

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

Application of San Diego Gas & Electric
Company (U902E) for Authority to Partially
Fill the Local Capacity Requirement Need
Identified in D.14-03-004 and Enter into a
Purchase Power Tolling Agreement with
Carlsbad Energy Center, LLC.

Application 14-07-009
(Filed July 21, 2014)

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON
ALTERNATE PROPOSED DECISION**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna McKenna
Assistant General Counsel
Jordan Pinjuv
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: (916) 351-4429
Fax: (916) 608-7222
jpinjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

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I. Introduction

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files these comments regarding the proposed *Decision Conditionally Approving San Diego Gas & Electric Company's Application for Authority to Enter into Purchase Power Tolling Agreement with Carlsbad Energy Center, LLC (Alternate Proposed Decision)*. The CAISO recommends that the Commission approve the Alternate Proposed Decision and conditionally authorize San Diego Gas & Electric Company (SDG&E) to enter into a 500 megawatt (MW) purchase power tolling agreement (PPTA) with the Carlsbad Energy Center, LLC (Carlsbad Energy Center).

II. Discussion

A. The Alternate Proposed Decision Appropriately Balances Reliability Risks, Existing State Regulations and the Need to Accelerate Development of Preferred Resources.

The Alternate Proposed Decision conditionally approves a 500 MW PPTA between SDG&E and the Carlsbad Energy Center and increases the amount of preferred resources to be procured in SDG&E's request for offers (RFO) by 100 MW. This resolution appropriately

balances the significant reliability needs in the San Diego area, the State's interest in ensuring timely compliance with the State Water Resources Control Board's once-through-cooling regulations, and the ongoing effort to accelerate the development of preferred resources.

Throughout this proceeding, the CAISO has maintained and demonstrated that there is a significant reliability need for new generating resources in the San Diego area in 2018 and beyond.¹ CAISO studies presented in this proceeding indicate that resources comparable to the proposed Carlsbad Energy Center project are needed after the retirement of the Encina Generating Station to meet the identified reliability issues.² The Carlsbad Energy Center's location, timing, and proposed technology are uniquely suited to meet the CAISO-identified reliability needs. Commission approval of a modified 500 MW PPTA would maintain the locational, temporal and technological benefits associated with the Carlsbad Energy Center project while establishing a path to simultaneously maintain long-term reliability and comply with the State's once-through-cooling regulations. The Alternate Proposed Decision achieves this balance while providing an efficient and straightforward modification of the PPTA that should not jeopardize the existing timeline for the Carlsbad Energy Center project. As a result, the CAISO recommends that the Commission approve the Alternate Proposed Decision.

B. Expedient Submission and Review of SDG&E's RFO Results Is Necessary

The Alternate Proposed Decision's reduction in the size of the Carlsbad Energy Center PPTA is commensurate with an increase in the minimum preferred resource procurement in SDG&E's RFO. The Alternate Proposed Decision requires SDG&E to procure a total of 300

¹ See, e.g., Exhibit 4, p. 4-5, Opening Brief of the CAISO, p. 8-9, Comments on the Proposed Decision by the CAISO, p. 1-3.

² The CAISO's Track 4 testimony assumed 520 MW of generation at the Carlsbad site, Exhibit 31, Table 9. The CAISO's 2013-2014 transmission plan assumed 558 MW of generation at the same site, Exhibit 32, Appendix A, p. A-28.

MW of new preferred resources. The increased reliance on new RFO resources necessitates expeditious submission and review of SDG&E's RFO results. As the CAISO stated in its May 23, 2015 comments on the Proposed Decision, the Commission must be prepared to act swiftly to ensure that the RFO-selected resources are available in a timely manner to meet the identified long-term reliability needs.

C. The CAISO Has Not Identified Significant Benefits Associated with the Addition of Synchronous Condenser Technology at the Carlsbad Energy Center.

The Alternate Proposed Decision includes language directing SDG&E to study the addition of synchronous condenser technology, commonly referred to as a “clutch,” at the Carlsbad Energy Center facility. In response to the Alternate Proposed Decision, the CAISO analyzed both peak forecast and lower load level scenarios to test whether the addition of synchronous condenser technology could enable a reduction in the amount of gas-fired generation (and associated emissions) that the Carlsbad Energy Center would otherwise be expected to produce. In recent years, the CAISO has approved significant upgrades to the Southern California transmission system to address reactive power needs and will continue to update and evaluate the adequacy of these solutions in future planning studies. The CAISO targeted these upgrades at locations that were both highly electrically efficient and feasible at times of peak system loading with some locations having expansion capabilities for even more reactive support should it become necessary. Due to the specific circumstances of localized voltage stability, the thermal limitations in the area, and the development of better-situated synchronous condensers in the area, the CAISO has not been able to confirm that the synchronous condenser technology at Carlsbad would enable any material reduction in gas-fired generation output. Assuming that the transmission system upgrades and Commission-authorized procurement are realized in a timely manner, synchronous condenser technology at the Carlsbad

Energy Center may not provide material emission reduction benefits. Therefore, based on a preliminary analysis, the CAISO has not been able to identify significant benefits to the installation of synchronous condenser technology at the Carlsbad Energy Center.

III. Conclusion

Based on the foregoing comments, the CAISO recommends that the Commission approve the Alternate Proposed Decision and conditionally authorize SDG&E to enter into a 500 MW PPTA with the Carlsbad Energy Center.

Respectfully submitted

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Anna McKenna

Assistant General Counsel

Jordan Pinjuv

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

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