BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U-338-E) for a Certificate of Public Convenience and Necessity for the Eldorado-Ivanpah Transmission Project	**Application 09-05-027 (Filed May 28, 2009)**

COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE PROPOSED DECISION OF ALJ DEANGELIS

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The California Independent System Operator Corporation ("ISO") hereby submits comments on the Proposed Decision issued by Administrative Law Judge DeAngelis ("Proposed Decision") issued on November 15, 2010. The ISO has not participated in this proceeding up until this point. However, as discussed below, the ISO is concerned that the Proposed Decision has incorrectly concluded that Eldorado-Ivanpah Transmission Project (EITP) is not needed to deliver renewable generation to the ISO controlled grid. Because EITP will bring renewable resources to the Grid with only the need for relatively moderate network upgrades, the ISO supports the Alternate Proposed Decision issued by Commission Michael M. Peevey and urges the Commission to grant a Certificate of Convenience and Necessity to Southern California Edison (SCE) for EITP.

I. INTRODUCTION AND BACKGROUND

The ISO is a not for profit, public benefit corporation charged with reliably operating the high voltage transmission facilities that have been turned over to its operational control by participating transmission owners, including SCE and the other investor-owned California electric companies. The ISO is regulated by the Federal

Energy Regulatory Commission (FERC) and its rates, terms and conditions of service are set forth in a FERC-approved open access transmission tariff.[1]

Among other things, as an independent system operator the ISO processes requests to interconnect to the ISO Controlled Grid from generation resources seeking to deliver energy and capacity to the ISO- in accordance with the procedures described in FERC Order 2003[2] and set forth in detail in the ISO tariff.[3] The ISO's large generator interconnection process (LGIP) utilizes a "queue cluster" approach to studying the impact that generation facilities will have on the network facilities to which they are seeking interconnection, which means that the ISO evaluates the system impacts of interconnection projects both in terms of the time period in which the projects are submitted and in groups of generation resources that will electrically affect each other.[4] Briefly stated, the system impact studies, which are conducted by the ISO in conjunction with the transmission owner to whose system the resources will be connected, identify reliability and delivery network upgrades that must be constructed if the full capacity of the generation projects is to be delivered to the grid. These network upgrades are designed to meet the needs of the generation resources in the queue cluster group being evaluated, as well taking into consideration generation projects in later queue cluster groups in the same area that will be studied next. This "queue cluster" impact study process was specifically designed by the ISO in order to accommodate the substantial

[1] http://www.caiso.com/pubinfo/tariffs/index.html
[2] *Standardization of Generator Interconnection Agreements and Procedures,* Order 2003, Stats. & Regs.¶ 31,146, 68 Fed. Reg. 49, 846 (August 19, 2003).
[3] Tariff Section 25 and Appendices S, U, W, and Y; see also SCE Reply Brief, 15.
[4] See Appendix Y, Sections 3.3 and 6.1. Prior to revising its LGIP, the impact of individual generation resources seeking interconnection was assessed serially based on the order that the project was submitted into the ISO's generation queue. Generation projects in the ISO queue before the effective date of the LGIP revisions are sometimes referred to as "serial" projects.

number of renewable generation projects entering the interconnection queue located in resource-rich areas and being proposed to meet California's ambitious 33% RPS targets.[5]

As reflected by the record in this proceeding, EITP is an example of how the ISO's LGIP queue cluster study approach allows the ISO and its transmission owners to develop the infrastructure that will be needed to bring large amounts of renewables to the grid. The Proposed Decision correctly notes that EITP is designed to provide 1400 MW of capacity for renewable generation projects in the Ivanpah Dry Lake area that are in the ISO queue. EITP is not a "greenfield" project but instead consists of a double-circuit 220 kV line (as well as a new 220/115 kV collector substation) that will replace the existing 35 mile 115 kV line currently capable of providing only 80 MW of capacity for new renewable projects. In other words, the EITP simply upgrades existing transmission facilities. Most of the EITP elements are contained in executed LGIAs for the three Brightsource Ivanpah Solar Energy Generating System (ISEGS) generation projects that now have been accepted by FERC[6] and there are over 900 MWs in later ISO queue clusters for which EITP will provide access to the ISO grid.[7]

In considering the design of efficiently planned network upgrades to accommodate the capacity of renewable generation projects, it is important to remember that transmission facilities are "lumpy" because needed transmission facilities often cannot be sized to meet the exact output of a generation project. EITP is a cost efficient means by which to connect additional proposed generation in the Ivanpah Dry Lake area.

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[5] *California Independent System Operator Corporation* 124 FERC ¶ 61,292 (2008); posted on ISO website at http://www.caiso.com/2051/20517cf513430.pdf

[6] See *Southern California Edison*, 133 FERC ¶ 61,108 (Oct. 29, 2010); the three signed LGIAs do not trigger the need for the second 230 kV circuit to be energized immediately or for the third 220/115 transformer bank to be initially installed in the Ivanpah substation. (footnote 26).

[7] Exhibits SCE-9, 10 and 11.

II. COMMENTS

The Proposed Decision Incorrectly Concludes that EITP Fails to Meet the Commission's Three-Pronged Test for Projects Needed to Facilitate Achievement of the State's RPS Goals.

In evaluating the need for EITP required by Pub. Util. Code 1001, the Proposed Decision first concludes that this project, as opposed to other recent transmission projects, "is not intended to address grid reliability or increased demand."[8] Nonetheless, because EITP has been designed to interconnect renewable resources, the Proposed Decision correctly determines that Section 399.2.5 appropriately provides a basis for the EITP need determination. Thus, the Commission must consider the three-pronged test established in D.07-03-12 to determine whether the project is "needed."

The first prong of the test requires a finding that the project will bring renewable generation to the grid that would otherwise remain unavailable. The Proposed Decision determined that EITP failed to meet this element of the test because: 1) the three ISEGS projects have other existing transmission options in the area[9]; 2) while other renewable projects in the area that have PPAs, such as the Desert Stateline project and two other projects with PG&E PPAs, have capacity needs that exceed the capability of the SCE facilities, it is unclear whether these projects could be accommodated by the existing transmission options[10]; and 3) relying on other renewable projects in the ISO's queue is too speculative to establish need for the project.[11] The Proposed Decision notes that the ISEGS developer (and presumably the other developers) made a "business decision" to

[8] Proposed Decision, 4, 14.
[9] *Id.*, 16-18.
[10] *Id.,* 19
[11] *Id., 20.*

interconnect to SCE, rather than to the LADWP or Nevada Power transmission lines in the area, and that this decision differs from "need."[12]

These conclusions are misplaced for a variety of reasons. First and foremost, it is incorrect to assume that renewable resources seeking to sell their output to load on and interconnect to the ISO grid can feasibly deliver renewable power to such load through the transmission facilities of other balancing authority areas simply because there are other lines "in the area" that are not part of the ISO-Controlled Grid. Interconnecting through another system could require the construction of substantial network upgrades on those systems in order to accommodate such large quantities of generation. The capacity of these systems is unknown. Even assuming *arguendo* that there was sufficient available capacity on those lines, extensive generator interconnection facilities and/or new substations would need to be constructed to allow such new generation in the area to be deliverable to those lines.

Importantly, it is not valid to assume that the renewable generation for which EITP has been designed will actually be constructed if the CPCN for EITP is not granted. Such an assumption ignores the realities of developing and siting both generation and transmission infrastructure. Sending the projects "back to the drawing board" to consider other transmission and interconnection options would substantially delay the generation projects (as well as potentially causing some projects to become uneconomic). For starters, these projects would have to "go back to square one" and enter either the Nevada Power and/or LADWP interconnection queues and be studied as part of these company's interconnection processes. In light of the significant generation in the ISO queue in the Ivanpah Dry Lake area that could be served by EITP, delaying the online date of these

[12] *Id., 17.*

generation projects could well delay the achievement of the state's 33% RPS goals. EITP will allow these resources to be interconnected to the ISO Controlled Grid and deliverable to load on the ISO Controlled Grid in a cost-effective manner. Using this approach, the ISEGS projects alone satisfy the first prong of the Section 399.2.5, as the Proposed Decision concedes at page 16.

The second prong of the Section 399.2.5 test requires a finding that the area within the transmission line's reach would play a critical role in meeting RPS goals. Similar to the first prong analysis, the Proposed Decision found that the importance of EITP in reaching RPS goals had not been established because PPA resources could be interconnected and delivered through other systems, and that other generation is "largely speculative."[13] For all of the reasons stated above, the assumption that existing transmission can deliver these resources is simply not a valid approach to take under the circumstances of EITP. Furthermore, such a conclusion ignores the high level of commercial interest in the area that will be served by EITP as evidenced by the projects in the ISO queue. Such indicia of commercial interest is used by the ISO in evaluating location constrained resource interconnection projects in its transmission planning process, and it has also been proposed as a criteria for evaluating policy-driven projects as part of the ISO's revised transmission planning process.[14]

Because EITP has been designed with the capacity to accommodate incremental resources as they move through the ISO's LGIP and is one of the most advanced projects in terms of development and the environmental siting process, the Ivanpah Dry Lake area will become increasingly important in meeting the state's RPS goals. In addition, given

[13] *Id.,* 23.
[14] See tariff Section 24.1.3.2; proposed Section 24.4.6.6(a) [the ISO's revised transmission planning process application can be found at http://www.caiso.com/27ab/27abcca86d1f0.pdf

the amount of renewable generation in the ISO queue that could utilize EITP, the costs of the line substation are proportionate to the magnitude of the renewable resources that will be facilitated (thus satisfying the third prong of the test).

III. CONCLUSION

The Proposed Decision did not correctly evaluate the issue of whether the renewable resources being connected to the ISO grid by EITP would be otherwise unavailable if the project is not constructed, as well as whether the other prongs of the Section 399.2.5 test had been satisfied. Because this threshold analysis of the need for EITP is flawed, the Alternate Proposed Decision should be adopted.

Respectfully submitted,

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December 6, 2010

CERTIFICATE OF SERVICE

I hereby certify that on December 6, 2010 I served, by electronic and United States mail, a copy of the foregoing COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE PROPOSED DECISION OF ALJ DEANGELIS to each party in Docket No. A.09-05-027

Executed on December 6, 2010
at Folsom, California

/s/ Anna Pascuzzo
Anna Pascuzzo

An Employee of the California
Independent System Operator
Corporation