

## Stakeholder Comments: Topics presented at Dec 11/12 stakeholder meeting

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LS Power appreciates the opportunity to provide comments. We commend CAISO staff in their efforts in performing studies and presenting the findings at the stakeholder meeting. LS Power's comments are limited to the "Economic Planning Studies – Preliminary Results" section of CAISO presentation.

CAISO presented its preliminary findings for the 5 areas in which staff performed economic analysis. LS Power commends CAISO's time and efforts in fine tuning the WECC TEPPC database and performing a detailed economic analysis. We, however feel that additional analysis is needed to fully compute the economic benefits of new transmission. In this regard, we are submitting the following comments and would be happy to work with CAISO staff in addressing these and/or supporting the proposed additional analysis.

### **Additional Economic Benefits exist**

As LS Power understands, CAISO's economic analysis focused on production cost savings to CAISO ratepayers from new transmission projects. It however did not quantify several other benefits that a new transmission project will offer to CAISO ratepayers. One new transmission line that was studied by CAISO was a new 500 kV line between Harry Allen substation (in NV Energy BAA) and El Dorado substation (CAISO BAA). CAISO study found \$150mm economic benefits from this new transmission line to CAISO ratepayers, primarily from production cost savings. It however, did not take into account the following additional benefits that CAISO ratepayers would receive from this new transmission line:

- (1) The new line will allow access to additional Resource Adequacy type capacity to CAISO. Existing conventional and renewable resources that are connected at/near Harry Allen substation will be able to offer new RA capacity to CAISO. Also, new line will encourage development of cheaper generation at/near Harry Allen that can be offered to CAISO markets.
- (2) The new line will allow CAISO to access more Flexible ramping capability that it requires for 33% RPS integration.
- (3) The new line will also benefit other Regions in the Western Interconnection, especially NV Energy, and will help both CAISO and NV Energy achieve its joint planning objective<sup>1</sup> of “...jointly studying the potential for development of transmission facilities between the two systems, as well as sharing conventional and renewable energy resources for the benefit of the respective customer groups...”.

CAISO’s preliminary findings for this new line concluded that while the benefits identified were not enough to outweigh the cost for this new line, but since the benefits were significant, CAISO staff may perform further study on this. We strongly encourage CAISO to perform further analysis on this, with an objective to quantify the above additional benefits that this new transmission line would bring to CAISO (and California) ratepayers.

### **Sensitivity Study**

LS Power believes that there is a need to perform a few sensitivity studies, in order to fully ascertain the economic benefits of the new Harry Allen – El Dorado line. The two sensitivity studies that LS Power believes should be done are:

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<sup>1</sup> This was jointly announced by CAISO & NV Energy in Aug 2012.

- (1) Nuclear generation sensitivity: CAISO study basecase assumed both SONGS units base loaded for the economic analysis. While it is not clear, but likely both Diablo units were assumed the same. We recommend that CAISO staff perform a sensitivity study with some combination of nuclear units offline, consistent with the long term nuclear studies that were recently presented to CAISO Board. Economic benefits for the new transmission line should be reevaluated for this sensitivity study.
- (2) Placeholder transmission projects: CAISO included several Generation Interconnection driven transmission planning projects in the study basecase for this economic analysis. All these projects have either not been approved by CAISO Board/Management, or by CPUC. CAISO explained they needed to model these projects so that the basecase could converge. While LS Power understands this, but is concerned that preloading the basecase with several new transmission projects that have not yet been approved could significantly “under estimate” the benefits of the new economic projects that CAISO was analyzing. We recommend CAISO to perform additional sensitivity studies, as appropriate, such that the benefits for the economic projects (without the relevant Placeholder transmission project) is quantified.