

EAGLE CREST ENERGY COMMENTS ON CTPG PHASE 4 ANALYSES & REPORTS

Eagle Crest Energy (ECE) offers comments in this document on the following (which we collectively reference as the “Phase 4 Results”):

- **2010 CTPG DRAFT Phase 4 Study Report**, issued December 30th;
- **2010 California Transmission Planning Group Statewide Transmission Plan Draft**, issued January 3rd; and
- ***Stakeholder meeting to discuss the above draft reports***, held January 7th.

ECE is developing a 1400 MW pumped storage hydroelectric project in southern California, near Desert Center. This project would provide the CAISO with a valuable tool for integrating 33% renewable energy while maintaining reliable grid operations.

Our comments support the inclusion of three “high-potential” 500 kV transmission upgrades included in the Phase 4 Results: (1) Red Bluff-Devers #1 and #2; and (2) Devers-Valley #2. ECE believes that these upgrades would be “no regrets” lines, because they could serve both renewable generation and integration resources, and we strongly urge the CTPG to retain them in the final Phase 4 documents.

Past CTPG comments: Our prior comments in the CTPG stakeholder process urged the CTPG to consider “integration resources” like pumped storage in its analysis and planning efforts, and not just renewable resources, for the following reasons:

- **The CAISO and other California BAAs will need flexible resources** to manage the increasing amount of renewables on the system. Past CAISO studies have shown, and simple common sense would dictate, that the CAISO will need considerable additional flexible resources on its system to manage the large volume of expected renewable intermittent capacity expected in the future. The need for such resources will be especially critical in light of the significant additional operational challenges likely to be presented by the impairment or removal of service of Once-Through Cooling (OTC) fossil-fuel resources, which provide much of the flexible generation on the CAISO system today.
- **Failure to consider non-renewable resources in the statewide conceptual plan could significantly impact the transmission available for renewable energy**, and thus jeopardize attainment of a 33% RPS. Once transmission is constructed, it would be available for use by any generation under CAISO open-access rules. Failure to plan for upgrades to accommodate non-renewable generation now could increase congestion wherever non-renewable generation might compete for transmission capacity with renewable generation.
- **The CTPG assumptions are inconsistent with the CAISO RTPP proposal.** New CAISO Tariff Section 24.4.4.6 (“Policy-Driven Elements”) refers referring specifically to consideration of the following in determining the need for “Category 1” transmission elements:
...The potential for a particular transmission element to provide access to generation and non-generation resources needed to support renewable integration (e.g., pumped storage)... *(emphasis added)*

Consistency between the CTPG Conceptual Plan and the CAISO Tariff is critical, since the CAISO is the largest CTPG member. Inconsistencies in these key assumptions between the two would force the CAISO to make significant modifications to the CTPG analyses and plan, causing unnecessary work and rendering the CTPG a less-relevant planning tool overall.

Comments on Phase 4 Results

- **New transmission lines in Phase 4 Results:** We realize that the CTPG did not accept our proposals to consider integration resources in its 2010 planning efforts and hope that it will reconsider this concept for its 2011 work.

However, with respect to the Phase 4 Results, we note that the CTPG has identified the Red Bluff-Devers #1 and #2 lines and the Devers-Valley #2 line as “high-potential” upgrades to serve renewable-energy projects. These lines are also capable of serving ECE’s pumped-storage project, greatly increasing the probability that the lines will be used and that they thus would be “no-regrets” investments. Therefore, retaining them in the final Phase 4 documents would be prudent and sensible.

Consistent with our prior comments, we believe that the CTPG should also consider, in the final Phase 4 documents or in its 2011 work, the possibility of an additional Red Bluff-Valley 500 kV line. The three high-potential lines would likely be insufficient to accommodate both ECE’s project and the expected renewable resources that could use that transmission path.

This possibility of course supports our position that both renewable and integration resources should be considered in CTPG planning activities. Otherwise, the latter could potential crowd out the former, causing unnecessary congestion that could cause renewable-resource curtailment, either directly or due to insufficient supply of integration services.

- **Need for new transmission to achieve 33% RPS:** We found the CTPG transmission analysis showing that the currently approved transmission projects and the high-potential projects identified in the CTPG studies would only be sufficient to support a 22-24% RPS to be particularly interesting, since it appears to contradict recent CAISO findings that already-approved lines by themselves could be sufficient to reach a 33% RPS.

As ECE stated in the CAISO transmission-planning stakeholder process, we strongly believe that more transmission is needed, for access to both additional high-potential and economic renewable-energy areas (both in- and out-of-state) and integration resources like ECE’s project. Viable supply competition between renewable-energy projects and areas will require some amount of “slack” transmission capacity, as will uncertainties about where generation projects will develop. The Phase 4 Results, while not explicitly considering these other factors, at least finds that additional transmission is needed that could serve these purposes.