



March 15, 2022

Dear CAISO Board of Governors,

At the March 17 meeting, you will have the opportunity to vote on the 2021-22 Transmission Plan. This plan includes great work by the CAISO staff and recommendations on important projects that will improve reliability, provide economic benefits and help California meet its clean energy goals.

LS Power commends CAISO staff in taking on several important studies in this TPP including the analysis of out-of-state (OOS) wind and new transmission. LS Power supports CAISO staff's recommendation to continue evaluation of commercial interest in OOS resources that can access the Southwest Intertie Project (SWIP) North transmission project. SWIP North not only helps meet policy goals by delivering wind and other clean energy resources from Idaho and Nevada but it pays for itself based on economic studies conducted by CAISO. In addition, it is a critical new transmission path that enhances reliability and resiliency of the grid. We look forward to working with CAISO in its continued evaluation as part of the 2021-22 TPP under an open and transparent stakeholder process. As CAISO launches this process, we would like to emphasize a few key points:

- **SWIP North is on track to be in service in 2025 to enhance California reliability and resiliency ahead of significant retirements, but only if approved as part of the 2021-22 TPP.** CAISO has the opportunity to approve SWIP North in 2021-22 TPP which will make it possible for the project to be in service in 2025. This would help improve grid reliability and diversity by opening access to an additional ~1100 MW of clean energy resources, in time for retirement of Diablo Canyon nuclear facility and once-through cooling plants in California. SWIP North also provides an alternate route for Pacific Northwest energy to reach California and help mitigate for loss of the California-Oregon intertie and Pacific DC intertie import capacity, particularly during wildfire or extreme heat events which are becoming more frequent in the region.
- **SWIP North provides significant economic benefits to California ratepayers and pays for itself.** CAISO's TPP analysis shows SWIP North has a Benefit-to-Cost Ratio (BCR) well above 1.0 (minimum required for a project to be economic, and indicates it pays for itself) in all relevant scenarios that reflected avoided cost of new transmission required for New Mexico wind. CAISO's study shows that SWIP

North was the highest performer with BCRs ranging from 1.94 to 2.41 for all relevant scenarios run for the Base portfolio<sup>1</sup>. This means that any increase in TAC related to cost recovery for SWIP North would be more than offset by the economic benefits of SWIP North. Further, using CAISO study models, LS Power studied SWIP North by creating a new reference case with no OOS wind; results with this alternate method also show SWIP North BCR much higher than 1.0, confirming its economic viability. Neither CAISO nor LS Power's analysis account for incremental EIM benefits, future benefits when EDAM is implemented or capacity savings benefits that SWIP North will provide. Accounting for these additional benefits will further improve the BCR for SWIP North. Reliability and resiliency benefits would be realized on top of these economic benefits, showing SWIP North as a truly "no-regrets" transmission project with benefits significantly outweighing the cost.

- **Interregional cost allocation has already occurred for SWIP North.** The 231-mile ON Line portion of the SWIP path (Robinson Summit to Harry Allen) was placed into service in 2014, and is being paid for by Nevada ratepayers. LS Power's project proposal for CAISO provides ~1100 MW of transmission capacity from Midpoint to Harry Allen (516 miles total), for the cost of building only the 285-mile SWIP North portion of the path (Midpoint to Robinson Summit). Therefore, nearly half of the total SWIP path is already being paid for by other benefitting regions.
- **SWIP North benefits CAISO ratepayers.** LS Power's proposal is to turn over operational control of its entitlement associated with SWIP North to CAISO if approved for cost recovery under TAC which makes it unique when compared to subscriber based OOS transmission proposals. This means that the economic related benefits of SWIP North will accrue to CAISO ratepayers. CAISO will not have operational control of capacity associated with subscriber based projects and as a result will neither have control over schedule of these projects or be entitled to the relevant benefits from these projects, if any.

As CAISO launches its effort to test market interest for renewable resources wishing to access SWIP North to serve California load, LS Power offers the following suggestions:

- CAISO could review the generator interconnection queues in the region to identify resources that have filed for interconnection in the vicinity of the SWIP corridor, and could therefore deliver to CAISO via SWIP. LS Power's review of the queues managed by Idaho Power, PacifiCorp, NV Energy and CAISO,

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<sup>1</sup> In addition to Base portfolio scenarios, CAISO also tested performance of all transmission projects under several sensitivity scenarios and SWIP North was the only project that showed BCRs well above 1.0 (using the alternate methodology) for all scenarios. BCRs for SWIP North ranged from 1.32 to 2.60.

identified over 8800 MW of non-solar clean energy resources (i.e. wind, geothermal, batteries, and pumped storage hydro) that could potentially sell energy into CAISO via SWIP.

- CAISO could also initiate a request for information (RFI) process to collect necessary information from potential generators that wish to express their interest in accessing the CAISO market via the SWIP corridor. The RFI could request generator nameplate capacity, technology selection, development/permitting status, interconnection status, proposed commercial operation date, proposed point of interconnection, estimated capacity factor and representative production profile. The goal will be to provide CAISO with confirmation that there is sufficient interest in utilization of the path to serve CA load by resources of interest.
- CAISO could request the CPUC to advise on any of the above approaches, since CPUC directed CAISO to consider OOS wind from either Idaho or Wyoming, and recently reaffirmed that in the current IRP, designating 1062 MW of wind injection at Eldorado rather than Palo Verde.

As CAISO begins to assess market interest in OOS resources, it is important that CAISO proceeds in parallel with the steps necessary to approve SWIP North in 2022 if it wishes to have 1100 MW available in 2025, and to reasonably provide assurance to the market (generators and load servers) that it intends to approve SWIP North once it gets comfortable with the market interest. Generation resource and transmission development has long suffered from the “chicken and the egg” problem, so indicating some certainty on the availability of transmission will provide the market appropriate motivation to act and be responsive to CAISO’s solicitation of interest. In its process, CAISO should also recognize that load serving entities have ridged processes and timelines for procuring resources, therefore an expectation of having executed contracts as the required showing of market interest is not practical in the near term.

If you are interested in more details on our comments you can review [LS Power’s February 22 comments on the draft TPP](#) or reach out to me directly with additional questions.

Thank you for your attention on this important issue.

Sincerely,



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