

NEWS RELEASE

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California ISO Takes Bold Step Toward Removing Barriers, Enabling Remote Power Suppliers To Access Grid

ISO to Seek Declaratory Order from Federal Regulator, Conduct Stakeholder Process

(Folsom, CA) The California Independent System Operator Corporation (California ISO) Board of Governors yesterday unanimously agreed to file a petition for a Declaratory Order with the Federal Energy Regulatory Commission (FERC) on a policy to facilitate financing and construction of transmission facilities necessary for efficient development of renewable energy resources in remote locations.

The ISO proposal was developed in collaboration with its wholesale power market participants and other stakeholders. It is strongly supported by the California Energy Commission and California Public Utilities Commission as a means to help California achieve its ambitious goal of obtaining 20 percent of the electricity provided to California consumers from renewable energy resources by 2010.

Wind turbines are built where it is windy, solar plants where it is most sunny and geothermal plants where the earth's natural heat is close to the surface. However, California's existing high-voltage transmission lines may not reach those remote areas where thousands of megawatts in renewable generating plants need to be built.

Currently, the ISO can approve two categories of transmission project: "network" facilities—those that add to the overall grid or "generation ties"—transmission lines built solely to connect a new generator to the grid. Typically, the cost of network facilities is spread among the loads that benefit from the project while generators pay the full cost for the tie line projects. However, as more and more wind, solar and geothermal generation is developed in California, new transmission projects are needed to access remote locations that have large renewable energy resources, which could be developed in multiple projects over a period of years.

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“This new proposal, seeks policy guidance from FERC about eventual tariff changes that will remove a market barrier that keeps valuable carbon-free resources from accessing the transmission grid and becoming a growing part of utilities and other load serving entities energy supplies,” said California ISO Board Chair Mason Willrich. “We need to help California’s utilities meet their renewable resource goals.”

Connecting to the grid is cost prohibitive for smaller generating companies developing renewable power projects in areas with large resource potential, which can be incrementally developed over a period of years. Under such a proposal, the ISO would be able to evaluate and approve transmission facilities sized adequately to enable efficient development and marketing of power generated in a remote region. The cost of the transmission project can be recovered over time from transmission system users, and from generators as they connect to the lines in the future.

The California ISO proposal calls for the initial costs of these transmission projects to be paid by the transmission owners and recouped through the California ISO Transmission Access Charge (TAC). Generators that connect to the grid via the new lines will pay a pro-rated share of the costs based on the amount of capacity they need. This allows small wind, solar, and geothermal generating companies to spend their capital building generators and start paying their fair share for efficiently sized transmission facilities after generation begins operation, as opposed to forcing the first power plant developer in a given region to shoulder all of the transmission costs up front.

With Board of Governors approval, California ISO staff now has the green light to file a request for a declaratory order with the Federal Energy Regulatory Commission (FERC), asking the regulatory agency to provide policy guidance on the proposal to remove barriers to efficient transmission investment. If FERC grants the declaratory order the California ISO will conduct a stakeholder process to obtain additional input and then file detailed tariff language with FERC based on the results of the stakeholder process.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California’s open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to 25,000 circuit miles of “electron highway.” As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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