

**SDG&E's Comments on the
CAISO's January 10, 2012
Revised Discussion Paper regarding
Cluster 1 and 2 Deliverability Concerns**

SDG&E appreciates the effort put forth by CAISO to resolve the issues around the deliverability network upgrades currently identified for projects in Clusters 1 and 2.

The discussion paper reflects the results of recent studies conducted by the CAISO which reevaluate the need for deliverability network upgrades based on more reasonable assumptions of the amount of generation in Clusters 1 and 2 (and earlier queued generation) which will be built. Closer alignment of generation dispatch assumptions in the generation interconnection studies with the amount of resources needed to meet California's Renewable Portfolio Standard (RPS) requirement leads to more realistic results and is the primary reason for the CAISO's determination that several large transmission upgrades are not needed. SDG&E understands that these unneeded upgrades are:

1. Upgrade of the existing Pisgah 230 kV substation with 500 kV capability,
2. Loop-in of the existing 500 kV Lugo-Eldorado line into the upgraded Pisgah substation creating a 500 kV Lugo-Pisgah #1 line and a 500 kV Pisgah-Eldorado #1 line,
3. Loop-in of the existing 500 kV Lugo-Mohave line into the upgraded Pisgah substation creating a 500 kV Lugo-Pisgah #2 line and a 500 kV Pisgah-Mohave #1 line,
4. 500 kV rebuild of the existing 230 kV Lugo-Pisgah #2 line creating a new 500 kV Lugo-Pisgah #3 line,
5. Addition of series capacitor banks on the 500 kV Pisgah-Eldorado #1 line and on the 500 kV Pisgah-Mohave #1 line,
6. Building a 500 kV Colorado River-Red Bluff #3 line,
7. Building a 500 kV Red Bluff-Valley #1 line, and
8. Building the 500 kV Talega/Escondido-Q72 line and the 500 kV Valley/Serrano-Q72 line.

SDG&E supports CAISO's efforts and will be working with CAISO to develop the amendments to the Phase II study reports for Clusters 1 and 2.

The CAISO's January 10, 2012 proposal indicates that the reassessment of the current cluster 1 and 2 phase 2 study results "will assume that the amount of new generating capacity in each study area will not exceed the amount that will be deliverable based on the transmission system as reflected in the 2011/2012 transmission plan." (page 5) SDG&E notes that the CAISO's 2011/2012 transmission plan is being developed around renewable resource portfolios that allow California's Renewable Portfolio Standard (RPS) requirements to be met. It is not clear if, or how, the CAISO proposes to account for potential new non-renewable resources in the 2011/2012 transmission plan. The CAISO's transmission plan should not favor one type of new generation over another type. Accordingly, the CAISO should confirm that its reassessment of generation in clusters 1 and 2 will be based on a transmission plan that does not favor renewable generators over non-renewable generators.

The CAISO defines the "Desert Area" to include "Nevada C." (footnote 1) SDG&E believes that most of the Nevada generation in the CAISO interconnection queue is located in southern Nevada,

not central Nevada. SDG&E suspects that the CAISO is actually referring to “Nevada S.” SDG&E asks that the CAISO clarify this definition.

SDG&E does not agree with the CAISO’s determination that the deliverability for existing units which “choose to be...repowered...will need to be preserved.” (page 9) The CAISO tariff may be interpreted to allow the deliverability of an *existing* generating unit which either (i) chooses to be “retrofitted” with new cooling technology that does not affect the electrical generator, or (ii) whose expiring site lease is “renewed,” to be “preserved.” However the current CAISO tariff does not allow a *new* generator—such as a “repowered” generating unit—to preserve the deliverability that existed prior to the repowering. A “repowered” generating unit needs to enter the applicable CAISO generator interconnection queue on the same terms as any other new generating unit.

SDG&E understands that the CAISO proposes to study clusters 3 and 4 assuming all generation included in the cluster 1 and 2 reassessment will be operational. This means that the amount of generation included in the study of clusters 3 and 4 will include all of the generation currently in clusters 1 and 2 except for those amounts “that are consistent with the removal of [the problematic] DNU [Delivery Network Upgrades].” (page 12) SDG&E is concerned that this approach will still leave more generation in the cluster 3 and 4 studies than is realistic and, contrary to the CAISO’s intention, may not eliminate the “same problematic result that now faces clusters 1 and 2.” (page 12) SDG&E suggests the CAISO consider imposing a screening criteria on generation from the serial group, the transition cluster, and clusters 1 and 2 that would further reduce the amount of generation that is included in the CAISO’s study of clusters 3 and 4.