

BAMx and CCSF Comments on CAISO 2012-2013 Transmission Study Plan

The Bay Area Municipal Transmission Group (BAMx)¹ and the City and County of San Francisco (CCSF) appreciate the opportunity to comment on the CAISO Draft 2012-2013 Transmission Study Plan (Study Plan). The comments and questions below address the presentations made by the CAISO during the February 28, 2012 Stakeholder meeting.

Our comments cover the following seven major topics.

1. Need to Maximize Stakeholder Involvement;
2. Accounting for Economic Benefit of Reliability Projects;
3. Separate Stakeholder Process for the Central California Study;
4. Need to Minimize Ratepayer Impact in Analyzing Alternative Methods to Reach Policy Goals;
5. CEC's Revised Demand Forecast;
6. Base Case and Load Flow Assumptions; and
7. Once Through Cooling (OTC) Analysis.

1. Need to Maximize Stakeholder Involvement

Our ability to provide meaningful comments on the planning process is highly dependent upon the CAISO's ability to provide multiple interactions with Stakeholders and in providing timely responses to each round of Stakeholder comments. BAMx and CCSF therefore urge the CAISO to respond to Stakeholder questions/comments on the Transmission Study plan prior to finalizing the plan.

Also, during the February 28th meeting, the CAISO indicated a stakeholder meeting (during late Q2 timeframe) for 33% portfolio development. We look forward to receiving preliminary versions of these portfolios later this month (March 2012). BAMx and CCSF are encouraged with the CAISO's efforts to have meaningful stakeholder input in the development of 33% RPS portfolios, as we believe it to be the one of the most critical elements of the 2012-2013 transmission planning cycle. We would like to see an opportunity provided to comment on the root assumptions that go into developing the scenarios. One of those important root assumptions is the calculations of the "renewable net short" that the portfolios are developed to meet. The CEC Staff should immediately be requested to make a recommendation on an appropriate renewable net short for the portfolios.

¹ BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, and City of Santa Clara, Silicon Valley Power.

2. Accounting for Economic Benefit of Reliability Projects

During the presentation at the February 28th Stakeholder meeting, the CAISO presented its method for the first time of the calculation of economic benefits attributed to a reliability project. The examples given were from the last year's plan since the changes to the CAISO tariff had only recently gone into effect. We were surprised that a major economic benefit of a reliability project was not included in the assessment – the increase in customer service value that occurs because of a higher (more reliable) level of electric service. We cannot understand the CAISO's response, that is, the increase in service value was taken into account when the decision was made to approve the reliability project. Our understanding is that reliability projects are approved when the transmission system does not meet a deterministic set of criteria and not because it is justified based upon a value of service criteria.

We believe the CAISO's interpretation of economic benefits of a reliability project will severely limit the competition in the construction of new transmission, which is clearly not in the interest of cost containment and will incrementally contribute to rapidly rising TAC rates.

3. Separate Stakeholder Process for the Central California Study

In our (BAMx) comments to the Draft CAISO 2011-12 Transmission Plan earlier this year, we urged the CAISO to establish a separate stakeholder process to study the Central California issues rather than incorporating the large-scale projects like the Midway – Gregg – Tesla 500 kV project into the 2012-13 transmission planning process. We therefore endorse the current CAISO proposal to have a separate Central California study process that would allow stakeholders to be involved in establishing the assumptions used in the Central California Study Plan.

4. Need to Minimize Ratepayer Impact in Analyzing Alternative Methods to Reach Policy Goals

The CAISO should emphasize the need to minimize ratepayer impact as it promotes transmission to achieve policy goals. Although the CAISO attempts to separate projects into three buckets (reliability, economic, and policy driven), almost all projects meet at least two of the three elements. We recognize the CAISO needs to interconnect renewables to meet State policy goals and FERC requirements, but it should determine the least cost method of doing so.

In particular, we request the CAISO to model only those GIP-driven network upgrades (NU)² that are identified to be “needed” for the specific CPUC resource portfolio. The CAISO has already taken steps in this direction. For example, GIP-driven NUs such as, the *Llano-Kramer 500 kV*, *Kramer Inyokern 230 kV*, *Bishop-Inyokern 230 kV* lines were not found to be needed in any of the four resource portfolios, and therefore were not modeled in the 2010-11 transmission plan. Similarly, the CAISO has indicated that it does not plan to model the *Lugo-Pisgah 500kV* transmission project in the Base Cases for the 2012-13 planning cycle. We therefore urge the CAISO to be consistent with this logic and reconsider modeling the remaining GIP-driven facilities such as, the *Coolwater-Lugo 230kV* and the *West of Devers Reconductoring* projects in the Base Cases for the 2012-13 planning cycle. These NUs should only be added as needed to mitigate deficiencies that exist to deliver the renewables represented in each portfolio.

The CAISO, by progressing in this manner, would assist State siting authorities in their proceedings on the proposed new GIP-driven projects that have never received CAISO Board approval nor been subjected to any cost effectiveness criteria.

5. Use the CEC’s Revised Demand Forecast

The CAISO is proposing to use the **preliminary mid-case** California Energy Demand Forecast 2012-2022 released by California Energy Commission (CEC) on August 30, 2011.³ We strongly encourage the CAISO to utilize the **revised** mid-case California Energy Demand Forecast 2012-2022 released by CEC in February 2012⁴ for the following reasons. First, the revised forecast provides the latest and the best information available. Second, The CAISO has already included the revised CEC load forecast in the draft Local Capacity Technical assessments that were presented during the March 8th Stakeholder meeting.⁵ So, in terms of logistics, the CAISO should easily be able to incorporate this revised forecast as the starting point in the 2012-13 Base Cases.

Figure 1 below shows that both for the PG&E and to a greater extent for the SCE planning areas, the 2020 load projections (GWh) are lower in the CEC’s revised forecast than in the preliminary forecast. This reduction in the revised load projections is primarily attributed to greater self-generation (including the effects of Self-Generation Incentive Program-SGIP, CSI, and other

² These NUs are neither approved by the CAISO Board of Governors nor permitted by the CPUC. However, they are part of the 2011/2012 CAISO Transmission Plan Supporting Renewable Energy Goals. See Table 1 of CAISO 2011/12 Draft Transmission Plan dated January 31, 2012.

³ PRELIMINARY CALIFORNIA ENERGY DEMAND FORECAST 2012-2022, CEC-200-2011-011-SD, August 2011.

⁴ REVISED CALIFORNIA ENERGY DEMAND FORECAST 2012-2022, CEC-200-2012-001-SD-V2, February 2012.

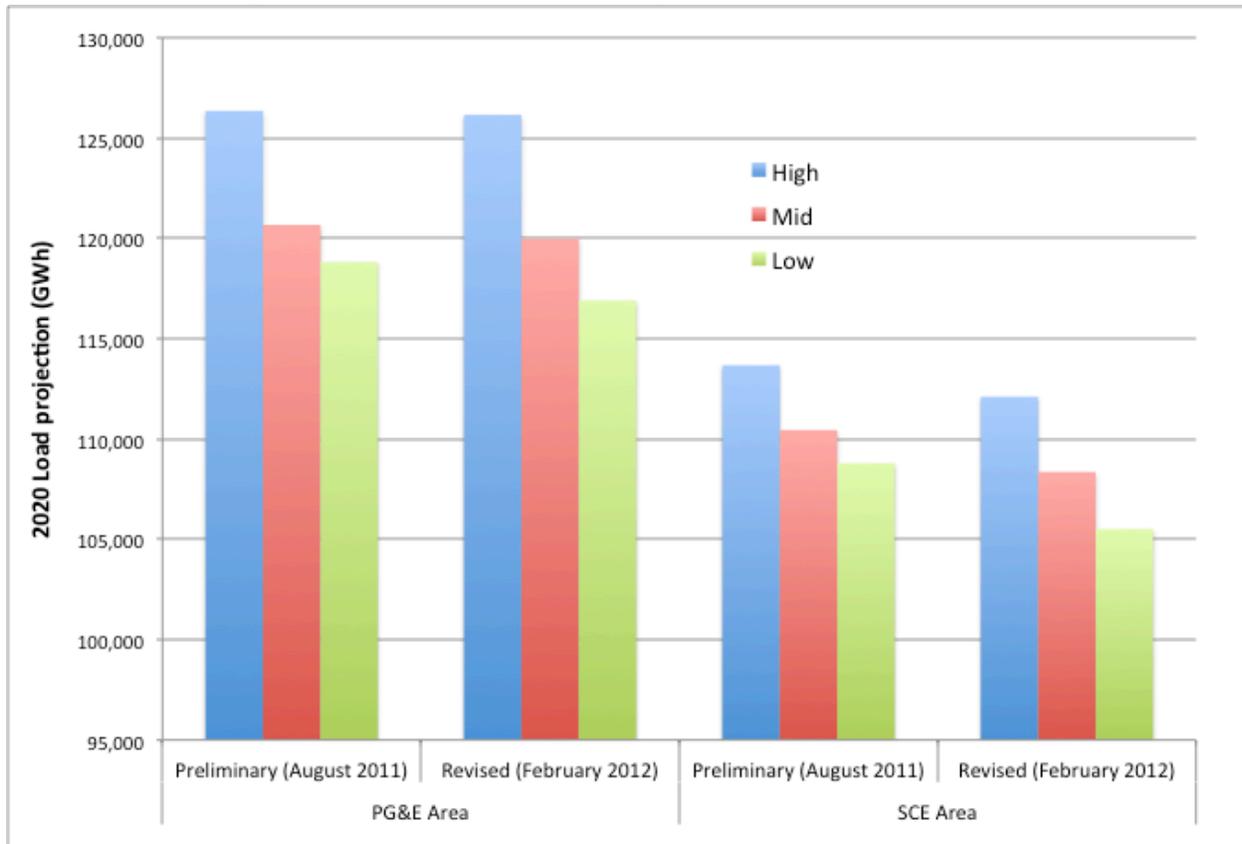
⁵ See A Presentation on the *Draft 2013 LCR Overall Summary of Findings* at

<http://www.caiso.com/informed/Pages/StakeholderProcesses/LocalCapacityRequirementsProcess.aspx>.

programs) as well as higher Conservation/Efficiency Impacts amounts in the revised forecast than in the preliminary one.

BAMx and CCSF strongly urge the CAISO to consider utilizing the latest CEC demand forecast for the annual, five-year and ten-year Base Cases during the period of 2013-2022.

Figure 1: A Comparison of the 2020 Load Projection/ Energy Consumption (GWh) in PG&E and SCE Planning Areas under CEC's Preliminary and Revised Demand Forecasts in 2020



6. Base Case and Load Flow Assumptions

Renewable Generation Assumptions

The CAISO should discuss the generation assumptions, especially the renewable ones before they finalize the Base Case used for the reliability assessments. BAMx and CCSF seek as much detail as possible on the renewable generation modeling assumptions. The CAISO has indicated that they would utilize the CPUC's discounted core and CAISO's interconnection agreement status as the primary criteria for modeling specific renewable generation for the 2-5 year planning cases. On the other hand, for the 6-10-year planning cases, the CAISO plans to model the generation included in the 2011-2012 baseline scenario. Please expand on these criteria and

also the reason to use different criteria for renewable generation assumptions in the 2-5 year versus the 6-10 year planning cases. Please explain what the CAISO means by the CAISO's interconnection agreement status. Would only renewable generation with signed GIAs be included? Also, please elaborate what the CAISO means by the "baseline scenario".

Corrective Action Plans

As per the CAISO tariff, the CAISO identifies the need for any transmission additions or upgrades required to ensure system reliability consistent with all applicable reliability criteria and CAISO planning standards. In making this determination, the CAISO has indicated under the Study Plan that they would, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, consider lower cost alternatives to the construction of transmission additions or upgrades, such as, demand-side management, interruptible loads and storage facilities. We have not seen any clear evidence of the CAISO performing these tasks in the earlier planning cycle. Please elaborate on how the CAISO plans to undertake each of these activities in the 2012-13 transmission planning cycle.

Deliverability Assessment Methodology

The CAISO plans to follow the same methodology as used in GIP to perform deliverability assessments in the 2012-13 transmission planning cycle. BAMx and CCSF believe that the CAISO's deliverability assessment process needs to be reformed. The consideration of very restrictive *Category C* contingencies in the deliverability assessment process, in conjunction with the unlikely operating conditions, represents highly unlikely stressed system conditions. We believe that the CAISO deliverability studies should use congestion management to the extent that resources that need to be dispatched down are dispatched only up to their RA capacity. Also, the use of Special Protection Schemes (SPS) for all *Category C* contingencies should be incorporated in the deliverability assessments. Furthermore, the use of load shedding and generation curtailment should be allowed along with SPS for all *Category C* contingencies. BAMx and CCSF strongly urge the CAISO to begin a separate stakeholder process to consider reforming the deliverability assessment methodology and process.

7. OTC Analysis

BAMx and CCSF find the approach the CAISO described during February 28th presentation to perform the Once Through Cooling (OTC) Studies using the OTC Load & Resource Analysis Screening Tool (L&R Tool) to be reasonable. We request the CAISO to share the updated OTC L&R Tool for LCR areas with Stakeholders at the earliest possible time.

The CAISO proposes to use combination of three load levels (Low, Medium and High load) as well as four renewable scenarios in the OTC L&R Tool. The existing Low, Medium and High load assumptions regarding Energy Efficiency (EE), CHP and Demand Response (DR) as modeled in the existing L&R Tool are outdated. As stated earlier, we encourage the CAISO to coordinate with the CEC to use the latest estimates developed under the CEC's revised demand forecast and other elements (EE, CHP, DR, etc.) in its OTC assessment.

BAMx and CCSF appreciate the opportunity to comment on the CAISO 2012-2013 Transmission Study Plan and acknowledges the significant effort of the CAISO staff to develop the Study Plan.

If you have any questions concerning these comments, please contact Barry Flynn (888-634-7516 and brflynn@flynnrci.com) or Pushkar Waglé (888-634-3339 and pushkarwagle@flynnrci.com).