

Stakeholder Comments Template

**Deliverability of Resource Adequacy
Capacity on Interties**

Submitted by	Company	Date Submitted
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SDG&E submits the following comments on the *Deliverability of Resource Adequacy Capacity on Interties* Issue Paper posted on March 15, 2011, and issues discussed during the stakeholder conference call on March 22, 2011, including the slide presentation.

SDG&E supports implementing changes to the current Maximum Import Capability (MIC) methodology to expand Resource Adequacy (RA) import capability beyond historical-based values. SDG&E shares the concerns identified in the Issue Paper and expressed by stakeholders on the recent call that the current historical-based counting method operates as a barrier to timely developing renewable resources in non-CAISO balancing authority areas (BAA). SDG&E strongly believes that removing these barriers will help jurisdictional load serving entities (LSEs) cost-effectively meet their renewable portfolio obligations, while simultaneously increasing renewable resource development. Additionally, increasing MIC values across interties with historically low or no demonstrated imports will help the CAISO solve potential issues associated with retiring Once-Through Cooling (OTC) units, another important state policy goal.¹

1. Do you have any comments on the overall issue that the ISO is proposing to address? For example, has the ISO adequately framed the issue?

The CAISO envisions a two-part framework to implement MIC increases. Step one would explore changes to the current MIC methodology to expand RA import capability beyond the current historical values. Importantly, step one would focus primarily on specific interties where previous studies have identified a high concentration of renewable resources, yet current import values are low or non-existent. In these instances, a clear public policy benefit supporting MIC revisions can be reasonably discerned. In furtherance of these public policy benefits, SDG&E suggests the CAISO focus first on interties that (i) connect to non-CAISO BAAs where there is a high likelihood of near-term resource development that load serving entities will rely on to

¹ While SDG&E expects that most of the planned resource development in non-CAISO BAAs is likely to be renewable generation, SDG&E recommends this process not be expressly limited to achieving state RPS policy goals. Instead, the revised MIC process should be designed to further *all* state policy goals. As such, any changes to the RA import methodology should be non-discriminatory and neutral as to resource-type.

meet their RA requirements, and (ii) have current RA import values that are low or non-existent. In parallel with step one, step two would incorporate any identified expanded increases in MIC values into the CAISO's revised transmission planning process. This would allow the CAISO to characterize any transmission additions or upgrades necessary to support increased RA import capability as public policy-driven transmission elements necessary to meet the state's policy objectives.

As discussed on the stakeholder call, the IID-CAISO intertie at Imperial Valley substation perfectly illustrates the issue this stakeholder process is designed to remedy: a well documented, renewable rich area on the other side of an intertie with no historical import data. Under the current MIC counting method, resources in Imperial Irrigation District (IID) would be unable to count towards RA obligations until 2 to 3 years of actual data demonstrating imports into the CAISO BAA during peak load hours. This uncertainty serves as a barrier to contracting; likely unnecessarily increasing procurement costs in the CAISO control area, while unnecessarily penalizing resources in neighboring BAAs. SDG&E supports revising the MIC calculation methodology to remove these barriers.

In accomplishing step one, the CAISO would not consider changes to the process for allocating and assigning RA import capability to LSEs. Additionally, the CAISO proposes – as is done today – to recalculate MIC values at each intertie on an annual basis. Thus, any increases in MIC values identified by a new methodology would be reviewed annually to assure the basis for increasing MIC were still justified, or the increase could be reduced.

In the interest of quickly implementing a useful change to the current RA import process, SDG&E accepts the limitations of the CAISO's initial proposal. SDG&E understands that changes to the MIC allocation process would likely require significant revisions of tariff sections 40.4.6.2.1, slowing this process and further delaying resource development in California. Given the timing issues associated with the RA program's annual compliance framework, SDG&E believes it is important to keep this process simple, focused, and on target for resolution by the end of this summer. Accordingly, SDG&E supports the CAISO's decision to isolate and remedy the discrete barriers to purchase power contracting that initiated this process.

2. Do you have any suggestions on how this issue might be addressed and resolved? If you have a suggested approach, please describe your proposal and its perceived benefits and provide examples to illustrate your proposal.

Contingency-based power flow analysis could be considered as a way of demonstrating that future imports of RA capacity are simultaneously feasible. When determining the appropriate MIC increases, the contingency-based power flow analysis could be combined with other factors, including the existence of signed power purchase agreements with CAISO LSEs and the status of those projects in the BAAs' generator interconnection queue. The contingency based power flow analysis would take into account grandfathered RA imports, and would not result in any unmitigated reliability criteria violations. This analysis would be done each year prior to the date on which CAISO load serving entities are required to make their annual RA showings for the following year. Finally, to the extent the analysis identifies reliability criterion violations triggered by the MIC increases, SDG&E recommends the CAISO consider low cost mitigation

(e.g., expanding a Remedial Action Scheme) that can be implemented prior to the date on which the upcoming year's RA showing is due.

While the details of this contingency based-power flow analysis would need to be worked out, SDG&E strongly believes it is important that the process and assumptions not be so conservative as to nullify the intended purpose of revising the import RA process.

3. If you have any additional comments, please provide them here.

SDG&E believes this is a vital issue, and appreciates the CAISO's timely decision to tackle it. SDG&E agrees that the current historical-based MIC methodology, and the associated impact on RA value, creates a distinct disadvantage for external resources attempting to contract with jurisdictional LSEs inside the CAISO BAA. This paradigm not only disadvantages developers, but if left unchecked would no doubt increase costs for LSEs (and by extension, ratepayers) seeking to satisfy both RPS and RA mandates. SDG&E looks forward to actively participating in this process to mitigate these cost concerns.