

Comments of Tenaska, Inc.
“Draft Discussion Paper: Cluster 1 and 2 Deliverability Concerns
Provision of additional information”

Tenaska appreciates the opportunity to comment on the CAISO “Draft Discussion Paper: Cluster 1 and 2 Deliverability Concerns Provision of additional information”. We are also concerned about the justification and magnitude of the upgrades being proposed in the Phase II study for the projects in Cluster 1 and Cluster 2. While the discussion paper provides some useful information for stakeholders there are still lingering questions and issues that need to be addressed.

First, the CAISO needs to explain in detail what assumptions it is using to model the Cluster 1 and Cluster 2 generation in the base cases. Information should be provided that indicates what generation is being scaled down and/or what load is being increased in the base case when the new Cluster 1 and Cluster 2 generators are added. These assumptions could have a significant impact on what system problems (i.e. line overloads, voltage issues, stability problems) occur and what upgrades are needed to resolve those system problems. Additionally, the CAISO needs to explain what alternatives are being considered to resolve any system problems that are observed. For example, what are the various upgrade alternatives that are being considered and what remedial action plans/special protection schemes are being evaluated before the decision is made to include the proposed upgrades in the plan.

Second, it is still questionable whether the cost of the upgrades studied in the discussion paper (Mohave–Lugo 500 kV line loop-in Pisgah 500 kV Substation and series capacitor banks on both Pisgah–Nipton and Pisgah–Mohave 500 kV lines, the new 31 mile Colorado River – Red Bluff No.3 line, and 3) the new 103 mile Red Bluff – Valley 500 kV line with series capacitor banks) should be assigned to certain projects in the Cluster 1 and Cluster 2 queues, particularly those projects interconnecting at the Imperial Valley substation. As the amount and location of the new generators may ultimately change depending on which projects ultimately move ahead with their LGIA execution and financial security postings, it is possible that the type of upgrades and allocation may need to be altered. The CAISO needs to determine and explain how it will address these potential changes to the expansion plans identified in the Phase II report for Cluster 1 and 2 generators.

Third, the range of generation capacity that may need to drop out of the queue to eliminate the specified upgrades is only part of the information that is needed for stakeholders to understand the situation. The CAISO needs to prepare information showing which generators have the biggest impact on the system problems and subsequently the upgrades needed to resolve those problems. This could be accomplished in a general geographic map indicating that generators in this geographic area have X% impact on the system problems while generators in a different area have Y% impact on the system problems.

Fourth, it is not clear whether the CAISO is contemplating an additional study at some future date to determine the final set of upgrades that will be needed as it appears that not all the projects in Cluster 1 and 2, nor the projects in previous CAISO studies, will move forward with execution of their interconnection agreements and financial security postings. The CAISO needs to explain how its tariff will allow for any further studies beyond the Phase II study and what actions the CAISO may take if a determination is made to alter, or eliminate, the upgrades identified in the Phase II study.

Finally, the CAISO needs to address the potential financial security issues that will arise should the CAISO alter the nature of the upgrades identified in the Phase II study. For example:

- When will the Cluster 1 and Cluster 2 generators know with certainty what amount of financial security will need to be posted?
- Does the CAISO expect generators to make the second and possibly, third postings of financial security based on the current Phase II results or will the CAISO provide an alternative plan for financial security postings given that the CAISO appears to be poised to re-assess the upgrades needed for Cluster 1 and 2 generators?
- If financial security is posted and the amount of the upgrades assigned to a generator is reduced (the amount can only go down as it is capped based on the lower amount assigned in the Phase I and Phase II report), what plan does the CAISO have to alter the financial security posting?

Given the uncertainty today as to whether the amount of upgrades will remain the same or be reduced, the CAISO needs to consider some flexibility as to when the second posting of financial security will be provided. The CAISO also needs to consider whether generators will be allowed to receive a refund of its financial security regardless of whether CAISO retains the current list of upgrades or whether the list of upgrades is altered based on the additional studies.

Again, we appreciate the opportunity to provide these comments associated with the discussion paper. We look forward to working with the CAISO to resolve these issues.