

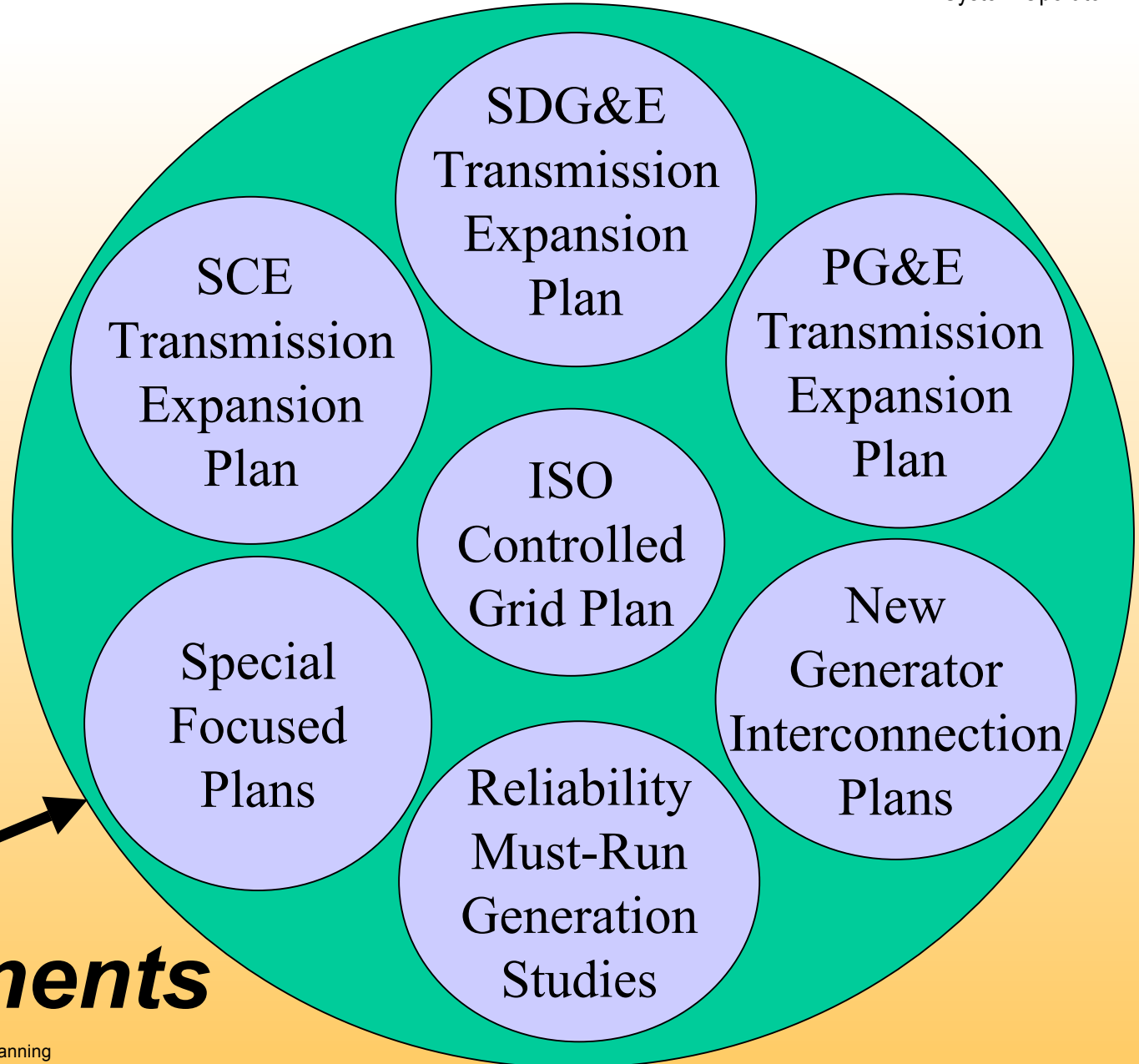
California ISO Long Term Regional Transmission Plan

**NW/CA Subregional
Planning Group
July 23, 2003**

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ISO Grid Plan Components





Policy and Coordination

- Policy – In various forums, we develop standards, procedures, methodologies, requirements, new organizations, etc.
 - Continental Level – NERC & FERC
 - Western Interconnection Level – WECC, CREPC & SSG
 - ISO Level – Stakeholder Groups
- Coordination - Our planned changes will affect the entire interconnection and vice versa. All changes require some level of coordination.



CALIFORNIA ISO

California Independent
System Operator

California's Challenges

- Service to local infrastructure
- Siting obstacles
 - Public process
 - Federal & State interaction
 - Long lead times – more than 5 years
- Money
- Reliability vs. economic
- Responsibility



Is It Enough?

- Reliability
 - ISO planning process
 - Contractual obligation
- Congestion
 - Demand for transmission use is up
 - ISO constrains based on reliability
 - Flow does not always mirror demand



Where Major Congestion Occurs





Original Gospel - Market Will Build Transmission

- Market response to **Transmission** need has been poor
 - Some talk but no action yet
 - Third parties building for regulated rate of return – not the original concept of market lines
- Market response to **Generation** need has been phenomenal



Reasons for Poor Market Response to Transmission Need

- No incentive
 - Receive Transmission Rights but they may be worthless
 - Competitors may benefit from upgrades without cost
- Project development may not be under their control
- Siting process is very difficult, uncertain, and lengthy

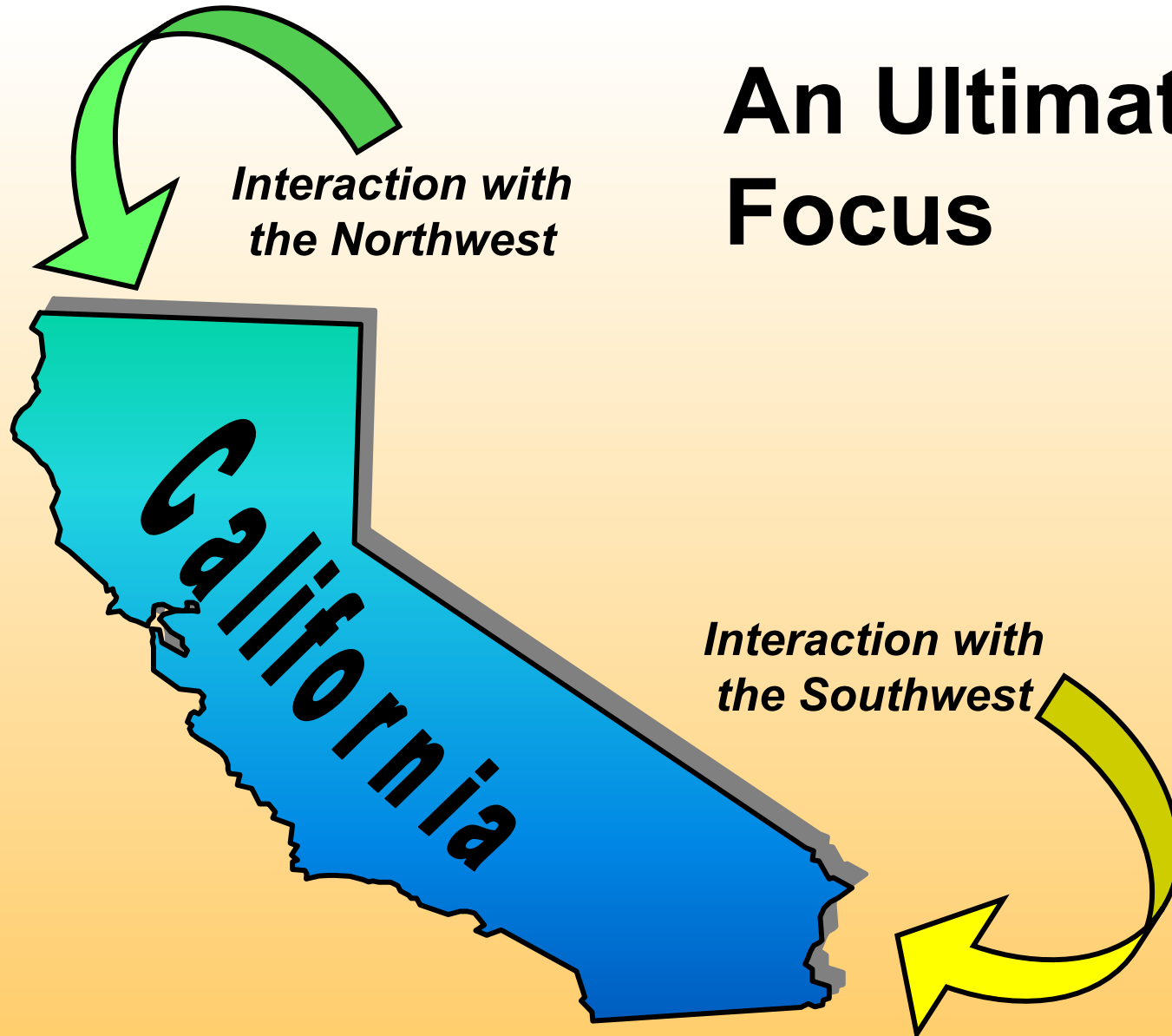


Subregional Planning Paradigm or Paradox

- Issues are complex
 - Simple technical analysis is insufficient
 - Inter-area congestion is a fact
 - Assessment of economics AND reliability is our most likely future course
- Successful plan must be robust
 - Embraces numerous planning variables
 - Facilitate broad stakeholder input
 - Provide insight and not necessarily specifics
- It will required a multi-faceted approach to achieve success



An Ultimate Focus





CAISO Perspective

- Supports subregional & regional planning efforts embodied in STEP and SSG-WI
- Assessment of internal California constraints is a necessary step to develop the best long-term transmission plan for California's ratepayers
- “Partnering” with our neighboring control areas to assess subregional benefits is a necessary step in the evolution of building a credible long-term transmission plan between the Southwest, California, & Northwest subregions



What the CAISO Is Doing

- CAISO has adopted development of a subregional plan as corporate objectives for 2003 & 2004
 - Actively participate in & support STEP & SSG-WI
 - Utilize the ISO Controlled Grid Study to assess congestion internal to California (ITEP)
 - Initiate “Outreach” to Pacific Northwest & support the formation of a subregional planning effort between the Northwest and California
- Through a NW/CA subregional planning group, jointly develop a subregional transmission plan for the NW/CA subregion
- Utilize SSG-WI forum to bridge subregional planning boundaries



Web Links

- STEP

<http://www1.caiso.com/docs/2002/11/04/2002110417450022131.html>

- CATS

www.azpower.org