

Stakeholder Comments Template

Resource Transitions

Resource Adequacy Deliverability Assessment for Resources Transitioning from Outside to Inside the ISO Balancing Authority Area

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the CAISO’s February 11, 2011 Issue Paper discussing *Resource Transitions: Resource Adequacy Deliverability Assessment for Resources Transitioning from Outside to Inside the ISO Balancing Authority (BAA)*. In a “resource transition” scenario, an existing, commercially operational resource currently interconnected outside the CAISO BAA will, following a change in either the resource’s point of interconnection, or the boundary of the CAISO BAA, be interconnected directly to the CAISO system. Neither the CAISO’s existing Generator Interconnection Procedures (GIP), nor the current Maximum Import Capacity (MIC) counting methodology for import resources address “resource transitions.”

At issue is how to determine the deliverability of the transitioning resource for Resource Adequacy (RA) purposes, in conjunction with or in lieu of the GIP. To address this issue, the CAISO proposes three options:

- **Option 1:** Treat the resource as a new interconnection customer and address its deliverability status through the GIP, with no ex ante allowance for its previous contribution to the RA import deliverability on the associated intertie;
- **Option 2:** Grant the resource, on an interim basis, a MW value of deliverability status that reflects its contribution to the RA deliverability on the associated intertie, and require the resource to utilize the GIP as a new interconnection customer to establish its deliverability status on a permanent basis;
- **Option 3:** Grant the resource, on a permanent basis, a MW value of deliverability status that reflects its contribution to the RA deliverability on the associated intertie; if that MW value is less than the resource’s full qualifying capacity (QC) value under the prevailing counting rules, however, and the resource wants to obtain full capacity deliverability status up to its QC value, it would have to utilize the GIP to obtain the additional MW.

In choosing from among these options, SDG&E believes the CAISO should be guided by the physical grid changes that give rise to the change in the CAISO BAA boundary (e.g., changed metering points, bus reconfigurations, new breakers, new disconnect switches, etc.) or that move the grid connection point for an existing generator from outside the CAISO BAA boundary to inside the CAISO BAA boundary (e.g., rerouting a gen-tie line). If the physical changes do not affect the physical deliverability of the transitioning resource, the transition into the CAISO BAA should not negatively affect that resource's QC deliverability.¹ With this in mind, SDG&E provides the following.

1. **Preferred Option** – Do you have a preference for any one of the three options presented in the issue paper and why?

Option 3 most closely supports the rationale that physical deliverability should drive QC deliverability and SDG&E strongly encourages its adoption. Under Option 3, the transitioning resource is granted permanent QC deliverability based on demonstrated deliveries. To the extent the QC is less than the resource's PMax, the resource could enter the GIP queue to obtain incremental deliverability above the allocation provided by this option.

Option 3 acknowledges, on a permanent basis, the transitioning resource's demonstrated ability to generate and deliver a quantifiable amount of power to the CAISO during peak load periods. In short, option 3 simply affirms the transitioning resource's proven deliverability that the CAISO historically relied on to ensure that enough generating capacity is available to reliably operate the system. This framework logically recognizes past physical deliveries as the basis for future QC deliverability, and in stark contrast to options 1 and 2, does not punish the transitioning resource for directly interconnecting to the CAISO grid. Option 3 may provide an incentive for resource transition – an outcome the CAISO should want given that directly interconnected generators are subject to CAISO tariff provisions that require, in specified circumstances, generators to provide exceptional dispatch services and also could lead to additional RA capacity.

Further, for purposes of establishing the amount of imports to be modeled in GIP studies, under option 3 the CAISO would reduce historical imports at applicable interties megawatt-for-megawatt by the transitioning resource's previous import schedule contributions.² This means that the historical imports into the CAISO balancing authority area that are used in the power flow analysis to identify whether Delivery Network Upgrades are needed, would exclude the output of the transitioning generator. Instead, the transitioning resource would be modeled in the GIP studies as an internal CAISO resource with simulated output equal to its permanent

¹ The grid modifications currently contemplated in and around the existing El Dorado substation in southern Nevada are examples of physical changes that will alter the boundary of the existing CAISO BAA. These changes do not adversely affect the ability of the nearby El Dorado power plant to deliver power onto the grid. SDG&E understands that although the El Dorado power plant is currently outside the CAISO BAA, it has historically provided RA capacity to CAISO load serving entities. When the grid modifications in and around El Dorado substation are complete, the El Dorado power plant will be inside the CAISO BAA. Given its historical RA contributions, and the fact that the contemplated grid modifications will not adversely affect El Dorado's ability to deliver power to the grid, SDG&E believes the El Dorado power plant should continue to be counted for RA purposes.

² As SDG&E understands the proposal, once transitioned, option 3 would reduce – in an amount equal to the transitioning resource's newly granted permanent deliverability – the RA import capacity at the affected intertie for the first year. Thus, if the resource's previous import schedule contributions totaled 750 MW during the applicable time period used to establish RA import capability, it would be granted permanent deliverability status for those 750 MW. If the import capacity at the intertie was 2000MW, 750MW would be subtracted following the resource's transition to the CAISO BAA.

deliverability quantity. In light of these changes to the GIP study assumptions, there should be little impact from a deliverability or network upgrade perspective on new requests by prospective generators to interconnect within the CAISO BAA. Permanently shifting a transition resource's deliverability status from an import to an internal CAISO resource, should effectively amount to a wash, and currently proposed resources in the CAISO queue should be largely indifferent to the transition. Thus, Option 3 is equitable.

2. Objection to Option – Do you have a strong objection to any of the three options presented in the issue paper and why?

Option 1 does not produce a logical result. Option 1 would treat the existing, transitioning resource as a new interconnection customer, therefore it would not be granted deliverability without a completed Deliverability Assessment via the GIP. This option is not logical because it implies that a hypothetical resource that has yet to deliver any power to the grid could be assigned deliverability while a transitioning resource with proven, physical deliveries into the CAISO system is not. Further, the transition resource would lose any possibility of providing RA capacity to the market until the resource's deliverability (if any) was determined. SDG&E believes the immediate temporary loss of RA capacity and the potential for permanent loss of RA capacity could deter generators from transitioning into the CAISO BAA

Similar to Option 1, Option 2 places a large and potentially unacceptable risk onto transitioning resources. On an interim basis, Option 2 grants the transitioning resource deliverability status for the MW capacity value supported by its historically demonstrated contribution to the RA import capacity on the intertie. To attain permanent deliverability, a transitioning resource must enter the GIP queue and its deliverability would then be subject to the result of the Deliverability Assessment, just like a hypothetical resource. Because the transitioning unit would be "last in line" in the GIP queue, a newly proposed project already in the queue could potentially be allocated deliverability that bumps the deliverability of the existing transitioning resource. SDG&E believes that such a possible outcome could deter generators from transitioning into the CAISO BAA.

In summary, Options 1 and 2 penalize transitioning resources by removing or placing at risk their ability to provide RA capacity. To the extent these resources provide a higher assurance of RA capacity as a CAISO resource than as an import, the CAISO should adopt rules that recognize the historical value of these resources in supplying RA capacity to CAISO load serving entities. For these reasons, SDG&E supports Option 3 and opposes Options 1 and 2.

3. Providing Deliverability to Resource versus to Load Serving Entity – What is your view on providing deliverability capability to a transitioning generating unit versus a load serving entity, recognizing that prior to the transition the maximum import capability to which the generating unit's historical schedules contributed was allocated to load serving entities?

Deliverability should inure to transitioning generator. Once transitioned, the resource will be directly connected to the CAISO grid, and should be treated on par with other resources directly connected to the CAISO grid. The concept of load-share allocation should continue to apply to remaining import capacity, but has no applicability in the context of resources located within the CAISO control area.

4. **Other Options** – Please describe any other viable options the ISO should consider, in addition to the three options identified in the issue paper. If you prefer one of these other options, please explain why and how any additional options address equity issues such as those described in item 3 above.

As stated above, SDG&E strongly supports option 3. That option properly acknowledges past physical deliveries as the basis for going-forward QC deliverability, and does not punish direct interconnection to the CAISO grid. It should be adopted.

5. **Other Comments** – If you have any additional comments, please provide them here.

SDG&E has no additional comments.