



California Independent
System Operator Corporation

December 13, 2007

Via Electronic Filing

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Large Generator Interconnection Procedures (LGIP) -
Generator Queuing Practices
Docket No. AD08-2-000**

Dear Secretary Bose:

Attached please find the Prepared Statement of Armando Perez, Vice President, Transmission Planning and Infrastructure Development of the California Independent System Operator Corporation for filing in the above-referenced docket.

Thank you for your attention to this matter.

Yours truly,

/s/ Grant Rosenblum

Grant Rosenblum
Senior Counsel
Counsel for the California Independent
System Operator Corporation

Attachment
cc: Service List

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Interconnection Queuing Practices)	Docket No. AD08-2-000
)	
Midwest Independent Transmission System Operator)	ER07-1375-000
)	
Midwest Independent Transmission System Operator)	ER07-970-000
)	
Southwest Power Pool)	ER07-1311-000
)	
PacifiCorp)	OA07-54-000
)	
United States Department of Energy Bonneville Power Administration)	NJ08-2-000

**PREPARED STATEMENT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATON
FOR TECHNICAL CONFERENCE ON GENERATOR QUEUING PRACTICES**

Armando Perez, Vice- President
Transmission Planning and Infrastructure Development

I would like to thank the Commission for convening this technical conference on generator interconnection queuing issues and, more importantly, expressing a willingness to consider a departure from the status quo. In this regard, Order 2003's Large Generator Interconnection Procedures (LGIP) represented a laudable effort to promote open access and increase transparency in the interconnection process. However, transmission providers and generation developers across the country are now experiencing frustration and significant hurdles to interconnecting new resources. The problems hindering the current interconnection process in the CAISO footprint arise, in large part, from an unprecedented proliferation in the

number of interconnection requests driven by aggressive state renewable portfolio standards (RPS).

Since implementing LGIP on July 1, 2005 through November 30, 2007, the CAISO has received 212 interconnection requests, totaling 65,645 MWs. The CAISO currently has 173 active interconnection requests representing 57,686 MWs. Of this active total, 118 of the interconnection requests and approximately 40,000 MWs of capacity are renewable resources. The capacity in the queue associated with these renewable resources has grown quickly from 5,700 MWs as of January 2006 to 11,000 MWs in January 2007 to the approximately 40,000 MWs as of November 2007. To put this into proper perspective, the CAISO historic peak demand experienced during the heat wave in the summer of 2006 was 50,270 MWs.

The large number of requests and the high level of capacity in the CAISO's queue have exposed certain deficiencies in the current serial study process. While others have identified many of these deficiencies, I want to briefly address several particular problem areas because they will guide my discussion of potential solutions. The queuing process is simply too easy to join and too easy to both stay in and withdraw from. Simply put, developers can come or go without any significant commitment and with only minimal financial risk. These low barriers to entry and inadequate progress milestones appear to allow an unacceptably high level of speculative projects that may ultimately withdraw from the queue or linger in the queue by exercising their current right to suspend for a three year period. Many of

these projects may not have a buyer or financing, any realistic prospect of actual control of the development site, or an ability to timely obtain the necessary equipment to fulfill its stated on-line date. When a queue is populated by a large number of projects that lack commercial viability, it leads to significant delays and uncertainty in the entire process.

Uncertainty is particularly problematic. Project developers may not have a clear understanding of their ultimate transmission costs, impairing their ability to obtain financing. The financing difficulty is exacerbated by the fact that, under a serial study approach, disproportionately high costs may be allocated to the developer unlucky enough to be assigned the queue position that triggers the necessary, yet lumpy, upgrades. Other projects located in the same electrically connected region may benefit from the capacity lumpiness by having little to no assigned upgrade costs. Moreover, both project developers and transmission providers can have little confidence in completed study results knowing that such results are likely to be rendered irrelevant by the withdrawal of higher-queued projects.

While the problems with the management of the current queue process should not be underestimated and clearly must be addressed by the Commission to facilitate access to renewable resources, these problems should not be singled out as an excuse for failing to meet California's RPS goals. The CAISO approved, following close cooperation with the CPUC, Participating Transmission Owners (Participating

TOs), and other stakeholders, two network transmission projects intended to facilitate renewable resource development – the Tehachapi Renewable Transmission Project and the Sunrise Power Link. Tehachapi provides access to potentially 4,500 MW of wind generation, while Sunrise provides a link to approximately 1800 MW of geothermal capacity and 900 MW of solar. These projects represent the potential for approximately 29,000 GWh from renewable resources, which will allow California to meet its 20% goal. Accordingly, the CAISO believes that, in addition to queue reform, California should continue to focus on the timely approval and successful permitting of additional network transmission to rich, yet remote, renewable resource areas and directing LSE procurement to those areas with the corresponding transmission development. The CAISO intends to work with state regulators and others to coordinate the identification of upgrades in the CAISO's transmission planning process to access renewable resources.

As noted, the queue management process needs reformation. The CAISO has also been working collaboratively with the CPUC, Participating TOs and market participants to develop, for Commission consideration, potential solutions to address the perceived deficiencies in the current interconnection process. These solutions must resolve the current backlog of interconnection requests as well as establish a basis for effectively going forward. The basic objective is to reform the queue so that study outcomes are more realistic and ensure a more efficient interconnection of resources that match system needs. Given that elements of the going forward

solution are also incorporated into the procedures for addressing the queue backlog, I will first describe the prospective elements of our proposal.

First, the CAISO must fully utilize its existing clustering or group study authority. The CAISO envisions performing group studies for requests with similar electrical impacts and assigning upgrade costs to the projects on a pro rata or similar basis. Assigning costs in such manner will more equitably spread cost responsibility for upgrades and mitigate the negative effects of the current “but for” cost allocation approach. Moreover, pro rata cost allocation should greatly reduce, but not wholly eliminate, the expense and time implications of restudies caused by generator withdrawals. Participating TOs would continue to have the option to fund the upgrades and the current approach of crediting generators upon commercial operation would be maintained.

However, clustering without further queue reforms will not by itself effectively address the fundamental problem of reducing the unrealistic level of requests and capacity seeking interconnection. As such, the second set of reforms must adjust the current approach by requiring greater developer commitment. There are many potential permutations of such adjustments that the Commission should consider. The CAISO believes several adjustments will likely be necessary at various stages of the process. For example, the Commission should consider increasing the financial commitment of interconnection customers at each stage of the study process as well as the acceleration of the requirement to establish site control. Site control should

not be an alternative to security deposits, but rather an additional mandatory requirement at an early and appropriate stage in the process. Further, the Commission should consider added financial consequences to delay or withdrawal. Interconnection customers who withdraw during the study stage could be required to pay for the costs of any necessary restudies by means of their prior deposits. Interconnection customers with executed LGIAs may be precluded from suspending the project for a period as long as three years, or if that period is maintained, specifying that a request to delay the commercial online date exposes the interconnection customer to funding responsibility for upgrade costs necessary to prevent harm to other resources caused by the suspension request.

Third, a point which is more of a departure from past practice, the Commission should consider allowing ISOs and RTOs greater flexibility in establishing upfront, clearly defined criteria to prioritize study efforts. While the CAISO has not fully evaluated any particular set of criteria with its stakeholders, it may be that factors such as RPS requirements, results of requests for offers, resources with existing power purchase agreements, interconnection in specific regions with prior transmission upgrades, or other state initiatives may serve to increase the efficiency and efficacy of study outcomes and certainty to project developers. The creation of priorities in the study process must clearly be weighed against open-access principles as they have been traditionally implemented, i.e. on a first come, first served basis. However, current experience suggests that the first-come, first-served

approach does not provide the flexibility for ISOs and RTOs to efficiently meet a broader range of public policy objectives.

The CAISO contemplates utilizing, to the maximum extent possible, these “going forward” reforms to also structure a “looking back” solution. The Commission must be equally aggressive and creative in addressing existing backlogs across the country. The CAISO contemplates opening an initial Queue Cluster Window that would, at its closure, be subject to the newly proposed rules to the maximum extent possible. Whether the CAISO proceeds by means of a tariff waiver request similar to that utilized for the Tehachapi project or some other procedural vehicle remains under consideration. Further, unlike the Tehachapi proceeding, the solution to the backlog may not necessarily include an unequivocal upfront funding commitment by the Participating TOs. The CAISO presumes that any solution will require Commission approval. However, the CAISO requests that the Commission permit tailored regional solutions and not mandate a national process. Only by allowing for diversity will parties be able to bring viable and expeditious solutions to address the current problems that vex the generation interconnection queue process.

CERTIFICATE OF SERVICE

I hereby certify that I have, this 13th day of December, 2007, caused to be served a copy of the forgoing document upon all parties listed on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

/s/ Susan Montana
Susan Montana