



LEAPS | **THE HYDRO
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California Independent System Operator Corporation

250 Outcropping Way
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RE: Comments on November 16, 2018 TPP Meeting Presentation

Dear CAISO Planners:

The Nevada Hydro Company (“Nevada Hydro”) appreciates the opportunity to provide the following comments with regard to the November 16, 2018 presentation and discussion of the California Independent System Operator’s (“CAISO”) TPP process. As an initial matter, Nevada Hydro appreciates the confirmation on Slide 42 of Yi Zhang’s presentation that CAISO will be studying LEAPS as an economic project.

We also fully support the CAISO’s affirmation on slides 2 and 3 of Neil Millar’s presentation, that the CAISO economic study process will continue to utilize production cost modeling and the CAISO’s TEAM analysis to further evaluate the broader economic benefits of projects that deliver reliability solutions and provide other ratepayer benefits such as meeting local capacity deficiencies and other cost savings. It is important for the CAISO to calculate and consider all economic benefits in determining whether ratepayers receive a net benefit from CAISO planning decisions. Doing so for all projects being studied also helps to ensure fair and equal treatment of all alternatives. Indeed, this is consistent with, and required by, the CAISO’s TEAM approach which provides on page 2:

“In the current ISO’s planning practice, benefits can be categorized into:

- *Production benefits: Benefits resulting from changes in the net ratepayer payment based on production cost simulation as a consequence of the proposed transmission upgrade.*
- *Capacity benefits: Benefits resulting from increased importing capability into the CAISO BAA or into an LCR area. Decreased transmission losses and increased generator deliverability contribute to capacity benefits as well.*
- *Public-policy benefit: Transmission projects can help to reduce the cost of reaching renewable energy targets by facilitating the integration of lower cost renewable resources located in remote area, or by avoiding over-build.*

- *Renewable integration benefit: Interregional transmission upgrades help mitigate integration challenges, such as over-supply and curtailment, by allowing sharing energy and ancillary services (A/S) among multiple BAAs.*
- *Avoided cost of other projects: If a reliability or policy project can be avoided because of the economic project under study, then the avoided cost contribute to the benefit of the economic project.”*

Nevada Hydro also supports the CAISO’s decision summarized on page 12 of Mr. Millar’s presentation that:

Therefore, at this time...for the 2018-2019 cycle, the ISO:

- *Will continue evaluating preferred resources including storage as possible solutions and considering “ratepayer benefits” on a case-by-case*
- *Will calculate ratepayer benefits on both on production costs as well as potential market revenues*
- *Will continue to rely on GridView modeling for assessing transmission congestion benefits and may supplement with PLEXOS analysis for system –e.g. market – benefits.*
- *Will assess preferred resources and storage –whether storage is considered an RA resource or transmission asset –on an equal basis, in selecting preferred solutions in Phase 2*
 - *Potential market revenue benefits to ratepayers of storage as a transmission asset may be taken into account and only if similar benefits to ratepayers can be attributed to preferred resources including storage procured as a market resource*

Importantly, the CAISO’s intent to calculate and consider potential market revenues is critical to comply with the FERC’s policy statement, where a storage project can receive cost-based rates and also participate in the market provided it reduces its rates to reflect any market revenues it receives. It is noteworthy that the CAISO SATA Proposal appropriately incorporates this rate treatment as an option. If a project agrees to reduce its rates to reflect market revenues, the resulting net impact on rates charged to customers must also be used to evaluate the Benefit to Cost Ratio for that project in determining the net economic impact on ratepayers of various transmission solutions. Any other approach would harm ratepayers by potentially selecting a higher cost solution. Nevada Hydro fully supports that part of the CAISO’s approach in the SATA proposal that allows Projects to select different options for rate recovery and the crediting of market revenues. We would like to take advantage of this opportunity with respect to LEAPS in the current planning cycle and would like to discuss this further with planning staff.

Mr. Miller, on both slide 7 and slide 11, refers to the use of “conservative” assumptions and approaches to be used in evaluating storage proposals. Nevada Hydro suggests that these

“assumptions and approaches” be made explicit to assure that at minimum they do not discount actual values.

Finally, Nevada Hydro understands that the CAISO believes that it can meet NERC reliability standards under an N-1/N-1 contingency by using RAS and operating procedures. However, it is important to consider other alternatives to addressing the pressing reliability issues in the San Diego areas, particularly long-term solutions. This is particularly important in light of the passage of SB 100 which calls for a move to zero carbon resources. The LEAPS Project can reduce or eliminate the need to drop generation and load at no additional cost to CAISO ratepayers because of the other economic benefits LEAPS provides. We trust that the CAISO will consider the reliability benefits of LEAPS as required by its TPP process both as a reliability solution and also as an economic benefit in the CAISO’s study of LEAPS as an economic project.

Nevada Hydro would welcome the opportunity to discuss these comments further with CAISO Planning staff.

Sincerely,

David Kates

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