Stakeholder Comments Template

Deliverability of Resource Adequacy Capacity on Interties

Submitted by	Company	Date Submitted
Randy Keller Director of Development (760) 348-4005 randy.keller@calenergy.com	CalEnergy Operating Corporation	April 20, 2011

This template is for submission of stakeholder comments on the topics listed below, covered in the *Deliverability of Resource Adequacy Capacity on Interties Straw Proposal* posted on April 6, 2011, and issues discussed during the stakeholder conference call on April 13, 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 April 20, 2011.

1. Do you generally support the ISO's proposal to expand the maximum import capability values?

   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 April 13, 2011 Stakeholder Meeting to become a component of the Post Draft Final Proposal.

   CalEnergy continues to support this CAISO initiative to change the process of calculating the Maximum Import Capacity (MIC) for RA purposes that currently penalizes 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. This work, 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, and which also have 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 for the final proposal? Please explain the benefits that your proposed changes will provide.

CE maintains that it is critical 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 critical 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 resource adequacy MIC values to IID renewable generation for the 2011 utility procurement process announced by the CPUC.

While CE understands that the current Memorandum of Understanding (MOU) between the CPUC and the CAISO is intended to provide a general framework of the understanding of assumptions between the CAISO plan and the CPUC 2011 power procurement process, CalEnergy remains concerned that there remains too much ambiguity between the CPUC 2011 request for proposals process and the associated monetary values attributed by load serving entities to generators regarding MIC. As such, to ensure full understanding of this approach, CalEenrgy 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.".*

CalEnergy 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."*

CalEnergy would interpret the process in Section 6.1 of the straw 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 not a correct interpretation, CalEnergy would again request an explicit guidance document (such as an advice letter) 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.

If you have additional comments, please provide them here.

CalEnergy again commends the CAISO staff and their efforts in implementing this novel 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).