

**Sempra USGP Stakeholder Comments:
CAISO 2012-2013 Transmission Plan
February 28, 2012 Stakeholder Meeting**

Submitted by	Company	Date Submitted
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Sempra US Gas and Power (Sempra USGP) appreciates this opportunity to provide the following comments on the CAISO 2012-2013 Transmission Plan stakeholder meeting held 2/28/2012 at the CAISO. The comments relate to the renewable resource capacity being developed east of California and available to the California market, and the capacity value used to assess the benefits of transmission upgrades.

The renewable capacity assumed to be available east of California in the previous 2011-2012 transmission planning cycle was significantly under estimated. Based on the 12/8/2011 CAISO stakeholder meeting presenting the 2011-2012 transmission plan, the renewable capacity assumed to be available from Arizona in the transmission planning base case was 290 MW. The 290 MW is presumed to represent the Agua Caliente solar project. However, this figure neglects an additional 307 MW comprising Sempra USGP's Mesquite Solar 1 project and LS Power's AVSE solar project, both of which have CPUC-approved renewable energy contracts (with, respectively, PG&E and SDG&E). Construction of Mesquite Solar 1 is well underway and deliveries to PG&E have already commenced. Construction of the AVSE project could commence this year. Beyond these two projects, additional renewable capacity with approved transmission interconnections at the Palo Verde Hub include an incremental 530 MW expansion of the Mesquite Solar facility and a 125 MW second phase of the AVSE project. On this basis, the renewable capacity assumed from Arizona should total between 597 MW and 1252 MW. Reflection of this missing capacity will increase the congestion benefits of transmission upgrades from the Palo Verde hub to California and should be included in the 2012-2013 assessment of transmission upgrades east of California. Further, the transmission interconnection queues of contiguous transmission systems should be evaluated by the CAISO and the CPUC in the developing the renewable portfolios considered in the transmission planning process.

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The capacity value used in the economic assessment of transmission upgrades is \$5/kW-yr. This value is far lower than the CAISO's recent analysis of renewable integration capacity needs would suggest. The CAISO has indicated that it has a need for on the order of 4600 MW of incremental ramping capacity in 2017, and has proposed to make a capacity payment to prevent the near term retirement of the Sutter plant to avoid further increasing this capacity need. The proposal would pay Sutter the Capacity Procurement Mechanism (CPM) price (increasing over time from \$55/kW-yr to \$70/kW-y) for the balance of 2012 and possibly future years to prevent such retirement. This would suggest that incremental ramping capacity made available through the increasing the transfer capability from Palo Verde to California to access incremental ramping capacity could be far in excess of \$5/kW-yr. The CAISO should incorporate these latest findings in the capacity value assumed in the economic analysis of transmission upgrades during the 2012-2013 planning cycle.