CAISO 2015/16 TPP: Stakeholder Comments - Nov 16, 2015 Meeting

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LS Power appreciates the opportunity to provide comments on the content presented at the November 16, 2015, Transmission Planning stakeholder meeting. LS Power understands that CAISO will be working on Economic studies, the results of which will be made available to stakeholders around the end of January 2016. In light of this timeline, LS Power offers the following comments for CAISO consideration.

(1) <u>CAISO should validate intertie congestion on transmission path connecting CAISO to Pacific Northwest:</u>

CAISO's preliminary analysis shows very little congestion on the California Oregon Intertie (COI) path for Years 2020 & 2025. CAISO is projecting COI congestion of $0.25 mm for 2025 and approx. $.72 mm for 2020. In contrast, historical congestion on this intertie path has been significantly higher in last few years. Per CAISO's Department of Market Monitoring (DMM) report for Year 2014[1], congestion on this intertie path was approximately $147 mm in 2014, $61 mm in 2013 and $141 mm in 2012.

CAISO DMM noted…

"…Congestion increased substantially from the previous year on the two major inter-ties linking the ISO with the Pacific Northwest: the Nevada/Oregon Border (NOB) and the Pacific A/C Intertie (PACI).The latter inter-tie, PACI, is identified as PACI/Malin 500 in the table due to the PACI ITC constraint being replaced by the MALIN 500 inter-tie scheduling limit with implementation of the full network model on October 15. Total congestion on these two inter-ties increased from about $61 million in 2013 to about $147 million in 2014…"

LS Power encourages CAISO to take a closer look at this intertie congestion issue. CAISO staff explained at the stakeholder meeting that most of the historical congestion for Years 2012 and 2013 can be attributed to scheduled outages. We ask CAISO to verify that this is correct, especially since this congestion also exists for Year 2014, when no significant transmission outages on these paths were scheduled. We recommend that CAISO investigate the discrepancies between historical congestion and congestion identified in the economic study and make adjustments to its economic study model, as needed, to benchmark "projected" vs "actual" congestion. The studies should be conducted to accurately quantify congestion in future years, and study of the need for transmission solutions to address congestion issues should be based on this updated projection of intertie congestion.

[1] http://www.caiso.com/Documents/DMM_Annual_Report_2014_Final.pdf page 145.

(2) <u>Additional economic benefits offered by transmission projects, such as increase in EIM benefits, should be captured as part of economic studies:</u>

CAISO's economic studies typically capture the production cost simulation based energy saving benefits and the capacity benefits offered by new transmission projects. In addition to this, we recommend that CAISO should also look at other incremental economic benefits a transmission project proposal can typically offer. One such additional benefit is the incremental EIM benefits. CAISO & E3 EIM benefit reports suggest that there is a strong correlation between the amount of transmission capacity available for EIM transfers between two EIM entities and the total EIM benefits these entities can experience. Therefore, if a new transmission project increases the transfer capability between two EIM entities, this should increase EIM benefits for both entities. One such example is the PacifiCorp East to PacifiCorp West transmission path. Historically transfers across this path have been limited and any EIM transfers & benefits between PacifiCorp East and CAISO have been limited due to the lack of transfer capability available. If a new transmission project creates new direct transfer path between PacifiCorp East and CAISO this should unlock the EIM benefits PacifiCorp East & CAISO ratepayers can experience. Such additional benefits could be huge, and these should be accounted for. While LS Power understands CAISO's position that any EIM entity could decide to leave the CAISO EIM with a short notice and hence EIM benefits cannot be relied upon for a new transmission project approval, it is important for stakeholders and EIM entities to fully understand the economic value a new transmission project can bring. Therefore, we recommend that CAISO account for these benefits as part of its economic planning studies.

(3) **<u>CAISO's Economic Studies should not be just limited to evaluating new project proposals that solve a particular congestion issue</u>**:

As CAISO considers shortlisting which Request Window project it will study as an economic solution, it should consider the overall benefits a project can bring to CAISO ratepayers beyond reducing congestion. Some transmission projects may not directly target a specific congestion issue, but by virtue of opening a new transmission path between CAISO and its neighboring BAAs, there may be significant economic benefits to CAISO ratepayers related to transfers into CAISO from neighboring BAAs that should be quantified and realized in the studies. CAISO should study such high value projects to evaluate such economic benefits to ensure ratepayers do not miss out on additional benefits. In addition, if a new transmission project helps in meeting policy goals such as helping integrate 50% renewables and further enhancing the economic benefits of the planned CAISO/PAC integration, these should be considered and quantified.

LS Power thanks CAISO for the opportunity to submit these comments.