

March 30, 2007

Mr. Armando J. Perez
Vice President of Planning & Infrastructure Development
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

SUBJECT: 2008 Local Capacity Requirements (LCR)

Dear Armie:

Southern California Edison (SCE) appreciates the opportunity to provide comments on the CAISO report titled “2008 Local Capacity Technical Analysis: Report and Study Results” (“2008 LCR Report”) dated March 9, 2007.

The discussion at the LCR workshop on March 21 raised many questions among stakeholders as to how the study was conducted and what the results mean. SCE is concerned by the apparent lack of transparency and inconsistencies in the LCR study process, including:

- The large increase in SCE area LCR totals from 2007 to 2008
- Apparent changes in study methodology between 2007 and 2008 that include intertie outages for SCE’s area
- Apparently inconsistent application of study protocols across the various PTOs
- Not adopting probabilistic analysis

In light of these concerns, SCE would like to recommend the following two changes be implemented in the 2008 LCR Report:

1. SCE recommends that CAISO define and maintain local area boundaries for LCR consistent with original RMR definitions (i.e. Eastern, Orange County, Western, South Bay and Ventura) in order to be consistent with local area boundary definitions being applied in other areas of the CAISO controlled grid
2. SCE recommends that CAISO include in the 2008 LCR Report a clear statement of requirements for local reliability based on CAISO category A and B outages, with additional details provided for informational purposes for category C and D outages supported by risk analysis

Expansion of Local Area Boundaries

SCE has noted a change in the LCR study objective in the 2008 LCR Report as compared to the 2007 LCR Report. The 2008 report stated that the objective of the LCR study is:

“to identify specific areas within the CAISO Controlled Grid that have *limited import capability into those areas* and determine the generation capacity (MW) necessary to mitigate the local reliability problems in those areas” (2008 LCR Report, page 5, emphasis added)

This is a change in language from the 2007 LCR Report, which instead defined the purpose of the study to be:

“to identify specific areas within the CAISO Controlled Grid that have *local reliability problems* and to determine the generation capacity (MW) that would be required to mitigate these local reliability problems” (2007 LCR Report, page 4, emphasis added)

The distinction reflects a movement away from the standard definition of “local areas” previously used to assess local area reliability requirements. SCE also notes that while local area boundaries have been fairly consistent in transition from RMR to LCR in PG&E and SDG&E service territories, SCE has seen expansion of its local area boundaries from RMR to 2007 LCR and again from 2007 LCR to 2008 LCR. SCE believes that the former RMR definitions for local areas (i.e. Eastern, Orange County, Western, South Bay and Ventura) are most appropriate and should be maintained for purposes of LCR analysis.

This change has had an adverse impact on SCE area LCR totals. For example, the 2007 LCR Report identified the boundary into LA Basin as including the “Devers-Valley 500-kV line” (2007 LCR Report, page 59). However, in the 2008 report, the same boundary into LA Basin was identified as the “Devers-Palo Verde 500-kV line” (2008 LCR Report, page 58) which is an import line into not only the LA Basin, but also into California and the CAISO controlled grid. The net result has been an increase in LA Basin LCR of 1,657 MW between 2007 and 2008. Improvements in transmission capacity by SCE that should be decreasing LCR totals (such as the South of Lugo upgrades) are being overshadowed by increasing LCR requirements driven by constantly expanding local area boundaries.

As agreed to in previous LCR studies, SCE once again repeats that outage of the Devers-Palo Verde 500-kV line is not appropriate for purposes of defining local area resource requirements in this proceeding. With import paths into the LA Basin area stressed to capacity, scenarios that combine outages of both Devers-Palo Verde 500-kV (import capability of 1550 MW) and a SONGS unit (1080 MW) reflect reliability problems for the entire CAISO controlled grid, not just the LA Basin. Consideration of this outage for LCR purposes inappropriately assigns the burden of mitigating these system-wide problems to LA Basin local area resources alone.

Likewise, SCE questions the appropriateness of considering a Lugo-Victorville outage as part of the critical contingency defining the Big Creek/Ventura Area LCR totals. The

Lugo-Victorville 500-kV line is clearly not in the Big Creek/Ventura Area and SCE questions the appropriateness of considering this outage for the purpose of defining and imposing “local area” resource procurement targets. The Big Creek/Ventura Area LCR findings should be defined by outages within, not outside of, the local area of concern.

Risk Analysis for LCR Determination

SCE would like to remind CAISO that in the Assigned Commissioner’s Scoping Memo on Resource Adequacy Phase 2 of R.05-12-013 (December 22, 2006), the CPUC asked that the CAISO:

“...include with its 2008 LCR study report (a) a discussion of how probabilistic analysis can be incorporated into future LCR studies, (b) its recommendations on the steps it should take on this topic, and (c) its recommendations as to the actions this Commission should take on this topic” (pages 7-8).

SCE notes that a probabilistic approach is in fact available for implementation, consistent with the methodology approved by CAISO for Planned Involuntary Load Interruption analysis. SCE believes that such consideration is vital to making the most appropriate decisions regarding resource procurement requirements. SCE therefore recommends that the CAISO revise the 2008 LCR Report to clearly state what the requirements are for local area reliability based on CAISO Category A and B outages, including a 1-in-10 heat wave assumption under:

- a. Base case conditions
- b. N-1 outage conditions
- c. G-1/N-1 outage conditions (i.e. CAISO Category B)

SCE further recommends that the results of analysis beyond these categories (i.e. category C or D outages supported by risk analysis as described above) be provided as additional information in the 2008 LCR Report.

Concluding Observations

Finally, based on the presentations and discussions at the March 21 stakeholder meeting, SCE requests that two specific clarifications be made to the 2008 LCR Report and/or stakeholder presentations:

- The 2008 LCR Report (page 1) states that LA Basin LCR has increased “due primarily to a recently accepted 6100 MW path rating for South of Lugo.” This implies that the SOL upgrades have been detrimental to LA Basin local area reliability which can lead to significant confusion. Please clarify the impact that SOL upgrades have had on LA Basin LCR totals.
- The March 21 stakeholder presentations identify 3,568 MW of LCR for the Big Creek/Ventura Area, whereas the study report identifies 3,658 MW for the same

area (apparent transposition of numbers). Please clarify the correct total for the Big Creek/Ventura Area LCR.

In summary, SCE would once again like to thank you for the opportunity to comment on the 2008 LCR Report, and to extend its appreciation to the CAISO staff for the considerable efforts that have been made to accomplish this significant task.

If you have any questions or concerns, please do not hesitate to call.

Sincerely,

Gary S. Tarplee
Director
Electric System Planning