Stakeholder Comments Template

Integration of Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Straw Proposal, July 21, 2011

Submitted by	Company	Date Submitted
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Desert Southwest Power, LLC ("DSP") submits these comments on the July 21, 2011 Integration of Transmission Planning and Generation Interconnection Procedures ("TPP-GIP Integration") Straw Proposal ("Proposal"). DSP is the owner of the Desert Southwest Transmission Project ("DSWTP"), a part single-circuit and part double-circuit 500 kV transmission line that will bring renewable and other energy into the load pocket areas in Southern California. DSP's comments below express general support for integrating the Generator Interconnection Procedure ("GIP") and the Revised Transmission Planning Process ("RTPP"). DSP urges the CAISO to evaluate ratepayer risk in the context of the total bill ratepayers pay, not just the portion of their bill that pays for transmission. Although transmission costs are a relatively small portion of the total bill electric ratepayers pay, these costs fundamentally drive the ability of generators to compete in distant markets. Therefore, transmission costs have a direct impact on generation costs, which constitute the majority of a ratepayer's electricity bill. Reducing or minimizing transmission investments to protect ratepayers can actually raise ratepayer total costs by restricting the access to lower cost generation. Thus, within the proposed framework, the CAISO should allow for more expedited review and approval of projects that can demonstrate significant progress, such as DSWTP. The CAISO should also ensure that independent transmission providers have the same opportunity to compete for transmission projects identified in the RTPP as incumbent transmission owners. DSP appreciates the opportunity to provide these comments.

DSWTP is an independently owned transmission project that was initiated in 1999. DSWTP will facilitate interconnection of more than 7,000 MW of solar projects, and up to 1,500 MW of additional import capability. DSWTP received the necessary Rights of Way from the Bureau of Land Management in 2007, and most recently conducted cultural surveys for the 110 miles from Colorado River Station to Devers. In addition to its environmental approvals, DSWTP has been studied in collaboration with SCE, proposed as the next project after SCE's DPV2, and recently received approval for rate recovery from FERC. DSWTP is one of the few transmission projects in the region that has reached such an advanced permitting stage and can

be predictably constructed in the near-term. DSWTP is an example of a project that is clearly needed, and is "low hanging fruit" for the CAISO's approval.

On November 30, 2009, DSP submitted DSWTP in the Open Request Window of the CAISO's TPP. DSWTP has not yet been approved by the CAISO and will rely on the 2011-2012 RTPP to provide that approval. DSP generally supports the CAISO's goal to integrate the GIP into the 2011-2012 RTPP, but requests that the CAISO: (1) allow for expedited approval of pipeline projects that can demonstrate significant permitting progress, like DSWTP; (2) provide additional detail about the schedule; and (3) ensure that independent transmission providers have equal opportunity to build projects contemplated in the final transmission plan *after* the GIP results are combined with the TPP. DSP is pleased to offer these comments and looks forward to working with the CAISO towards the effective and timely integration of the RTPP and the GIP.

1. *The ISO has laid out several objectives for this initiative. Please indicate whether your organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.*

A primary objective for this initiative should be to provide stakeholders with greater clarity and certainty as to the timeframe and milestones the CAISO envisions for the RTPP. Projects like DSWTP underscore the need for schedule discipline in the RTPP. While the effort to further integrate the RTPP and the GIP will provide for a more balanced transmission plan for the State, integration should not come at the expense of the schedule for either process. Towards this end, the CAISO should more clearly delineate the schedules for the various integration options contemplated in the straw proposal. DSP also reiterates comments it made in 2009 and 2010 when the RTPP was originally proposed: CAISO should include early approval of pipeline projects as a discrete milestone for the RTPP. These projects should be prioritized over projects that are first conceived as policy projects in the context of the 2011-2012 RTPP, and do not have any environmental approvals underway. Specifically, DSWTP should be eligible for early approval because it has made significant permitting progress and can start construction in the near term, pending the CAISO's approval.

The CAISO's straw proposal emphasizes measures needed to minimize cost and risks for ratepayers. DSP believes the CAISO should view ratepayer costs and risks more holistically. The state needs new, large transmission lines to access parts of the state where our highest solar resources exist. The solarity in California's desert regions is the highest in the world, and in light of California's aggressive 33% RPS goals, the risk that a major transmission line will constitute a stranded cost is minimal. This is particularly true for DSWTP, which has been under development for more than 10 years, and has completed permitting under both the National Environmental Policy Act ("NEPA") and the California Environmental Quality Act ("CEQA"). The fact that resources like DSWTP will end up being at risk due to the California regulatory process is unfortunate.

Ratepayers care about their total bill, not the proportion of their bill that funds new transmission. Transmission represents a relatively small portion of the bill, whereas generation is the vast majority of the bill. If ratepayers incur new transmission costs to interconnect solar

resources, and as a result, there is greater competition among these renewable generators to serve California load, then ratepayers win. In other words, increased competition will decrease ratepayers' total bills, even though the transmission components of the bills might go up. Thus, basing the need for new transmission on, for example, the California Public Utilities Commission staff's "least-cost, best fit" evaluation process, rather than the "trajectory case" or other scenarios puts ratepayers at risk of having insufficient transmission and elevated generation costs if that scenario of generation proves wrong. In addition to using a less risky generation scenario, the CAISO can also protect ratepayers by expediting clearly needed lines. These should be the highest priorities for this proceeding.

Finally, the CAISO should ensure that independent transmission providers are able to compete with incumbent transmission providers in competing for new transmission lines. One of the issues that was central to FERC's consideration of the RTPP in late 2010 was whether incumbent utilities should have a Right of First Refusal to build lines contemplated in the RTPP. FERC and CAISO ultimately concluded that independent transmission providers must have equal opportunity to bid on projects in the RTPP. The CAISO should keep these objectives in mind as it integrates the GIP and the TPP, because the GIP typically allocates the right to build network upgrades to the incumbent transmission providers. To ensure that independent transmission providers have equal opportunity to compete for new projects, the CAISO should allow independent transmission providers an opportunity to compete for new transmission elements after the results from the GIP have been integrated with the TPP.

The need for competition arises in two contexts. First, when a policy driven upgrade is proposed in the TPP, and an interconnection customer requests a similar upgrade, the right to build that upgrade should not fall to the incumbent transmission provider by default. Independent transmission providers should be able to retain ownership of projects they propose in the TPP that are also contemplated in the GIP. Second, for projects that are not originally proposed in the TPP, and are only proposed in the context of an interconnection request, independent transmission providers should also have the ability to compete for these projects when the results from the TPP and GIP are integrated.

2. *At the end of the Objectives section (section 4) of the straw proposal, the ISO lists seven previously identified GIP issues that may be addressed within the scope of this initiative.*

   DSP has no comments on these particular issues at this time.

3. *Stage 1 of the ISO's proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.*

DSP has no comments on these particular issues at this time, and may offer comments as the options are developed. However, the CAISO must keep in mind that this process must ensure that the projects currently under review by the CAISO are not delayed by the integration of the two processes. Integral projects such as the DSWTP that are vital to achieving California's renewable energy goals must be allowed to move forward in a timely manner.

4. *Stage 2 of the straw proposal adds a step to the end of the TPP cycle, in which the ISO identifies and estimates the costs of additional network upgrades to meet the interconnection needs of the cluster. Please offer comments and suggestions for how to make this step produce the most accurate and useful results.*

If the CAISO adds an additional step at the end of the TPP cycle, it should clarify how the overall schedule will be impacted. CAISO should also consider whether it could still approve discrete elements of the transmission plan that will not be changed by the additional network upgrades.

5. *Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.*

DSP has no comments on these particular issues at this time.

6. *The straw proposal describes how the merchant transmission model in the current ISO tariff could apply to network upgrades that are paid for by an interconnection customer and not reimbursed by transmission ratepayers. Do you agree that the [merchant transmission model] is the appropriate tariff treatment of such upgrades, or should other approaches be considered? If you propose another approach, please describe the business case for why such approach is preferable.*

The CAISO straw proposal requests comment on whether the merchant transmission model should be applied to situations where an interconnection customer pays for network upgrades. Under the existing tariff, merchant transmission providers are not included in the TAC for rate recovery. Consequently, merchant transmission providers are not on a level playing field with the incumbent transmission providers who receive rate recovery. Without rate recovery through the TAC, financing is more time consuming and expensive for independent transmission providers compared to incumbent transmission providers. The CAISO should therefore not apply the existing merchant transmission provider tariff provisions to the RTPP. Instead, to ensure that independent transmission providers have equal opportunity to compete with incumbent transmission providers, independent transmission providers should be eligible for rate recovery through the TAC if they are successful in competing for projects contemplated in the RTPP.

7. *Stage 3 of the proposal also addresses the situation where an IC pays for a network upgrade and later ICs benefit from these network upgrades.*

DSP has no comments on these particular issues at this time.

8. *In order to transition from the current framework to the new framework, the ISO proposes Clusters 1 and 2 proceed under the original structure, Cluster 5 would proceed using the new rules, and Clusters 3 and 4 would be given an option to continue under the new rules after they receive the results their GIP Phase 1 studies.*

DSP has no comments on these particular issues at this time.

9. *Some stakeholders have expressed a need for the ISO to restudy the need for and costs of network upgrades when projects drop out of the queue. The ISO seeks comment on when and restudies should be conducted, in the context of the proposed new TPP-GIP framework.*

DSP has no comments on these particular issues at this time.

10. *Some stakeholders have suggested that there may be benefits of conducting TPP first and then have developers submit their projects to the GIP based on the TPP results. Does your organization believe that conducting the process in such a manner is useful and reasonable?*

This concept makes sense for projects that have yet to be proposed and are first considered in the 2011-2012 RTPP. However, projects that have been fully permitted and only need the CAISO's approval to start construction should be expedited ahead of the timeframe that would be contemplated under this phased approach. Specifically, DSWTP should be considered a "one-off" and should be approved on an expedited basis.

11. *Please comment below on any other aspects of this initiative that were not covered in the questions above.*

As discussed above, DSP urges the CAISO to evaluate ratepayer risk in the context of the total bill ratepayers pay, not just the portion of their bill that pays for transmission. With this framework, the CAISO should allow for more expedited review and approval of clearly needed lines, such as DSWTP. The CAISO should also ensure that independent transmission providers have the same opportunity to compete for transmission projects identified in the RTPP as incumbent transmission owners. DSP appreciates the opportunity to provide these comments.