

# Valley-Rainbow Project

**Jeff Miller**

***ISO Grid Planning Department***

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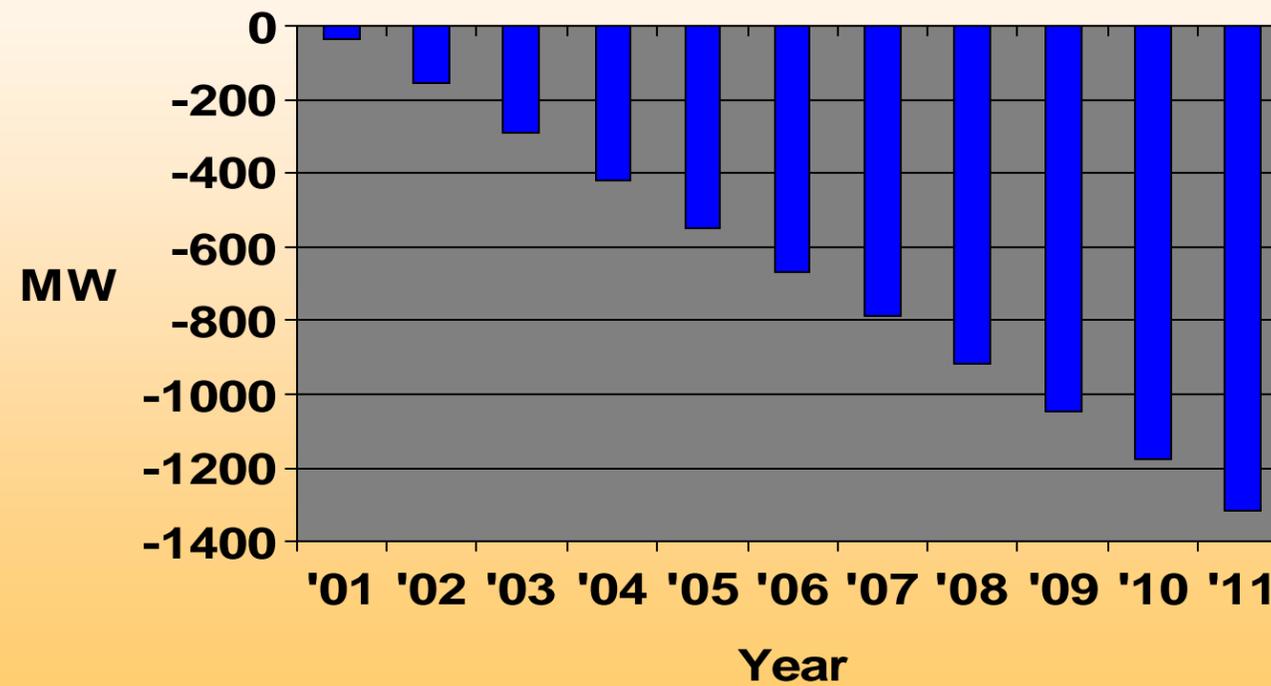
# Purpose

- The Valley-Rainbow Project was originally developed to ensure grid reliability for San Diego.
- Recently the project has also been identified as benefiting the entire state by facilitating more efficient use of generation resources.



# San Diego Resource Deficiency

(With the Southwest Power Link and Encina Unit #5 out and without new transmission or generation additions)





# Potential Solutions to Resource Deficiency

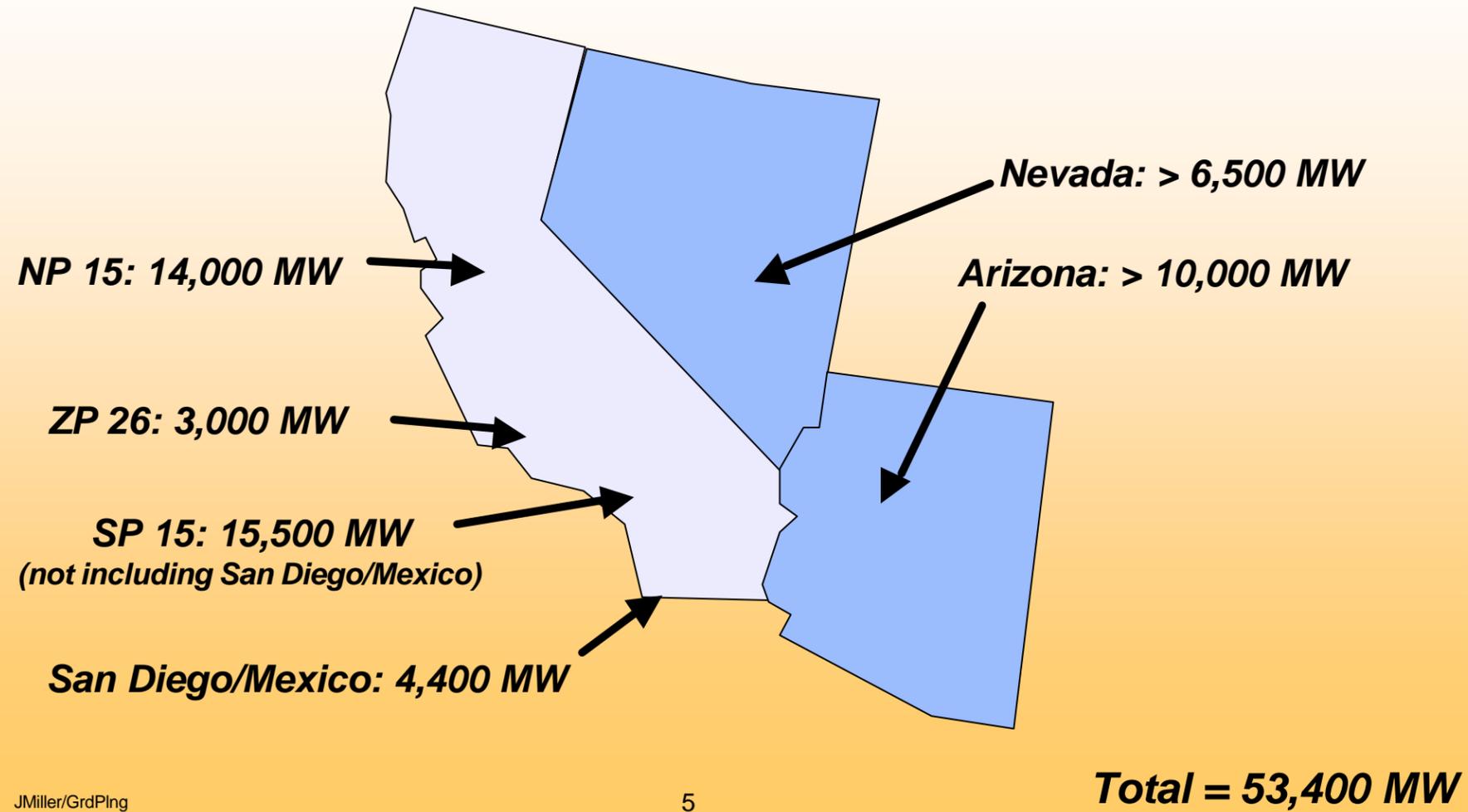
- Conservation and Load Management
  - While the ISO, SDG&E and the State have many conservation and load management programs, they are not expected to be sufficient to meet all of San Diego's expected firm load.
- New Generation
  - Several merchant plants are under development.
- New Transmission
  - The Valley-Rainbow Project



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# Location of Proposed New Generation Resources



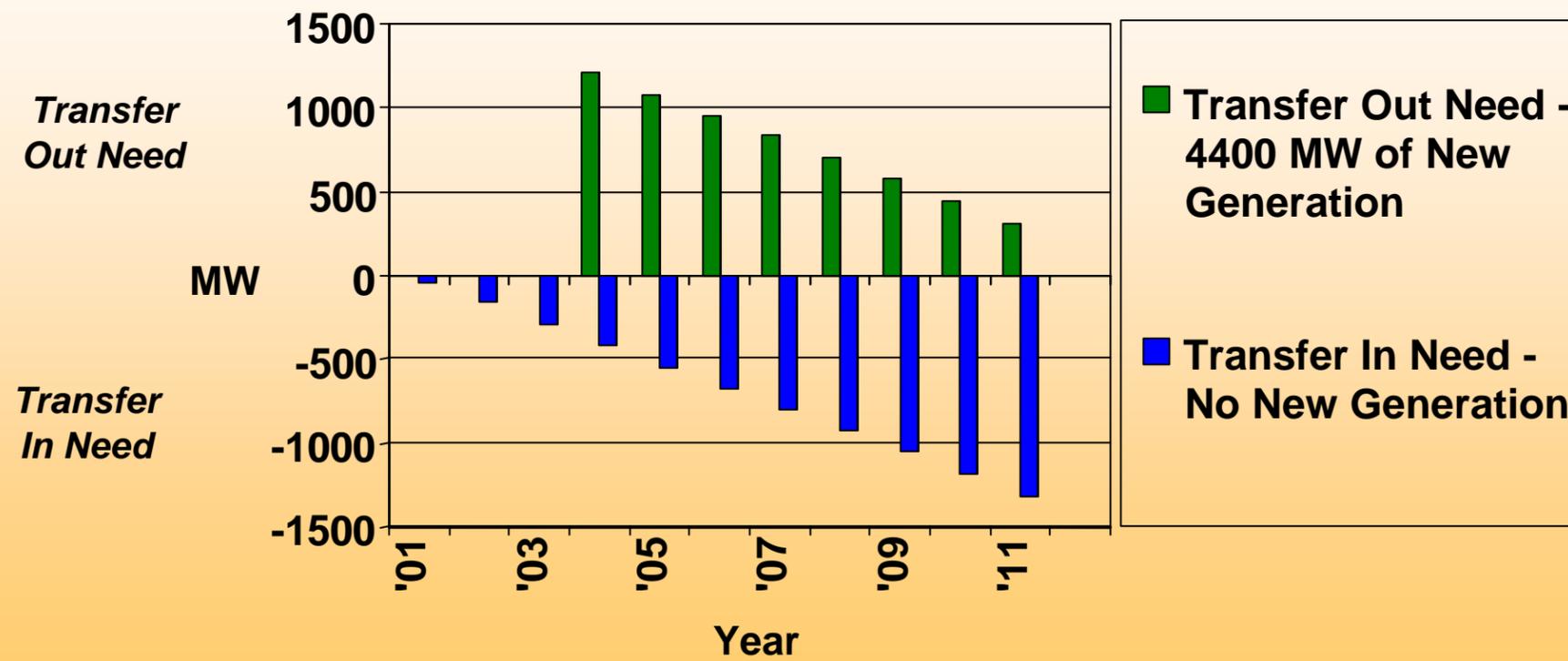


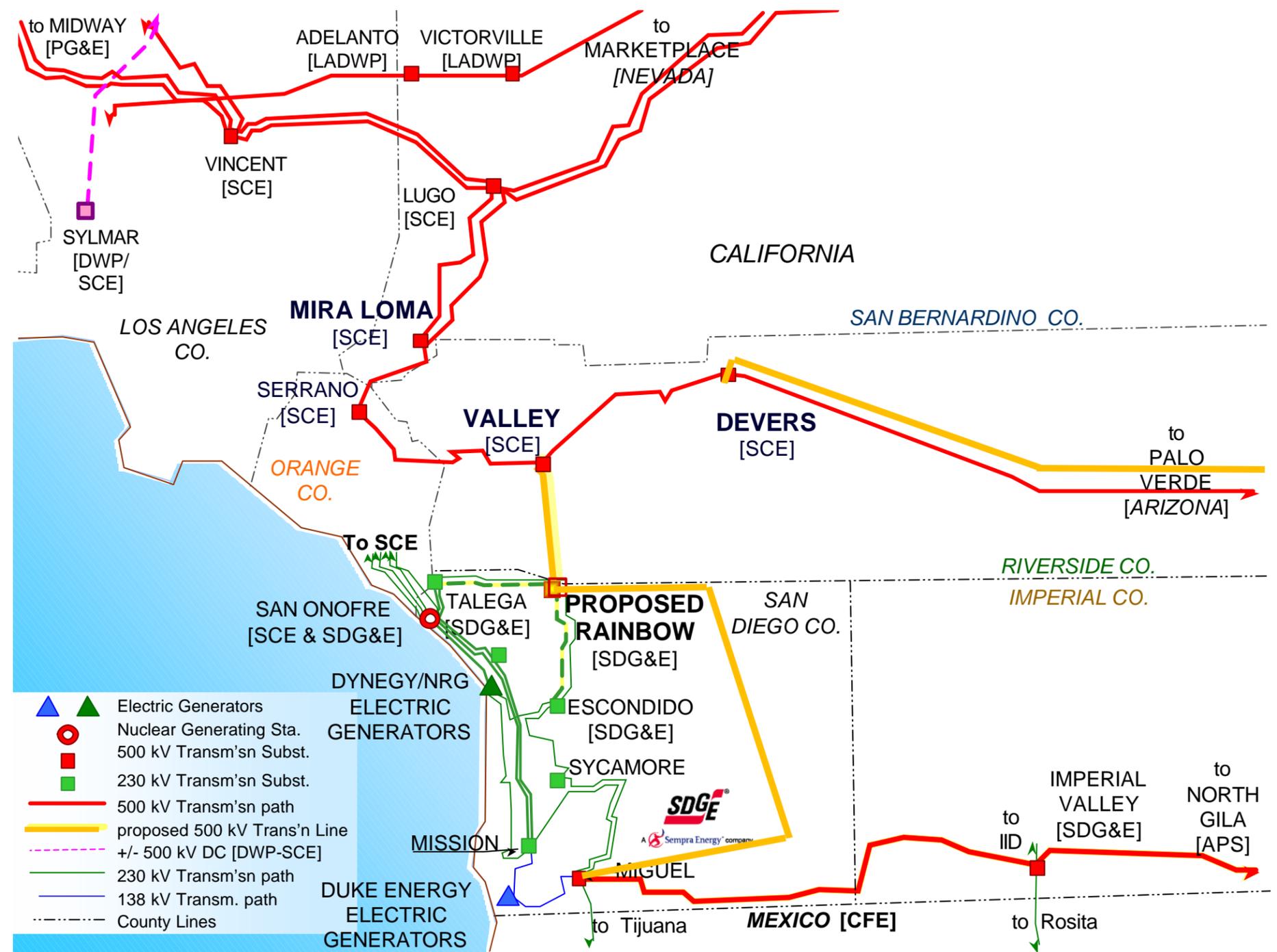
## San Diego Area Generation

- Approximately 4400 MW of new generation is currently proposed.
- One large generation project (Otay Mesa at 510 MW) may be approved by this June.
- However, no major projects have started construction.
- The new generation is gas fired. The gas supply infrastructure may not be able to support this new generation.



# San Diego Transmission Need (With and Without Known New Generation)





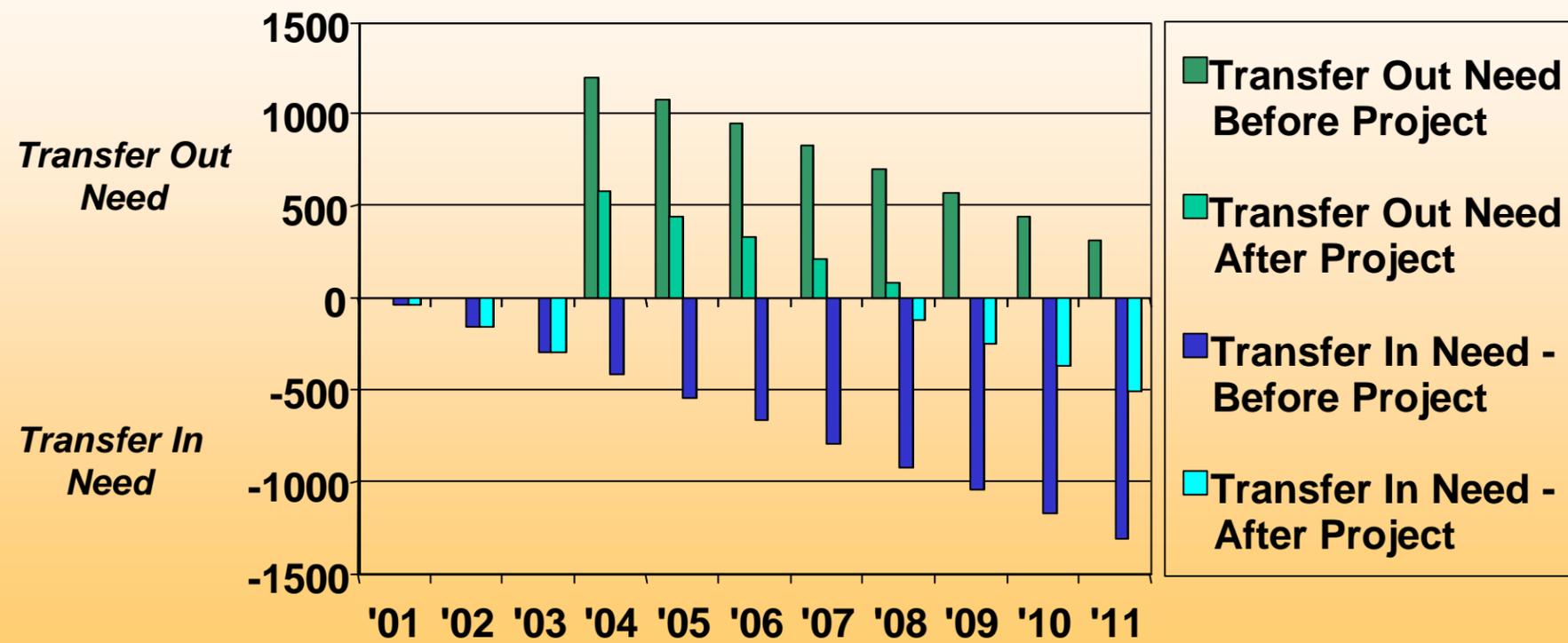


## Transmission Project: Valley-Rainbow

- 500 kV line from SCE's Valley Substation to SDG&E's new Rainbow Substation
- Approximately 30 miles long
- Associated underlying system upgrades
- The first part of a long-term plan for Southern California



# Benefit of Valley-Rainbow





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## ISO Management now recommends against a competitive solicitation for non-wires alternatives

- Generation is already being proposed under current market conditions in San Diego so there is no longer a need to provide a financial incentive.
- The Permitting Entities will be considering alternatives to the project in the CPCN/CEQA process, so there is no need for the ISO to conduct a competitive solicitation.
- The project need has evolved beyond importing power to transferring power out of San Diego and thereby enhancing statewide reliability and improving access to efficient and clean resources.
- New generation in San Diego may not be available when needed due to gas system constraints.
- Transmission will help to mitigate the locational market power held by generators in San Diego. This will reduce the need for the ISO to sign costly reliability service contracts with the generators.



## Stakeholder Positions

- There is a broad consensus that the San Diego area has energy reliability concerns (electric and gas) that need to be addressed.
- The ISO has stated to the CPUC that the Valley-Rainbow Project is number 2 on its list of the most critical projects to California (Path 15 was Number 1).



## Valley-Rainbow Routing Issue

- SDG&E's proposed route has encountered substantial opposition from the impacted residential communities.
- A potentially less contentious route may be available in association with Nevada Hydro's proposed Lake Elsinore Pumped Storage Project.
- The Applicable Permitting entities (CPUC, Elsinore Valley MUD, US Forest Service) will assess the routing issues.
- The ISO does not take a position on preferred project routes.



## Proposed Board Actions

- Reaffirm the need for the project.
- Remain open as to the route.
- Rescind prior motions on the project including those that referred to conducting a competitive solicitation for a “non-wires” alternative.