

**Written comments with CAISO reply
Submitted after the
April 14 Stakeholder Meeting regarding the
2010 Local Capacity Requirement (LCR) Results**

COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON 2010 LOCAL CAPACITY REQUIREMENTS (LCR)

The Alliance for Retail Energy Markets (AReM)¹ provides the following comments on the CAISO's April 7, 2009 *2010 Local Capacity Technical Analysis, Draft Report and Study Results* and discussion at the April 14th stakeholder meeting. AReM's comments focus on one issue that arose during the April 14th stakeholder meeting – timing of Resource Adequacy (RA) showings by the load-serving entities (LSEs) under the jurisdiction of the California Public Utilities Commission (CPUC). The CAISO staff proposes that the final LSE RA showings for 2010 be submitted no later than the first week in October, 2009.² In support, the CAISO states that two critical dates are “hardwired” into the CAISO's MRTU Tariff, which conflict with the long-standing RA timetable used by the CPUC. The conflicts are:

- October 31 — LSE RA showing — if it falls on a weekend, however, the showing is due the next business day. This year, for example, it will be due November 2.
- November 2 — CAISO required to identify RA deficiencies.
- December 2 — Date in MRTU tariff by which LSEs may make optional RA procurement to reduce/eliminate deficiencies

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in California's direct access market. These comments represent the position of AReM, but not necessarily that of any particular member or any affiliates of its members with respect to the issues addressed herein.

² *2010 LCR Study, Summary of Final Findings*, presentation by ISO, April 14, 2009 stakeholder meeting, Slide 8.

The CPUC has set October 31 as its date for the annual RA showings every year since 2006.³ AReM opposes any change to the RA showing date for 2010 compliance. In addition to changing a long-standing CPUC RA compliance date, eliminating October from the RA procurement timetable will harm electric service providers (ESPs) and create significant risk that they may be unable to meet their Local RA requirements (RAR).

ESPs are uniquely situated, because they must procure Local RA capacity from the investor-owned utilities (IOUs), who own or control all the Local RA in some areas, such as San Diego. Typically, the IOUs have been reluctant to sell excess Local RA, until the CAISO releases its decision on retaining Reliability Must-Run (RMR) units on October 1. This leaves only a few weeks for ESPs to complete their Local RA procurement and make the October 31 deadline for the RA showings. Accordingly, moving the deadline for final RA showings to the first week in October would leave no time for the ESPs to procure from the IOUs, leaving them with significant risk for non-compliance.

AReM suggests two alternatives for consideration:

1. Waiver Request – The CAISO could file at FERC and request a waiver from meeting the November 2 and December 2 deadlines for this year. Thereafter, LSEs would work with the CPUC and CAISO to resolve this conflict and, if necessary, file a modification at FERC to alter the schedule permanently. This is AReM's preferred option.

³ In 2005, the CPUC initially required LSEs to meet RA requirements for the latter part of 2006 (D.05-10-042). In D.06-06-064, October 31 was established as the deadline for annual RA showings. The first full year of RA procurement for CPUC-jurisdictional LSEs began with the annual RA showings made October 31, 2006 for 2007 RA compliance. The annual RA showing date has remained at October 31 since then.

2. Issue Revised Deficiency Report – The CAISO could issue a revised report on RA deficiencies for 2010 after the November 2 report is issued, but before December 2. CAISO staff has stated that it would need about 2 weeks to prepare a revised report after receiving the CPUC-LSEs' RA showings on November 2. Therefore, the revised deficiency report could presumably be issued by November 16. Although not ideal, this approach would: (a) provide some time for additional LSE procurement if deficiencies are identified; and (b) notify LSEs if deficiencies were, in fact, resolved by the CPUC-LSE showings on November 2.

In summary, AReM opposes changes to the long-standing RA schedule for CPUC compliance, which would create undue risks for ESPs. Instead, AReM proposes two alternatives, which would allow the current RA compliance schedule to remain intact, but still provide the CAISO with flexibility to procure RA backstop if needed. We urge the CAISO and CPUC to work together to resolve the potential scheduling conflict as recommended by AReM.

ISO response: During the April 14 stakeholder meeting the ISO informed the market participants what the ISO Tariff mandates are regarding dates for LSE showings. The ISO will coordinate with CPUC throughout this year to see how best to integrate the two schedules without violating ISO Tariff. For future years the two schedules should match.

CCSF Comments on CAISO Draft 2010 LCT Study Report dated

April 7, 2009

The City and County of San Francisco (CCSF) appreciates the CAISO's efforts to communicate its findings from its draft 2010 Local Capacity Technical (LCT) studies dated April 7, 2009 with stakeholders at their meeting on April 14th.

We generally agree with the ISO technical studies which indicate that with TransBay Cable and only one cable recabled prior to summer 2010, the San Francisco sub-area LCR requirement would drop to approximately 25MW. However, studies by both PG&E and the City indicate that there are relatively low-cost and easy to implement projects that can reduce that 2010 LCR requirement to zero.

However, the draft LCT report also indicates that during 2010, Potrero units #3, #4, #5 and #6 (360 MW) will continue to be required until the Trans Bay DC cable is placed in operation

In addition, the ISO states,

Once the Trans Bay DC cable is placed in service, the ISO estimates that, at minimum, 150 MW of San Francisco generation will be required in order to allow clearances for the remaining three re-cabling projects within San Francisco as well as clearances for the Newark-Ravenswood 230 kV reconductoring. The exact quantity can only be established once all clearance requests are received and processed.

The results of the recent technical studies do not support these statements. Since 2004, there have been extensive upgrades to the transmission system in and around the City that have significantly reduced or eliminated the need for in-City generation to maintain reliability. LCR Studies undertaken by PG&E in 2008 indicate that when the 3rd Martin-Hunters Point 115kV cable project is placed in service in April 2009, only 96 MW of electric generation will be required in San Francisco even before completion of the Trans Bay Cable. Our later studies based upon the latest ISO base cases for 2010 indicate a need for 100 MW without the TransBay Cable.

CCSF believes it is not appropriate to utilize clearances as a special criterion for determining the need for In-City generation in 2010 for several reasons. First, the LCT report should be consistent with the 2010 Local Capacity Area Technical manual (2010 Manual) developed by the CAISO dated December 2008. There is no mention of setting LCR levels based on the need for clearances in the 2010 Manual. Second, the ISO technical studies, beginning in 2006, have never used clearances as a criterion to determine the LCR level. Similarly in the prior ten years of RMR studies, beginning with 1999, the ISO never used clearances as a criterion for signing RMR contracts. Third, clearances can be taken without jeopardizing grid reliability as long as they are properly timed for lower load levels and precautions are made for quick restoration of elements taken out of service. The ISO has sufficient control over clearances to ensure they are implemented in a manner that protects reliability.

The City appreciates this opportunity to provide comments and looks forward to working with the ISO and other stakeholders on these issues.

ISO response: The San Francisco situation is unique. On one hand the City's 2010 LCR need is 25 MW, as specified above, after new transmission projects become operational. On the other hand, this lower LCR need can only be achieved by having long clearances that require in City generation to be available in order to cover contingency conditions. During the re-cabling of A-H-W #2 115 kV, expected to last several months, the ISO needs to be able to meet NERC category A, B and C contingencies with this cable out of service. Therefore the ISO will require all in City generation to be available in order to be prepared for contingency conditions. Even if not specified, and not required per LCR criteria, at peak, the ISO needs to maintain the RMR contract for the in City generation in order to reliably operate the grid in the off-peak (clearance) conditions. Other local areas have more resources available in the off-peak conditions, whereas San Francisco has only one power plant. If the RMR status is removed the ISO has no alternative but load drop to cover contingency conditions that may arise during these long clearance conditions. Be assured the ISO will not run in City generation unless it is required to meet reliability standards.

BAMx Comments on
CAISO Draft 2010 Local Capacity Technical Analysis
Draft Report and Study Results

BAMx⁴ has reviewed the CAISO Draft Report and Study Results dated April 7, 2009, and offer the following comments. In referencing the Greater Bay Area (GBA) overall capacity requirements, the draft report stated on page 54 the following.

The most critical contingency is the loss of the Tesla-Metcalf 500 kV followed by Tesla- Newark #1 230 kV line or vice versa. The area limitation is thermal overload of the ADCC-Newark 230 kV section of the Tesla-Newark #2 230 kV line. This limiting contingency establishes a LCR of 5051 MW in 2010 (includes 624 MW of QF, 217 MW of Wind and 255 MW of Muni generation) as the minimum capacity necessary for reliable load serving capability within this area.

The most critical single contingency is the loss of the Tesla-Metcalf 500 kV followed by Delta Energy Center or vice versa. The area limitation is reactive margin within the Bay Area. This limiting contingency establishes a LCR of 4224 MW in 2010 (includes 624 MW of QF, 217 MW of Wind and 255 MW of Muni generation) as the minimum capacity necessary for reliable load serving capability within this area.

As we understand, the reactive margin issue is no longer setting the LCR needs for the GBA overall capacity requirement due to the use of the Metcalf 500 kV capacitors on automatic settings. Additionally, we would like to point out that an overlapping generator outage with a line outage is NOT a single contingency as indicated above. It is a level B

⁴ BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, and City of Santa Clara, Silicon Valley Power.

event under ISO criteria, but not a single contingency. While the CAISO in response to BAMx earlier comments stated that it is in the process of standardizing the write-up and presentation on its use of Category B and C needs such that the needs for the Sub-areas are clearly stated, we continue to be concerned that the nomenclature used by the CAISO makes it harder to understand the results. The CAISO has not produced a table clearly indicating the Category B and C needs by Sub-areas. Instead, the CAISO has given us rules of interpretation on the use of Categories B and C LCR needs. Please confirm that we have applied your rules of interpretation correctly in the attached table (Attachment 1).

ISO response: Yes, your interpretation is correct.

The draft report goes on to describe the overall GBA changes compared to last year's results also on page 54 as follows.

Overall the load forecast went down by 175 MW and that drives an LCR decrease. Only one new small resource was installed. The Pittsburg and Oakland combined LCR needs have resulted in much higher dispatch in this area than in the past and these units are not effective in mitigating the Tesla-Newark #2 230 kV line. As a result many more units not required for the sub-area LCR needs have to satisfy the overall LCR need. This makes the overall area LCR need higher than last year; an increase of 268 MW.

We believe this increase in requirements may be due to the addition of the Trans Bay Cable Project. While the draft report indicates on page 50 that major new projects that were modeled include the Trans Bay DC cable, it is not clear how the DC cable was loaded when determining the Pittsburg and Oakland sub-pocket needs. The cable loading should

have been reduced (i.e., in a “runback mode”) during the critical Pittsburg and Oakland sub pocket contingencies. We suspect that was not the case because the requirement for those areas increased substantially. If it was not reduced, we urge the CAISO to re-evaluate the needs for the Pittsburg and Oakland Sub-area and also the Greater Bay area requirements that are based upon those sub pocket requirements. The CAISO chose to ignore the impact of the Trans Bay Cable and other alternatives during the study justifying the cable project. See the attached BAMx letter to the CAISO Governing Board dated September 6, 2005 (Attachment 2). It would be particularly inappropriate to not use the control features inherent in this expensive DC cable addition to reduce its negative impacts.

ISO response: The ISO has reevaluated the Pittsburg/Oakland sub-area with the Trans Bay cable in manual runback mode (effectively having a flow of 0 MW). A new operating procedure will be developed such that anytime one of the Moraga 230/115 kV banks and/or Delta Energy Center are out of service the Trans Bay will be manually runback to mitigate the Pittsburg/Oakland sub-area constraints. The Pittsburg/Oakland LCR needs have decreased by 400 MW; as a result, the Greater Bay Area overall LCR needs have decreased by 400 MW and the North Coast/North Bay LCR needs have increased by 87 MW. Detailed explanations are included in the final 2010 LCT Report.

Thank you for the opportunity to provide comments on the draft 2010 Local Capacity Technical Analysis report and for responding to BAMx’s prior submitted comments.

Attachments

1. 2010 LCR Sub-Area Category B and C LCR Needs Table

2. BAMx letter to CAISO Governing Board of September 6, 2005

Local Area and Sub-Area LCR Need (MW) within PG&E TAC area based on 2010 Local Capacity Technical Analysis Draft Report Dated April 7, 2009		
Local Area/Sub-Area	2010 LCR (MW)	
	Category B	Category C
Humboldt	179	179
North Coast/ North Bay	700	700
Eagle Rock	120	240
Fulton ^(#2)	-	559
Lakeville ^(#1)	700	700
Sierra	1,133	1,717
South of Table Mountain	1,133	1,717
Colgate	-	-
Pease ^(#1)	137	137
Bogue	-	-
South of Palermo	875	1,402
Placerville ^(#2)	-	100
Placer	17	122
Drum-Rio Oso	493	829
South of Rio Oso	521	643
Stockton	357	432
Tesla-Bellota	357	609
Lockeford ^(#2)	-	72
Stagg	-	-
Greater Bay	4,224	5,051
San Francisco ^(#2)	-	25
Oakland ^(#2)	-	50
Llagas ^(#1)	135	135
San Jose ^(#2)	-	386
Pittsburg and Oakland	2,418	3,248
Greater Fresno	2,310	2,640
Wilson ^(#1)	2,063	2,063
Herndon	845	1,175
Henrietta	15	33
Kern	187	403
Kern PP	187	386
Weedpatch	-	18

Rule #1: If we see only a Category B LCR need for a given sub-area, then the Category C LCR need is assumed to be the same as the Category B LCR need.

Rule #2: If we see only a Category C LCR need for a given sub-area, then it is assumed that there is no Category B LCR need in that sub-area.

**PG&E's Comments on the
CAISO 2010 Local Capacity Requirement Draft Report**

Introduction

PG&E appreciates the opportunity to comment on the CAISO's 2010 Local Capacity Requirement (LCR) Study Draft Report presented during the Stakeholder Meeting on April 14, 2009. PG&E recognizes the substantial efforts and commends the CAISO Staff for its work in performing this study. Below are several comments that address potential improvements to further the effectiveness of the CAISO's LCR Study process.

Comments

1. 2010 CAISO Procurement Schedule:

PG&E believes that the 2010 CAISO procurement schedule, as presented during the Stakeholder Meeting, has a major conflict with the traditionally established LSE's showing timeline with the CPUC. Specifically, the CAISO's proposed timeline effectively eliminates LSEs being able to count the Reliability-Must-Run (RMR) contracts for Resource Adequacy. PG&E recommends that the CAISO consider changing the 2010 CAISO procurement schedule to align with the CPUC's schedule.

ISO response: [See the ISO response to AReM above at page 4.](#)

2. Comments on Specific LCR Areas:

- **Greater Bay LCR Area**

San Francisco Sub-area

As indicated in the CAISO 2010 draft LCR report and as presented during the Stakeholder Meeting, the 2010 LCR for the San Francisco Sub-area is, at a minimum, 150 MW after the Trans Bay Cable (TBC) project is operational and before completing the 115 kV re-cabling project. PG&E believes that the performance criteria used (i.e. taking two elements out (N-1-1) on top of the one of the 115 kV cables out for clearance) for this analysis is not consistent with the CAISO 2010 Local Capacity Technical Study Manual. PG&E recommends that the CAISO follow the methodology and the planning criteria outlined in the study manual consistently for all areas.

ISO response: See the ISO response to CCSF above at page 7.

Also, PG&E requests the CAISO to use at least two steps of the Martin 115 kV shunt capacitor for the purpose of the San Francisco Sub-area LCR study. PG&E believes that this should eliminate the 2010 LCR need for this sub-area for the third scenario, which is after the TBC project is operational and the 115 kV re-cabling project is complete. PG&E is working to have an operating procedure for this operation and will provide this to the CAISO soon.

ISO response: Based on the stakeholder- approved schedule, the deadline for submitting new operating procedures was March 24, 2009; furthermore, this new proposal does not address the off-peak (clearance) conditions.

Conclusion

PG&E appreciates the opportunity to provide comments.

SCE Comments

Subject: 2010 Local Capacity Requirements Study

Summary of Final Findings

At the request of the California Independent System Operator (“CAISO”), at its Local Capacity Requirement (“LCR”) stakeholder meeting, held April 14, 2009, Southern California Edison Company (“SCE”) hereby submits its comments on the 2010 LCR Study-Summary of Final Findings presented by the CAISO. SCE appreciates the opportunity to comment on the CAISO’s April 14, 2009 presentation regarding its 2010 LCR Study results so that it will have the benefit of stakeholder input on its LCR analysis before it finalizes the study.

2010 CAISO Procurement Schedule

The CAISO’s Market Redesign Technology Upgrade (“MRTU”) Tariff obligates the CAISO to complete its review of load-serving entities’ (“LSEs”) Resource Adequacy (“RA”) filings, and post any Local Capacity Area deficiencies, no later than 60 days before the beginning of the RA Compliance Year (*i.e.*, November 2).⁵ In order to provide the most accurate assessment of any Local Capacity Area deficiencies, the CAISO will need to have the LSEs’ final RA compliance filings before that deadline. If the CAISO adopts the current California Public Utilities Commission (“CPUC”)-designated schedule,⁶ then final LSE showings would be due by October 31. This date would only leave one business day for the CAISO to determine procurement deficiencies, and, therefore, would not be

⁵ See CAISO MRTU Tariff, Section 43.1.2.1, First Revised Sheet No. 817.

⁶ See CPUC Decision 08-06-031 at 11.

practical. On the other hand, the CAISO's current Business Practice Manual ("BPM")⁷ states that LSEs shall submit their final RA compliance filing by no later than October 1. The CAISO, however, acknowledges that the October 1 date creates a schedule conflict with the CAISO's Reliability Must Run ("RMR") mechanism in deciding which RMR units are to be retained. Therefore, the CAISO has proposed, for consideration, that LSEs' RA compliance filings be due by no later than the first week of October.

SCE appreciates the CAISO's effort in working with its stakeholders to reach a reasonable and achievable schedule on the submittal of final LSE RA showings. SCE's recommendation is that, in order to provide LSEs with sufficient time to procure, meet their RA requirements (including incorporation of RMR renewals for 2010), and allow the CAISO to perform a Local Capacity assessment based on the most complete information, the CAISO change its BPM to designate October 16 as the deadline for LSE year-ahead RA compliance filings. This compromise from the CAISO suggested deadline of the first week of October, would allow for sufficient time between LSEs and counterparties to complete procurement, and provide sufficient time for the CAISO to determine necessary procurement deficiencies to meet the MRTU Tariff deadline. Additionally, the CAISO should work in coordination with the Local Regulatory Authorities, including the CPUC, to ensure that their RA compliance schedule is consistent with the CAISO's BPM.

[ISO response: See the ISO response to AReM above at page 4.](#)

⁷ See CAISO's BPM for Reliability Requirements at 59.