the CAISO correctly notes, this limitation is “resulting in increased costs of procuring RA capacity and barriers to the timely development of external renewable resources due to the inability of these resources to provide RA capacity.” Draft Final Proposal at 3. The IV Task Force therefore generally supports the CAISO’s efforts to correct this flaw in what it calls its “Maximum Import Capability” (“MIC”) methodology outlined in the Draft Final Proposal.

II. BACKGROUND

The Imperial Valley represents one of the largest sources of renewable energy in the Southwestern United States. In order to assist in the development of renewable resources in the Imperial Valley, the IV Task Force was formed. The IV Task Force Steering Committee membership includes:

- 2 members of the IID Board of Directors;
- 2 members of the Imperial County Board of Supervisors;
- a representative of the Imperial Valley Economic Development Corporation (“IVEDC”);
- a representative of the IID Water Consumers Advisory Board (“WCAB”);
- and
- a representative of the IID Energy Consumers Advisory Committee (“ECAC”).

The IV Task Force is committed to the development and export of renewable energy from the Imperial Valley to other parts of California and the Southwest. The Imperial Valley is one of the most economically depressed regions in California. It has the lowest *per capita* income population in California and faces an unemployment rate of approximately 30 percent. The IV Task Force recognizes that promotion of renewable energy projects in the Imperial Valley boosts local economic development

and brings much-needed, well-paying jobs to a region of California that desperately needs them. IID looks forward to continuing to work with the State of California and other stakeholders to promote renewable energy goals in the Imperial Valley and throughout California.

The Imperial Valley 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”) recently 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

The Imperial Valley resources generally scored very well in the RETI economic and environmental analysis.

IID has approximately 43 projects comprising nearly 3093 MW of renewable resources in its interconnection queue seeking to deliver to the CAISO BAA. Thus, the IV Task Force has a strong interest in supporting efforts to allow many of these projects to move forward, both in terms of their environmental benefits to the State and region and the economic boost they will provide to the Imperial Valley economy.

III. Comments

The IV Task Force generally supports the methodology for expanding the MIC outlined in the Draft Final Proposal, because the current methodology unnecessarily limits imports from the IID BAA to the CAISO BAA. For example, under the existing MIC methodology that is based on historic imports during peak system conditions the Imperial Valley intertie, one of the critical interties between the IID and CAISO BAA, shows zero (0) MIC. Based on the physical characteristics of this intertie, however, there should be some capacity available for import to the CAISO under peak system conditions. Consequently, 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.

As the IV Task Force noted in its earlier comments during this initiative, it believes the CAISO’s proposal to change the MIC RA methodology goes a long way to addressing the problem. Once fully implemented, the new methodology will ensure

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

there is sufficient MIC at the IID interties. However, the IV Task Force does note a general concern. There is both a short-term and a long-term issue regarding the imports of RA capacity from the IID BAA to the CAISO BAA. The Draft Final Proposal seems to address the long-term issues by changing the MIC methodology utilizing a prospective approach to calculating MIC and providing necessary upgrades to the CAISO system through the CAISO Transmission Planning Process (“TPP”). However, it may take up to a year before the new MIC methodology results in a change to the MIC at the IID interties. As discussed below, the IV Task Force believes this may be too long.

The investor-owned utilities (“IOUs”) within the CAISO are currently going through a request for offers (“RFO”) process to sign power purchase agreements (“PPAs”) with renewable generators. This RFO process and the selection of renewable generation projects by the IOUs will conclude within the next several months. It has become clear that it is the IOUs’ intention to evaluate offers received during this RFO process under the existing MIC methodology, which assigns no RA to Imperial Valley generators. This effectively eliminates offers from Imperial Valley generation from serious consideration for receiving a PPA. The IV Task Force finds the use of the existing MIC methodology to be unreasonable in light of the fact that the CAISO has proposed a new methodology that has gone unopposed by any stakeholders in this initiative. This presents an unnecessary obstacle to Imperial Valley generators and will severely hamper, if not outright block, the development of renewable resources in the Imperial Valley. With each passing month and RFO, the IOUs in California are signing PPAs and coming nearer and nearer to meeting their RPS goals. Utilizing the soon-to-be abandoned MIC RA methodology will result in Imperial Valley renewables having to sit on the sideline during this year’s procurement process while awaiting the full implementation of the new MIC RA methodology. By the time the new methodology is fully implemented, the window of opportunity for Imperial Valley renewable generators may have closed.

The Imperial County is one of the lowest-income regions in the Country and has suffered from chronic high unemployment that has hovered in the vicinity of 30 percent for several years. The development of Imperial Valley renewables represents the best hope for Imperial County to climb its way out of widespread poverty by being a major player in the new green economy. To stifle this opportunity through artificial barriers such as clinging to an obsolete and soon to be abandoned MIC methodology defies reason.

While the IV Task Force generally supports the change in MIC RA methodology set forth in the Draft Final Proposal, it urges the CAISO, California Public Utilities Commission (CPUC), IOUs and other stakeholders to develop an interim solution to fairly evaluate proposals received from Imperial Valley generators in the current RFO proceeding so that these generators are not excluded from the process.

IV. CONCLUSION

The IV Task Force greatly appreciates the CAISO's attention to this important and necessary change to the MIC RA methodology. The IV Task Force generally supports the proposed change to the MIC RA methodology that has been proposed by the CAISO. However, the IV Task Force also urges that the CAISO, CPUC, IOUs and other stakeholders ensure that the interim procurement decisions that take place while the final methodology is being implemented are done in a fair manner and without unnecessarily excluding Imperial Valley renewable projects from consideration during this year's procurement process. To do otherwise would not only be harmful to the Imperial Valley and Imperial Valley developers, it would also deprive California ratepayers from their opportunity to benefit from the high quality, low cost, renewable projects being proposed in one of the State's richest CREZs.