Exhibit C-3

BAMX Comments on the CAISO 2011-12 Transmission Plan: CAISO Policy Driven and Economic Assessment

The Bay Area Municipal Transmission group (BAMx)[1] appreciates the opportunity to comment on the CAISO 2011-12 Transmission Plan. The comments and questions below address the *Policy Driven and Economic Assessment* studies discussed during the December 8th Stakeholder meeting. We hope that the CAISO addresses these issues in its draft comprehensive Transmission Plan expected in January 2012.

Stakeholder Participation

BAMx appreciates the enormous amount of CAISO staff effort in performing several comprehensive studies in a timely fashion. However, we found a single day to present this material to stakeholder to be extremely limited. There was a lot of information -- not only the study findings, but also the underlying assumptions that the Stakeholders were exposed to for the first time during the December 8th meeting. Realistically, a presentation of this nature and magnitude that would fully engage stakeholders should take 2 to 3 days. We urge the CAISO to spread the presentation of these results over at least two days, something similar to CAISO's presentation of reliability assessment and PTO request window projects on September 28th-29th this year.

Renewable Assumptions under Reliability Assessment

Although these comments are meant to focus on the CAISO's Policy Driven and Economic assessments, it is important to recognize the consistency of assumptions among these multiple studies. The CAISO has rightfully stressed maintaining a common set of assumptions, in particular the modeling of four (4) RPS portfolios, made in performing several power flow and production cost simulations under the policy-driven, economic and OTC studies. However, we do not believe that the same set of assumptions is applied to the reliability assessments performed under the current planning cycle. According to the CAISO 2011/12 Transmission Final Study Plan[2],

> *"…additional renewable resources will be modeled and dispatched in these study years. For selecting additional renewable generation to be modeled in reliability cases, CPUC's discounted core generation and ISO Interconnection Status of resources will be considered."*

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

[2] See *Section 4.1.7 Generation Projects* in the *2011/2012 Transmission Planning Process Unified Planning Assumptions and Study Plan*, May 20, 2011

BAMx does not believe that the renewable generation assumed in the reliability assessment power flow cases is consistent with either the Base or other three portfolio cases modeled in the comprehensive policy driven, economic or OTC studies. As we observed in our last comments on the reliability assessments submitted on October 14, 2011, there were several reliability projects considered by the CAISO as well as PTO request window projects that were driven by the renewable generation assumptions. Therefore, it is critical that the CAISO provides a complete list of the renewable projects, by each area (CREZ) modeled in the reliability assessment cases so that they can be systematically compared to the data the CAISO has provided for the four portfolios. Furthermore, as we mentioned in our last comment, any discrepancies among the power flow cases used by the PTOs to make their Request Window (R/W) applications and those used by the CAISO ultimately to perform reliability assessments need to be addressed. We believe that the CAISO and the PTOs should use identical power flow cases. Without consistency, it is almost impossible to have any meaningful stakeholder participation.

Post the Request Window Applications

We have reviewed the PTO Request Window (R/W) presentations that were made on September 29th. However, they do not present an adequate description, especially in regards to the alternatives studied by the PTOs/project developer. In order for stakeholders to provide any meaningful input into the 2011 R/W projects and the 2011-12 transmission plan in general, we need to have access to the following data:

- A detailed description of "Other Alternatives Considered" and why they were found to be less preferred;.
- Key issues such as, requirement for CPCN, Common Mode Exposure Items, and related existing SPSs;
- GE PSLF modeling information; and
- Power flow/study results findings.

Such detailed information is only available in the R/W submissions (as evident in the CAISO's posting in March 2011 for 2010 R/W applications). There are several 2011 PTO R/W projects, which refer to other alternatives, but do not adequately describe them in the brief PTO presentations. In addition, no such data is available for non-PTO R/W applications, if any. Posting the R/W applications in March 2012 would be too late in terms of providing any meaningful stakeholder input.

We hope that the CAISO would consider our request favorably and post these R/W applications on the CAISO secured website (covered under the TPP NDA) as soon as possible.

Be Consistent in Considering Mitigation Measures

During the December 8th presentations, several Policy Driven Power flow and Stability results indicated a range of mitigation solutions for category A, B and C overloads. They included:

- Congestion Management (also known as pre-contingency redispatch),

- New Remedial Action Schemes (RAS) involving load dropping;
- New RAS involving generation tripping including renewable generation;
- Modification of existing RAS;
- Reconductoring of existing transmission lines; and
- New transmission projects.

We believe the CAISO needs to be more specific and consistent in their explanation of operational mitigation measures. If re-dispatch is the mitigation measure, indicate how this is likely to happen. Would it need to occur in anticipation of an outage? If generator tripping is envisioned, what type of generation would need to be tripped and under what circumstances?

We applaud the CAISO's consideration of pre-contingency redispatch, generation tripping, and RAS as potential feasible alternatives to reconductoring and new project development. We believe that the CAISO needs to be consistent in applying these mitigation measures across different regions and studies and needs to describe in detail why the more expensive measures should be considered. If the CAISO does not believe less expensive mitigations are "feasible," it should be obligated to provide a written explanation of why it has concluded so.

Location of Distributed Generation and Potential Curtailment

Several policy driven power flow studies indicated potential category B and C overloads in both peak and off-peak periods. The majority of these overloads, especially in the PG&E South and SDG&E areas were identified in the environmentally-constrained portfolio that has a significant amount of distributed generation (DG). BAMx believes that the CAISO needs to clearly identify the process of how DG resources were assigned to substations, which could shed further light on these overloads. We are also not clear why DG curtailment is not considered to be an option for mitigation at least for some off-peak potential overloads.[3] We urge the CAISO to provide additional explanation on this issue.

Separate Stakeholder Process for Midway – Gregg – Tesla 500 kV Project

The CAISO, during the December 8th meeting, indicated that the Midway – Gregg – Tesla 500 kV project will be analyzed in the ISO 2012/2013 transmission planning cycle in a "comprehensive" manner. We urge the CAISO to establish a separate stakeholder process (something similar to the C3ETP project process conducted in 2009) to study this project instead of simply incorporating it into the 2012/13 transmission planning proces. We believe that Stakeholders should be actively involved in setting the assumptions that are made in the study of this large-scale transmission project.

Distinguish between OTC vs. AB1318 Study Results

[3] For example, see slide # 8 of the presentation comprising the *SDG&E Policy Driven Power flow and Stability Results*, which identifies five (5) different category B overloads caused by DG.

BAMx appreciates the CAISO staff's extensive efforts in performing the comprehensive studies that determine OTC generation levels required to meet LCR needs by areas within the CAISO BAA in order to maintain grid reliability in the local and zonal areas for the target 2021 time frame. We have a number of questions that remain unanswered due to the limited information that was included in the December 8th presentations. The "summary" presentation and the other presentations for each of the LCR areas were focused on the "High Net Load" scenario. However, the CAISO's Sensitivity LCR assessment based on the "Mid Net Load" was not adequately reported on.[4] For instance, it appears that the sensitivity assessment of the CPUC environmentally constrained portfolio for mid net load (slide #14 of the December 8th OTC presentation) indicated that although existing OTC units were needed in *Western LA* and *Ellis* areas, no such requirement was identified for the *El Nido* area, and most importantly for the *LA Basin* area as a whole. However, the concluding slide of the OTCs summary presentation (slide #21) stated that the *LA Basin* area is determined to contiue needing generation at the existing OTC power plant locations. We believe that to be the case for the "High Net Load" scenario under certain portfolios, but not necessarily for the "Mid Net Load" scenario for some other portfolios. We urge the CAISO to provide detailed assessment for the "Mid Net Load" scenario.

Although clearly related to other assessments being made by the CAISO for this year's transmission plan, this OTC study could and should be reported on separately to relieve the burden presented by trying to report too much information in one day.

BAMx appreciates the opportunity to comment on the CAISO 2011-12 Transmission Plan and acknowledges the significant effort of the CAISO staff to develop the plan so far.

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

[4] We believe that this scenario was developed for AB1318 purposes, not directly for OTC purposes, since AB1318 is explicit about examining the extent to which demand-side policies could drive down the amount of capacity replacement that will be required.