



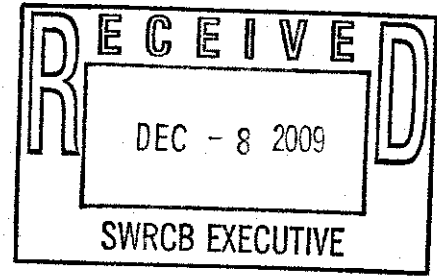
California ISO
Your Link to Power

California Independent System Operator Corporation

December 8, 2009

VIA EMAIL AND U.S. MAIL

Ms. Jeanine Townsend
Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814



Re: Draft Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling

Honorable Board Members:

The California Independent System Operator Corporation (ISO) submits these comments on the November 23, 2009 revisions to the draft policy of the State Water Resources Control Board (Water Board) concerning the use of Coastal and Estuarine Waters for Power Plant Cooling.

The ISO is a nonprofit public benefit corporation chartered under the laws of the State of California with the statutory obligation of operating and maintaining the reliability of the electric transmission grid for the benefit of the citizens of California. Under Section 215 of the Federal Power Act, the ISO is required to plan and operate the power grid in compliance with federal and regional mandated grid reliability standards.¹ Noncompliance leads to the degradation of reliability of the western grid and financial penalties. State law also recognizes this obligation. California Public Utilities Code Section 345 provides:

The [ISO] shall ensure efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council.²

California is in the midst of an unprecedented transformation of its energy infrastructure. The state's greenhouse gas reduction goals and renewables portfolio standard require implementation in a manner that does not impact the quality of electricity service

¹ 16 U.S.C. § 824o.

² The North American Electric Reliability Council is now known as the North American Electric Reliability Corporation.

Californians receive. Any policy the Water Board adopts must complement these federal and state mandates.

The ISO acknowledges that revisions to the draft policy recognize the ISO's role to ensure electric grid reliability. It is essential, however, that any adopted policy is actionable and does not serve to undermine the ISO's efforts to ensure reliable electricity service. For this reason, the ISO provides the following comments regarding the application of final compliance dates to existing power plants under the draft policy and, more specifically, the final compliance date for the South Bay Power Plant under the draft policy.

I. The final compliance dates in the policy should not jeopardize electric grid reliability.

The Water Board's draft policy provides for a periodic review of whether the development of replacement infrastructure has occurred to allow generating units using once through cooling to comply with the policy. The ISO applauds the Water Board for including this mechanism in the draft policy and hopes that by consulting with the Statewide Advisory Committee on Cooling Water Intake Structures, the Water Board will make timely adjustments to the final compliance dates in the policy to ensure there are no adverse impacts to reliable electricity service. Section 2.B(2) of the draft policy also appropriately provides for a mechanism to allow the Water Board to suspend the final compliance dates in the policy should the ISO determine that an existing power plant is needed to maintain reliability. Based on public comments at the December 1, 2009 Water Board workshop, the ISO recommends the following specific changes to this section:

Based on the need for continued operation of an existing power plant to maintain the reliability of the electric system as annually determined by the CAISO, CEC or CPUC acting according to their individual or shared responsibilities, and communicated to the State Water Board as a formal action of the CAISO or state agency, the State Water Board shall ~~hold a hearing to consider suspension of~~ suspend the compliance date applicable to ~~an~~ the existing power plant pending full evaluation of amendments to final compliance dates contained in the policy. The State Water Board's decision to amend the final compliance date for an existing power plant shall be conditioned on the need to maintain the reliability of the electric system as determined and communicated by the CAISO, CEC or CPUC acting according to their individual or shared responsibilities. Any final compliance shall be stayed by a CAISO determination that an existing power plant is needed for reliability purposes.

The ISO understands the Water Board intends to adopt a policy that does not interfere with the ISO's authority and obligation to operate the electricity grid in support of the public safety, health and welfare of California citizens. The language changes identified above ensure that final compliance dates in the policy will not jeopardize electric grid reliability.

II. The Water Board should not accelerate the final compliance date for the South Bay Power Plant.

The draft policy identifies a final compliance date for South Bay of December 31, 2012.³ At the December 1, 2009 workshop, commenters expressed an interest in accelerating the final compliance dates for South Bay to December 31, 2010. The ISO strongly recommends that the Water Board maintain the final compliance date for South Bay as December 31, 2012. The draft policy includes this date based on information jointly provided by the ISO, the California Public Utilities Commission and the California Energy Commission that projects that commercial operation of the Sunrise Powerlink transmission line will allow South Bay to retire.⁴

The disastrous fires of 2007 in San Diego serve as a stark reminder of the critical role that South Bay played in maintaining electric supply to this area. As a result of the fires, the transmission lines transporting energy into San Diego moved in and out of service. The generation capacity provided by South Bay and other resources was critical to responding to this transmission emergency.

The ISO recently completed its local reliability assessment for 2010, which included consideration of the recent completion and successful operation of the Otay Mesa Energy Center that now provides additional generation capacity in the San Diego area. In light of this development and other factors, the ISO determined that San Diego no longer needs South Bay units 3 and 4 after December 31, 2009. However, the ISO has identified the ongoing need for South Bay units 1 and 2 and the combustion turbine unit in 2010. Although the ISO will reevaluate the need for these units through its local capacity requirement study process, continued operation of these units may be necessary to provide reliable service to the residents and businesses of San Diego and Chula Vista until the Sunrise Powerlink transmission line reaches commercial operation or new resources that are electrically equivalent to the South Bay units become available. The ISO continues to work with San Diego Gas & Electric to identify the potential resource options that would bridge the gap and allow the South Bay units to retire before the Sunrise Powerlink transmission line becomes operational. We anticipate a more definitive assessment on the continued need for South Bay beyond 2010 by the end of our local capacity requirement study process in the fall of 2010.

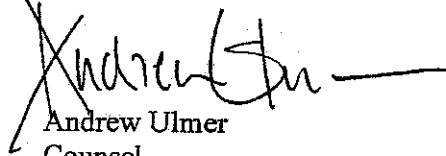
³ See, November 23, 2009 Draft Policy Section 2.B(1) and Table 1.

⁴ See, November 23, 2009 Draft Policy, Introduction, para. H. See also, Appendix C to Draft Substitute Environmental Policy dated July 2009 at Page C-9.

The ISO is aware of the widespread interest that exists to see the remaining South Bay units decommissioned. This interest must be balanced with the need for local generation capacity to help manage grid reliability and significant events such as major transmission outages or fires. Accordingly, at this time, the Water Board should maintain December 31, 2012 as the final compliance date for South Bay.

Thank you for consideration of these comments. The ISO looks forward to continuing our cooperative work with the Water Board.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew Ulmer", with a horizontal line extending to the right.

Andrew Ulmer
Counsel,
California Independent System Operator
Corporation