

CalWEA-AWEA Comments to CAISO on Remote Resource Interconnection Policy

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1. What is the minimum percentage of capacity of eligible projects that must be subscribed pursuant to executed Large Generator Interconnection Agreements before construction can commence?

CalWEA and AWEA support the levels of 25 to 30 percent in the CAISO filing to FERC.

2. What are the appropriate criteria for demonstrating “additional interest” (i.e., interest more than the requisite minimum percentage of LGIAs) for an eligible project?

Additional queue positions and LGIAs, beyond the minimum percentage required, CEC and other credible studies demonstrating resource quality, cost competitiveness and commercial potential, and projects being developed with power purchase agreements and/or land control should be considered.

3. What is the minimum percentage of “additional interest” that should be shown for an eligible project before construction can commence?

Given California’s strong policies in favor of renewable generation and the other significant “interest tests” in the proposal, we believe that “additional interest” need only provide reasonable assurance that the line is likely to be fully utilized over time. Such “additional interest” can be demonstrated through an assessment of queue positions, studies showing competitiveness and commercial potential, PPAs, and land control as described in our response to Question No. 2. There is certainly no basis for a hard numeric test or any further requirement of a binding, financial commitment over and above the LGIA requirement.

4. Do wheel-through customers receive benefits from a Remote Resource Interconnection Facility? Should the costs of a Remote Resource Interconnection Facility be included in wheel-through rates? Why or why not?

Costs should be included in wheel-through rates for at least three reasons. First, none of the policy considerations underlying the CAISO proposal and FERC order support making a distinction between classes of transmission customers. The benefit of tailoring

existing interconnection policies to better accommodate renewable resources is a general public policy benefit shared in common by all customers. The benefit of supporting state, federal and regional policies that encourage the types of clean renewable location-constrained generation likewise applies to customers across the region and not to any particular class of transmission customers. Moreover, as transmission planning becomes more regional in scope with the implementation of Order 890, the Commission is clearly signaling an intent to view transmission policy from a broader perspective. Allocating costs (if any) for Remote Resource Interconnection Facilities uniformly is consistent with that intent.

Second, even if benefit is viewed more narrowly as it relates to improving overall system reliability and relieving constraints, it would be difficult to say that wheel-through customers receive no benefit from the relief of transmission constraints and development of remotely located renewable resources within the CAISO control area. The development of new resources and transmission system improvements benefit the grid generally in terms of system performance and reliability. Such benefits accrue to all.

Third, assigning costs on the basis of perceived “benefit” to particular customer groups would set a bad precedent. If one class of customers is exempted from the costs (if any) resulting from implementation of FERC’s order based on lack of individual “benefit” from the policy, other classes of customers will certainly seek similar exemption. Instituting a system of exemption based on a determination of “benefit” would be an administrative nightmare and would thwart the fundamental purpose underlying FERC’s order granting CAISO’s petition.

5. What are the key elements of and considerations for a transmission planning process for the Remote Resource Interconnection Policy?

Transmission planning for remote resources should be consistent with transmission planning generally, and should include these elements:

- (a) Studies should be conducted on a clustered basis around resources in the queue in a specific geographic area, along with additional resources in those areas identified in an open season process. Queue applications are the best indicator of resource areas that have the most commercial promise for development.
- (b) Transmission studies should focus first on potential network upgrade interconnections for the clustered resources. Only if network upgrades are not feasible or cost-effective should non-network upgrades be considered.
- (c) Once a transmission plan is developed (whether network or non-network), the CAISO should seek a commitment from the regional Participating Transmission Owner to finance the upgrade. If the PTO declines to commit at this stage, other transmission providers should be eligible to build the upgrades and, if non-network, receive the cost-recovery treatment under the Remote Resource Interconnection Policy. (Any CPUC-jurisdictional PTO also should be eligible for

the cost-recovery assurances provided under PU Code 399.25, for network or non-network upgrades.) Should the relevant PTO decline to build the network upgrade, the ISO already has authority under its tariff to seek another party to construct; the applicability of this authority to non-network upgrades should be made explicit. This upfront financing commitment will provide developers with certainty regarding transmission-related costs and therefore promote project development.

6. What principles should be applied and factors considered to ensure that a proposed Remote Resource Interconnection Facility will result in a cost effective and efficient interconnection of resources to the grid?

The steps outlined in response to question #5 should lead to the most efficient transmission solution that taps renewable resources with real commercial potential. In addition, the CAISO could consider as evidence that a proposed facility will be used whether a significant fraction of proposed projects that would use the facility have signed power purchase agreements, as well as the total unfulfilled market for renewable energy stemming from state renewable energy requirements. If cost-effective, upgrades should be designed to be built in phases, with construction of later phases triggered when full utilization of earlier phases becomes clear.

7. How should Energy Resource Areas be selected?

As indicated in response to question #5, the areas studied should be based on the tens of thousands of megawatts in the queue presently. We would like to see aggressive clustering of all queue applications in concentrated areas in order to break the current log jam, and make the queue process work as it is intended. This clustering need not and should not wait for the filing and approval of the Remote Resource Interconnection Facility tariff provision. Some wind projects now in the queue have been there for three years or more; this is a primary reason that the state's 2010 RPS goals will not be met on time.

8. Should the CAISO consider tariff changes to its existing authority to "cluster" interconnection studies to enhance its ability to efficiently evaluate locationally-constrained resource areas?

Yes. The ISO Tariff requires modification to give the ISO more flexibility to conduct cluster studies. For example, clustered studies should be enabled on a retrospective basis as well as on a prospective "open season" basis. Clustering would: (1) promote the efficient use of ISO analytical resources, allowing the ISO to accommodate more study requests; and (2) better account for the interaction between the different requests, e.g., where more than one request would affect power flows in a given area.

9. Other

We support the CAISO's proposed Remote Resource Interconnection Policy as one more "tool in the box" for which there may be important applications. The CAISO can also

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expedite interconnections for renewables projects under its existing tariff – e.g., through cluster studies and conditional firm service. Those methods can be addressed immediately before waiting for FERC approval and implementation of this Remote Resources tariff provision.