

Stakeholder Comments Template

Proposed Policy-Driven Elements in Imperial Valley Area with Capital Costs of Less Than \$50 Million

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to comment on the CAISO's posting, "Proposed Policy-Driven Elements in Imperial Valley Area with Capital Costs of less than \$50 million." SCE reviewed the CAISO's paper dated November 20, 2012, participated in the CAISO stakeholder call on November 29, 2012, and now provides the comments and questions below.

Confirmation of Transfer and Dependencies

SCE appreciates the CAISO's confirmation during the stakeholder call that the proposed policy-driven elements in the Imperial Irrigation District (IID) being considered for approval by CAISO management would be network facilities and turned over to CAISO operational control.¹ After the project is turned over to CAISO control, the project would be eligible for TAC recovery and CAISO customers will begin paying for it through TAC rates. During the stakeholder call, the CAISO indicated that it would be asking the Project Sponsor to complete the project by the end of 2013 because of generator contract requirements.

The CAISO explained in its paper and during the stakeholder call that this project is dependent on the development of an IID project which the CAISO expects to be completed about the time when the CAISO project is completed. When this happens, the proposed policy-driven elements will be network facilities (please also see footnote 2 of the CAISO's paper). In the event there is an update to the understanding described in this section, SCE requests the CAISO please provide any updates to stakeholders.

Formal Agreements between CAISO and IID Should Be Pursued

On the stakeholder call, the CAISO confirmed that the CAISO-proposed project under \$50 million is comprised of: 1) a new collector station outside of the Imperial Valley Substation, and 2) a new 230 line from Imperial Valley Substation (SDG&E) terminating at the collector station just outside of the Imperial Valley Substation. The CAISO explained that once this project is complete, it would be turned over to the CAISO when the elements become network facilities. In order for the CAISO's proposed project to be classified as network facilities, the costs of

¹ Also, during the stakeholder call the CAISO confirmed that the Project Sponsor would be required to become a PTO and enter into the TCA.

which CAISO customers pay for through TAC rates, the CAISO indicated that IID must complete its side of the project on its own system. The CAISO's paper states, "The ISO... has been advised that IID plans to upgrade the IID IV-EL Centro line (the "S" line) to enhance its ownership rights at the IV substation. The ISO has reviewed such plans from IID."²

During the stakeholder call, the CAISO indicated that it is looking at possibly putting agreements in place to ensure that the projects on both sides are progressing. SCE recommends that the CAISO develop and formalize an arrangement with IID to ensure that the construction and development of the IID project is synchronized with the construction and development of the CAISO identified policy-driven element in question. It is important that both projects are moving forward on a common path. As mentioned above, in order for the proposed policy-driven projects to receive TAC recovery, the facilities must be network facilities and transferred to the CAISO control. Formalizing these agreements is an important step toward ensuring that project expenditures will be made on an appropriate timetable and the projects on both sides will be completed on a common path. It will also assure the CAISO and its stakeholders that some controls are in place.

Identification of Backstop

During the stakeholder call SCE asked who, if anyone, would have an obligation to backstop the project if the project is abandoned or if a winning bidder is not selected in the solicitation. Section 24.6 Obligation to Construct Transmission Projects of the CAISO Tariff states "A Participating TO in whose PTO Service Territory or footprint either terminus of the element or elements being upgraded or added is located shall be obligated to construct all regional transmission additions and upgrade elements included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations". However, it is unclear from the CAISO's paper as to in which PTO service territory the proposed project is to be located. In response to SCE's question, the CAISO indicated that it would need to determine who could be directed to backstop the project if and when it was abandoned. SCE believes the backstop question needs to be addressed prior to the CAISO reviewing this proposed project with its Board. Therefore, SCE requests that the CAISO indicate who, if any entity is responsible for backstopping this project prior to the December CAISO Board meeting.

Project Description

SCE understands the CAISO is proposing a project under \$50 million which is comprised of: 1) a new collector station outside of the Imperial Valley and 2) a new 230 line from Imperial Valley (SDG&E) terminating at the collector station in Imperial Valley. However, we would appreciate additional clarification.

SCE understands that before the CAISO-proposed project is complete, it would be a gen-tie until IID completes the S line upgrades and the project would become network.³ Also, during

² Please see, 3 Proposed Project, page 4.

³ As clarified during the stakeholder call, when and if the facility is a gen-tie, it would not receive TAC recovery.

the stakeholder call, the CAISO outlined alternative constructs⁴ for the IID project; however, it is unclear what project is being pursued. SCE would appreciate more clarity as to how the policy project plus IID's project will be incorporated with the existing system after the proposed project is constructed. To that end, SCE requests that a before-and-after description of the affected transmission facilities be provided to obtain a clearer understanding of how the project would be incorporated.

Description of Elements in the Cost Estimate

CAISO has indicated that the cost estimate of the project is under \$25 million. Some permits may have been secured; it was unclear on the call. It would be helpful, in order to better understand the basis of this estimate, if the CAISO were to provide a description of the elements included in its cost estimate.

Additional Support of Need Should Be Provided

Section 24.4.10 of the CAISO Tariff states "CAISO management may expedite approval of a project or element ahead of the approval process for other projects or elements with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the project or elements ahead of the schedule established in the Business Practice Manual; (2) there is a high degree of certainty that approval of the upgrade or addition will not conflict with other projects or elements being considered in Phase 2; and (3) the need to accelerate a project or element is driven by the CAISO's study process or by external circumstances." Based on the CAISO's proposal, it is not clear from the proposal that there is an "urgent" need for approval of the collector substation.

The CAISO's proposal states that "The ISO understands that several generation projects in this area must move forward on an expedited basis in order to achieve PPA and LGIA milestones, and in some circumstances, procure financing. If the proposed policy-driven element is approved on the same time schedule as other projects that cost \$50 million or less, these milestones likely cannot be met." It is not clear from the proposal how much time these generation projects have to meet their milestones (i.e., it isn't clear why the CAISO's proposed collector substation is an urgent project that must proceed ahead of the schedule established in the BPM). SCE requests that the CAISO provide the proposed operating date for the collector substation project and additional information regarding why that operating date needs to be met in order for the generation projects to meet their schedule(s).

Regarding the need for the project, it is not clear from the proposal what section of the CAISO tariff supports the recommendation of the collector substation as a policy project. Section 24.4.6.6 (Policy Driven Elements) includes a section (b) criteria which says "the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes." The CAISO's proposal references a May 16, 2012, letter from the CPUC and CEC that accompanied the renewable portfolios submitted to the ISO,

⁴ During the stakeholder call the CAISO indicated that IID could choose to terminate the S line or a rebuild that was on again, off again – if they do move forward, the CAISO would expect to see the rebuilt circuit terminated. The CAISO also indicated that IID has considered a double circuit rebuild for the S line.

which recommended “that the ISO evaluate additional transmission reinforcements into the Imperial Irrigation District (IID) region needed to enable the delivery of at least 1400 MW of renewable energy to the ISO grid” (page 3). In addition, the CAISO’s proposal states that CAISO “has identified the need for a policy-driven transmission element in the Imperial Valley area to support development of renewable generation in the area in order to meet the 33% RPS requirement” (page 3). SCE requests the CAISO to clarify if the justification for the collector substation project is to meet the results and identified priorities of the CPUC pursuant to the May 16, 2012 letter from the CPUC and CEC to the CAISO (i.e., support 1400 MW of IID area renewable energy to the CAISO grid), support the overall objective of meeting California’s 33% RPS goals, and/or another policy objective.