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## **Northern California Power Agency Comments on Remote Resource Interconnection Policy**

**June 15, 2007**

Northern California Power Agency (“NCPA”) would like to thank the CAISO for the opportunity to provide comments on the Remote Resource Interconnection Policy. The comments found below address specific questions raised by the CAISO, which were covered in the June 1, 2007, Market Notice regarding the Remote Resource Interconnection Policy.

### **Question 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?**

NCPA believes that a minimum of 50 percent (50%) of capacity for eligible projects must be subscribed pursuant to executed Large Generator Interconnection Agreements prior to the commencement of construction in order to reduce the risk of stranded costs resulting from abandoned investment.

### **Question 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?**

Regarding commercial commitment, interested parties (generation investment) should be required to demonstrate a contractual obligation, which may include some form of financial commitment to ensure that the proposed project will materialize. Risk associated with stranded costs resulting from abandoned investment should be minimized to avoid shifting risk to the market via an increased Transmission Access Charge. Also, measures must be implemented to ensure that all market participants have a fair and equal opportunity to access resources made available by the Remote Resource Interconnection Policy.

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

NCPA believes that a minimum of 25 percent (25%) of “additional interest” should be shown for an eligible project before construction can commence.

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

NCPA strongly believes in the principle of cost causation. NCPA does not have a position with respect to the benefits a wheel-through customer may or may not receive from a Remote Resource Interconnection Facility at this time. In general, only those entities that receive a tangible benefit from a Remote Resource Interconnection Facility should be subjected to the costs of the facility. Deliverability is a major factor that must be considered when determining benefits for all transmission customer of the CAISO, and should be thoroughly discussed throughout this stakeholder process.

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

NCPA believes that deliverability is an important element that should be considered as part of the transmission planning process for the Remote Resource Interconnection Policy. NCPA also believes that the transmission planning process for the Remote Resource Interconnection Policy should incorporate economic cost/benefit analyst as a core fundamental element, to ensure that projects are not evaluated solely for feasibility, but also for the economic value it provides to the overall CAISO transmission customers.

**Question 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?**

In principle, all Remote Resource Interconnection Facilities should be compared against other alternative investments to determine if the remote resource will contribute to local and or system capacity needs in a comparable manner. Further discussion is needed to develop this question.

**Question 7 – How should Energy Resource Areas be selected?**

This particular issue is complex, but at minimum areas which provide the greatest benefit to all users of the grid should be given priority.

**Question 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.**

NCPA has no comments on this issue at this point in time.

**Other**

See other comments submitted by NCPA on this subject (Third Category Transmission).