Comments of Eagle Crest Energy on
CAISO Proposal for Consideration of Non-Conventional Alternatives
October 10th, 2013

Eagle Crest Energy (ECE) appreciates the opportunity to submit these comments on the CAISO's September 4th document, Consideration of Alternatives to Transmission or Conventional Generation to Address Local Needs in the Transmission Planning Process (Proposal), and the discussions about the Proposal on the September 18th stakeholder conference call and September 25th Transmission Planning Process (TPP) meeting.

ECE is developing a 1,300 MW pumped-storage plant in southern California. The project is far advanced in the complex state and federal licensing processes and is expected to receive all required permits in 2014. The project should come on-line in the 2019-2020 timeframe.

This plant will be capable of providing, among other things: (1) fast Regulation service; (2) ramping/load-following services; (3) multi-hour energy storage services (e.g., storing off-peak energy, for use in on-peak periods and/or to ameliorate over-generation conditions); and (4) relief of import congestion from the southwest. It thus should help the CAISO meet the future integration challenges that have been identified in CAISO studies of operations under 33% and higher penetration of Variable Energy Resources (VERs).

The Proposal describes a methodology to consider "non-conventional" or "preferred" resources (energy efficiency (EE), demand response (DR), renewables, and energy storage) as an alternative to conventional resources (conventional generation and/or transmission) to serve demand in three transmission-constrained Local Capacity Areas (LCAs) – the LA Basin, San Diego, and the Big Creek/Ventura area (Moorpark sub-area) in the annual TPP. The methodology could be deployed more widely in future annual TPP cycles.

However, it became apparent in the stakeholder discussions that CAISO consideration of preferred or non-conventional resources included only those physically located in the subject areas. The use of transmission to enable use of such resources located outside those areas to serve demand inside them would automatically be labeled an ineligible "conventional" alternative under the Proposal.

The Natural Resources Defense Council (NRDC) challenged the CAISO's locational restrictions, and its exclusion of transmission-enabled preferred-resource alternatives from consideration under the Proposal. Eagle Crest supports NRDC's position and offers here a framework for consideration of transmission as part of a preferred or non-conventional resource solution.

This framework would be based on the CAISO's current "policy-driven" concept used to identify transmission needed to meet state objectives such as the 33% Renewables Portfolio Standard (RPS). It would expand that objective to include transmission needed to enable preferred/non-conventional resources to serve demand in the three subject areas (and other such areas in the future).

The two ways that transmission could be used to accomplish this policy objective are listed below.

- **Enable imports of preferred/non-conventional resources outside the subject areas:** The CAISO could include additional transmission to areas with the potential for development of these resources up to and beyond the 33% RPS portfolios considered in the TPP. Increased development of such resources outside the subject areas would contribute as much to achievement of the greenhouse-gas and related state objectives as the development of preferred resources inside those areas, and potentially at a lower cost. Adding transmission resources would reduce the amount of conventional resources necessary to meet local requirements, while improving the value of resources already procured for the 33% RPS.

- **<u>Enable use of integration resources outside the subject areas to increase use of preferred/non-conventional alternatives inside and outside the subject areas:</u>** As the CAISO has noted, the lack of flexibility of some preferred resources (e.g., rooftop solar) inside the subject areas may limit their use as a replacement for conventional resources. Transmission that allows integration resources to provide that flexibility could increase the penetration and viability of less-flexible preferred resources inside the subject areas as a viable alternative.

  Eagle Crest notes that consideration in the TPP of transmission to enable use of integration resources is already required by the CAISO tariff. Tariff Section 24.4.4.6 ("Policy-Driven Elements") requires consideration of integration resources in determining policy-driven transmission upgrades – specifically, consideration of the following in determining the need for "Category 1" transmission elements:

  …The potential for a particular transmission element to provide access to generation and non-generation resources needed to support renewable integration **(e.g., pumped storage)**… *(emphasis added)*

  The CAISO has never complied with this requirement, and the Proposal may finally offer an opportunity to do so. (Eagle Crest notes that the Eagle Crest Project itself could be considered under FERC rules as a transmission asset if it operates under direct CAISO control, and Eagle Crest would welcome such discussions in this stakeholder process.)

These two alternatives are not mutually exclusive. For example, transmission to the East Riverside area would allow demand in the subject areas to be served by either/both: (1) additional preferred (e.g., solar) resources in that area; and/or (2) additional integration resources (e.g., the Eagle Crest Project, or existing/planned natural-gas plants in Nevada or Arizona).

While it is true that any resources – including conventional resources – can use transmission facilities once they are built, that is true of any of the transmission facilities approved to date to meet the 33% RPS. The presumption is that transmission to areas rich in development potential for those resources will be used for them, and this very same presumption can be applied as well under this new framework. (This same presumption applies, in a modified fashion, under the Location-Constrained Resource Interconnection Facility (LCRIF) rules.)

In summary, Eagle Crest strongly supports broadening the solutions considered under the Proposal to include transmission-based alternatives to new conventional generation inside the LA, San Diego, and Moorpark areas under the new methodology. The CAISO should evaluate transmission alternatives as preferred/non-conventional solutions if they enable use of such resources to replace new conventional resources in the subject areas.