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 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?*

   PG&E generally supports the CAISO's proposal to expand the maximum import capability values. In PG&E's comments on the issue paper, PG&E expressed some simple concepts that any CAISO proposal should embody:

   1) Being transparent and simple to understand,
   2) Providing results that are clearly feasible, and
   3) Providing results that have remained fairly consistent over time.

   The CAISO's proposal achieves all of these objectives and to some degree improves on them. For example, at the stakeholder meeting, PG&E requested clarification that the transmission planning process would have a goal to maintain import capability on the interties. Making this goal explicit in the planning process helps to ensure that results are likely to be consistent over time, even though establishing a multi-year MIC value is out of scope for this stakeholder process.[1] Further, the CAISO stated that the TPP would establish MIC and RIC targets based on projected expansion of the transmission system. This will provide preliminary information that entities can use to weigh the viability of RA that can be provided by out-of-CAISO projects on a basis longer than just one year. These two clarifications are appreciated.

[1] Straw proposal at pages 8-9, Section 5.1.

As PG&E understands it, the CAISO will continue to use historical evidence to establish the "current MIC" and will make use of assumptions provided in the TPP related to public policies such as meeting a 33% RPS to determine either potential expansions to the interties or to evaluate the possibility of expanding the MIC for certain interties. **PG&E supports the use of historical data as a base, as it is transparent and easy to understand.**

PG&E supports the use of the transmission planning process to identify opportunities to expand the MIC, both by simply exploring the limits of the existing system and by identifying opportunities to do so through expansion of intertie capacity. This will ensure consistency among the planning processes, and allow the CAISO and stakeholders to take a broad view of import capability needs for the CAISO Grid.

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.*

The use of the renewable resource portfolio assumptions in the transmission planning process to identify interties for which MIC should be expanded could present challenges. For one, assumptions about where renewable resources will develop, especially assumptions related to out-of-state renewable development could change drastically over time. Such uncertainty is unlikely to provide persuasive evidence that interties import capability "needs" to be expanded to meet California's policy needs. Further, as time goes on, hypothetical development of resources will be replaced by real resources with power purchase agreements. If this new proposal fails to acknowledge early signals of real development then the chicken/egg problem that this stakeholder process is attempting to solve will have failed. Therefore, the CAISO should be sufficiently flexible in its assumptions to make adjustments to its resource portfolios to accommodate resources that achieve certain development milestones such as an executed and approved power purchase agreement, permitting or interconnection.

The concept above is addressed briefly on page 7 of the straw proposal in the quoted excerpt related to a "Supplemental Deliverability Study". That excerpt references existing resource contracts. **PG&E proposes that the CAISO expand and fully incorporate into its planning assumptions existing contracts into its consideration of determining an expanded MIC.** This flexibility should extend beyond just renewable resources but to all technology types.

PG&E recommends a minor adjustment to Step 5c of the expanded Maximum Import Capability (MIC) calculation methodology described on page 15:

> **5. Multiple Interties to One Targeted Resource Area**. If more than one intertie electrically connects the area affected by the new expanded MIC; then the split of the expanded MIC should be done as follows:
>
> a) Pre-RA import commitments and available ETCs should be maintained on the same branch groups as historical data provides.
> b) The expanded target for RIC shall be split in a way that closely mimics actual flow split between the involved ties (electrically connected to this area).
> c) Once one of these ties reaches its OTC the allocation is stopped and the remaining capacity will be split between the remaining ties in the same fashion as in (b) above.

d) The final split should be checked through deliverability assessment and further adjustments may be done in order to minimize the required new transmission to achieve the policy-driven goal.

Step (5c) may be inconsistent with the premise behind Step (5b). It would seem that an allocation of the remaining capacity across the remaining ties (as is proposed for Step 5c) would only be justified if the CAISO could demonstrate that the flow that is identified in Step 5c is feasible. If that assumption is not valid (i.e. the power flows in the same manner as Step 5b), then the allocation should stop, and transmission upgrades would be required to go further.

Note that if the transmission upgrades change the electrical characteristics of the interties involved, Step (5b) should be repeated before assigning a new expanded MIC since the power flow split may change considerably.

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

None.