

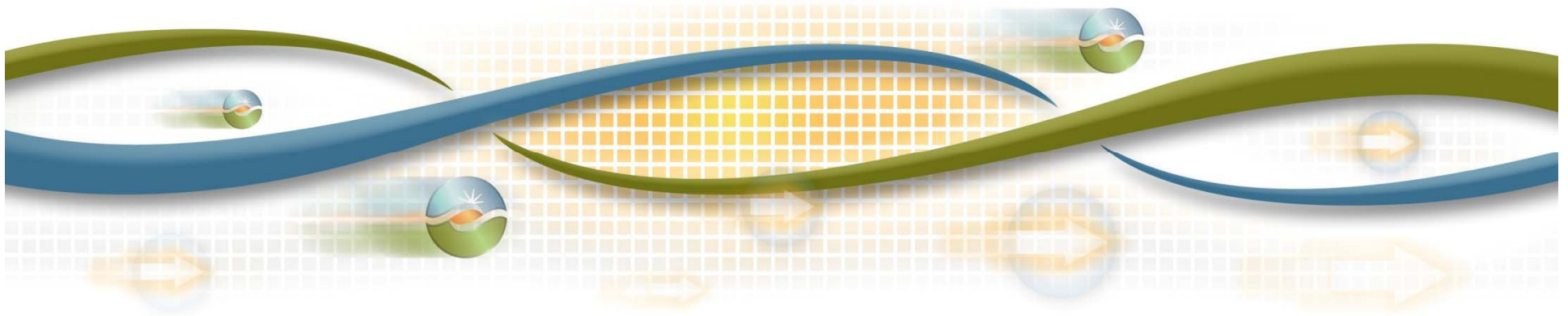


California ISO  
Shaping a Renewed Future

# Integration of Transmission Planning and Generator Interconnection

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# Background

1. Today TPP & GIP operate in parallel, independently identifying and approving potentially costly, ratepayer funded transmission additions & upgrades
  - 2010 TPP revision provided some limited capability for TPP review and modification of GIP-driven projects
2. Current GIP rules require ratepayers to reimburse interconnection customers 100% for costs of network upgrades needed for reliability and RA deliverability
  - Other ISOs & RTOs have provisions for interconnection customers to pay for interconnection-related upgrades
  - In 2006 CAISO proposed “economic test” to limit ratepayer responsibility for high-cost upgrades; FERC rejected proposal “without prejudice”

# Objectives

1. Develop ratepayer-funded transmission for the ISO grid in a comprehensive planning process
2. Rely primarily on the TPP for developing ratepayer-funded transmission, including policy-driven needs to meet 33% RPS
3. Provide incentives for developers to locate projects to make the most efficient use of transmission
4. Limit ratepayer exposure to costs of underutilized transmission upgrades
5. Provide greater certainty that transmission approved by ISO will be permitted by siting authority (CPUC)
6. Greater transparency regarding network upgrade decisions
7. Resolve four open GIP issues related to initiative scope

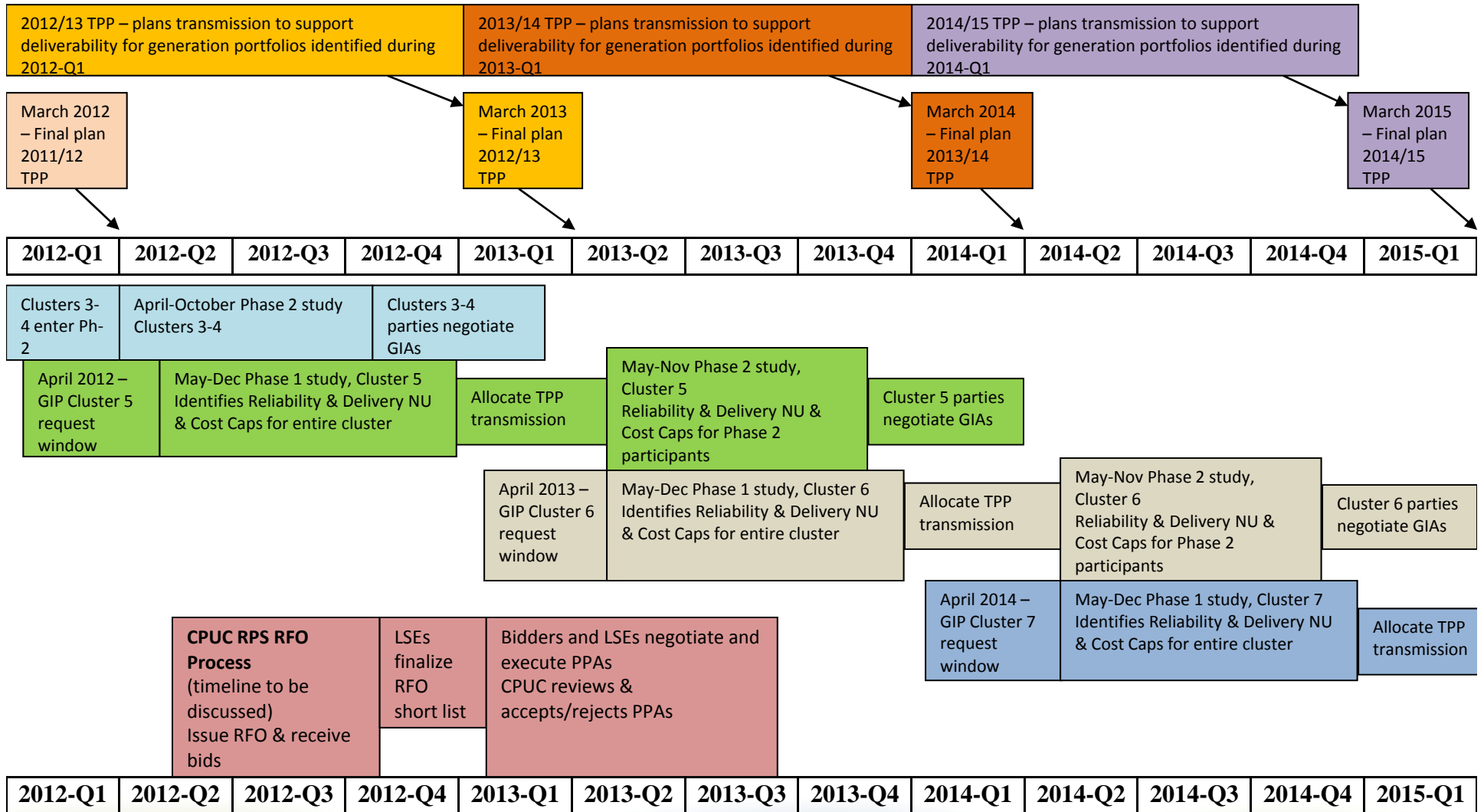
# Central Design Concepts

1. Identify public-policy objectives for planning in the TPP (i.e., 33% renewable energy by 2020)
2. TPP determines needed policy-driven transmission to deliver energy from alternative renewable portfolios
3. TPP-approved transmission that meets interconnection needs will relieve ICs of GIP upgrade costs
4. ICs will pay for incremental upgrades beyond the TPP
  - ICs receive CRRs for transmission capacity they pay for
5. ISO applies an equitable process to allocate ratepayer-funded transmission in over-subscribed areas
6. IC is eligible to recover costs for excess capacity paid for and used by later-queued projects

## TPP-GIP Discussion Paper 11/23/2011

- New proposed time line – allocation would occur between GIP Phase I and Phase II studies
- Outlines four potential mechanisms to allocate deliverability from TPP identified transmission capacity
- Allocation options include
  - LSE Choice
  - Ranking Based on Milestones and Characteristics
  - Auction
  - Pro Rata

# Proposed Time Line



## TPP-GIP Working Group

- Convened to enable collaborative problem solving in small groups
- CPUC presented on RPS procurement
- Five groups, each discussed
  - TPP-GIP alignment with CPUC procurement
  - Four methods to allocate deliverability from TPP identified network upgrades
  - Queue Management



## Issues Raised by Most Groups

- The ISO and CPUC must coordinate schedules/planning activities better
- Queue management is very important
  - TPP-GIP initiative should not focus only on Cluster 5 and beyond; existing queue must be addressed
- No group took any of the allocation options off the table.
  - Though some were clearly preferred over others
- PPAs and firm milestones must play role in the allocation decision
- How will the new TPP-GIP address interconnection for “integration resources”?



## Open Issues for the ISO

- Allocating deliverability from TPP identified transmission
  - Within a cluster
    - Allocation mechanism
  - Between clusters
    - Should TPP identified deliverability be allocated to cluster 5 projects only, even though pre-cluster 5 projects are available
    - Will TPP identified deliverability already be fully subscribed by pre cluster 5 projects (i.e. no deliverability available for cluster 5 projects)