

Decision on Location Constrained Resource Interconnection Policy



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California ISO
Your Link to Power

Board of Governors Meeting
General Session
October 17, 2007

The history of this initiative

- 🌐 Removing Barriers for Efficient Transmission Development
 - October 2006 - Concept approved by the Board of Governors
 - January 2007 - Filed Petition for Declaratory Order with FERC
 - April 2007 – FERC Order approving the conceptual design
- 🌐 Next Steps
 - By October 31 - File Tariff Language with FERC for approval

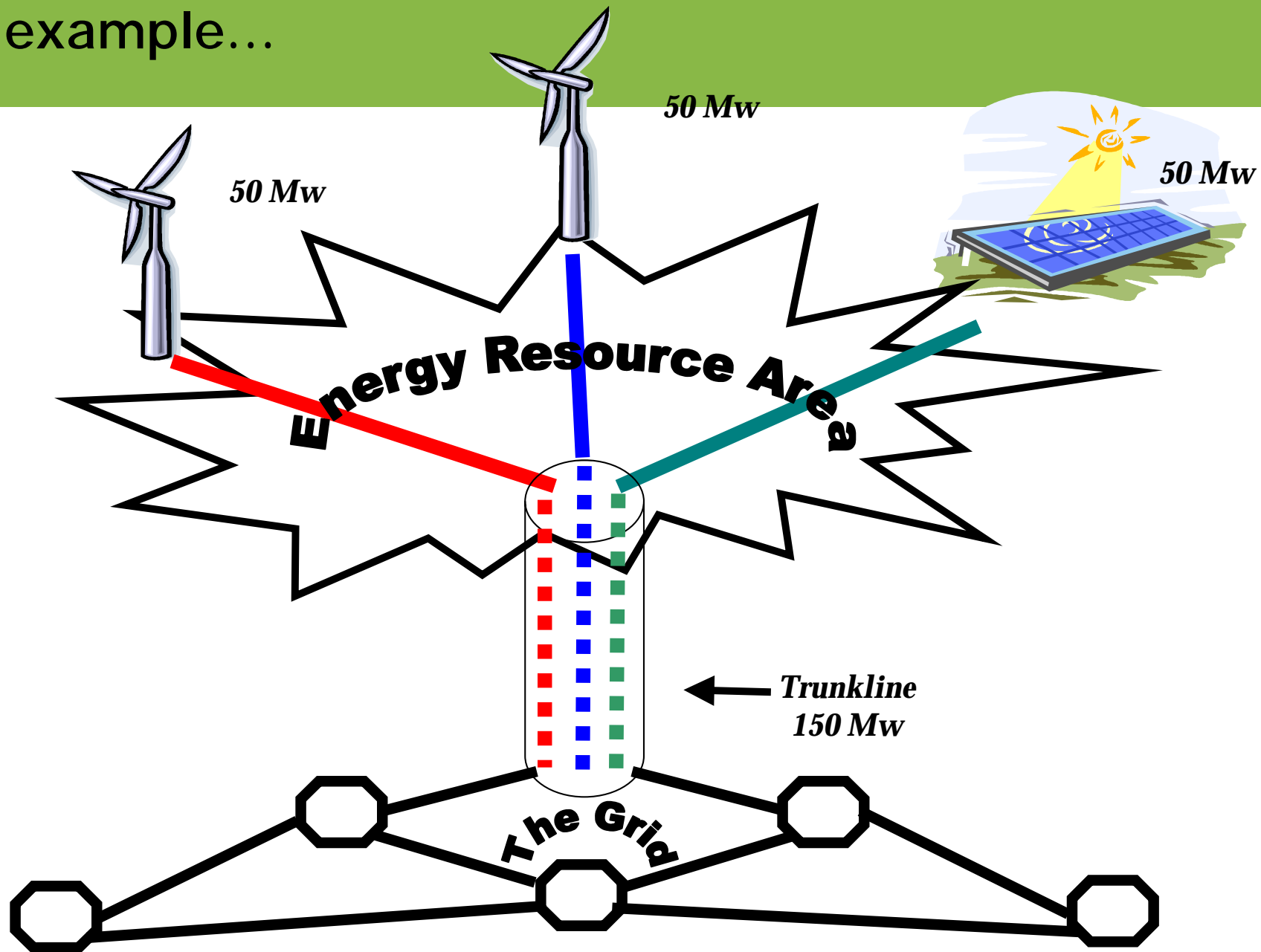
Why is this needed?

- 🌐 Currently, the cost of transmission interconnection facilities constitutes a significant barrier to the development of location constrained resources in remote areas
- 🌐 It is a key initiative to enable California to meet its Renewable Portfolio Standard goals

What is the purpose of this initiative?

- Provide a financing mechanism for the construction of interconnection facilities to connect location constrained resources to the grid
 - Participating Transmission Owners will finance the cost of the interconnection through their revenue requirement
 - Generators would become responsible for their *pro rata* share of these costs as they come on line and use the facilities

An example...



Seven Eligibility Principles

1. Not network facilities
2. Access area where there is potential for significant energy resources that are not transportable
 - CEC/CPUC to designate Energy Resource Areas
 - Interim Process
3. Turned over to the CAISO operational control
4. Serve multiple power plants
5. Be cost effective as evaluated within CAISO transmission planning process
6. Limited TAC rate impact (<15%)

Continued...

Seven Eligibility Principles

 Also:

7. 60% of the line has demonstrated adequate commercial made up of :
 - Firm Commitments - 25% in executed agreements
 - Additional Interest - PPA, Monetary Deposit

Result of balancing stakeholder concerns including:

- *Lower bound for firm commitment requirement*
- *More stringent requirements for additional interest showing*
 - *PPA – added minimum contract term of 5 years, or*
 - *Monetary Deposit = minimum amount of \$ to complete LGIP*
- *Ensuring process facilitates commercial interest showings*