Stakeholder Comments Template

Subject: Remote Resource Interconnection Policy

Submitted by	Company	Date Submitted
Eric Eisenman	*Pacific Gas and Electric Company*	*June 15, 2007*

This template has been created for submission of stakeholder comments on the following topics covered in the June 1 Market Notice regarding Remote Resource Interconnection Policy. Upon completion of this template please submit (in MS Word) to chinman@caiso.com. Submissions are requested by close of business on Friday June 15, 2007.

Please submit your comments to the following questions for each topic in the spaces indicated.

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?

PG&E recognizes that the minimum subscribed percentage must be high enough to balance the increase in the TAC rate and the possibility of stranded costs borne by customers (if Remote Resource Interconnection Facility (RRIF) projects remain undersubscribed) while remaining low enough to realistically move the project forward. This "tug-of-war" between setting a high percentage and setting a (relatively) lower percentage is a challenging problem to solve.

PG&E believes that the threshold should be set to recognize that early entrants will spur interest and attract additional developers. Furthermore, PG&E notes that another approach to determine the minimum percentage of subscribed eligible projects is to first determine the minimum percentage of total interest – that is, the sum of initial LGIAs and "additional interest."

Finally, PG&E would like to clarify that the minimum percentages described in this document are in relation to the total line capacity rather than the total potential amount of resources available in a given remote location. While the plan of service for an RRIF may initially be sized to the full potential of amount available resources based on resource studies like the CEC studies, RRIFs may need to be re-sized to match actual development interest.

For example, a line that is originally sized for 1,000 MW may only have 500 MW subscribed in total interest (the sum of LGIAs and "additional interest"). The line can be re-sized to

700 MW in order accommodate the exhibited interest. However, if such a strategy were employed, the line should be designed with flexibility and scalability in mind. That is, the line should be designed to be easily upgraded or expanded in the future in order to accommodate future resource development in the area, should it occur.

*While it is likely that the final percentages will largely be determined by consensus, PG&E suggests that the minimum percentage of eligible subscribed projects be **35 percent** of the total line capacity.*

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?

There are several criteria that could be considered appropriate for demonstrating "additional interest." Overall, the criteria should demonstrate a firm level of commitment by the generators but not be so stringent so as to create barriers to development. It is important to note that the design of the "additional interest" criteria and the LGIAs committed requirement should be considered together. Below are some suggestions for possible criteria, a combination of which should be sufficient to show additional interest:

- *Valid Interconnection Requests that arise from the open season process, which include an initial deposit of $10,000 plus a showing of site control or an additional deposit.*
- *In addition to the $10,000 and showing of site control submitted during the interconnection process, a deposit on a $/kW (of project's capacity for each generator) basis would demonstrate serious intent for the generation project while not being unduly burdensome. This additional deposit could be creditable towards the generator's share of the cost of the RRIF when both the generator and the RRIF come on line*
- *Declaration of intent*

3. What is the minimum percentage of "additional interest" that should be shown for an eligible project before construction can commence?

*PG&E recommends that the minimum percentage of "additional interest" be **35 percent** of the total line capacity.*

Together, the eligible subscribed projects and the "additional interest" sum to 70 percent of total line capacity.

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

Given that (a) there will be a cap for costs included in the TAC, (b) only the unsubscribed portion of the RRIF will be included in the rate, and (c) all CAISO grid users benefit from the diversification of generation offerings, costs of RRIFs should be included in "wheel-through rates." Every power purchaser has the potential to procure energy and ancillary services from these generators.

In addition, there is currently no separate "wheel-through rate" for wheel-through customers. The creation of a separate rate would be difficult to administer and enforce.

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

Key elements and considerations for a transmission planning process for the Remote Resource Interconnection Policy should include the following:

- *RRIFs must be considered in the annual CAISO Transmission Plan*
- *Rather than studying each interconnection individually, the planning process for establishing RRIFs should use cluster studies for generators*
- *Scalability or flexibility alternative for the proposed RRIF*
- *Minimum number of separate developers for each project (developers should generally not be affiliates in order to be eligible)*

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?

While there are many principles and factors to be considered to ensure that RRIF projects are cost effective and efficient, PG&E would like to note the following considerations for discussion:

- *How the resources in the remote area can best fit into the total resource portfolio to supply the CAISO grid users*
- *Whether sufficient resources are available*
- *Whether forward procurement contracts exist*
- *Is there a high probability of full generation development?*
- *Integration costs (including costs to resolve potential grid operation problems)*
- *Deliverability costs*

7. How should Energy Resource Areas be selected?

PG&E suggests the following processes and procedures to aid in the selection of Energy Resource Areas:

- *The CEC resource studies can identify potential renewable rich areas*
- *LSEs can identify resource areas with resources that best fit the CAISO grid user profiles*
- *The CAISO interconnection queue can also be used to identify resource areas that are likely to develop*
- *Selection of Energy Resource Areas should take place through a Renewable Transmission Planning Process which must include LSE input into what resources best fit the CAISO grid user profiles*
- *The California Sub-Regional Planning Group may have a role in selecting Energy Resource Areas*

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

Yes. The CAISO should consider including language in the existing tariff to allow flexibility in the Generator Interconnection Queue. The nature of these projects, which involve multiple generators and the need for cluster studies, create uncertainty with regard to timing. Generators that join the queuing process at different times may face situations that require waivers to remain in the queue (in order to wait for additional generators to "catch up") or worse, lose queue position altogether. Streamlining the process for generators earmarked for remote resource projects would alleviate potential coordination and timing problems.

9. Other

PG&E would like to include the following items for discussion and consideration:

- *Development of cost recovery safeguards in the case of an abandoned project or stranded costs*
- *Will the 15% cap proposed by the CAISO be subject to stakeholder discussion?*
- *Will renewable resource generation projects have a higher priority than other generation projects once the minimum thresholds for construction are met?*