

CAISO 2012/13 Draft Transmission Plan: Stakeholder Comments

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LS Power appreciates the opportunity to submit comments on CAISO's Draft 2012/13 Transmission Plan.

(1) Harry Allen – Eldorado Transmission Project should be included in 2012/13 Transmission Plan and recommended for CAISO Board Approval:

CAISO's Economic Analysis identifies \$637mm in economic benefits for CAISO ratepayers for a new 500 kV transmission line from Harry Allen – Eldorado ("Project"). These benefits are significantly greater than the capital cost for the project of \$240mm and the estimated Total Revenue Requirement of \$348mm, thereby resulting in a Benefit-to-Cost-Ratio ("BCR") of 1.83. This high BCR of 1.83 clearly meets the economic threshold per CAISO Transmission Planning procedures outlined in the CAISO Tariff & Business Practice Manual (BPM). It should be noted that the \$637mm benefits can be considered conservatively low because it only considers Production Benefits (to CAISO ratepayers) and does not include several additional benefits that this Project offers to CAISO ratepayers, as noted in (2) below: Capacity benefits, Policy benefits, Operational Flexibility and offers a transmission planning solution for SONGS shutdown. In addition, if the Project is approved by the CAISO Board in March 2013 it could be brought on line as early as 2015 (two years sooner than CAISO's assumptions) resulting in earlier and more substantial economic benefits (estimated at \$84 million per year or a total of \$168 million over two years) not accounted for in CAISO's analysis.

LS Power understands that despite meeting the tariff and BPM requirements, CAISO Management's draft recommendation is to not take this project to CAISO Board for approval in March 2013. LS Power disagrees with this recommendation and strongly encourages CAISO Management to seek CAISO Board approval for the Project. CAISO's studies show that this project brings much more economic benefits in the earlier years of operation; therefore delaying the approval process for this Project by one year will deny CAISO ratepayers tens of millions of dollars in savings – savings which cannot be recouped.

Per CAISO's Draft Transmission Plan, it appears CAISO Management's reluctance in seeking Board approval is because of the confidential CAISO/NVE Joint studies. LS Power encourages CAISO to consider this alternate approval approach, rather than postponing the approval decision to next year's planning cycle. If not a complete Board approval, CAISO Management should at least seek a conditional approval for the Project at the March 2013 Board meeting, based on the Economic Studies results conducted by CAISO staff in the 2012/13 Transmission Plan. This conditional approval can be made subject to either CAISO staff's completion of the

Joint Study or CAISO Management's completion of due diligence that the Project is still Economic under all study scenarios that are currently being analyzed under CAISO/NVE Joint Study. Delaying the approval to next year's Transmission Planning cycle will cost CAISO rate payers tens of millions of dollars and deprive CAISO of several additional benefits from the Project.

(2) Additional benefits exist from Harry Allen - Eldorado line that are not captured in CAISO's Economic Analysis:

CAISO's economic analysis focused on only quantifying production benefits to CAISO ratepayers. This Project offers several additional benefits and hence the decision to send the Project to CAISO Board should be reviewed in totality.

- (a) Capacity Benefits: This Project will allow more Resource Adequacy Capacity to become available for CAISO markets, which will overall bring incremental Capacity Benefits to CAISO ratepayers. The Project will provide System RA benefits as the new transmission line will lead to a reduction of CAISO system resource requirements since out-of-state resources are less expensive to procure than in-state resources.
- (b) Policy Benefits: The Project offers several Policy benefits – (i) Most of this Incremental Capacity can potentially be “Flexible Capacity” which CAISO requires for 33% RPS Integration, (ii) The new transmission line will overall help reduce emissions in California by allowing less polluting out of state resources displace the in state resources and (iii) The new transmission line will allow more renewables to gain access to CAISO markets thereby helping drive down the renewable procurement costs and help California achieve its RPS goals.
- (c) Operational Flexibility: The new line will also improve overall Operational Flexibility by significantly relieving several existing operating constraints on various CAISO intertie paths including Path 66 (COI), Path 26 (Midway-Vincent) and Path 49 (East of River).
- (d) SONGS shutdown: CAISO studies show that new transmission will likely be needed in combination with more internal generation in the LA Basin area to plan for a SONGS shutdown scenario. This Project offers benefits by allowing for an increase in import capability into CAISO under SONGS shutdown scenario. With SONGS shutdown, several of the existing Category B & C contingencies, especially the ones where one element is a CAISO import line will become much more critical. Having another import line into CAISO, such as this Project will help address these contingency conditions.
- (e) Benefits for Delany – Colorado River line are higher with this Project in service: CAISO studies show that both Delany – Colorado River line and Harry Allen – Eldorado line projects are complementary and overall economic benefits to CAISO ratepayers are higher if both projects get built.

(3) CAISO should perform additional benefit analysis for the combination of Midpoint – Robinson Summit & Harry Allen – Eldorado line:

When CAISO presented Draft Economic studies in Dec 2012, the combination of Midpoint Robinson - Summit + Harry Allen – Eldorado line showed some economic benefits, but these

were not enough to recoup the total cost. Since then CAISO has implemented several modeling enhancements which has resulted in significant increase in Harry Allen – Eldorado line benefits. CAISO has not rerun the combination study with these enhancements. LS Power recommends CAISO rerun the economic study with the recent modeling enhancements for this combination of projects to determine if it is economic. Also, LS Power asks that this project combination be rerun with SONGS offline, as was recently done for Harry Allen – Eldorado line. The combination in conjunction with ONLINE project (500 kV line from Robinson Summit – Harry Allen), which is under construction, brings a major parallel path to CAISO's PDCI, Path 26 & Pacific AC Intertie interfaces. Power flow studies show that this significantly offsets the flows on these interfaces, including reduction of about 700 MW for the Pacific AC Intertie. An assessment of these further benefits to the CAISO system should also be performed and quantified.

We commend CAISO on the Economic Analysis conducted during the development of the 2012/2013 ISO Transmission Plan. Consistent with the Tariff and BPM, we encourage CAISO to approve Harry Allen – Eldorado to be included as an element in the plan for board approval. To the extent the benefits may be different due to the CAISO/NVE Joint Studies, it would be reasonable for Board approval of the project to be contingent on the outcome of such studies. It is not reasonable, however, to withhold or delay approval of an otherwise beneficial project.