



Memorandum

To: Grid Reliability/Operations Committee
From: Kellan Fluckiger, Chief Operations Officer
Armando Perez, Director of Grid Planning
Cc: ISO Governing Board; ISO Officers
Date: October 16, 2000
Re: **SDG&E's Valley-Rainbow 500 kV Transmission Project**

THIS IS INFORMATIONAL ONLY

Recently there has been significant opposition to the Valley-Rainbow 500 kV Transmission Project by local residents along the proposed rights-of-way. It is expected that the Board will receive a proposal to re-open the issue of conducting an RFB for non-wires alternatives for the Valley-Rainbow Project. This proposal is being made to explore possible new alternatives that were not previously available.

The Board voted at their meeting on August 1, 2000 to not proceed with a competitive solicitation. The reasons included:

- that a competitive solicitation would not produce alternatives that have not already been taken into account and
- the San Diego area needs both more transmission to increase imported power capability and new generation to increase competition between generator owners and dependence on costly RMR contracts.

Possible new alternatives being suggested now include new generation and/or load management. At this time, in addition to the Otay Mesa Generating Plant that is within the CEC AFC process, there is only one 50 MW peaking generating unit at Chula Vista is being represented by SDG&E as being in service before 2004 summer. These two plants, if built and placed in operation, will mitigate a deficiency in resources up to 2004, but the Valley-Rainbow Project is still needed to serve load growth after 2004 or load will have to be curtailed for contingency conditions.

SDG&E and ISO studies have concluded that the Valley-Rainbow Interconnection is the preferred alternative, for the following reasons:

- most cost effective;
- more realistic to achieve in the proposed time frame;
- shortest line mileage and presents least amount of construction difficulties; and
- comparable performance to other alternatives.

Management recommends that the Board should continue to support the Valley-Rainbow 500 kV transmission project and, additionally, that the Board decision not to seek a competitive solicitation is still the right decision. Management recommendations is based on the following points:

1. The justification for the Valley-Rainbow Project is to increase access by SDG&E to additional generation resources outside of the San Diego area. This project is not required to serve the needs of the Southern California Edison Company.
2. There is no certainty that additional new generation will be developed and become operational within the timeframe and in the San Diego area. New plants within the County will be subjected to siting and environmental reviews.
3. Natural gas availability in the San Diego area appears to be insufficient to support a net increase in new generation capacity based on recent CEC analysis. Therefore, additional pipeline capacity may be needed.
4. Although customer demand response has been critical to helping the ISO manage the peak, in fact the response has been limited and is under significant regulatory constraint.
5. The Valley-Rainbow Project is needed to increase competition among generator owners.
6. The Valley-Rainbow Project is the first step in a series of transmission additions now being studied by SDG&E, to provide reliable service to the residents of San Diego County in the post 2008 era.