

Stakeholder Comments Template

**Deliverability of Resource Adequacy
Capacity on Interties**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the *Deliverability of Resource Adequacy Capacity on Interties Draft Final Proposal* posted on May 5, 2011, and issues discussed during the stakeholder conference call on May 12, 2011, including the slide presentation.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to RAimport@caiso.com no later than the close of business on May 19, 2011.

1. Do you support the ISO’s proposal?

CalEnergy Operating Corporation (CE) appreciates the opportunity to provide these comments to the California Independent System Operator Corporation (CAISO)’s ***Deliverability of Resource Adequacy Capacity on Interties*** (RA Plan), as presented at the May 12, 2011 Stakeholder Meeting to become a component of the Draft Final Proposal.

CE remains supportive of this CAISO initiative to change the process of calculating the Maximum Import Capacity (MIC) for RA purposes that continues to penalize renewable energy developers who are negotiating contracts for energy and capacity from projects outside the CAISO balancing authority areas (BA), even though those resources are located within the state of California. The proposed revisions, coupled with policy direction from the California Public Utilities Commission, can be the first step to leveling the playing field for generation located in California, but outside the CAISO system, which also has firm transmission service over non-CAISO transmission systems to deliver energy to the CAISO BA. Our comments outlined in this document focus on the RA plan elements that will timely target allocation of MIC to renewable geothermal generation from the Imperial Irrigation District’s (IID) service area to the CAISO system.

2. What specific changes would you like the ISO to consider when preparing the draft Business Practice Manual (BPM) language for consideration in the BPM Change Management Process? Please explain your reasoning and the benefits that your proposed changes will provide.

CE maintains that it is essential that the CAISO and the California Public Utilities Commission (CPUC) continue to work in concert to ensure that renewable generation in the IID service area, whether connected directly to the CAISO or the IID transmission system, are treated comparably in the forthcoming 2011 procurement process. It is crucial that these necessary policy changes be instituted by May 2011 in order to support business practice implementation by August 2011 to provide utilities the certainty they need to assign targeted RA MIC values to IID renewable generation for the 2011 utility procurement process announced by the CPUC.

CAISO's response to CE's concerns in the Draft Final Proposal, dated May 5, 2011 stated:

"On April 14, 2011, the CPUC issued Decision (D.) 11-04-030 in the Rulemaking 08-08-009, which conditionally approved renewable energy procurement plans for PG&E, SCE, and SDG&E for use in the upcoming Summer 2011 RPS solicitations, subject to a compliance filing. Parties seeking clarification regarding how renewable bids will be evaluated in the 2011 RPS solicitations should pursue these questions with the CPUC."

An excerpt from the 08-08-009 decision excerpt states:

"Moreover, Investor Owned Utilities (IOU)s incorporate RA into their Least Cost Best Fit (LCBF) methodologies. Thus, IOUs are able to assess the RA value differential, if any, of a project interconnection at energy-only versus full deliverability. The RA treatment in each IOU's LCBF methodology should be clearly explained, however. Thus, each IOU should modify its LCBF description, as necessary, to make its treatment of RA, and use of RA adders, clear to bidders as part of making the LCBF methodology transparent."

These excerpts underscore the need for the CPUC to provide clarity on how this CAISO policy will interact with the ongoing request for offer process initiated by the CPUC.

CE remains concerned there may be not enough clarity between the CPUC 2011 request for proposals process and the associated monetary values attributed by load serving entities to generators regarding MIC.

Again, CE would clarify its understanding through the following example.

The March 10, 2010 CAISO/CPUC memorandum states that:

"In Phase 2 of the 2010-2011 cycle of the ISO transmission planning process, the ISO will consider and incorporate into its plan scenarios from the CPUC Long Term Procurement Plan process, to the maximum extent practical given the goal of identifying needed renewable access elements of the Phase 2 plan by December 2010. The CPUC will provide notice that Phase 2 of ISO transmission planning process will consider and incorporate these scenarios, and the subsequent CPUC siting/permitting process will

then give substantial weight to project applications that are consistent with the ISO's final Phase 2 plan."

The Draft California ISO 2010/2011 Transmission Plan outlines that the CAISO considers the hybrid portfolio (Portfolio 4) as *"a more likely scenario would include moderate development of all three types of resources: large in-state, out-of-state and distributed generation."*

CE notes that under this Portfolio 4, approximately 1800 MW of generation will come from the Imperial Valley area. Even under the lowest resource portfolio approximately 600 MW of geothermal resources exist in all the remaining scenarios.

Building on this, the Draft 2011/2012 Transmission Planning Process Unified Planning Assumptions and Study Plan states that

"Using the ISO's 2020 33 percent RPS portfolio study case (hybrid portfolio), the ISO's power flow and stability analyses will assess projected local capacity requirements in the ISO local capacity areas to meet applicable NERC/WECC reliability standards as defined by the local capacity technical studies;" and,

"The ISO therefore proposes to adopt, for the 2011/2012 TPP cycle, the policy objective of expanding RA import capability in those areas outside the ISO BAA where (a) renewable resources are needed in the 33% RPS base case portfolio to meet the state's 33% RPS target, and (b) the RA import capability under the current MIC rules is not sufficient to enable these resources to provide RA capacity."

CE interprets the process in Section 6.1 of the draft final proposal to mean that the CAISO, working with stakeholders, will outline the transmission facilities needed (and ultimately initiate work to begin construction thereon by developers) to economically deliver the Imperial Valley resources outlined in the hybrid scenarios above, or at a minimum the geothermal resources contemplated in all portfolios. Using this certainty, in the 2011 RFP process the CAISO utilities would then be able to evaluate resources which would utilize this new import capability through their RFP process against other generation directly connecting to the CAISO system without penalty associated with the MIC value (or perceived lack thereof).

If this is still not a correct interpretation, CE again requests an explicit guidance document (such as an assigned commissioners ruling or modification incorporating this new CAISO process into the current docket) from the CPUC to ensure that the 2011 RFP process is undertaken in such a way to ensure that reliable and economic resources in the Imperial Valley are not penalized in our collective goal to achieve 33% of California's electric energy from clean renewable energy sources.

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

CE once more commends the CAISO staff and their efforts in implementing this revision process and looks forward to providing any additional information necessary to complete the Stakeholder Initiative Process to develop the draft Proposed Revision Request (PRR) to the Business Practice Manual (BPM).