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Comments of the Imperial Irrigation District
in the
California Energy Commission's Integrated Energy Policy Report Committee
Workshop on Transmission Needed to Meet State Renewable Policy Mandates and Goals

May 24, 2011

I. INTRODUCTION

The Imperial Irrigation District ("IID") appreciates the opportunity to provide these comments in the California Energy Commission's ("CEC") Integrated Energy Policy Report ("IEPR") Committee Workshop on Transmission Needed to Meet State Renewable Policy Mandates and Goals. During the Workshop held on May 17, 2011, IID was asked to provide more detail about IID's concerns as to the timing mismatch between the California Independent System Operator's ("CAISO") initiative to revise its Maximum Import Capability ("MIC") methodology and this year's request for offers ("RFO") that is being undertaken by the investor-owned utilities within the CAISO as part of this year's procurement process.

II. BACKGROUND

The Imperial Valley represents one of the largest sources of renewable energy in the Southwest, and has long been considered one of the richest renewable resource areas in California, including high capacity factor geothermal resources. The Renewable Energy Transmission Initiative ("RETI") analyzed Competitive Renewable Energy Zones ("CREZ") to identify transmission needs to access those CREZs with the greatest likelihood of being developed. The RETI analysis identified four CREZs within Imperial Valley ("IV") with significant renewable resource potential. The IV resources identified in the RETI analysis include the following:

- 6870 MW of Solar
- 1434 MW of Geothermal
- 119 MW of Wind
- 66 MW of Biomass.[1]

IID's first cluster of interconnection customers ("Transition Cluster") consists of 13 generator projects constituting approximately 1225 MW of renewable generation. In addition, IID held an open season for transmission customers to subscribe for service on the upgraded Path 42. There are currently five transmission customers participating in IID's Path 42 open season, seeking 755 MW of available capacity. Generation Interconnection Agreements ("GIAs") and Transmission Service Agreements ("TSAs") were tendered the week of May 2, 2011. It is expected to take 30-60 days after that to finalize the GIAs and TSAs with execution of the GIAs and TSAs anticipated to be completed by mid-June.

[1] *Source: RETI Phase 2B Report, Table 1-1.*

A combination of California Public Utilities Commission ("CPUC") and CAISO policies on Resource Adequacy led to the development of complex counting rules to limit the amount of imports at intertie points with the CAISO that may count toward Resource Adequacy capacity requirements. The sound theory behind this is that the CAISO can only count on imports into its Balancing Authority Area ("BAA") that are simultaneously deliverable from adjacent Balancing Authorities. As part of this import counting process, each intertie point at which the CAISO can import power has an associated MIC. However, the methodology the CAISO utilizes to establish the MIC is a backward-looking, historical snapshot of net schedules at the intertie points during selected hours of the year. Because IID generally imports from the CAISO at one intertie point, the IV Substation, and does not typically export to the CAISO at that intertie point, the MIC was set at zero. This means that renewable resources seeking to deliver at that intertie point to the CAISO cannot count, at least initially, for Resource Adequacy capacity for Load Serving Entities within the CAISO. This historical snapshot methodology has been a commercial barrier to negotiation of power purchase agreements.

IID and the CAISO have worked diligently to resolve this artificial barrier. IID has been an active participant in the CAISO initiative on Delivery of Resource Adequacy Capacity on Interties. In that initiative, CAISO issued a Draft Final Proposal for stakeholder comment on May 5, 2011. The Draft Final Proposal is intended to address this flaw in the current CAISO MIC methodology. Throughout this initiative, IID has maintained that the limitation on MIC at interties between the IID BAA and CAISO BAA is placing an undue economic restriction on renewable resource developers in the Imperial Valley that are seeking interconnection to IID's transmission grid. IID, therefore, generally supports the CAISO's efforts to correct the flaw in the MIC methodology outlined in the Draft Final Proposal, but remains concerned about the impact of the MIC limitations during the interim period while the CAISO's proposed new methodology is being implemented.

III. COMMENTS

The Imperial Valley substation is one of the critical interties between the IID and CAISO BAAs. Under the CAISO's current RA methodology, the Imperial Valley substation is assigned a MIC value of zero. However, based on the physical characteristics of this intertie, there should be some capacity available for import to the CAISO under peak system conditions. As a result of the MIC designation of zero at the IV intertie, Imperial Valley generators wishing to import to the CAISO at this point on the system cannot provide RA capacity to LSEs in the CAISO BAA. This places these generators at a competitive disadvantage within the procurement process with LSEs in the CAISO BAA.

The Draft Final Proposal sets forth a long-term solution for a MIC methodology that integrates the CAISO's Transmission Planning Process ("TPP") and Generator Interconnection Process. IID understands that there are also other avenues that the MIC for particular intertie points may be expanded. In particular, the CAISO will establish target expanded MIC values for each intertie that would reflect deliveries from the CAISO's base case policy-driven resource portfolio needed to meet the state mandate of 33% renewable resources by 2020. The CAISO will examine the needed MIC MW quantities to support deliverability for external resources seeking to deliver at particular interties, and the expanded MIC will be set at the greater of the

current MIC value, or the portfolio-driven value, depending on the physical ability to deliver that MW value at the particular intertie pursuant to the simultaneous feasibility test employed in the current methodology.

IID supports the CAISO proposal of ensuring long-term viability of MIC values by incorporating that goal into the TPP to ensure that the total amount of RA capacity resulting from these MIC values will be available to provide imports to the CAISO to meet peak load conditions. IID does have a concern about the interim period while the new methodology is being implemented. The three IOUs are currently going through an RFO solicitation for power purchase agreements ("PPAs") with renewable generation projects. Imperial Valley renewable generation projects are eager to participate in this RFO process. However, it appears as though the IOUs intend to evaluate offers received during this solicitation utilizing the current RA MIC methodology and disregard the proposed methodology that will be implemented by this proposal and will be in place by the time the PPAs become effective. IID submits that evaluation of offers using the old methodology is unreasonable and places Imperial Valley generation at a significant competitive disadvantage. Evaluating offers from Imperial Valley generation as if there is no MIC available at the IID interties pays homage to a fiction and ignores the reality that the CAISO has proposed a change in the MIC methodology that will be in place by 2012 – the earliest that these PPAs could be effective. Thus far, the CAISO's proposed change to the MIC methodology has received uniform support from the stakeholders in the RA initiative. IID submits that any perceived RA risk by the IOUs is misplaced and should not be used as a barrier for consideration of Imperial Valley generators' offers during the current RFO process. IID urges the CAISO, California Public Utilities Commission, CEC, IOUs and other stakeholders to work to ensure that offers received from solicitations during the current RFO process are evaluated under the RA MIC methodology that will be put in place as a result of the Draft Final Proposal. To do otherwise would put Imperial Valley renewable development at risk and cause grave harm to Imperial Valley residents. Moreover, a failure to allow these resources to participate in the RFO process deprives all California ratepayers of the benefit of these high quality, low cost, renewable resources.

IV. CONCLUSION

IID generally supports the Draft Final Proposal set forth by the CAISO in its RA initiative. The development of a robust renewable energy industry is vital to the economic development of the Imperial Valley and will improve the outlook for a region of California that has long suffered from staggering unemployment and widespread poverty. Additionally, these resources are vital in our State's efforts to achieve 33 % renewable energy by 2020, which serves to benefit *all* California consumers.