

**Comments of the California Department of Water Resources'
State Water Project on the California Independent System Operator's
White Paper "Proposal to Remove Barriers to Efficient Transmission Investment"**

October 6, 2006

The California Department of Water Resources' State Water Project (SWP) appreciates the California Independent System Operator (CAISO) providing entities the opportunity to provide comments on the CAISO's September 21, 2006, White Paper titled "Remove Barriers to Efficient Transmission Investment".

Due to review of the CAISO's Business Practices Manuals for the CAISO's Market Redesign and Technology Upgrade (MRTU), CAISO budget and Grid Management Charge (GMC), and other work required of the SWP related to Resource Adequacy, the SWP is unable to provide comments beyond that provided below. Thus, SWP reserves its right to develop additional positions and offer additional comments upon further review of this proposal.

White Paper dated June 28, 2006:

The CAISO issued a White Paper titled "Third Category of Alternative Treatment of New Transmission Facilities for Renewable Generators" on June 28, 2006. This White Paper focused on the creation of transmission "trunk lines" for renewable generators. SWP submitted comments to the CAISO in response to that White Paper on July 14, 2006. In its comments, SWP recognized the public policy benefits of increased access to reasonably priced renewable resources within California but stated concerns regarding potential precedential aspects of the process proposed by the CAISO.

White Paper dated September 21, 2006:

The CAISO issued a White Paper titled "Remove Barriers to Efficient Transmission Investment" on September 21, 2006. This second White Paper purports to include changes that were made to answer stakeholders' concerns raised about the first White Paper. However, in addition to changing the title of the White Paper, it appears the CAISO is also making a significant policy change. Specifically, the CAISO now appears to be supporting the inclusion of costs of gen-tie lines, regardless of whether for renewable generation or non-renewable generation, in the CAISO's Transmission Access Charge (TAC). If so, the CAISO should be aware that this would be counter to policy established by the Federal Energy Regulatory Commission in Order 2003 in the Large Generator Interconnection Policy (RM02-1).