

Stakeholder Comments Template

**Deliverability of Resource Adequacy
Capacity on Interties**

Submitted by	Company	Date Submitted
Dariush Shirmohammadi 310-858-1174 dariush@shirconsultants.com	California Wind Energy Association	May 19, 2011

This template is for submission of stakeholder comments on the topics listed below, covered in the *Deliverability of Resource Adequacy Capacity on Interties Draft Final Proposal* posted on May 5, 2011, and issues discussed during the stakeholder conference call on May 12, 2011, including the slide presentation.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to RAimport@caiso.com no later than the close of business on May 19, 2011.

1. Do you support the ISO’s proposal?

We support the CAISO proposal to the extent that it allows for prospective expansion of Maximum Import Capability (MIC), and the Remaining Import Capability (RIC), on some CAISO interties. We especially appreciate CAISO’s adoption of CalWEA’s (and other stakeholders’) comments which would allow for the MIC to be raised on an intertie, up to its policy-driven target value, on an interim basis and ahead of the construction of the needed policy-driven transmission upgrades based on availability of existing transmission capacity or use of interim operational measures, such as the implementation of Special Protection Schemes (SPS). In this regard, we must note that contrary to the CAISO’s “inaccurate” understanding of our earlier comments in this regard, we are not seeking interim MIC values that could adjust downward from one year to another. We are proposing that the CAISO use the same deliverability assessment approach that it intends to use to determine the level of (partial or full) deliverability for a particular generation pocket on a “permanent” basis but does so based on an interim configuration of transmission (and not necessarily generation) resources.

At the same time, we are concerned that the MIC expansion is solely limited to policy-driven import targets and does not take into account the realities about commercial resource development in the west. The condition that we are most concerned about corresponds to scenario where actual and major renewable resource development activities are taking place in a neighboring BA that can significantly help the state meet its RPS goals – we see this condition for ongoing and significant renewable resource developments in Arizona, in Imperial Valley, in Nevada and in Oregon. We are especially concerned since CAISO would not allow for MIC expansion into these areas, even if such MIC expansion does not call for any new transmission upgrades or if the developers in the neighboring BA are willing to finance the required transmission upgrades to increase the intertie MIC values beyond those developed purely based on past use of such interties.

2. What specific changes would you like the ISO to consider when preparing the draft Business Practice Manual (BPM) language for consideration in the BPM Change Management Process? Please explain your reasoning and the benefits that your proposed changes will provide.

In line with the position we presented above, we propose the following changes in the CAISO final adoption of the approach to determine/update MIC on an intertie:

- Allow MIC on an intertie to be prospectively calculated/updated based on the OTC on that intertie once system changes, by design or otherwise, within the CAISO and WECC systems allow the simultaneous import constraint into CAISO to be raised by a certain value (say, 10%). Given the rapid pace of change in the CAISO and WECC systems due to various resource and transmission development activities, and our better understanding of the underlying mechanism impacting the evaluation of the CAISO simultaneous import constraint, this constraint should be reviewed (and potentially revised) on annual basis.
- Allow target MIC values to be updated for interties with neighboring BAs with significant renewable resource development activities even if such renewable development does not specifically qualify as policy-driven or for that matter even if such development is not even overtly targeted for CA. We believe that this is the most effective way of increasing resource competition in meeting the California's RPS goals and would be superior to the current CAISO plan that more narrowly focuses on an integrated resource planning type paradigm.
- Within its narrower MIC expansion proposal, we believe that when the CAISO is identifying the policy driven import (and MIC) target for an intertie, it should specifically rely on use the one policy driven resource portfolio that most heavily rely on out of state (out of the CAISO) resources to meet the state's policy-driven (currently RPS) goals for developing its policy-driven target

imports. Should the CAISO use the basecase scenario for developing such policy-driven target imports and should that basecase not correspond to a “heavy import” scenario, the CAISO has effectively defeated the principal goal of this entire exercise.

3. If you have additional comments, please provide them here.

This CAISO proposal, along with others in other areas, e.g., GIP reform, makes us wonder whether CAISO has adopted a general policy of pushing reforms towards an integrated resource planning paradigm for California. We must note that such a push, whether intended or “accidental,” fundamentally contradicts one of the main reasons for the CAISO’s existence which is to promote more competition in the supply picture for the long-term benefits of its ratepayers.