

Western Power Trading Forum Comments on Removal of Certain Transmission Facilities from
CAISO Control

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WPTF submits these brief comments in response to the CAISO's market notice of June 27, 2012 indicating that: "The ISO intends to relinquish operational control over certain 115kV transmission lines and facilities of Southern California Edison (SCE)." Within that market notice the CAISO provided the following information about the proposed removal:

Pursuant to the process stated in Section 4.7 of the Transmission Control Agreement, the ISO intends to relinquish its operational control over the 115kV facilities affected by the SCE Devers - Mirage split project. This project created two separate radial systems, the Devers 115kV system and the Mirage 115kV system. Generating facilities connected to transmission facilities that are reclassified as distribution facilities will have to obtain and pay for distribution services from SCE, as the generating facilities will no longer be under the terms and conditions of the ISO Tariff. Interested parties have 45 days to submit written objections to the proposed removal.

The affected facilities include: 220/115kV transformers and 115kV buses; 115kV capacitor banks at Devers and Mirage Substations; the Farrell, Eisenhower, Thornhill, Garnet, Tamarisk, Santa Rosa, Concho and Indian Wells 115kV Substations; and associated 115kV lines. A table itemizing the facilities and the basis for their removal is posted on the ISO website at <http://www.caiso.com/Documents/Devers-MirageFacilityRemovalDetails.pdf>.

First, WPTF requests more detailed information about the proposed removal of these facilities, including a schematic showing the facilities being removed in relations to the transmission system facilities being split between Devers and Mirage.

In addition, WPTF requests that the CAISO provide further information that will allow market participants to determine the extent to which market operations will be adversely affected by the removal, and WPTF objects to the removal of these facilities until such information has been provided. Moreover, the CAISO should provide more information about why this further balkanization of the grid is beneficial and consistent with regional reliability objectives.

WPTF understands that flows on these lines may be important to the operation of the grid yet the CAISO may believe it can operate effectively as BAA without the lines under its control. WPTF would like to further understand what impact removal of those lines would have to the control of the grid and to understand that those flows would be inconsequential before withdrawing our objection. While the CAISO may have determined that there is no negative impact to CAISO operations if this proposal moves forward, the operational standard should be whether operational and system reliability benefits outweigh the market impacts and costs to impacted generators/Scheduling Coordinators. For example, WPTF would like the CAISO to indicate whether the proposed change would allow multiple parties, such as both the ISO and SCE, to instruct the interconnected units on or off, and if so how that would work in practice. Further, some of the units affected offer RA to the CAISO. Would it be possible for the CAISO to dispatch an RA unit on and for SCE to subsequently dispatch the unit off? What would prevent that from occurring? What would the consequences to the market participant be if it did occur?

In addition to the potential reliability issues raised herein, it appears that there could be significant contractual issues created as a result of removal of these facilities from the CAISO controlled grid. Specifically, a number of these generators will require power purchase agreement modifications to change, for example, the point of delivery (POD) and point of interconnection (POI). In addition, there are several generators in the interconnection queue impacted by this proposal. The CAISO should detail the specific transactional and other anticipated impacts to the generators/SCs and why the market and grid benefits of this proposal outweigh the negative impacts. The CAISO should also provide additional information on the anticipated change in costs that generators/SCs will shoulder, impacts to congestion management and congestion pricing, whether the generators/SCs will face new costs imposed directly by SCE, and whether it will change the interconnection process for generators that are in the interconnection queue. Would a generator, for example, that has executed an interconnection agreement at the transmission level be grandfathered such that it would not require new agreements for this change? It would seem inappropriate to first charge a generator for system upgrades and interconnection costs and then subject those generators to additional WDAT costs.

Lastly, the CAISO should list all the CAISO agreements that would require modification and any new agreements with SCE that would be required if these facilities are removed from CAISO control. WPTF would also like to review the details associated with any assessments the CAISO performed to determine that it was appropriate to deem these facilities as distribution-level rather than interconnected transmission facilities.

WPTF would be pleased to review any additional information and to reconsider our objection upon completion of that review. Thank you for your consideration.