

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the)	
Resource Adequacy Program, Consider)	
Program Refinements, and Establish Annual)	Rulemaking 11-10-023
Local Procurement Obligations.)	
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**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
REPLY COMMENTS ON
2013 LOCAL CAPACITY REQUIREMENTS**

In accordance with the Order Instituting Rulemaking (October 20, 2011) issued by the California Public Utilities Commission (“CPUC”) and the Phase 1 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (“Scoping Memo”) dated December 27, 2011, the California Independent System Operator Corporation (“ISO”) submitted its 2013 Local Capacity Technical Analysis (“LCT Report”) on April 30, 2012. Comments on the LCT Report were filed on May 7, 2012 by The Utility Reform Network (“TURN”) and the San Diego Gas & Electric Company (“SDG&E”). The ISO hereby submits these brief reply comments in response to the issues raised by these parties.

I. SAN DIEGO SUB-AREA LOCAL CAPACITY REQUIREMENT

TURN’s comments request that the Commission direct SDG&E to present its “safety net” proposal for consideration in this docket to reduce the San Diego sub-area local capacity requirements. The so-called “safety net” is to reduce the San Diego sub-area local capacity requirements by using the N-1-1 criteria to compute that need, and then shed load in the event that the reduced local capacity requirements are insufficient

to meet an actual Category C contingency where there is a loss of two or more elements.¹

The ISO disagrees with TURN's suggestion and with the use of the proposed safety net to mitigate a Category C contingency. There are several important reasons why the Commission should not consider this approach.

First, WECC existing standards limit the use of "safety nets" solely to mitigating unplanned and extreme events. Safety nets are not to be used in demonstrating compliance with criteria performance, including Category C contingencies. It is the remedial action scheme that is instead used in demonstrating compliance with criteria defined events. Accordingly, under the WECC standards, SDG&E's "safety net" proposal should not be used as a mitigation measure for the Category C events being evaluated in the LCT Report.

Second, the San Diego sub-area local capacity requirement is not the overall procurement driver for San Diego ratepayers. The local capacity requirement is determined by the needs of the entire San Diego-Imperial Valley area, currently at 2,938 MW.

Third, setting an artificially low sub-area local capacity requirements may result in the ISO having to use its back stop authority to procure the additional resource adequacy capacity needed.² This backstop procurement through the ISO's capacity procurement mechanism may result in higher cost to ratepayers.

¹ Western Electricity Coordinating Council ("WECC") Standards, Normal and Contingency Conditions, define a Category C event as "Event(s) resulting in the loss of two or more (multiple) elements".

² See ISO Tariff Sections 43.2.1 and 43.2.2.

Fourth, it would be inappropriate to rely on a new special protection scheme in this extremely complex area without undertaking a detailed analysis of the existing special protection schemes in the area, as well as the interaction between them, before considering implementation of a new special protection scheme. To date the ISO has not seen nor reviewed any WECC design of a new special protection scheme for this sub-area. Any new scheme would require WECC approval before it can be implemented.

The ISO will continue to work with SDG&E on the remaining San Diego sub-area issues. At this time, however, the ISO cannot commit to any reduction from the published 2013 sub-area procurement target of 2,570 MW given the significant issues that exist with the proposed safety net and introduction of a new special protection scheme without adequate study.

II. EFFECT OF SUNRISE POWERLINK ON LOCAL CAPACITY REQUIREMENTS

In its comments, TURN suggests that the ISO has overstated the incremental benefits of Sunrise Powerlink Transmission Project (“Sunrise”) in calculating the local capacity requirement. That is not correct. The suggestion ignores years of record evidence to the contrary.³

³ For the last five years in a row, the ISO has in its stakeholder processes related to the local capacity requirement presented the potential for extension of the existing San Diego local area to the San Diego-Imperial Valley local area. These study results can be found at: <http://www.caiso.com/287c/287ca3cc28a80.pdf> for studies conducted in 2010, <http://www.caiso.com/2495/2495c63b23450.pdf> for studies conducted in 2009, <http://www.caiso.com/20ad/20ad77d04d70.pdf> for studies conducted in 2008, <http://www.caiso.com/1cc2/1cc2dab86fd50.pdf> for studies conducted in 2007 and at <http://www.caiso.com/18d8/18d8ce1118390.pdf> for studies conducted in 2006. This issue has also been thoroughly vetted in the Sunrise proceeding, *Application of San Diego Gas & Electric Company for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project*, Docket A.06.08.010.

For several years, even before construction of Sunrise even began, the ISO has advised the Commission that Sunrise would reduce the San Diego area local capacity requirement by 1,000 MW once renewable buildout in the Imperial area reached the projected amounts to meet the 33 percent renewable portfolio standard. Since full renewable build-out is not scheduled to occur by 2013, it is unreasonable to expect that the full benefits of Sunrise will be reflected in the LCT Report for resource adequacy compliance year 2013.

TURN's comments in this proceeding ignore the ISO's previous explanations that the local capacity requirement benefits expected from Sunrise will not be instantaneous; they will be achieved in stages as renewable resources in the Imperial Valley are developed and delivered to load in San Diego. All of the ISO's local capacity requirement studies to date make it clear that Sunrise will reduce the requirement in the San Diego sub-area.

Further, the ISO's testimony in SDG&E's application for approval of contracts for three new gas-fired power plants (A.11-05-023) shows that once renewable development occurs in the Imperial Valley area, the reduction of the local capacity requirement may be more than 1,000 MW. This reduction could result from the renewable or new state-of-the-art combined cycle technology being located in Imperial Valley versus existing reliance on old, high heat rate, once-through-cooling units within the existing San Diego sub-area footprint.

III. CONCLUSION

The ISO respectfully requests that the CPUC issue an order consistent with the ISO's proposal and reply comments in this matter.

Respectfully submitted,
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