

Pathfinder Renewable Wind Energy, LLC and Zephyr Power Transmission, LLC
Comments on the California Independent System Operator's 2012-2013
Transmission Planning Process

Pursuant to the California Independent System Operator's ("CAISO's") January 18, 2013 Market Notice, Pathfinder Renewable Wind Energy, LLC ("Pathfinder") and Zephyr Power Transmission, LLC ("Zephyr") respectfully submit these comments on the CAISO's 2012-2013 Transmission Planning Process ("TPP").¹

I. Introduction

Pathfinder and Zephyr appreciate the opportunity to comment on topics included in the Draft 2012/13 Comprehensive Transmission Plan ("Draft Plan") that was posted on February 1, 2013 and addressed at the CAISO's 2012/13 TPP stakeholder meeting held on February 11, 2013. Specifically, Pathfinder and Zephyr would like to comment on aspects of the TPP that restrict the comprehensive and thorough analyses of viable generation resources and transmission projects.

Zephyr is currently developing its Zephyr Transmission Project, a 500 kV high-voltage direct current ("HVDC") line, to bring high capacity factor wind energy from Wyoming to Southern California through the Eldorado Valley. In early 2012, Pathfinder and Zephyr first submitted comments to the CAISO expressing interest in the development of resource portfolios that provided a broad range of resource development scenarios, including significantly more renewable energy from out-of-state resources and specifically from resources trying to import to the CAISO at Eldorado.

Pursuant to Section 24.3.4 of the CAISO Tariff, Zephyr submitted a request for an Economic Planning Study in the 2012/2013 TPP on March 13, 2012. Pathfinder and Zephyr

¹ The CAISO Market Notice is available at http://www.caiso.com/Documents/Resend2012-2013TransmissionPlanningProcessStakeholderMeetingFeb11_2013.htm

believe that such a plan would demonstrate the economic benefits and greater availability of wind generation originating in Wyoming to the California grid. In its Draft Plan, the CAISO rejected the request by Zephyr, in part, because the Zephyr Economic Planning Study request did not access generation from resource areas designated as such by the California Public Utilities Commission ("CPUC") and the California Energy Commission ("CEC").

II. Restrictions on Planning Alternatives to the CPUC and CEC Resource Portfolio Recommendations

In response to Economic Planning Study requests that were previously submitted by Zephyr and TransWest Express, LLC, the CAISO indicated in the Draft Plan that the scope of transmission projects considered is in part dependent on renewable portfolios that are originally identified by the CPUC and the CEC.² In other words, the CAISO determined that it could not perform the economic studies that were requested by Zephyr due to the fact that the underlying out-of-state resources were not identified in the renewable portfolio standard model implemented by the CPUC and CEC at the outset of the 2012/13 TPP.

In comments previously submitted during the CAISO's 2012/2013 TPP, Zephyr and Pathfinder expressed concerns with the CAISO's reliance on a limited set of resource portfolios for its transmission planning purposes, as the resource portfolios developed by the CPUC and

² CAISO Draft 2012/2013 Transmission Plan, February 1, 2013, Section 5.6:

"The ISO notes that the economic study requests from Zephyr Power Transmission, LLC and TransWest Express, LLC were focused on bringing renewable resources from other regions in WECC to the southeastern borders of the ISO controlled grid. As set forth in tariff section 24.3.4.1, the proposed transmission facilities in these economic study requests did not identify or project congestion, nor did the study requests address local capacity requirements. Furthermore, these study requests do not address delivery of location-constrained resources nor are they intended to access generation from an energy resource area that has been designated as such by the CPUC and the CEC, or certified by the ISO Governing Board as meeting the requirements of an energy resource area. As discussed in Chapter 2, the ISO's planning methodology is based on the renewable portfolios developed by the CPUC with the assistance of the CEC and ISO; these portfolios do not reflect the generation proposed by Zephyr Power Transmission, LLC and TransWest Express, LLC and accordingly those resources were not modeled exploring the benefits of further reinforcements into the Desert Southwest. However, the ISO did conduct a power flow and stability sensitivity analysis of the impacts of an additional high out-of-state resource, set out in Section 4.5." [Emphasis added.]

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CEC may not reflect the inherent uncertainty associated with the location where renewable generation resources may be developed over the long-term planning cycle. The CPUC's Long-Term Procurement Plan ("LTPP") proceeding is not employed for transmission planning purposes, but is rather designed to approve plans for utility purchases of energy in amounts adequate to meet the demands of customers. Transmission planning should be focused on the needs of the regional wholesale marketplace, in which actual generation outcomes are determined from a competitive process that includes both in-state and out-of-state resources. As such, these scenarios should have been subject to more transparent review and comment to ensure that the CPUC/CEC recommendations serve transmission planning purposes, versus merely procurement planning purposes.

Based on comments submitted by stakeholders, requests for Economic Planning Studies provide a meaningful venue and opportunity for the CAISO to consider and study a more diverse set of resource development options than those defined by the CPUC and CEC, and otherwise adopted as part of the Unified Planning Assumptions and Study Plan. Requests for Economic Planning Studies should provide for more scenario planning and not be restricted to the assumptions and study approach defined in the Unified Planning Assumptions and Study Plan. This will assist in allowing the CAISO to conduct more robust transmission planning that considers potential resource development scenarios and their potential impacts on the transmission system controlled by the CAISO.

Additionally, consideration of a broader range of generation scenarios supports the development of a more robust and flexible transmission system, ensuring reliability at the lowest total cost to ratepayers. To ensure that the TPP provides for the necessary flexibility in transmission planning that can accommodate the inherent uncertainty in the development of new

generation resources, the TPP should not be confined to a narrow set of scenarios for resource development. In particular, the TPP scenarios should have been expanded to include the contribution of out-of-state resources, which are underrepresented in the current set of scenarios actually considered. CAISO's objective with regards to the TPP should be to promote interstate competition for wholesale power in order to produce the lowest delivered cost of renewable power.

The CAISO's Draft Plan is heavily influenced by the original portfolio recommendations as provided by the CPUC and CEC, and while these recommendations should certainly be considered, the CAISO is not limited to consideration of these limited portfolios. The absence of certain resources in the original portfolio recommendations and the continued consideration afforded to the CPUC and CEC resource portfolios, even in the Economic Planning Studies aspect of the TPP, preclude the CAISO from conducting more robust transmission planning studies than that supported by the Unified Planning Assumptions and Study Plan. In effect, a self-fulfilling prophecy is created in which the resources not identified in the original portfolio recommendations cannot be studied, even through a request for an Economic Planning Study.

The CAISO should reevaluate the criteria for evaluating Economic Planning Studies to ensure that adequate opportunities exist to consider the merits of resources that are not included in the originally recommended portfolios. Such an approach would better reflect the dynamic nature of renewable resource development and increase the likelihood that the CAISO's transmission planning studies reflect the necessary flexibility in the transmission system to accommodate a range of renewable resource development.

III. Retain Sensitivity Analysis for the High Out-of-State Import Scenario

The Draft Plan provides a brief summary of the CAISO's sensitivity analysis to study a High Out-of-State Import Scenario and identifies key contingencies and violations that occur on the 500-kV transmission system within California. Although the CAISO has explained that the sensitivity analysis was for informational purposes only, Pathfinder and Zephyr are pleased that the CAISO undertook the study as it provides important information to better understand and evaluate the transmission impacts of developing and importing out-of-state renewable resources to help California meet its renewable and environmental goals. Furthermore, Pathfinder and Zephyr believe that the CAISO's High Out-of-State Scenario sensitivity analysis represents a great starting point in establishing a more meaningful and robust analysis in future cycles of its TPP. This aspect of the CAISO's overall TPP should be retained and expanded upon to provide additional detail in the future.

IV. Need for Meaningful Engagement with the CAISO on Development and Implementation of Resource Portfolios

This cycle of the CAISO's TPP provided little opportunity for stakeholders to have meaningful engagement on the development of the generation scenarios and resource portfolios that were prepared by the CPUC and adopted by the CAISO as part of the Unified Planning Assumptions and Study Plan. Recognizing the importance of the resource portfolios in establishing the foundation for the CAISO overall transmission planning studies, TPP itself should provide adequate time for stakeholders to review and comment on the CPUC's resource portfolios. Since the CAISO is responsible for the transmission planning function for its Balancing Authority Area ("BAA"), the CAISO's TPP should provide the CAISO and its stakeholders with a chance to modify the recommended resource portfolios developed by the CAISO. This is particularly

relevant during the years when the CPUC does not address Long-Term Procurement Plans ("LTPP") for California's investor-owned utilities.

V. Conclusion

Pathfinder and Zephyr recognize and appreciate CAISO's efforts throughout the 2012/2013 TPP process to provide stakeholders an opportunity to review and comment on the planning process, and Pathfinder and Zephyr appreciate the CAISO's consideration and efforts to respond to our comments. However, Pathfinder and Zephyr believe that additional measures should be taken to ensure prudent transmission planning that will encourage the transmission development that provides optimal reliability, flexibility, and economic benefits to California in the long-run. These comments on the Draft Plan, and our comments throughout the 2012/2013 TPP process, have been aimed to assist the CAISO in establishing a framework for transmission system development that ensures system reliability at the lowest total cost to ratepayers. Accordingly, Pathfinder and Zephyr encourage CAISO to expand the planning alternatives to the CPUC and CEC portfolio recommendations, and to give such alternatives the same weight afforded to the CPUC/CEC recommendations.

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Respectfully submitted,



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