

Original Data Request 21, Question 3: Your response to DR #19 stated that “running peaker generation...increases the market power of local generation by creating a permanent reliance on that generation to mitigate a transmission issue thus potentially increasing ratepayer energy costs.” What would be the additional cost to use these resources relative to construction of the proposed power line?

Follow-up Question to Data Request 21, Question 3: The economic analysis provided in response to question 3 assumes 18,415,253.71 MWh/yr rather than the incremental generation at Border and Larkspur units, estimated above. Is there a reason for the 18 Million MWh/yr included in SDG&E's economic analysis?

SDG&E's follow-up response:

Yes. The reason the numbers in your table are not used is that they are not appropriate for the analytical approach adopted. The 18 million MWh/yr number included in SDG&E's economic analysis represents all generation in the SDG&E area, not only that for the units you now point out.

The use of generation resources is driven not by policy, but by the flows in the WECC system and of SDG&E as a part of that system. If a generator is forced out of its economic dispatch order, whether by a Path limit or inadequate line capacity in the grid, and another is used in its place then congestion costs are created. Measuring the economic effects of new lines and new generation requires analysis of more electric objects than a specific turbine. This particular economic analysis assumed only the addition of a second line in comparing the upgraded system to the base system and calculated the change in cost of generation faced by consumers. The appropriate denominator is for total generation, not a specific resource, because consumers do not face changes in particular resources - they face changes in the costs of an aggregation of production sources.

The generated energy referred to in your table does not seem to be the results of a calculation of optimal, transmission-constrained dispatch for the Western interconnect. In contrast, the 18 million MWh value is the model's estimate of all generation in the SDGE load area for the study year (which in this case is 2022).

As a general comment, it must be remembered that the power flow based reliability point of view examines the electrical properties (overload, voltage instability, etc.) within a small number of hours in a test year, and for several test years. The economic point of view, in contrast, uses a transmission-constrained optimal dispatch model usually considering every hour of a single year and examines results in all line, generators, and busses of a grid system. These different approaches require differences in assumptions, if not in kind then in level of detail.