

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation to Facilitate)	
Proactive Development of Transmission)	I.05-09-005
Infrastructure to Access Renewable Energy)	
Resources for California)	
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**PRELIMINARY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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Pursuant to the e-mail ruling issued on October 13, 2005, in the above-referenced proceeding, the California Independent System Operator Corporation (“CAISO”) respectfully submits its preliminary comments.

I. Introduction

The CAISO commends the Commission for initiating this investigation to facilitate the development of adequate transmission infrastructure to access renewable resources. As the Order Instituting Investigation (“OII”) recognizes, renewable energy resources possess unique characteristics that pose challenges to the existing process by which those resources are interconnected to the transmission grid. The CAISO appreciates the OII’s acknowledgement of the instrumental role the CAISO plays in interconnection and transmission planning generally. These comments constitute the CAISO’s preliminary assessment of issues that implicate the CAISO’s expertise and responsibilities in promoting transmission infrastructure. It should be emphasized that the CAISO is currently in the process of evaluating its internal planning process and Tariff authority as well as working with the Commission and the California Energy Commission (“CEC”) to assess how its procedures and/or authority can, or should, be modified to facilitate compliance with renewable portfolio standards (“RPS”) goals. Accordingly, each of

the following answers is subject to modification and future elaboration.

II. Discussion

A. How can the work of the Tehachapi Collaborative Study Group be effectively supported to ensure and expedite the reasonable development of the Tehachapi region? Is the process aided by changing the Commission's level of involvement and, if so, how?

The Tehachapi Collaborative Study Group (“TCSG”), like the CAISO’s proposed more proactive transmission planning process, relies on resource scenarios. The TCSG provides an assessment of transmission and associated costs required to interconnect over 4000 MW wind generation resources in the Tehachapi area. The CAISO believes this work is on track to provide the guidance necessary to identify and expedite the ultimate transmission upgrades required as applications for proposed generation are received and processed through the CAISO Generation Interconnection Queue process. While the focus on the Tehachapi area has appropriately resulted from resource scenario analyses performed by the CEC, the CAISO believes a more comprehensive collaborative process should concurrently proceed. As required by the statutory authority underpinning the RPS, resources selected to meet the RPS objective should be least cost/best fit. This suggests that resource planning should consider focusing on assessing all renewable resource areas throughout the WECC by considering CEC projections, information received through historic RPS solicitations, and other relevant data. That said, the CAISO does not currently advocate deferring the TCSG process to accommodate a more comprehensive approach.

In this regard, the TCSG has continued assessing additional study results and is progressing towards a relative ranking of the comparable alternatives that provide the required transmission to reliably connect over 4000 MW of wind generation in the Tehachapi area. The CAISO remains optimistic of meeting the goal as long as the focus remains on assessing only

comparable plans needed to deliver the ultimate potential of wind generation. Development of a “definitive plan” should be qualified further that any plan preferred by the TCSG is subject to change based on the actual level of proposed generation applications received into the CAISO Generation Interconnection Queue and their subsequent evaluations through that process. The TCSG plan would not address concerns that exist with the intermittency of wind and the impacts it may have on daily operations considering such a significant concentration of wind generation within one geographic area.

At this point, the CAISO has not developed an opinion on changing the level of the Commission’s involvement with Tehachapi.

B. How can the Commission best use CAISO’s new transmission planning process to facilitate development of renewable resources?

As suggested above, the CAISO’s new transmission planning process will utilize assumptions from the CEC’s Integrated Energy Policy Report proceeding and other data to develop resource scenarios. The CAISO will develop transmission expansion plans that would be required for realizing the resource development scenarios. It is presumed that these resource scenarios will include renewables. These plans would be coordinated with LSE long-term procurement plans to ensure adequate assessment of resource alternatives. Once this approval is obtained the project permitting process could be expedited to ensure successful development of these projects in a timely manner.

C. How could the CAISO tariff and/or processes be changed to allow for transmission planning on the basis of renewable resource potential rather than on a project-by-project basis?

Currently, the CAISO Tariff permits approval of transmission projects on the bases that they are “needed” to meet reliability criteria, to promote economic efficiency, or to ensure the reliable interconnection of a specific generator or generators. The latter element permits

“cluster” of resources in the interconnection queue, but does not currently contemplate clustering of speculative projects based on resource potential. Further, under federal precedent, generators are responsible for the cost of direct assignment of “gen-tie” facilities necessary for interconnecting the project to the CAISO Controlled Grid. As such, the CAISO recognizes that its current Tariff authority does not elevate or separate renewables from other resources. Given this current state of affairs, as discussed above, the resource scenarios received from the CEC would incorporate expected development of all resource types. Transmission projects that appear to be common to all or most scenarios would then be included in the CAISO Transmission Expansion plan and developed as part of the integrated inter-agency planning process.

D. How can assessments of the costs of integrating renewable resources, as identified in the CEC’s Renewable Resource Development Report or elsewhere, be incorporated into or combined with the work of the Tehachapi Collaborative Study Group or other comparable study groups to ensure that transmission solutions consider economic feasibility as well as engineering feasibility?

The CAISO supports the transmission ranking cost concept. With this concept, the TCSG would identify the net transmission cost associated with adding wind generation to the Tehachapi study area and these costs would be added to the cost of Tehachapi generation options. LSE’s would then select the lowest cost renewable generation to meet their needs. The generation scenarios in the new proactive planning process should allow the Commission and CAISO to approve long term resource plans and transmission projects that are selected based on the least cost best fit criteria. The approved transmission projects could enter the permitting and development process in parallel with the renewable procurement processes.

E. Should the costs of integrating renewable resources be considered at other points in the transmission planning process as well?

Yes, as indicated in the responses above.

F. What options are available to provide the IOUs or other Participating Transmission Owners adequate assurance of cost recovery for proactive investments in transmission infrastructure to access renewable resource areas? What changes would be required to implement these options?

Under the CAISO's current Tariff authority, CAISO Board approval of a transmission project should be adequate cost recovery assurance. As noted above, the CAISO is evaluating, but has not yet reached any conclusions regarding, other options or modifications to its current authority that impact cost recovery for transmission investments intended to access renewable resource areas.

G. How should the cost responsibility for proactively built transmission infrastructure be allocated across IOUs, ratepayers and developers?

To the extent the project is approved by the CAISO, those project costs should be recovered through the CAISO Transmission Access charges.

H. What changes to FERC's current approach to cost recovery would facilitate renewable development?

See answer to F above.

I. How can the work of the Imperial Valley Study Group be supported to further development of the renewable resources identified in the Imperial Valley region? Should the Commission become more involved in this process?

In general, the process described above should apply to all renewable resource areas. However, workload issues within the CAISO may not allow us to complete all of the necessary studies within a short time frame. The Commission involvement would occur as part of the integrated inter-agency planning process.

October 25, 2005

Respectfully Submitted:

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