

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate  
and Refine Procurement Policies and  
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014  
(Filed March 22, 2012)

**AES SOUTHLAND, LLC'S INFORMAL COMMENTS IN RESPONSE TO THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S PRESENTATION ON  
LTPP BASE CASE PRELIMINARY RESULTS IN D.12-03-014**

Seth D. Hilton  
STOEL RIVES LLP  
3 Embarcadero Center, Suite 1120  
San Francisco, CA 94111-4024  
Telephone: (415) 617-8943  
Email: [sdhilton@stoel.com](mailto:sdhilton@stoel.com)

Attorneys for AES Southland, LLC

Dated: May 9, 2013

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate  
and Refine Procurement Policies and  
Consider Long-Term Procurement Plans.

Rulemaking 12-03-014  
(Filed March 2012)

**AES SOUTHLAND, LLC’S INFORMAL COMMENTS IN RESPONSE TO THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR’S PRESENTATION ON  
LTPP BASE CASE PRELIMINARY RESULTS IN D.12-03-014**

AES Southland, LLC (“AES Southland”) submits the following informal comments concerning the April 24, 2013 workshop where the California Independent System Operator (“CAISO”) presented preliminary results of its Operating Flexibility Modeling based on the 2012 LTPP Base Case Scenario. AES Southland appreciates the opportunity to provide these informal comments as requested by the Energy Division.

**I. INTRODUCTION**

The Operating Flexibility Modeling results presented at the April 24, 2013 workshop highlighted a number of potential limitations with the underlying assumptions that will most likely mask the need for flexible capacity. The limitations include exclusion of impacts due to Federal Energy Regulatory Commission (“FERC”) Order No. 764 (“Order 764”), disregard for Path 26 capabilities, unproven Reserve Sharing, and limitless exports without regard to transmission constraints. The CAISO itself mentioned that these issues with the modeling could

understate the need for flexible capacity. Flexible capacity needs will play a significant part in informing the development of the next generation of resources, including resources procured to replace the retirement of facilities using once-through cooling, and system needs resulting from implementation of California's 33 percent Renewables Portfolio Standard. The Commission and the CAISO must ensure that their efforts drive the development of the appropriate resources now to meet these needs for decades to come.

## **II. LIMITATIONS OF MODELING AND ASSUMPTIONS**

FERC's Order 764 impacts, as explained by the CAISO at the April 24th workshop, may increase system flexibility needs. Order 764 requires that all FERC-jurisdictional providers offer all transmission customers the option of scheduling transmission service in 15-minute intervals. This requirement applies to intertie transactions with the CAISO. Currently, the CAISO has proposed that hourly schedules at the interties would remain, but those schedules would no longer have their price guaranteed for the entire hour. Rather, under the current proposal, 15-minute schedules for non-dynamic intertie transactions will be financially binding every 15 minutes. Load and other resources, including internal resources, will also settle at 15-minute intervals. AES Southland urges CAISO to ensure that its modeling captures the currently contemplated changes pursuant to FERC's Order 764 to capture the potential increase in system flexibility needs resulting from the CAISO's compliance with that order.

The CAISO indicated that no constraint was applied to Path 26 to address potential congestion limiting the ability to import ancillary services from Northern California to Southern California. So, while the system itself may be satisfied as a whole, it is inappropriate to ignore the real physical constraints associated with Path 26. As noted above, the current 2012 LTPP Decision and authorization for Southern California Edison procurement must be informed by

future needs given the system limitations. It would be inappropriate to ignore the opportunity to satisfy both local area reliability and renewable integration with the same megawatts.

The CAISO also indicated that further updates would be implemented to address Reserve Sharing across Balancing Authority Areas. While AES Southland is entirely supportive of developing ways to most efficiently utilize the entire California infrastructure (and Reserve Sharing is a good example), it must be done in a reasonable manner. Physical, political, and commercial limitations on Reserve Sharing must be considered in the CAISO's modeling. In particular, any consideration of Reserve Sharing needs to include the effect of transmission constraints at the interties, which may inhibit such sharing. The CAISO has already indicated these issues require further consideration, and perhaps the assumption of seamless sharing overstates the available flexibility.

The modeling also apparently does not impose any transmission constraints on exports. In the modeling, excess generation is allowed to flow out-of-state to address out-of-state needs without considering the possibility that transmission constraints might limit the export of that power. This limitless export assumption has the potential to completely mask over-generation events. Today, the CAISO already must respond to over-generation events where there is insufficient ramp-down in the system. It seems logical that the ramp-down deficiency will only be exacerbated by additional renewable resources. Therefore, the modeling must consider the real export limits in order to accurately assess the potential over-generation situation.

The current model also uses the 2022 Transmission Expansion Planning Policy Committee ("TEPPC") PC1 case to determine generation resources located outside California and their operating characteristics. Pacific Gas & Electric noted that use of the TEPPC model may overstate the amount of flexibility that can be relied upon from out-of-state resources, due to

the failure to consider ramping or operational constraints at the interties. AES Southland suggests that the CAISO review that potential issue as well.

### **III. CONCLUSION**

AES Southland requests that the CAISO consider the issues discussed above in completing its modeling on the need for operational flexibility, and thanks the Energy Division for the opportunity to submit these informal comments.

DATED: May 9, 2013

/s/ Seth D. Hilton

Seth D. Hilton

STOEL RIVES LLP

Three Embarcadero Center, Suite 1120

San Francisco, CA 94111-4024

Telephone: (415) 617-8943

Email: [sdhilton@stoel.com](mailto:sdhilton@stoel.com)

Attorneys for AES Southland, LLC