

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

Order Instituting Investigation to Facilitate	)	
Proactive Development of Transmission	)	I.05-09-005
Infrastructure to Access Renewable Energy	)	
Resources for California	)	
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**COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
ON ASSIGNED COMMISSIONER'S RULING**

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Dated: August 18, 2006

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The California Independent System Operator Corporation (“CAISO”) respectfully provides limited comments in response to the Assigned Commissioner’s Ruling issued on July 13, 2006 (“ACR”), in the above-referenced proceeding, and the e-mail ruling of Administrative Law Judge (ALJ) Halligan issued on August 3, 2006 extending the response date.

The stated purpose of the ACR is to identify the “next steps, if any, that are required to further this Commission’s goal of proactively facilitating the construction of transmission facilities that will advance California’s Renewable Portfolio Standard (RPS) goals.” As part of this objective, the ACR requested comments on, *inter alia*, “whether [Transmission Ranking Cost Report] reform is necessary to accommodate the implementation of locational marginal pricing (LMP).” The CAISO restricts its comments to this issue and asserts a belief that LMPs are irrelevant to TRCRs.

Although perhaps overly simplistic, the CAISO understands that the primary purpose of TRCR is to account for, and equitably allocate, transmission related costs to renewable projects that have not received cost estimates through the CAISO Interconnection Study Process. This reflects the mandate in Public Utilities Code section 399.14(a)(2)(B) that Renewable Portfolio

Standard (“RPS”) resources be ranked and selected according to least cost-best fit criteria. Consequently, the CAISO understands that the TRCRs should seek to assign projects costs as if they completed the CAISO’s Interconnection Study Process.

Assuming the foregoing, the advent of an LMP market should not change the TRCRs. The CAISO’s Interconnection process identifies two categories of interconnection-related facilities: direct Interconnection Facilities and Network Upgrades. Interconnection Facilities are those transmission facilities between the Generating Unit and the Point of Interconnection on the CAISO Controlled Grid. Under the CAISO’s current tariff, such facilities are “sole use” facilities that are generally the financial responsibility of the Generating Unit owner. Network Upgrades are those transmission facilities after the first Point of Interconnection on the CAISO Controlled Grid and can consist of Reliability or Delivery Network Upgrades. Reliability Network Upgrades are those Network Upgrades necessary to interconnect the Generating Unit safely and reliably, including facilities necessary to remedy short circuit or stability problems. The required Interconnection Facilities or Reliability Network Upgrades will not change based on implementation of an LMP, rather than zonal, market. In other words, the likely changes in real-time dispatch of the system resulting from the implementation of LMP will not affect the need for either of those two categories transmission facilities and the resulting costs.

Similarly, LMP will not lead to different results with regard to Delivery Network Upgrades. Delivery Network Upgrades are those upgrades identified by the CAISO’s Deliverability Assessment to relieve constraints on the CAISO Controlled Grid. The description of the Deliverability Assessment can be found at <http://www.caiso.com/181c/181c902120c80.html>. Without needing to go into detail, the Deliverability Assessment does not fluctuate or consider the economic efficiencies of particular

resource dispatch scenarios that may be produced by applying LMP. Rather, the Deliverability Assessment evaluates whether the installed capacity of an “electrical area” can be simultaneously exported to the rest of the CAISO Control Area on peak conditions. All capacity in the area is presumed needed and therefore online and generating, subject to contingency testing. As such, the dispatch efficiencies of LMP are not relevant.

Based on the foregoing, the CAISO concludes that LMP should not impact what it perceives to be the basic purpose of TRCRs.

August 18, 2006

Respectfully Submitted:

By: \_\_\_\_\_  
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