

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company to Fill Local Capacity Requirement
Need Identified in Decision 13-03-029.

Application 13-06-015
(Filed June 21, 2013)

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

The California Independent System Operator Corporation (the ISO) hereby files this response in the above-captioned proceeding in accordance with Rules 1.4 and 2.6 of the Commission's Rules of Practice and Procedure.

I. BACKGROUND

On March 28, 2013, the California Public Utilities Commission issued Decision 13-03-029 that, among other things, denied authority for SDG&E to enter into a power purchase tolling agreement with Pio Pico Energy Center to commence in 2014.¹ The CPUC's decision determined that no local capacity procurement need existed for SDG&E prior to 2018 and, therefore, rejected the Pio Pico agreement without prejudice. The decision permitted a renewed application for approval of the agreement, if amended to match the timing of the identified need, or upon a different showing of need. In this application, SDG&E has submitted an amended purchase power tolling

¹ Decision 13-03-029, *Application of San Diego Gas & Electric Company (U902E) for Authority to Enter into Purchase Power Tolling Agreements with Escondido Energy Center, Pio Pico Energy Center and Quail Brush Power* 2013 WL 1345482 (Cal.P.U.C.).

agreement with Pio Pico that reflects a new start date of June 1, 2017, for a term of 25 years.

The CPUC and the ISO have both identified San Diego as a transmission constrained area that requires local resources to sustain grid reliability. With the retirement of the San Onofre Nuclear Generating Station, this need will increase. For this reason, the ISO supports SDG&E's request for authority to enter into the amended purchase power tolling agreement with Pio Pico.

II. PIO PICO WILL SATISFY A RESOURCE NEED IN A TRANSMISSION CONSTRAINED AREA

As part of Decision 13-03-029, the CPUC directed SDG&E to procure up to 298 megawatts of local generation capacity in San Diego beginning in 2018.² The CPUC's directive assumed the operation of the San Onofre Nuclear Generating Station. Through its planning studies, the ISO has consistently identified resource needs in the San Diego area. Most recently, the ISO identified a 458 MW deficiency as soon as 2014 in the San Diego sub-area without the San Onofre Nuclear Generating Station in service.³ The CPUC adopted the ISO's findings in a decision issued last month.⁴

While this deficiency was mitigated by the conversion of Huntington Beach units 3 and 4 into synchronous condensers in June 2013, the deficiency demonstrates the proximity to reliability limits under which San Diego operates. Load growth and the

² Decision 13-03-029, ordering paragraph 3.

³ 2014 Local Capacity Technical Analysis final Report and Study Results at 101. http://www.caiso.com/Documents/Final2014LocalCapacityTechnicalStudyReportApr30_2013.pdf

⁴ Decision 13-06-024, *mimeo*. Decision Adopting Local Procurement Obligations for 2014, a Flexible Capacity Framework, and refining the Resource Adequacy Program at 7-10.

prospect of once through cooled generation retirements will continue to stress these reliability limits. There should be no factual dispute that San Diego needs local resources.

In response to the retirement of the San Onofre Nuclear Generating Station, the ISO is working to ensure sufficient infrastructure exists to maintain grid reliability. In the near term, the ISO will rely on synchronous condensers and a static VAR compensator approved in the ISO's 2012/2013 Transmission Plan.⁵ The ISO also intends to rely on new preferred resources. These resources, however, may not reach commercial operation in a linear fashion over the coming years. While the ISO strongly supports pursuing the development of preferred resources, the advancement of Pio Pico will play a critical role in assuring reliability in the San Diego area given the uncertainties associated with the precise timing of preferred resource development.

⁵ See ISO 2013 Transmission Plan at 170-174.
<http://www.caiso.com/Documents/BoardApproved2012-2013TransmissionPlan.pdf>

III. CONCLUSION

For the reasons set forth in this response, the ISO respectfully requests that the CPUC authorize SDG&E to enter into an amended power purchase tolling agreement with Pio Pico.

Respectfully submitted,

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